



AGENDA

EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS OF THE ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

Thursday, August 2, 2018, 10:00 a.m.

Location:

Bay Area Metro Center
Golden Gate Conference Room 8102
375 Beale Street
San Francisco, California

Teleconference Locations:

County of Sonoma, County Fiscal Building, 585 Fiscal Drive, Suite 100, Santa Rosa, California

County of Santa Clara County, County Government Center, 70 West Hedding Street, E. Wing,
2nd Floor, San Jose, California

County of Contra Costa, 625 Court Street, Room 102, Martinez, California

Executive Committee Members:

Charles Lomeli, Treasurer-Tax Collector-County Clerk, County of Solano

Jonathan Kadlec, Assistant Auditor-Controller-Treasurer-Tax Collector,
County of Sonoma

Paul McDonough, Debt Management Officer, County of Santa Clara

Russell Watts, Treasurer-Tax Collector, County of Contra Costa

The ABAG FAN Executive Committee may act on any item on this agenda.

Agenda and attachments available at <https://abag.ca.gov/meetings/financeauthority.html>

For information, contact Fred Castro, ABAG FAN Secretary, at (415) 820 7913.

1. CALL TO ORDER

A. ROLL CALL / CONFIRM QUORUM

B. COMPENSATION ANNOUNCEMENT

2. PUBLIC COMMENT

INFORMATION

ABAG FAN Executive Committee

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3. EXECUTIVE COMMITTEE ANNOUNCEMENTS

INFORMATION

4. APPROVAL OF EXECUTIVE COMMITTEE SUMMARY MINUTES OF MEETING ON MAY 3, 2018

ACTION

Attachment: Summary Minutes of May 3, 2018

5. REPORT ON ABAG FAN PORTFOLIO

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachment: Memo FAN Portfolio

6. REPORT ON SERVICES PROVIDED BY COMPLIANCE SERVICES, LLC

INFORMATION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachments: Memo Housing Compliance

7. REPORT ON YEAR END FINANCIAL REPORTS (UNAUDITED)

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachment: Memo Year End Financial Reports; Financial Reports (Unaudited)

8. ADOPTION OF RESOLUTION NO. 2018-005—AUTHORIZING THE REFUNDING OF THE COMMUNITY FACILITIES DISTRICT NO. 2004-1 (SEISMIC SAFETY IMPROVEMENTS—690 AND 942 MARKET STREET PROJECT) SPECIAL TAX BONDS, SERIES 2007A (TAXABLE)

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachments: Memo Refund 690 and 942 Market Street; A Continuing Disclosure Annual Report 2016-17; B Financial Report 2017; C Resolution No. 2018-005; D Indenture; E Preliminary Official Statement and Continuing Disclosure Certificate (included in the Preliminary Official Statement); F Bond Purchase Agreement; G Refunding Instructions; H Credit Assessment Report; I, Presentation

9. ELECTION AND INTENTION TO DISCHARGE BOND AND INDENTURE—INSURED HEALTH FACILITY REFUNDING REVENUE BONDS (THE WEST OAKLAND HEALTH COUNCIL) 2003 SERIES A

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachments: Memo West Oakland Health Council; Certificate Election and Intention to Discharge; Redemption Request; Trustee's Notice

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10. ADOPTION OF RESOLUTION NO. 2018-006—AUTHORITY FOR CHIEF FINANCIAL OFFICER TO EXECUTE ADMINISTRATIVE INSTRUMENTS AND TAKE AUTHORIZED ACTIONS ON BEHALF OF ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachments: Memo Execute Administrative Instruments; Resolution No. 2018-006

11. ADJOURNMENT

The next regular meeting of the ABAG FAN Executive Committee will be on Thursday, September 6, 2018.

Date Submitted: July 13, 2018

Date Posted: July 26, 2018

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SUMMARY MINUTES (DRAFT)

ABAG Finance Authority for Nonprofit Corporations
Executive Committee
Thursday, May 3, 2018
Bay Area Metro Center
375 Beale Street
Golden Gate Conference Room 8102
San Francisco, California

1. CALL TO ORDER / ROLL CALL / CONFIRM QUORUM

ABAG Finance Authority for Nonprofit Corporations Executive Committee Chair Charles Lomeli, Treasurer/Tax Assessor/County Clerk, County of Solano, called the meeting to order at about 10:05 a.m.

Chair Lomeli announced that Belinda Zhu, Assistant County Treasurer, County of Contra Costa, was attending as an alternate for Russell Watts, County Treasurer/Tax Collector, County of Contra Costa.

The Clerk was directed conduct a roll call of members.

A quorum was present at about 10:05 a.m.

Member Present

Charles Lomeli, Treasurer/Tax Assessor/County Clerk, County of Solano

Members Participating by Teleconference

Jonathan Kadlec, Assistant Auditor/Controller/Treasurer/Tax Collector,
County of Sonoma

Belinda Zhu, Assistant County Treasurer, County of Contra Costa

Members Absent

Paul McDonough, Debt Management Officer, County of Santa Clara

Staff Present

Brian Mayhew, MTC Chief Financial Officer

Adrienne Weil, MTC General Counsel

Brad Paul, MTC Deputy Executive Director, Local Government Services

Susan Woo, MTC Treasury and Revenue Director

Catherine Cam, MTC Treasury and Revenue Assistant Director

Others Present

Jason Wong, Sperry Capital Inc.

2. PUBLIC COMMENT

There was no public comment.

3. EXECUTIVE COMMITTEE ANNOUNCEMENTS

There were no Executive Committee announcements

4. APPROVAL OF EXECUTIVE COMMITTEE SUMMARY MINUTES OF MEETING HELD ON FEBRUARY 14, 2018

Chair Lomeli recognized a motion by Kadlec, which was seconded by Zhu, to approve the summary minutes of the meeting on February 14, 2018.

There was no discussion.

There was no public comment.

The Clerk was directed to conduct a roll call vote.

The aye votes were: Lomeli, Kadlec, Zhu.

The nay votes were: None.

Abstentions were: None.

Absent were: McDonough.

The motion passed unanimously.

5. REPORT ON ABAG FAN PORTFOLIO

Brian Mayhew, MTC Chief Financial Officer, gave the staff report, including transaction document amendments, housing compliance, IRS audits, tax form issues, and Community Facilities Districts.

Members discussed housing compliance and inspections; IRS audit inquiries; Community Facilities Districts fund intercept.

Chair Lomeli recognized a motion by Kadlec, which was seconded by Lomeli, to approve the staff report.

There was no public comment.

The Clerk was directed to conduct a roll call vote.

The aye votes were: Lomeli, Kadlec, Watts.

The nay votes were: None.

Abstentions were: None.

Absent were: McDonough.

The motion passed unanimously.

6. APPROVAL OF FISCAL YEAR 2018-19 OPERATING BUDGET

Brian Mayhew, MTC Chief Financial Officer, gave the staff report, including assessment district administration, staffing, consultants, ABAG FAN general support.

Members discussed consultant expenses.

Chair Lomeli recognized a motion by Lomeli, which was seconded by Zhu, to approve the staff report and to approve the ABAG FAN Operating Budget for Fiscal Year 2018-19.

There was no public comment.

The Clerk was directed to conduct a roll call vote.

The aye votes were: Lomeli, Kadlec, Watts.

The nay votes were: None.

Abstentions were: None.

Absent were: McDonough.

The motion passed unanimously.

7. ADOPTION OF ABAG FAN RESOLUTION NO. 2018-002—APPROVAL OF STANDARD DOCUMENT PROVISIONS AND POLICIES, AND PROCEDURES FOR EXECUTION OF DOCUMENTS IN TRANSACTIONS

Brian Mayhew, MTC Chief Financial Officer, gave the staff report, including recommended standard document provisions and policies and procedures for execution of documents.

Chair Lomeli recognized a motion by Kadlec, which was seconded by Zhu, to approve the staff report and to adopt ABAG FAN Resolution No. 2018-002.

There was no discussion.

There was no public comment.

The Clerk was directed to conduct a roll call vote.

The aye votes were: Lomeli, Kadlec, Watts.

The nay votes were: None.

Abstentions were: None.

Absent were: McDonough.

The motion passed unanimously.

8. REPORT ADOPTION OF ABAG FAN RESOLUTION NO. 2018-003—APPROVAL OF FEE SCHEDULE

Brian Mayhew, MTC Chief Financial Officer, gave the staff report. He noted a correction to the annual fees on the fee schedule.

Chair Lomeli recognized a motion by Lomeli, which was seconded by Kadlec, to approve the staff report and to adopt ABAG FAN Resolution No. 2018-003 with the amended fee schedule.

There was no discussion.

There was no public comment.

The Clerk was directed to conduct a roll call vote.

The aye votes were: Lomeli, Kadlec, Watts.

The nay votes were: None.

Abstentions were: None.

Absent were: McDonough.

The motion passed unanimously.

9. REPORT ADOPTION OF ABAG FAN RESOLUTION NO. 2018-004—WAIVER OF 2010 INSTALLMENT SALE AGREEMENT WITH THE ASSOCIATION OF BAY AREA GOVERNMENTS IN THE AMOUNT OF \$170,000

Brian Mayhew, MTC Chief Financial Officer, gave the staff report, including changes to the circumstances of the loan and waiving the installment sale loan balance.

Chair Lomeli recognized a motion by Kadlec, which was seconded by Lomeli, to approve the staff report and to adopt ABAG FAN Resolution No. 2018-004.

There was no discussion.

There was no public comment.

The Clerk was directed to conduct a roll call vote.

The aye votes were: Lomeli, Kadlec, Watts.

The nay votes were: None.

Abstentions were: None.

Absent were: McDonough.

The motion passed unanimously.

10. REPORT ON COMMUNITY FACILITIES DISTRICT SPECIAL TAX DISCLOSURE COMPLIANCE

Brian Mayhew, MTC Chief Financial Officer, and Brad Paul, MTC Deputy Executive Director, Local Government Services, gave the staff report, including posting of required information in compliance with SB 165 and AB 1666 for Windemere Ranch and Rincon Hill, 690 and 942 Market Street, and Mint Plaza.

11. ADJOURNMENT

Chair Lomeli adjourned the meeting at about 10:38 a.m.

The next regular meeting is on Thursday, June 7, 2018.

Submitted:

Fred Castro, Clerk of the Board

Date Submitted: May 23, 2018

Approved:

ASSOCIATION OF BAY AREA GOVERNMENTS
ABAG Finance Authority for Nonprofit Corporations



ABAG

Date: July 26, 2018
To: ABAG FAN Executive Committee
From: Executive Director
Subject: **Report on ABAG FAN Portfolio**

This report provides a summary of all activities for Fiscal Year 2017-18 in the ABAG Finance Authority for Nonprofit Corporation's (ABAG FAN) existing debt portfolio. All activities are summarized into the following categories:

- Fiscal Year 2017-2018 Revenues and Collections
- IRS Audits
- Financing Activities
- Employer Identification Number Issues
- San Francisco Community Facilities Districts Fund Intercept
- Defaulted Bonds
- Discrepancies with ABAG FAN Fee Billing

Fiscal Year 2017-2018 Revenues and Collections

ABAG FAN earned approximately \$720,000 in net fee revenues for FY 2017-18. The majority of the revenues were generated from annual administrative and monitoring fees and only two percent were transaction financing fees. Payments on all billings were received in a timely manner with the exception of three invoices that are currently over 90 days past due.

- Lakeside Village Apartments. During the review of the portfolio earlier in the year, staff discovered that the past fee billings were not billed in accordance to the loan agreement. Staff corrected this error by invoicing the fee based on the fee formula stipulated on the loan agreement in FY 2017-18. The fee increased from \$10,000 to \$18,200. The borrower contested the increase and has made a payment of \$10,000, leaving an unpaid balance of \$8,200. Staff made multiple contacts with the borrower with no success. Staff will begin collection efforts for the remaining balance.
- Pathway Home Health and Hospice has an outstanding balance of \$906 that is over 120 days past due. Staff has followed-up with emails. The borrower finally advised that payment will be sent the first week of July 2018. Payment was received on July 10, 2018.
- Air Force Village West defaulted on their bonds and will not be able to make payments on the annual administrative fee. The fee will be written off as of June 30, 2018 and sent to collection; however, any recovery will depend on the bankruptcy court settlement.

Report on ABAG FAN Portfolio

July 26, 2018

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IRS Audits

Staff received six Internal Revenue Service (IRS) audit inquiries. ABAG FAN bond counsel, Nixon Peabody, has been working with the borrowers and the IRS agents to address each inquiry. Four audits were closed without any position changes to the tax-advantaged status of the bonds. Two are still pending IRS review.

Although Sharp Healthcare Series 2009A was one of the four inquiries that received clearance, the IRS cautioned that the proceeds of Sharp Healthcare Series 2009A Bonds have private business use in excess of the permitted amount. If the same level of private business use continues throughout the remainder of the measurement period, the Bonds will meet the private business use threshold and potentially have an adverse impact of the tax exemption status.

Listed below are the transactions.

- Eskaton Properties Series 2008 A – CLOSED
- Eskaton Properties Series 2013 A – CLOSED
- Sharp Healthcare Series 2009 A – CLOSED with caution of potential noncompliance
- Sharp Healthcare Series 2014A – CLOSED
- Orchard Glen Series 2005A Original Issuance – OPEN
- Orchard Glen Series 2005A Reissuance – OPEN

Financing Activities

In December 2017, there was a surge in refinancing inquiries due to the uncertainty of proposed federal tax law changes. Most of the inquiries did not materialize. Only five transactions came through with amendments to interest rate language. Below are the amended transactions:

- Acacia Creek – Amended to include new interest rate setting mechanism and holding period.
- Drew School – Amended LIBOR language.
- De Young Museum – Amended interest rate mode.
- Unity Estate – Consent to buyout from partners.
- Tracy Village Apartments – Consent to buyout from partners.

Employer Identification Number Issues

Staff discovered numerous tax identification issues related to IRS Tax Form 8038. The issues are identified below:

- Eleven transactions had incorrect employer identification number (EIN) filed with the IRS. Nixon Peabody has filed amended forms to correct the EIN.
- Two transactions did not file Form 8038. Both were fully redeemed. Nixon Peabody advised that no further actions were required.

Report on ABAG FAN Portfolio

July 26, 2018

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Fund Intercept

Proceeds disbursed by the City and County of San Francisco Community Facilities Districts (CFDs) were originally deposited into the ABAG FAN bank account. Staff has worked with the City and County of San Francisco and trustees to redirect funds to the trustee. Funds are now deposited directly to the trustee since the fund intercept has been corrected.

Defaulted Bonds

Air Force Village West, Inc. Bonds went into default in January 2017 and was brought to staff's attention in January 2018. At the present time, the bonds are bank owned.

Discrepancies with ABAG FAN Fee Billing

In the October 2017 meeting, staff reported that there were twenty-eight (28) billing discrepancies. Only two remained unresolved.

- Lakeside Village Apartments – Borrower refused to acknowledge the fee schedule stated in the Regulatory Agreement.
- Sharp Healthcare Series 2014A – Borrower provided a Board memo and claimed that the transaction has a \$10,000 annual administrative fee. However, the document provided pertains to a different bond series. Staff informed the borrower about the incorrect claim and stated the corrected amount. Borrower has yet to acknowledge the error or agree to the corrected amount.

Portfolio Administration

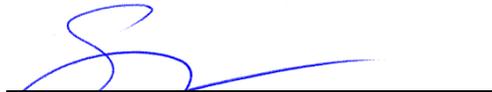
Staff has a database to track the active deals and amortization schedules. ABAG FAN contracted with Compliance Services, LLC (CS) to administer the ongoing housing compliance and provide housing compliance software license and finance administration software license to ABAG FAN.

CS representatives will give a presentation on the services they provide at the meeting.

As of FY 2017-18, the ABAG FAN portfolio is on run-off mode. Staff will continue to administer the portfolio to ensure all requirements are fulfilled.

Recommended Action

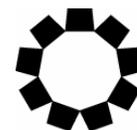
The ABAG FAN Executive Committee is requested to approve the staff report on ABAG FAN Portfolio.



Steve Heminger

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ASSOCIATION OF BAY AREA GOVERNMENTS
ABAG Finance Authority for Nonprofit Corporations



ABAG

Date: July 26, 2018
To: ABAG FAN Executive Committee
From: Executive Director
Subject: **Report on Services Provided by Compliance Services, LLC**

At the meeting on February 14, 2018, the Executive Committee approved entering into a sole source contract with Compliance Services, LLC (CS) to perform housing compliance monitoring services. As of June 2018, ABAG Finance Authority for Nonprofit Corporations (ABAG FAN) has contracted with CS to provide software services for the outstanding projects within the bond portfolio.

Staff will use the Bond Program Management system to track all the projects, including outstanding balance, calculate annual administrative fees, invoice borrowers, and record receivables. It will also serve as an online filing system. It is an all-inclusive, efficient system that will allow staff to focus on delinquent borrowers and to track fees. CS will set-up the program with all ABAG FAN project information and staff will use the finance system to manage the portfolio via a software license. Additionally, staff will license the FOCUS compliance monitoring software for the multifamily housing projects and consult with CS staff to manage ongoing compliance monitoring. CS has extensive experience with affordable housing compliance requirements and has worked with various public agencies statewide. The total cost for the housing monitoring and two software licenses is \$100,000 annually.

Compliance Software

The Bond Program Management system is a unique web-based reporting and monitoring software designed for a public agency to monitor affordable housing programs. It contains several management overview features as well as other asset management tools. One of the key benefits of the system is that it automatically checks the income and rent of affordable tenants against the requirements outlined in its regulatory agreement and California Debt Limit Allocation Committee (CDLAC) regulations. It can compare reported rent and income of affordable households against applicable income and rent limits, ensuring that annual recertification requirements are being realized, and summarizing total households in compliance against total households required to be in compliance with the requirements.

With the FOCUS compliance monitoring software users can rely on validations made by the system and review compliance monitoring reports with complete ease and accuracy. The compliance system is configured to manage the following types of affordable housing programs:

Report on Services Provided by Compliance Services, LLC

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- Multifamily Tax-Exempt Bonds
- CDLAC Annual Compliance Requirements

Because the system is web-based, it tracks reporting in real-time. Once a report is submitted, it is available for immediate review. The system can easily track overdue reports and send out system generated emails to alert owners and property managers that the report is overdue.

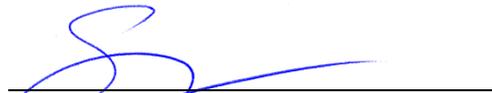
Compliance Administration

CS staff will provide ongoing compliance administration for the ABAG-FAN multifamily housing portfolio. The contract will include training, ongoing interaction with all property users, answering compliance related questions, sending reminders about reports, reviewing reports, and following up on noncompliance issues.

At the meeting, CS representatives will give a presentation on the two compliance systems they provide.

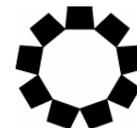
Recommended Action

Information.



Steve Heminger

ASSOCIATION OF BAY AREA GOVERNMENTS
ABAG Finance Authority for Nonprofit Corporations



ABAG

Date: July 26, 2018
To: ABAG FAN Executive Committee
From: Executive Director
Subject: **Report on Year End Financial Reports (Unaudited)**

Attached is the budget-to-actual report for ABAG Finance Authority for Nonprofit Corporations (ABAG FAN) for the fiscal year ending June 30, 2018. The report is unaudited and subject to change based on closing and final audit adjustments.

Fiscal Year 2017-18 was a difficult operational year for ABAG FAN. The program was transitioned to Metropolitan Transportation Commission (MTC) Administration under the Contract for Services between MTC and the Association of Bay Area Governments (ABAG) effective July 1, 2017. In addition to unusual closeout costs from residual ABAG staff there was also significant unanticipated expenses developing a new database for the ABAG FAN portfolio as well as incurring costs to support Advancing California Finance Authority (ACFA), the new ABAG financing conduit. With all the added operational issues ABAG FAN will end the year with an operating deficit.

On a revenue basis ABAG FAN did pretty well, approximately 80% of the adopted budget. Financial services came in at \$877,000 which is about 76% of the approved budget. The big change was \$40,000 in added interest earnings.

The expense side is another story with year-end expenses \$424,000 over budget, a total of nearly \$900,000 when year-end encumbrances are included. The added costs include six months to transition out ABAG legal staff as well as new legal and advisory costs to both clean up the existing ABAG FAN portfolio and to setup the new ACFA conduit borrower.

Staff does not expect a repeat of the extraordinary level of expenses incurred by ABAG FAN during Fiscal Year 2017-18. ABAG FAN has a current available fund balance of just under \$3.9 million which should carry the program through any residual Fiscal Year 2017-18 transition costs.

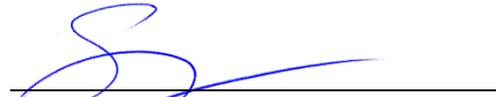
Report on Year End Financial Reports (Unaudited)

July 26, 2018

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Recommended Action

The ABAG FAN Executive Committee is requested to approve the staff report on Year End Financial Reports (Unaudited).



Steve Heminger

Attachment

Financial Reports (Unaudited)

Budget to Actual by Fund

Ledger: GL
Report Date:06/30/2018
Fiscal Year: 2018

(with Encumbrances)

Period: 12
Budget Version: WK
Budget Level: OB

Fund 481 ABAG FAN

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Int Income - LAIF	4801	0.00	40,675.50	0.00	-40,675.50
Interest Income - CalTrust	4804	0.00	17,068.25	0.00	-17,068.25
Interest Income - Other	4846	20,000.00	2,404.63	0.00	17,595.37
Gain/Loss on Sale of Equipment	4920	0.00	4,577.17	0.00	-4,577.17
Financial Services Revenue	4953	1,150,160.00	876,857.09	0.00	273,302.91

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Salaries	5000	163,993.00	182,568.36	0.00	-18,575.36
Salaries - Gross	5001	0.00	15,169.97	0.00	-15,169.97
Temporary	5003	0.00	39,421.94	0.00	-39,421.94
Temporary Agency	5046	40,000.00	68,721.09	16,278.91	-45,000.00
Benefits	5099	87,277.00	151,105.08	0.00	-63,828.08
Travel Expense	5100	0.00	104.95	0.00	-104.95
Conference/Trning Exps & Fees	5130	0.00	252.25	0.00	-252.25
Advertising/Public Awareness	5142	0.00	1,400.00	0.00	-1,400.00
Storage Rental	5184	0.00	6,799.19	0.00	-6,799.19
Mailing/Postage	5265	0.00	22.73	0.00	-22.73
Subscriptions	5280	0.00	1,719.11	1,060.84	-2,779.95
Consultant/Professional Fees	5300	271,250.00	362,132.73	322,678.85	-413,561.58
Legal Fees	5340	66,756.00	36,230.66	63,769.34	-33,244.00
Passthru/Contrib-Othr Agncies	5600	0.00	168,451.15	0.00	-168,451.15
Commtee Member's Stipend	5703	0.00	3,350.00	0.00	-3,350.00
Audit	5717	29,000.00	40,634.73	54,085.27	-65,720.00
Bank Service Charges	5750	13,000.00	8,498.93	0.00	4,501.07
Miscellaneous	5755	22,000.00	2.00	0.00	21,998.00
Indirect Costs	5763	133,343.00	163,738.84	0.00	-30,395.84
Revenue:		1,170,160.00	941,582.64	0.00	228,577.36
Expenses:		826,619.00	1,250,323.71	457,873.21	-881,577.92
Net:		343,541.00	-308,741.07	-457,873.21	1,110,155.28

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ASSOCIATION OF BAY AREA GOVERNMENTS
ABAG Finance Authority for Nonprofit Corporations



ABAG

Date: July 26, 2018
To: ABAG FAN Executive Committee
From: Executive Director
Subject: **Adoption of Resolution No. 2018-005 Authorizing the Refunding of the Community Facilities District No. 2004-1 (Seismic Safety Improvements—690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable)**

Staff requests approval of Resolution No. 2018-005 authorizing the refunding of the Community Facilities District No. 2004-01 (Seismic Safety Improvements – 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable) (the “Series 2007A Bonds”).

The Series 2007A Bonds were originally issued in 2007 to finance certain seismic safety improvements for the Ritz-Carlton Club & Residences Project at 690 and 942 Market Street. The Series 2007A Bonds were original issued in an aggregate principal amount of \$11 million, of which approximately \$9.8 million remains outstanding. The Series 2007A Bonds were issued by ABAG Finance Authority for Nonprofit Corporations (Authority) for and on behalf of ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) and are secured by an annual Special Tax that is used to pay debt service on the Series 2007A Bonds.

Staff received an application from the 690 Market Master Association requesting approval of the refunding of the Series 2007A Bonds through the issuance of refunding bonds. The principal details are:

- Applicant – 690 Market Master Association
- Address – 690 Market Street, San Francisco
- Structure – Mello-Roos CFD Special Tax
- Purpose – Refunding bonds
- Principal – up to \$10.5 million (taxable)
- Underwriter – UBS Financial Services Inc.
- Bond Counsel – Jones Hall
- Underwriters Counsel – Stradling Yocca Carlson & Rauth

Also included to the application are Continuing Disclosure Annual Reports for the past three years prepared by Goodwin Consulting Group (GCG) as well as three years of audited Financial Reports for the 690 Market Master Association. However, only FY 2016-17 Continuing Disclosure Annual Report (Attachment A) and Calendar Year 2017 Financial Report

Adoption of Resolution No. 2018-005

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(Attachment B) are attached. The financing team has expressed some urgency in hoping to close by September 1, 2018 in order to refund the Series 2007A Bonds on the next payment date.

The refunding bonds are secured by and payable from the "Trust Estate" which consists of revenue from the "Special Tax", as well as amounts in the Special Tax Fund, the Bond Fund and the Reserve Fund. Because the refunding bonds are secured by a lien on the property the property value to outstanding debt ratio is key to investor and issuer protections. According to the most recent GCG report (Fiscal Year 2016-17) the debt to assessed value ratio is greater than 15:1.

Total Assessed Value:	\$153,422,276
Tax Delinquencies:	\$7,169 (0.68%)
Average Delinquency:	\$10,434 (1.0%) 2008/09 - 2016/17
Principal Outstanding:	\$9,795,000
Reserve Fund:	\$1,017,588
Reserve Requirement:	\$979,500
Debt to AV ratio:	15.66
Maximum Special Tax (FY 2018-19):	\$3,108,594 (2.02% of FY 2017-18 AV)
Special Tax Applied (current fiscal year):	\$1,059,199 (34% of the Maximum Special Tax allowed for FY 2018-19)

Given the Assessed Value is greater than 15 times the total remaining debt, the very low delinquency rate and overfunded reserve fund, staff believes that authorizing the refunding will only strengthen the CFD and lower the owner's payments.

Resolution No. 2018-005

Resolution No. 2018-005 authorizes the issuance of the refunding bonds (Attachment C). There are certain findings and certifications contained in the Resolution required of the Authority, including:

- Principal amount not to exceed: \$10.5 million
- The refunding will generate interest cost savings that meet the requirements of the Mello Roos Act.
- Final maturity of the refunding bonds is the same as the Series 2007A Bonds -- 2038
- Ratio of assessed value to refunding bonds exceeds 3:1
- MUFG is named as Trustee
- Underwriter's discount not to exceed 2.5% and
- Covenant to commence and pursue to completion any foreclosure action regarding delinquent installments of any special taxes levied for the payment of interest and principal on the refunding bonds
- Other documents authorized by the Resolution
 - Indenture (Attachment D)

Adoption of Resolution No. 2018-005

July 26, 2018

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- Preliminary Official Statement describing transaction to investors (Attachment E)
- Continuing Disclosure Certificate providing disclosure requirements (included in the Preliminary Official Statement, Appendix D)
- Bond Purchase Agreement -- terms and conditions of underwriter's purchase (Attachment F)
- Refunding instructions providing for the defeasance and refunding of the Series 2007A Bonds (Attachment G)

Also included for your review is the Credit Assessment Report prepared by Sperry Capital (Attachment H).

Pursuant to SB 450, effective January 1, 2018, the Authority is required to disclose prior to the adoption of this Resolution good faith estimates of certain information provided to the Authority and the CFD by the financial advisor. As such (a) the true interest costs of the refunding bonds is estimated to be 6.36%, (b) the present value of interest savings is approximately \$1.486 million based on issuing size of \$9.905 million, (c) the finance charge, or amount paid to third parties in connection with the sale of the refunding bonds is estimated to be \$457,146, (d) the amount of proceeds received by the Authority from the sale of the refunding bonds is expected to be \$9,605,000 and (e) the sum total of all payments the Authority will make to final maturity of the refunding bonds is expected to be \$17,270,101.

In addition litigation was filed between 2009 and 2013 by certain unit owners. The unit owners contested the adequacy of the disclosure regarding the existence of the Special Tax but not the validity or levy of the Special Tax. All but one suit has been settled with the property owners without material impact on the District. Additional information can be found in the Credit Assessment Report.

Based on the financial information presented by the applicant as well as information contained in the Credit Assessment Report, staff believes the findings and certifications included in Resolution No. 2018-005 are reasonable and requests approval by the Executive Committee.

Recommended Action

The ABAG FAN Executive Committee is requested to adopt Resolution No. 2018-005— Authorizing the Refunding of the Community Facilities District No. 2004-1 (Seismic Safety Improvements—690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable).



Steve Heminger

Attachments

- A. Continuing Disclosure Annual Report 2016-17
- B. Financial Report 2017
- C. Resolution No. 2018-005

Adoption of Resolution No. 2018-005

July 26, 2018

Page 4

- D. Indenture
- E. Preliminary Official Statement and Continuing Disclosure Certificate (included in the Preliminary Official Statement, Appendix D)
- F. Bond Purchase Agreement
- G. Refunding Instructions
- H. Credit Assessment Report
- I. Presentation



GOODWIN CONSULTING GROUP

**ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements –
690 and 942 Market Street Project)
\$11,000,000 Special Tax Bonds, Series 2007A (Taxable)
Continuing Disclosure Annual Report for
Fiscal Year 2016-17
(per SEC Rule 15c2-12(b)(5))**

CUSIP Numbers

\$1,395,000	000379BD8
\$1,505,000	000379BE6
\$2,400,000	000379BF3
\$5,700,000	000379BG1

April 1, 2018

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II. Financial and Special Tax Bond Information	2
III. Reporting of Significant Events	4
APPENDIX A: Authority’s Audited Financial Statements for the Fiscal Year Ending June 30, 2017	
APPENDIX B: Assessed Value and Value to Burden Ratios	
APPENDIX C: California Debt and Investment Advisory Commission Report	

I. Introduction

This Continuing Disclosure Annual Report (“Annual Report”) contains certain information required to be filed annually per SEC rule 15c2-12(b)(5) (the “Rule”) by Community Facilities District No. 2004-1 (the “CFD”) of the ABAG Finance Authority for Nonprofit Corporations (the “Authority”). The Rule is applicable to the Special Tax Bonds, Series 2007A (Taxable) (the “Series 2007A Bonds”) issued in the aggregate principal amount of \$11,000,000 on October 31, 2007. The Rule requires that an issuer undertake in a written agreement or contract for the benefit of holders of the securities issued to file with national and state repositories the following:

1. Certain financial information as presented in the Continuing Disclosure Certificate
2. Audited financial statements of the Authority
3. Notice of certain enumerated significant events
4. Notice of any failure to provide such annual financial information as agreed

II. Financial and Special Tax Bond Information

In compliance with the Rule, the Authority signed the Continuing Disclosure Certificate requiring the CFD to provide annually, or as they occur, the aforementioned enumerated information or events. Per the Continuing Disclosure Certificate, the Authority is required to file an Annual Report with all national and State of California repositories which includes:

- A) The Authority's audited financial statements for the most recently completed fiscal year.
- **See Appendix A**
- B) Total aggregate assessed value (per the County Assessor's records) of all parcels currently subject to the special tax within the CFD.
- **Total Assessed Value: \$153,422,276**
- C) The total dollar amount of delinquencies in the CFD as of August 1, 2017, and, in the event that the total delinquencies within the CFD as of August 1, 2017, exceed 5% of the special tax levy for the previous year, delinquency information for each parcel responsible for more than \$4,000 in the payment of special tax, amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel.
- **As of October 13, 2017, \$7,169 in special taxes was delinquent, which represents approximately 0.68% of the special tax levy for fiscal year 2016-17.**
- D) A land ownership summary listing property owners responsible for more than 5% of the annual special tax levy, as shown on the County Assessor's last equalized tax roll prior to September 1, 2017.

Property Owner	Percentage of FY 2017-18 Tax Levy
First American Trust FSB	25.42%
Street Luxury Condos LL Market	19.02%

- E) The principal amount of the Series 2007A Bonds outstanding, the balance in the Reserve Fund (along with a statement of the Reserve Requirement) as of September 30, 2017.
- **Principal Amount Outstanding: \$9,795,000**
- **Reserve Fund Balance: \$1,017,588**
- **Reserve Requirement: \$979,500**

F) An updated table in substantially the form of Table 2 in the Official Statement entitled “Estimated Assessed Value”, with a column added to show Value to Burden Ratio (being total assessed value divided by the principal amount of Series 2007A Bonds outstanding) based upon the most recent information available (which may include, at the discretion of the Authority, either assessed value or appraised value), provided that the table shall show only (a) value to burden ratios for individual property owners that were responsible for 5% or more of the special tax for the previous year, and (b) the overall value to burden ratio for the CFD (excluding those items specifically excluded from the burden calculation in the Official Statement).

➤ **See Appendix B**

G) Any changes to the Rate and Method of Apportionment set forth in Appendix A to the Official Statement.

➤ **None**

H) A copy of the annual information required to be filed by the Authority with the California Debt and Investment Advisory Commission (“CDIAC”) pursuant to the Mello-Roos Community Facilities Act of 1982 and relating generally to outstanding CFD bond amounts, fund balances, assessed values, special tax delinquencies, and foreclosure information.

➤ **See Appendix C**

I) In addition to any of the information expressly required to be provided under paragraphs (A) through (H), the Authority shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

➤ **None**

III. Reporting of Significant Events

The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2007A Bonds, if material, to the Municipal Securities Rulemaking Board, the Trustee, the Underwriter, and the Dissemination Agent as soon as possible:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on the debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of security holders.
- (viii) Contingent or unscheduled bond calls.
- (ix) Defeasances.
- (x) Release, substitution or sale of property securing repayment of the securities.
- (xi) Rating changes.

As defined above, no significant events have occurred during fiscal year 2016-17 in relation to the Series 2007A Bonds.

APPENDIX A

*Authority's Audited Financial Statements
for the Fiscal Year Ending June 30, 2017
(Filed Under Separate Cover)*

THE AUTHORITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE AUTHORITY ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND THE AUTHORITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE AUTHORITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

APPENDIX B

***ABAG Finance Authority for Nonprofit Corporations
CFD No. 2004-1 (Seismic Safety Improvements –
690 and 942 Market Street Project)***

Assessed Value and Value to Burden Ratios

ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements - 690 and 942 Market Street Project)
Tax Zone #1 Value to Burden Ratios

<u>Property Owner</u>	<u>Number of Units</u>	<u>Total Sq. Ft.</u>	<u>FY 2017-18 Assessed Value</u>	<u>FY 2017-18 Maximum Special Tax</u>	<u>Percentage of FY 17-18 Tax Levy</u>	<u>Principal Amount of the Bonds Outstanding</u>	<u>Value to Burden Ratio</u>
STREET LUXURY CONDOS LL MARKET							
Fractional	13	23,108	\$5,958,901	\$468,905	15.4%	\$1,507,041	3.95 : 1
Condominium	5	7,284	\$1,407,641	\$110,854	3.6%	\$356,282	3.95 : 1
Subtotal	18	30,392	\$7,366,542	\$579,759	19.0%	\$1,863,323	3.95 : 1
FIRST AMERICAN TRUST FSB							
Fractional	23	38,171	\$32,348,392	\$774,561	25.4%	\$2,489,409	12.99 : 1
All other development /1	63	106,024	\$113,707,342	\$1,693,321	55.6%	\$5,442,268	20.89 : 1
Totals	104	174,587	\$153,422,276	\$3,047,641	100.0%	\$9,795,000	15.66 : 1

/1 Includes all other property owners who are responsible for less than 5% of the total special tax levy.

Source: San Francisco County Assessor's Office; Goodwin Consulting Group, Inc.

APPENDIX C

***ABAG Finance Authority for Nonprofit Corporations
CFD No. 2004-1 (Seismic Safety Improvements –
690 and 942 Market Street Project)***

California Debt and Investment Advisory Commission Report

STATE OF CALIFORNIA

**MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD)
YEARLY FISCAL STATUS REPORT**

Submitted:
Monday, October 30, 2017
9:14:44AM
CDIAC #: 2007-1181

California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 94209-0001
(916) 653-3269 Fax (916) 654-7440

For Office Use Only
Fiscal Year _____

I. GENERAL INFORMATION

A. Issuer ABAG Finance Authority for Nonprofit Corporations CFD No 2004-1
 B. Project Name 690 and 942 Market St
 C. Name/ Title/ Series of Bond Issue STRBs Series 2007 A
 D. Date of Bond Issue 10/26/2007
 E. Original Principal Amount of Bonds \$11,000,000.00
 F. Reserve Fund Minimum Balance Required Yes Amount \$997,000.00 No

II. FUND BALANCE FISCAL STATUS

Balances Reported as of: 6/30/2017
 A. Principal Amount of Bonds Outstanding \$9,970,000.00
 B. Bond Reserve Fund \$1,020,592.16
 C. Capitalized Interest Fund \$0.00
 D. Construction Fund(s) \$6,259.70

III. ASSESSED VALUE OF ALL PARCELS IN CFD SUBJECT TO SPECIAL TAX

A. Assessed or Appraised Value Reported as of: 7/1/2017
 From Equalized Tax Roll
 From Appraisal of Property
(Use only in first year or before annual tax roll billing commences)
 B. Total Assessed Value of All Parcels \$153,422,276.00

IV. TAX COLLECTION INFORMATION

A. Total Amount of Special Taxes Due Annually \$1,054,958.00
 B. Total Amount of Unpaid Special Taxes Annually \$7,169.28
 C. Does this agency participate in the County's Teeter Plan? N

V. DELINQUENT REPORTING INFORMATION

Delinquent Parcel Information Reported as of Equalized Tax Roll of: 10/13/2017
 A. Total Number of Delinquent Parcels: 1
 B. Total Amount of Taxes Due on Delinquent Parcels: \$10,764.49
 (Do not include penalties, penalty interest, etc.)

VI. FORECLOSURE INFORMATION FOR FISCAL YEAR

(Aggregate totals, if foreclosure commenced on same date) (Attach additional sheets if necessary.)

Date Foreclosure Commenced	Total Number of Foreclosure Parcels	Total Amount of Tax Due on Foreclosure Parcels
		\$0.00
		\$0.00
		\$0.00
		\$0.00
		Item 8, Attachment A

STATE OF CALIFORNIA

MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD)
YEARLY FISCAL STATUS REPORT

For Office Use Only
Fiscal Year _____

Submitted:
Monday, October 30, 2017
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915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 94209-0001
(916) 653-3269 Fax (916) 654-7440

VII. ISSUE RETIRED

This issue is retired and no longer subject to the Yearly Fiscal Status report filing requirements.
(Indicate reason for retirement)

Matured Redeemed Entirely Other

If Matured, indicate final maturity date:

If Redeemed Entirely, state refunding bond title & CDIAC #:

and redemption date:

If Other:

and date:

VIII. NAME OF PARTY COMPLETING THIS FORM

Name Miriam Adamec
Title Senior Associate
Firm/ Agency Goodwin Consulting Group Inc.
Address 333 University Avenue Suite 160
City/ State/ Zip Sacramento, CA 95825
Phone Number (916) 561-0890 Date of Report 10/30/2017
E-Mail miriam@goodwinconsultinggroup.net

IX. ADDITIONAL COMMENTS:

Completion and submittal of this form to the California Debt and Investment Advisory Commission will assure your compliance with California State law. Section 53359.5 of the California Government Code requires that all agencies issuing Mello-Roos Community Facilities bonds after January 1, 1993 to report specific information to the Commission by October 30th of each year.

**ABAG Finance Authority for Nonprofit Corporations
 Community Facilities District No. 2006-2
 (Seismic Safety Improvements - 690 and 942 Market Street Projects)
 Delinquency Information as of October 13, 2017**

Assessor's Parcel Number	Delinquent Since	Total Amount Delinquent
0311-084	FY 2015-2016	\$3,595.21
0311-084	FY 2016-2017	\$7,169.28
Parcels Delinquent		1
Total Delinquent Special Tax		\$10,764.49

Goodwin Consulting Group, Inc.

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690 Market Master Association

Financial Report
December 31, 2017

Contents

Independent Auditor's Report	1-2
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Financial Statements	
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Required Supplementary Information on Future Major Repairs and Replacements (Unaudited)	13
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RSM US LLP

Independent Auditor's Report

Board of Directors
690 Market Master Association

Report on the Financial Statements

We have audited the accompanying financial statements of 690 Market Master Association (the "Association"), which comprise the balance sheets as of December 31, 2017 and December 30, 2016, the related statements of revenues, expenses and changes in fund balances (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

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 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 audits. We conducted our audits 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 Association'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 Association'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.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 690 Market Master Association as of December 31, 2017 and December 30, 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial 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.

RSM US LLP

Orlando, Florida
April 27, 2018

690 Market Master Association

Balance Sheets
December 31, 2017 and December 30, 2016

	2017			2016
	Operating Fund	Reserve for Replacement Fund	Total	
Assets				
Cash and cash equivalents	\$ 3,516	\$ 128,909	\$ 132,425	\$ 266,680
Investments	-	706,795	706,795	397,458
Accrued interest receivable	-	3,298	3,298	367
Income taxes receivable	512	1,263	1,775	7,179
Prepaid expenses and other assets	83,902	-	83,902	99,457
Due from 690 Market Club Owners Association	-	-	-	1,485
Due to Operating Fund	-	(43,543)	(43,543)	(8,336)
Due from Reserve for Replacement Fund	43,543	-	43,543	8,336
Total assets	\$ 131,473	\$ 796,722	\$ 928,195	\$ 772,626
Liabilities and Fund Balances				
Liabilities				
Accrued expenses	\$ 119,220	\$ -	\$ 119,220	\$ 139,099
Income taxes payable	-	-	-	2,181
Due to Marriott Vacations Worldwide Corporation	110,600	-	110,600	27,580
Total liabilities	229,820	-	229,820	168,860
Fund balances (deficit)	(98,347)	796,722	698,375	603,766
Total liabilities and fund balances	\$ 131,473	\$ 796,722	\$ 928,195	\$ 772,626

See Notes to Financial Statements.

690 Market Master Association

Statements of Revenues, Expenses and Changes in Fund Balance (Deficit) – Operating Fund
Years Ended December 31, 2017 and December 30, 2016

	2017	2016
Revenues:		
Maintenance fees	\$ 2,542,554	\$ 2,577,030
Miscellaneous income	4,559	106,767
Total revenues	<u>2,547,113</u>	<u>2,683,797</u>
Expenses:		
Accounting	32,976	30,454
Activities and recreation	16,090	11,976
Administrative and general	33,872	24,046
Annual audit and tax services	10,900	9,300
Board of Directors' expense	1,784	3,983
Electricity	238,451	233,851
Gas	548	431
Housekeeping	107,798	99,638
Human resources	43,726	35,133
Income tax benefit	(273)	(558)
Insurance	315,292	317,952
Legal	1,751	19,940
Loss prevention	485,370	482,104
Management fee	256,929	254,885
660 Market Assessment	12,070	11,662
Members lounge	82,487	53,416
Pest control	2,998	3,798
Postage, printing and handling	725	5,297
Property taxes	104,588	77,585
Repairs and maintenance	456,252	452,089
Steam	41,675	39,362
Telephone	35,520	35,421
Transportation/valet	385,715	404,994
Water and sewer	1,553	2,250
Total expenses	<u>2,668,797</u>	<u>2,609,009</u>
(Deficiency) excess of revenues over expenses	(121,684)	74,788
Fund balance (deficit):		
Beginning of year	23,337	(51,451)
End of year	<u>\$ (98,347)</u>	<u>\$ 23,337</u>

See Notes to Financial Statements.

690 Market Master Association

Statements of Revenues, Expenses and Changes in Fund Balance – Reserve for Replacement Fund
 Years Ended December 31, 2017 and December 30, 2016

	2017		2016
Revenues:			
Reserve for replacement assessments	\$ 283,668	\$	263,632
Reserve bank interest	5,238		4,950
Unrealized gain (loss) on fair value of investments	9,337		(2,549)
Total revenues	<u>298,243</u>		<u>266,033</u>
Expenses:			
Common area rehabilitation	30,434		114,587
External building maintenance	50,314		107,014
Income tax expense	1,202		2,293
Total expenses	<u>81,950</u>		<u>223,894</u>
Excess of revenues over expenses	216,293		42,139
Fund balance:			
Beginning of year	580,429		538,290
End of year	<u>\$ 796,722</u>	\$	<u>580,429</u>

See Notes to Financial Statements.

690 Market Master Association

Statements of Cash Flows

Years Ended December 31, 2017 and December 30, 2016

	2017			2016
	Operating Fund	Reserve for Replacement Fund	Total	
Cash Flows From Operating Activities				
(Deficiency) excess of revenues over expenses	\$ (121,684)	\$ 216,293	\$ 94,609	\$ 116,927
Adjustments to reconcile (deficiency) excess of revenues over expenses to net cash (used in) provided by operating activities:				
Unrealized (gain) loss on fair values of investments	-	(9,337)	(9,337)	2,549
Changes in operating assets and liabilities:				
(Increase) decrease in accrued interest receivable	-	(2,931)	(2,931)	565
Decrease (increase) in income taxes receivable	6,667	(1,263)	5,404	(7,179)
Decrease (increase) in prepaid expenses and other assets	15,555	-	15,555	(9,910)
Decrease in due from 690 Market Club Owners Association	1,485	-	1,485	6,147
Increase (decrease) in accrued expenses	37,345	(57,224)	(19,879)	49,588
Decrease in income taxes payable	-	(2,181)	(2,181)	(1,670)
Increase (decrease) in due to Marriott Vacations Worldwide Corporation	83,020	-	83,020	(169,776)
Change in interfund balances	(35,207)	35,207	-	-
Net cash (used in) provided by operating activities	(12,819)	178,564	165,745	(12,759)
Cash Flows From Investing Activities				
Purchases of investments	-	(500,000)	(500,000)	(200,007)
Proceeds from maturities of investments	-	200,000	200,000	210,000
Net cash (used in) provided by investing activities	-	(300,000)	(300,000)	9,993
Net decrease in cash and cash equivalents	(12,819)	(121,436)	(134,255)	(2,766)
Cash and cash equivalents				
Beginning of year	16,335	250,345	266,680	269,446
End of year	<u>\$ 3,516</u>	<u>\$ 128,909</u>	<u>\$ 132,425</u>	<u>\$ 266,680</u>
Supplemental Disclosure of Cash Flow Information –				
Cash (refunded) paid during the year for income taxes	<u>\$ (6,940)</u>	<u>\$ 4,646</u>	<u>\$ (2,294)</u>	<u>\$ 10,584</u>

See Notes to Financial Statements.

690 Market Master Association

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization: 690 Market Master Association (the "Association") was incorporated on May 1, 2006 in San Francisco, California, and commenced operations on November 1, 2007. The purpose of the Association is to operate and maintain, on behalf of its members, the common facilities of 690 Market Homeowners Association and 690 Market Club Owners Association. The Association is managed under an agreement with Ritz-Carlton Management Company, LLC ("RCMC").

A summary of the Association's significant accounting policies are as follows:

Fiscal year: Prior to fiscal year 2017, the Association's fiscal year ended on the Friday nearest to December 31. During 2016, the Board of Directors (the "Board") of the Association approved a change in the Association's fiscal year to a calendar year commencing January 1, 2017. The budget for fiscal year 2017 reflects the 2017 calendar year, plus one additional day at the end of December 2016, due to the transition from the 2016 periodic fiscal year to the 2017 calendar-based fiscal year.

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund accounting: The Association's governing documents provide guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund: The Association's fees and earnings from operations, which are restricted for the use and benefit of Association members, are recorded in the Operating Fund.

Reserve for Replacement Fund: The Association is accumulating funds for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for normal operations.

RCMC, on behalf of the Board, contracts a third party to conduct ongoing studies to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information on future major repairs and replacements is based on these studies.

The Association provides funding for future major repairs and replacements over the estimated remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the Reserve for Replacement Fund. Accordingly, the funding requirement of \$325,794 has been included in the fiscal year 2018 budget.

690 Market Master Association

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Funds are being accumulated in the Reserve for Replacement Fund based on estimates of future needs for repair and replacement of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, the amounts accumulated in the Reserve for Replacement Fund may not be adequate to meet all future needs for future major repairs and replacements. If additional funds are needed, the Association has the right, subject to the Board's approval, to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available.

Cash and cash equivalents: The Association considers money in checking accounts and money market funds and short-term investments with an original maturity of 90 days or less, at the date of purchase, to be cash and cash equivalents.

The Association places its cash and cash equivalents with financial institutions in the United States of America. The Federal Deposit Insurance Corporation ("FDIC") provides for deposits at FDIC-insured institutions to be insured up to \$250,000. The Association has not incurred any losses on such amounts in excess of FDIC-insured limits.

Investments: Investments consist of federally-insured certificates of deposit, equity-linked certificates of deposit, and treasury inflation protected securities ("TIPS"). Certificates of deposit are carried at amortized cost, as the Association has both the intent and ability to hold them until maturity. The Association's certificates of deposit are held in FDIC-insured institutions, with balances under the insured limit.

In addition, certain investments held by the Association consist of equity-linked certificates of deposit which are principal protected structured products. These investments are bank issued certificates of deposit that are insured by the FDIC up to \$250,000 per certificate of deposit. At maturity, the Association will receive the principal plus a "supplemental payment" or minimum interest, if any, that is based on the performance of an underlying index or market measure.

TIPS are treasury securities which are indexed to the inflation rate as defined by the Consumer Price Index. These investments have semiannual inflation adjustments which are received by the Association at the time of maturity.

Equity-linked certificates of deposit and TIPS are accounted for under the fair value option at the end of each period with unrealized gains (losses) shown as a component of revenues. The fair value option selected by the Association is considered to provide a more transparent presentation to users of the financial statements. These investments have been included in the investments caption in the accompanying balance sheets.

Fair value measurements: Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value, and expand disclosures about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities.
- Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 – Unobservable inputs that are not corroborated by market data.

690 Market Master Association

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

In determining the appropriate levels, the Association performs a detailed analysis of the assets that are measured and reported on a fair value basis.

The Association's fair value measurement for the equity-linked certificates of deposit and TIPS is considered to be a Level 2 input (see Note 2).

Concentrations of credit risk: Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents and investments.

In an effort to fulfill their fiduciary responsibility to protect and maintain assets for the Association, the Board has implemented a formal investment policy statement in reference to all cash and cash equivalents and investable funds for the Reserve for Replacement and Operating Funds. The investment policy statement stipulates that all funds shall be invested in federally insured or guaranteed vehicles with no risk to principal as long as these investments are held to maturity.

Since the Board has incorporated an analysis that identifies the use of these funds at specific times and the investments are structured with maturity dates to coincide with these anticipated expenditures; notwithstanding emergencies not under the control of the Board, the Association is able to and prepared to hold these investments to their stated maturity dates.

Concentrations: The MVC Trust Owners Association, Inc. ("MVC Trust") is a Florida land trust established to hold certain real property, including fractional-interests, utilized as part of the Marriott Vacation Club Destinations vacation ownership plan. As of December 31, 2017 and December 30, 2016, the MVC Trust held 201 (67%) and 197 (66%) of the fractional-interests in the Association, respectively.

Revenue recognition: Maintenance fees and reserve for replacement assessments are recognized as revenue ratably over the period covered by the billing. All other revenues are recognized as earned.

Income taxes: The Association accounts for income taxes in accordance with Accounting Standards Codification ("ASC") 740, *Income Taxes*. ASC 740 utilizes the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax impact attributable to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which the temporary differences are expected to be recovered.

Homeowners associations are subject to taxation under Internal Revenue Code Section 528 ("Section 528"), which allows the association to be considered an exempt organization and exempt from tax on its "exempt function income." Exempt function income is defined as any amounts received as membership dues, fees, or assessments from association owners. However, associations that do not meet the income, expenditure, and organizational requirements set forth in Section 528 must file as a corporation under the provisions of Internal Revenue Code Section 277 ("Section 277").

Associations taxed under Section 528 pay tax on income that is non-exempt function income at 32%. Examples of non-exempt function income includes net investment income, including interest expense, and income from activities not generally earned by homeowner associations in their role of maintaining association property.

Associations taxed pursuant to Section 528 are not required to report deferred taxes for temporary differences related to exempt function income. Associations not eligible or electing to be taxed as a corporation under Section 277 are required to account for deferred tax assets and liabilities for existing temporary differences, with a corresponding impact on income tax expense.

690 Market Master Association

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

In the current and prior year, the Association has satisfied the requirements to file as an exempt organization and has provided for taxes under Section 528.

The Association has evaluated the effects of the guidance provided by generally accepted accounting principles related to accounting for uncertainty in income taxes. Under this guidance the Association has determined that it has no uncertain income tax positions that could have a significant effect on the financial statements for the year ended December 31, 2017.

The Association's federal income tax returns for 2014, 2015 and 2016 are subject to examination by the Internal Revenue Service, generally for a period of three years after the federal income tax returns were filed.

New accounting pronouncements: In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09 – *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), as Amended. ASU 2014-09, supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, as well as most industry-specific guidance, and significantly enhances comparability of revenue recognition practices across entities and industries by providing a principle-based, comprehensive framework for addressing revenue recognition issues. In order for a provider of promised goods or services to recognize as revenue the consideration that it expects to receive in exchange for the promised goods or services, the provider should apply the following five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09, as amended, will be effective for annual reporting periods beginning after December 15, 2018. The new standard may be applied retrospectively or on a modified retrospective basis with the cumulative effect recognized on the date of adoption. Although the Association expects to adopt ASU 2014-09, as amended, commencing in fiscal year 2019, the Association continues to evaluate the impact that adoption of this accounting standards update will have on its financial statements and disclosures

In February 2016, the FASB issued ASU 2016-02 – *Leases (Topic 842)* ("ASU 2016-02") to increase transparency and comparability of information regarding an entity's leasing activities by providing additional information to users of financial statements. ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. This update is effective for annual periods beginning after December 15, 2019, with early adoption permitted. Although the Association expects to adopt ASU 2016-02 commencing in fiscal year 2020, the Association continues to evaluate the impact that adoption of this accounting standards update will have on its financial statements and disclosures.

Subsequent events: Management has assessed subsequent events through April 27, 2018, the date on which the financial statements were available to be issued.

690 Market Master Association

Notes to Financial Statements

Note 2. Investments

Investments are classified as follows as of December 31, 2017 and December 30, 2016:

	2017		2016	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
Equity-linked certificates of deposit	\$ 50,000	\$ 56,125	\$ 50,000	\$ 47,312
Treasury inflation protected securities	50,007	50,670	50,007	50,146
Other certificates of deposit (held-to-maturity)	600,000	598,198	300,000	299,007
	\$ 700,007	\$ 704,993	\$ 400,007	\$ 396,465

Investments in the accompanying balance sheets are the sum of the fair market value of the equity-linked certificates of deposit and TIPS and the amortized cost of other certificates of deposit.

The contractual maturity of held-to-maturity investments, equity-linked certificates of deposit and TIPS as of December 31, 2017 and December 30, 2016, are as follows:

	2017		2016	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
Due within one year	\$ 100,000	\$ 100,015	\$ 200,000	\$ 200,010
Due one through five years	500,000	498,183	100,000	98,997
Due after five years	100,007	106,795	100,007	97,458
	\$ 700,007	\$ 704,993	\$ 400,007	\$ 396,465

Equity-linked certificates of deposit and TIPS resulted in unrealized gains (losses) of \$9,337 and (\$2,549) for the years ended December 31, 2017 and December 30, 2016, respectively, which are included in the accompanying statements of revenues, expenses and changes in fund balance – Reserve for Replacement Fund.

Note 3. Income Taxes

The provision (benefit) for income taxes consisted of the following for the years ended December 31, 2017 and December 30, 2016:

	2017			2016		
	Operating Fund	Reserve for Replacement Fund	Total	Operating Fund	Reserve for Replacement Fund	Total
Federal	\$ (38)	\$ 166	\$ 128	\$ (301)	\$ 1,236	\$ 935
State	(235)	1,036	801	(257)	1,057	800
	\$ (273)	\$ 1,202	\$ 929	\$ (558)	\$ 2,293	\$ 1,735

The difference between the provision (benefit) for income taxes as presented, and the provision calculated by applying the statutory federal rate to the excess (deficit) of revenues over expenses, primarily relates to state income taxes and the exclusion of exempt function income.

690 Market Master Association

Notes to Financial Statements

Note 4. Management Agreement

The Association entered into an agreement with RCMC for a term of one year. The term shall extend automatically each successive period of one year each, unless terminated as of the last day of any term or extended term by affirmative vote or written consent of the members of the Association, as provided in the management agreement, or unless RCMC terminates the agreement, provided by 90 days written notice to the Association. RCMC is responsible for the management, maintenance and operations of the facilities, in exchange for an annual fee of 10% of the annual budget of the Association, less other charges identified in the management agreement. For the years ended December 31, 2017 and December 30, 2016, the management fee paid to RCMC was \$256,929 and \$254,885, respectively, and is included in the accompanying statements of revenues, expenses and changes in fund balance (deficit) – Operating Fund.

Note 5. Related Association Fees and Reserves

A portion of the operating fees and reserve for replacement assessments are received from related associations. The 690 Market Homeowners Association (the "HOA") is responsible for the maintenance and operation of the common area of the residence condominiums. For the years ended December 31, 2017 and December 30, 2016, total operating fees and reserve for replacement assessments received from the HOA was \$1,940,180 and \$1,888,770, respectively. The 690 Market Club Owners Association (the "Club") is responsible for the maintenance and operation of the facilities of the interval ownership condominiums. For the years ended December 31, 2017 and December 30, 2016, total operating fees and reserve for replacement assessments received was \$843,362 and \$870,780, respectively. The total amount due from the Club as of December 31, 2017 and December 30, 2016, was \$0 and \$1,485, respectively, and is included in the accompanying balance sheets.

Note 6. Other Related Party Transactions

Certain services, including off-site accounting and administration, are provided by RCMC and allocated to the Association. Marriott Vacations Worldwide Corporation ("MVWC"), the indirect parent company of RCMC, pays all invoices on behalf of the Association, for which the Association will reimburse MVWC. The net amount due to MVWC as of December 31, 2017 and December 30, 2016, was \$110,600 and \$27,580, respectively, and is included in the accompanying balance sheets.

Effective April 21, 2016, the RC Social Club of San Francisco, Inc. ("Social Club") was dissolved and all assets and liabilities were transferred to the Association. Social Club maintenance fees thereafter have been included within maintenance fees in the accompanying statements of revenues, expenses and changes in fund balance (deficit) – Operating Fund. All other activities of the Social Club have been included within members lounge expense in the accompanying statements of revenues, expenses and changes in fund balance (deficit) – Operating Fund.

690 Market Master Association

**Required Supplementary Information on Future Major Repairs and Replacements (Unaudited)
December 31, 2017**

On behalf of the Association's Board of Directors, a reserve study was completed during 2017 to estimate the remaining useful lives and the replacement costs of the components of common property.

The following table is based on the study with subsequent review by the Associations' Board of Directors and presents significant information about the components of common property:

Component	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	2018 Funding Requirement	Components of Fund Balance as of December 31, 2017
Building equipment	5	\$ 2,912,585	\$ 141,984	\$ 574,666
Common area rehabilitation	6	1,563,837	83,376	(7,603)
Exterior building maintenance	5	509,510	43,168	(34,751)
Mechanical	10	1,639,675	42,702	233,091
Roofing	8	415,090	14,564	31,319
		<u>\$ 7,040,697</u>	<u>\$ 325,794</u>	<u>\$ 796,722</u>

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**ASSOCIATION OF BAY AREA GOVERNMENTS
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**

**A RESOLUTION AUTHORIZING THE ISSUANCE OF SPECIAL TAX
REFUNDING BONDS FOR THE ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS COMMUNITY FACILITIES DISTRICT NO.
2004-1 (SEISMIC SAFETY IMPROVEMENTS – 690 AND 942 MARKET
STREET PROJECT) IN A PRINCIPAL AMOUNT NOT TO EXCEED
\$10,500,000, APPROVING AND DIRECTING THE EXECUTION OF AN
INDENTURE AND APPROVING OTHER MATTERS RELATING THERETO**

Resolution No. 2018-005

RESOLVED by the Executive Committee (the “Executive Committee”) of the Board of Directors (the “Board”) of the ABAG Finance Authority for Nonprofit Corporations (the “Authority”), as follows:

WHEREAS, the Authority conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, which is Sections 53311 and following of the Government Code (the “Act”), to form the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) (the “District”), to authorize the levy of special taxes upon the taxable property within the District, and to issue bonds secured by said special taxes to finance certain seismic safety improvements authorized to be funded by the District (the “Improvements”); and

WHEREAS, on October 31, 2007, the Authority, for and on behalf of the District, issued \$11,000,000 principal amount of ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable) (the “Prior Bonds”), the Prior Bonds having been issued by the Authority for the District to finance the Improvements; and

WHEREAS, this Executive Committee has determined that, due to favorable interest rates, it is in the best interests of the Authority and the District that the Prior Bonds be refunded at this time; and

WHEREAS, there has been filed with the Secretary of the Executive Committee (the “Secretary”) an Indenture (the “Indenture”) providing for the issuance by the Authority, for and on behalf of the District, of special tax refunding bonds (the “Bonds”) under the authority provided in the Act, and this Executive Committee now desires to approve the Indenture and the issuance of the Bonds; and

WHEREAS, there also has been filed with the Secretary irrevocable refunding instructions providing for the defeasance and refunding of the Prior Bonds (the “Refunding Instructions”), a preliminary official statement (the “Preliminary Official Statement”) describing the Bonds, including thereon as an exhibit a Continuing Disclosure Certificate relating to the Bonds (the “Continuing Disclosure Certificate”), a bond purchase agreement (the “Purchase Contract”) providing for the sale for the Bonds, and this Executive Committee now desires to approve such documents on behalf of the Authority in connection with the refunding of the Prior Bonds and the sale of the Bonds; and

**ASSOCIATION OF BAY AREA GOVERNMENTS
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**

Resolution No. 2018-005

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds as contemplated by this Resolution and the documents referred to herein exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act.

NOW, THEREFORE, the Executive Committee of the Board of Directors of the ABAG Finance Authority for Nonprofit Corporations resolves and declares, as follows:

Section 1. Pursuant to the Act, this Resolution and the Indenture, the Bonds, in an aggregate principal amount not to exceed \$10,500,000, designated the “ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) 2018 Special Tax Refunding Bonds (Taxable),” or similar designation, are hereby authorized to be issued. The Bonds shall be executed in the form set forth in and otherwise as provided in the Indenture.

In furtherance of the issuance of the Bonds, this Executive Committee hereby makes the following findings and determinations: (i) it is prudent in the management of the fiscal affairs of the District to issue the Bonds for the purpose of refunding the Prior Bonds, (ii) the issuance of the Bonds is conditioned upon meeting the following legal requirements at the time of issuance, to be acknowledged by the Authority’s municipal advisor as having been met at the time of issuance of the Bonds: (a) the Bonds will generate interest cost savings which meets the savings requirement set forth in Section 53362.5 of the Act (b) the final maturity date of the Bonds will not exceed the final maturity date of the Prior Bonds, and (c) the ratio of assessed value to principal amount of Bonds issued exceeds 3:1.

Section 2. The Indenture, by and between the Authority, for the District, and MUFJ Union Bank, N.A., as trustee (the “Trustee”), in the form on file with the Secretary, is hereby approved. The Chair, the President, the Executive Director, Deputy Executive Director and the Chief Financial Officer/Treasurer of the Authority or a designee of any of them (collectively, the “Authorized Officers”), each acting alone, are hereby authorized to execute the Indenture in such form, together with any additions thereto or changes therein deemed necessary or advisable by an Authorized Officer upon consultation with General Counsel or Bond Counsel to the Authority, the approval of any such changes to be conclusively evidenced by the execution and delivery by an Authorized Officer of the Indenture. The proceeds of the Bonds shall be applied by the Authority for the purposes and in the amounts as set forth in the Indenture and the Refunding Instructions. This Executive Committee hereby authorizes the delivery and performance by the Authority of the Indenture.

For purposes of Section 53363.2 of the Act: (i) the purchase of the Bonds will occur on the date specified in the Purchase Contract, (ii) the date, denomination, maturity dates, places of payment and form of the Bonds will be as set forth in the Indenture, as executed, (iii) the interest rate or rates for the Bonds shall be set forth in the Indenture, as executed, (iv) the place of payment for the Prior Bonds is as set forth in the indenture for the Prior Bonds; and (v) the designated costs of issuing the Bonds are as described in Section 53363.8 of the Act, and as otherwise described in the Indenture, in the Official Statement (as defined below) and the closing certificates for the Bonds, including but not limited to underwriter’s discount, fees and expenses of the trustee, escrow bank, bond counsel, disclosure counsel and municipal advisor, costs of printing the Preliminary Official Statement and the final Official Statement, escrow bidding and

**ASSOCIATION OF BAY AREA GOVERNMENTS
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**

Resolution No. 2018-005

verification expenses, special tax administrative fees, Authority counsel fees, and costs of Authority staff incurred in connection with the sale and issuance of the Bonds.

Section 3. The refunding of the Prior Bonds with the proceeds of the Bonds, in accordance with the provisions of the indenture pursuant to which the Prior Bonds were issued and the Refunding Instructions is hereby approved. The Refunding Instructions in the form on file with the Secretary is hereby approved. This Executive Committee hereby authorizes the Authorized Officers, each acting alone, to execute and deliver the Refunding Instructions in such form, together with any changes therein or additions thereto deemed necessary or advisable by an Authorized Officer upon consultation with General Counsel or Bond Counsel to the Authority, the approval of any such changes to be conclusively evidenced by the execution and delivery by an Authorized Officer of the Refunding Instructions. This Executive Committee hereby authorizes the delivery and performance by the Authority of the Refunding Instructions.

Section 4. The Purchase Contract between the Authority and UBS Financial Services Inc., as underwriter (the "Underwriter"), in the form on file with the Secretary, is hereby approved. The Authorized Officers, each acting along, are hereby authorized to accept the offer of the Underwriter to purchase the Bonds contained in the Purchase Contract; provided that (a) the aggregate principal amount of the Bonds sold thereby is not in excess of \$10,500,000, (b) the Underwriter's discount is not in excess of 2.5% of the aggregate principal amount of the Bonds, and (c) the requirements of the second paragraph of Section 1 above are satisfied. The Authorized Officers, each acting along, are hereby authorized to execute and deliver the Purchase Contract in said form (if the requirements of the preceding sentence are satisfied), with such changes therein or additions thereto deemed necessary or advisable by an Authorized Officer upon consultation with General Counsel or Bond Counsel to the Authority, the approval of any such changes to be conclusively evidenced by the execution and delivery by an Authorized Officer of the Purchase Contract.

The Executive Committee hereby finds and determines that the sale of the Bonds at negotiated sale as contemplated by the Purchase Contract will result in a lower overall cost.

Section 5. The Preliminary Official Statement describing the Bonds, in the form on file with the Secretary, is hereby approved. Each Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to make changes to the Preliminary Official Statement prior to its dissemination to prospective investors, and to bring the Preliminary Official Statement into the form of a final official statement (the "Official Statement"), including such additions thereto or changes therein as are recommended or approved by such officer upon consultation with Disclosure Counsel. The Authorized Officers, each acting alone, are hereby authorized to execute and deliver the Official Statement. The Underwriter is hereby authorized to distribute or cause to be distributed copies of the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds, and the Underwriter is hereby authorized and directed to deliver to the purchasers of the Bonds copies of the Official Statement.

Section 6. The Continuing Disclosure Certificate related to the Bonds, in the form attached as APPENDIX D to the Preliminary Official Statement, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute and deliver the Continuing Disclosure Certificate in said form, with such additions thereto or changes therein as are deemed necessary, desirable or

**ASSOCIATION OF BAY AREA GOVERNMENTS
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**

Resolution No. 2018-005

appropriate by an Authorized Officer upon consultation with Disclosure Counsel, the approval of such changes to be conclusively evidenced by the execution and delivery by an Authorized Officer of the Continuing Disclosure Certificate.

Section 7. The Authority hereby covenants, for the benefit of the Bondowners, to commence and diligently pursue to completion any foreclosure action regarding delinquent installments of any amount levied as a special tax for the payment of interest or principal of the Bonds, said foreclosure action to be commenced and pursued as more completely set forth in the Indenture.

Section 8. The Bonds, when executed, shall be delivered to the Trustee for authentication. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's certificate of authentication and registration appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the purchaser of the Bonds in accordance with written instructions executed on behalf of the Authority by an Authorized Officer, which instructions such officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver to the Fiscal Agent. Such instructions shall provide for the delivery of the Bonds to the purchaser of the Bonds upon payment of the purchase price therefor.

Section 9. The law firm of Jones Hall, A Professional Law Corporation is hereby designated as Bond Counsel and as Disclosure Counsel to the Authority for the Bonds, the firm of Sperry Capital Inc. is hereby designated as the Municipal Advisor to the Authority with respect to the Bonds and the firm of Goodwin Consulting Group, Inc. is hereby designated as special tax administrator to assist with the preparation of the Preliminary Official Statement and the Official Statement and as dissemination agent under the Continuing Disclosure Certificate. Any officer of the Authority and the Secretary are each hereby authorized to execute agreements with said firms for their services in connection with the Bonds on such terms as such officer deems appropriate.

Section 10. All actions heretofore taken by the officers and agents of the Authority with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the Authority are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution, and any certificate, agreement, and other document described in the documents herein approved. Whenever in this Resolution any officer of the Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

**ASSOCIATION OF BAY AREA GOVERNMENTS
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**

Resolution No. 2018-005

Section 11. This Resolution shall take effect upon its adoption.

PASSED AND ADOPTED this 2nd day of August 2018.

ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS

Charles Lomeli
Chair of the Executive Committee

I, the undersigned, the duly appointed and qualified Secretary to the Executive Committee of the ABAG Finance Authority for Nonprofit Corporations, do hereby certify that the foregoing Resolution was duly adopted by the Executive Committee of said Authority at a duly called regular meeting of the Executive Committee of the Board of Directors of said Authority held in accordance with law on August 2, 2018.

Frederick Castro
Secretary to the Executive Committee,
ABAG Finance Authority for
Nonprofit Corporations

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INDENTURE

by and between the

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

and

**MUFG UNION BANK, N.A.,
as Trustee**

dated as of August 1, 2018

relating to:

\$ _____

**ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements – 690 and 942 Market Street Project)
2018 Special Tax Refunding Bonds (Taxable)**

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EXHIBIT A – FORM OF 2018 BOND

INDENTURE

**ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements – 690 and 942 Market Street Project)
2018 Special Tax Refunding Bonds (Taxable)**

THIS INDENTURE (the “Indenture”), dated as of August 1, 2018, is by and between the ABAG Finance Authority for Nonprofit Corporations, a joint exercise of powers agency organized and existing under and by virtue of the laws of the State of California (the “Authority”) for and on behalf of the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) (the “District”), and MUFG Union Bank, N.A., a national banking association duly organized and existing under the laws of the United States of America, as trustee (the “Trustee”).

RECITALS:

WHEREAS, the Executive Committee of the Board of Directors of the Authority has formed the District under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311, et seq. of the California Government Code) (the “Act”) and Resolution No. 04-38 adopted by the Executive Committee of the Board of Directors of the Authority on December 17, 2004 (the “Resolution of Formation”);

WHEREAS, the Executive Committee of the Board of Directors of the Authority, as the legislative body for the District, is authorized under the Act to levy special taxes to pay for the costs of the District and to authorize the issuance of bonds, including bonds to refund any bonds of the Authority for the District, secured by said special taxes under the Act;

WHEREAS, under the provisions of the Act, on October 31, 2007 the Authority, for and on behalf of the District, issued \$11,000,000 initial principal amount of its ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable) (the “Prior Bonds”), the net proceeds of which were used to finance seismic safety improvements authorized to be funded by the District;

WHEREAS, due to favorable interest rates in the financial markets, the Executive Committee of the Board of Directors of the Authority now has determined to refund the Prior Bonds in full;

WHEREAS, under the provisions of the Act on August 2, 2018, the Executive Committee of the Board of Directors of the Authority adopted its Resolution No. ____ (the “Resolution”), which resolution, among other matters, authorized the issuance of the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) 2018 Special Tax Refunding Bonds (Taxable) (the “2018 Bonds”) to provide moneys to defease and refund the Prior Bonds and provided that said issuance would be in accordance with this Indenture, and authorized the execution hereof;

WHEREAS, it is in the public interest and for the benefit of the Authority, the District and the owners of the 2018 Bonds that the Authority enter into this Indenture to provide for the

issuance of the 2018 Bonds, the disbursement of the proceeds of the 2018 Bonds, the disposition of the special taxes securing the 2018 Bonds and the administration and payment of the 2018 Bonds; and

WHEREAS, the Authority has determined that all things necessary to cause the 2018 Bonds, when executed by the Authority for the District and issued as in the Act, the Resolution and this Indenture provided, to be legal, valid and binding and special obligations of the Authority for the District in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Indenture and the creation, authorization, execution and issuance of the 2018 Bonds, subject to the terms hereof, have in all respects been duly authorized.

A G R E E M E N T:

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

ARTICLE I

STATUTORY AUTHORITY AND DEFINITIONS

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

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

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

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 et seq. of the California Government Code.

"Administrative Expenses" means costs directly related to the annual administration of the District by the Authority in a minimum amount of \$10,000 per year, including but not limited to the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules and the costs of collecting the Special Taxes; the costs of remitting the Special Taxes to the Trustee; fees and costs of any legal, financial or administrative assistance necessary to administer the District; including but not limited to fees and costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under this Indenture; the costs of the Authority or any designee of the Authority of complying with the disclosure provisions of the Act, the Continuing Disclosure Agreement and this Indenture, including those related to public inquiries regarding the Special Tax and disclosures to Bondowners and the Original Purchaser; the costs of the Authority, the County or any designee of either the Authority or the County related to an appeal of the Special Tax; any amounts required to be rebated to the federal government in order for the Authority to comply with Section 5.13; any fees or expenses of the Prior Trustee and any costs incurred by the Authority under or in connection with the defeasance and redemption of the Prior Bonds; any other costs and expenses of the Authority or the Trustee incurred in connection with the discharge of their respective duties hereunder or in connection with the Bonds or the refunding of the Prior Bonds and, in the case of the Authority, in any way related to the administration of the Bonds or the District; staff directly related to the foregoing and a proportionate amount of Authority general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the Authority for any administrative purpose of the District, amounts advanced to ensure compliance with Section 5.13, and the costs of commencing and pursuing foreclosure of delinquent Special Taxes.

“Administrative Expense Fund” means the fund by that name established by Section 4.07(A) hereof.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of the provisions of Section 2.03(A)(ii) providing for mandatory sinking payments), and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year pursuant to Section 2.03(A)(ii)).

“Auditor” means the Auditor-Controller of the County, or such other official at the County who is responsible for preparing property tax bills.

“Authority” means the ABAG Finance Authority for Nonprofit Corporations and any successor thereto.

“Authority Attorney” means any attorney or firm of attorneys employed by the Authority in the capacity of counsel to the Authority.

“Authorized Officer” means the Chair, the President, the Executive Director, the Chief Financial Officer, the Secretary or any other officer or employee of the Authority authorized by the Executive Committee of the Board of Directors of the Authority or by an Authorized Officer to undertake the action referenced in this Indenture as required to be undertaken by an Authorized Officer.

“Bond Counsel” means (i) Jones Hall, A Professional Law Corporation, or (ii) any other attorney or firm of attorneys acceptable to the Authority and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund by that name established by Section 4.05(A) hereof.

“Bond Proceeds Fund” means the fund by that name established by Section 4.01(A) hereof.

“Bond Register” means the books for the registration and transfer of Bonds maintained by the Trustee under Section 2.08 hereof.

“Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1st in the following year, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2018.

“Bonds” means the 2018 Bonds, and, if the context requires, any Parity Bonds, at any time Outstanding under this Indenture or any Supplemental Indenture.

“Business Day” means any day other than (i) a Saturday or a Sunday, or (ii) a day on which banking institutions in the state in which the Trustee has its Principal Office are authorized or obligated by law or executive order to be closed.

“CDIAC” means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

“Closing Date” means August _____, 2018, being the date upon which there is a physical delivery of the 2018 Bonds in exchange for the amount representing the purchase price of the 2018 Bonds by the Original Purchaser.

“Continuing Disclosure Agreement” shall mean that certain Continuing Disclosure Certificate executed by the Authority and Goodwin Consulting Group, Inc., as dissemination agent, on the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale and issuance of the 2018 Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Trustee including its first annual administration fee, expenses incurred by the Authority in connection with the issuance of the 2018 Bonds and the defeasance and redemption of the Prior Bonds, fees and expenses of the Prior Trustee, special tax administrator fees and expenses, Bond (underwriter’s) discount, legal fees and charges, including bond counsel, disclosure counsel, special counsel to the Authority, and Authority general counsel, municipal advisor fees and expenses, charges for execution, transportation and safekeeping of the 2018 Bonds, and other costs, charges and fees in connection with the foregoing.

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

“County” means the City and County of San Francisco, California.

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

“Debt Service” means the scheduled amount of interest and amortization of principal (including principal payable by reason of Section 2.03(A)(ii)) on the 2018 Bonds and the scheduled amount of interest and amortization of principal payable on any Parity Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.13.

“District” means the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project), formed by the Authority under the Act and the Resolution of Formation.

“Event of Default” means the occurrence of one or more of the events described as such in Section 9.01.

“Federal Securities” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Trustee: (i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of

the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as “stripped” obligations and coupons; or (ii) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

“Chief Financial Officer” means the Chief Financial Officer of the Authority or the designee thereof, or such other officer or employee of the Authority performing the functions of the chief financial officer of the Authority.

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

“Indenture” means this Indenture, as it may be amended or supplemented from time to time by any Supplemental Indenture adopted pursuant to the provisions hereof.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the Authority or the Chief Financial Officer, and who, or each of whom: (i) has experience in matters relating to the issuance and/or administration of bonds under the Act; (ii) is in fact independent and not under the domination of the Authority; (iii) does not have any substantial interest, direct or indirect, with or in the Authority, or any owner of real property in the District, or any real property in the District; and (iv) is not connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to make reports to the Authority.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>); and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the Authority may designate in an Officer’s Certificate delivered to the Trustee.

“Interest Payment Dates” means March 1 and September 1 of each year, commencing March 1, 2019.

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

“Moody’s” means Moody’s Investors Service, and any successor thereto.

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

“Ordinance” means Ordinance No. 2007-A, adopted by the Executive Committee of the Board of Directors of the Authority on September 21, 2007, and any other ordinance of the Authority amending or supplementing said Ordinance.

“Original Purchaser” means UBS Financial Services, Inc., the first purchaser of the 2018 Bonds from the Authority.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.04) all Bonds except: (i) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Authority pursuant to this Indenture or any Supplemental Indenture.

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

“Parity Bonds” means bonds issued by the Authority for the District on a parity with any then Outstanding Bonds pursuant to Section 2.14.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

“Permitted Investments” means any of the following:

(a) Federal Securities.

(b) (i) Time certificates of deposit or negotiable certificates of deposit issued by a state or nationally chartered bank (including the Trustee and its affiliates) or trust company, or a state or federal savings and loan association, or (ii) a deposit at a state or national bank; provided, that the certificates of deposit shall be one or more of the following: continuously and fully insured by the Federal Deposit Insurance Corporation, and/or continuously and fully secured by securities described in subdivision (a) of this definition of Permitted Investments which shall have a market value, as determined on a marked-to-market basis calculated at least weekly, and exclusive of accrued interest, of not less than 102 percent of the principal amount of the certificates on deposit.

(c) Commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by either Moody’s or S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an “A” or higher rating for the issuer’s debentures, other than commercial paper, by either Moody’s or S&P, provided that purchases of eligible commercial paper may not exceed 180 days’ maturity nor represent more than 10 percent of the outstanding commercial paper of an issuing corporation.

(d) A repurchase agreement with a state or nationally chartered bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, provided that all of the following conditions are satisfied: (1) the agreement is secured by any one or more of the securities described in subdivision (a) of this definition of Permitted Investments, (2) the underlying securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least one hundred million dollars (\$100,000,000) and which is independent of the issuer of the repurchase

agreement, and (3) the underlying securities are maintained at a market value, as determined on a marked-to-market basis calculated at least weekly, of not less than 103 percent of the amount so invested.

(e) An investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution (not including any insurance company) the longterm unsecured debt obligations of which are rated "AA" (or its equivalent) or better by Moody's and S&P at the time of initial investment. The investment agreement shall be subject to a downgrade provision with at least the following requirements: (1) the agreement shall provide that within five Business Days after the financial institution's long-term unsecured credit rating has been withdrawn, suspended, other than because of general withdrawal or suspension by Moody's or S&P from the practice of rating that debt, or reduced below "AA-" by S&P or below "Aa3" by Moody's (these events are called "rating downgrades") the financial institution shall give notice to the Trustee and, within the five-day period, and for as long as the rating downgrade is in effect, shall (A) deliver in the name of the Trustee to the Trustee federal securities allowed as investments under subdivision (a) of this definition of Permitted Investments with aggregate current market value equal to at least 105 percent of the principal amount of the investment agreement invested with the financial institution at that time, and shall deliver additional allowed federal securities as needed to maintain an aggregate current market value equal to at least 105 percent of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly, (B) assign the agreement to another financial institution acceptable to the Trustee and the Authority whose long-term unsecured debt obligations are then rated "A" (or its equivalent) or better by Moody's and S&P, or (C) return all invested funds to the Trustee; and (2) the agreement shall provide that, if the financial institution's long-term unsecured credit rating is reduced below "A3" by Moody's or below "A-" by S&P, the Trustee may, upon not more than five Business Days' written notice to the financial institution, withdraw the investment agreement, with accrued but unpaid interest thereon to the date, and terminate the agreement.

(f) The Local Agency Investment Fund of the State Treasurer of the State of California.

(g) Investments in a money market account (including any accounts of the Trustee or its affiliates) rated in the highest rating category by Moody's or S&P, excluding any funds with a floating net asset value.

(h) Any other lawful investment for Authority funds.

"Principal Office" means the principal corporate trust office of the Trustee set forth in Section 9.06, except for the purpose of maintenance of the registration books and presentation of Bonds for payment, transfer or exchange, such term shall mean the office at which the Trustee conducts its corporate agency business, or such other or additional offices as may be designated by the Trustee.

"Prior Bonds" means the \$11,000,000 initial principal amount of its ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable).

"Prior Trustee" means MUFJ Union Bank, N.A., in its capacity as trustee for the Prior Bonds.

“Project” means the seismic safety improvements eligible to be funded by the District more particularly described in the Resolution of Formation.

“Qualified Reserve Fund Credit Instrument” means an irrevocable standby or direct-pay letter of credit issued by a commercial bank or a surety bond or insurance policy provided by an insurance company and in each case deposited with the Trustee pursuant to Section 4.04(G), provided that all of the following requirements are met: (a) the long-term credit rating or claims paying ability of such bank or insurance company at the time of issuance is in one of the three highest rating categories by S&P and Moody’s; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 4.04(G); and (d) the Trustee is authorized pursuant to the terms of such letter of credit, surety bond or insurance policy to draw thereunder for the purpose of making transfers to the bond fund required pursuant to Section 4.04(B) and as described in Section 4.04(C).

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

“Refunding Bonds” means bonds issued by the Authority for the District the net proceeds of which are used to refund all or a portion of the then Outstanding Bonds; provided that the debt service on the Refunding Bonds in any Bond Year is not in excess of the debt service on the Bonds being refunded and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

“Reserve Fund” means the fund by that name established pursuant to Section 4.04(A) hereof.

“Reserve Requirement” means, as of any date of calculation an amount equal to the least of (i) the then Maximum Annual Debt Service, (ii) one hundred twenty-five percent (125%) of the then average Annual Debt Service, or (iii) ten percent (10%) of the initial principal amount of the Bonds. The Reserve Requirement as of the Closing Date is \$_____.

“Resolution” means Resolution No. _____, adopted by the Executive Committee of the Board of Directors of the Authority on August 2, 2018.

“Resolution of Formation” means Resolution No. 04-38, adopted by the Executive Committee of the Board of Directors of the Authority on December 17, 2004.

“S&P” means S&P Global Ratings and any successor thereto.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in an Officer’s Certificate delivered to the Trustee.

“Special Tax Fund” means the fund by that name established by Section 4.06(A) hereof.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the Authority, including any scheduled payments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. “Special Tax Revenues” does not include any penalties collected in connection with delinquent Special Taxes, which amounts may be deposited to the Administrative Expense Fund or otherwise disposed of as determined by the Chief Financial Officer consistent with any applicable provisions of the Act.

“Special Taxes” means the special taxes levied within the District pursuant to the Act, the Ordinance and this Indenture.

“Supplemental Indenture” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Authority under the Act and which agreement is amendatory of or supplemental to this Indenture, but only if and to the extent that such agreement is specifically authorized hereunder.

“Tax Consultant” means Goodwin Consulting Group, Inc. or another independent financial or tax consultant retained by the Authority for the purpose of computing the Special Taxes.

“Trust Estate” means the assets pledged and assigned by the Authority to the Trustee pursuant to this Indenture, which are limited to and include only the following: (i) the Special Tax Revenues, and (ii) the amounts in the Special Tax Fund, the Bond Fund and the Reserve Fund.

“Trustee” means the Trustee appointed by the Authority and acting as an independent trustee with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01.

“2018 Bonds” means the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) 2018 Special Tax Refunding Bonds (Taxable) at any time Outstanding under this Indenture.

ARTICLE II

THE BONDS

Section 2.01. Principal Amount; Designation. 2018 Bonds in the aggregate principal amount of _____ Million _____ Hundred _____ Thousand Dollars (\$_____) are hereby authorized to be issued by the Authority for the District under and subject to the terms of the Resolution and this Indenture, the Act, and other applicable laws of the State of California. The 2018 Bonds shall be designated as the “ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) 2018 Special Tax Refunding Bonds (Taxable).”

Section 2.02. Terms of the 2018 Bonds.

(A) Form; Denominations. The 2018 Bonds shall be issued as fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple in excess thereof.

(B) Date of 2018 Bonds. The 2018 Bonds shall be dated the Closing Date.

(C) CUSIP Identification Numbers. “CUSIP” identification numbers shall be imprinted on the 2018 Bonds, but such numbers shall not constitute a part of the contract evidenced by the 2018 Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the 2018 Bonds. In addition, failure on the part of the Authority or the Trustee to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the Authority’s contract with such Owners and shall not impair the effectiveness of any such notice.

(D) Maturities, Interest Rates. The 2018 Bonds shall mature and become payable on September 1 in each of the years, and shall bear interest at the rates per annum as follows:

Maturity Date (September 1)	Principal Amount	Interest Rate
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(E) Interest. The 2018 Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2018 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date; provided, however, that if at the time of authentication of a 2018 Bond, interest is in default thereon, such 2018 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) Method of Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Trustee mailed on the Interest Payment Dates by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Trustee at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer (i) to the Depository (so long as the Bonds are in book-entry form pursuant to Section 2.13), or (ii) to an account within the United States made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds received before the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner. The principal of the Bonds is payable by check in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Trustee. All Bonds paid by the Trustee pursuant to this Section shall be canceled by the Trustee. The Trustee shall destroy the canceled Bonds and issue a certificate of destruction thereof to the Authority.

Section 2.03. Redemption.

(A) ***Redemption Dates.***

(i) Optional Redemption. The 2018 Bonds maturing on or after September 1, 20____ are subject to optional redemption prior to their stated maturity on any Interest Payment Date on or after September 1, 20____, as a whole, or in part among maturities so as to maintain to the maximum extent practicable the same debt service profile for the 2018 Bonds as in effect on the Closing Date, and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

(ii) Mandatory Sinking Payment Redemption. The 2018 Bonds maturing on September 1, 20____, are subject to mandatory sinking payment redemption in part on September 1, 20____, and on September 1, 20____, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date (September 1)	Sinking Payments
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The 2018 Bonds maturing on September 1, 20____, are subject to mandatory sinking payment redemption in part on September 1, 20____, and on September 1, 20____, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

The amounts in the foregoing tables shall be reduced so as to maintain to the maximum extent practicable the same debt service profile for the 2018 Bonds as in effect on the Closing Date, as a result of any prior partial redemption of the 2018 Bonds pursuant to Section 2.03(A)(i) above, as specified in writing by the Chief Financial Officer to the Trustee.

(B) **Notice to Trustee.** The Authority shall give the Trustee written notice of its intention to redeem 2018 Bonds pursuant to subsection (A)(i) not less than forty-five (45) days prior to the applicable redemption date, or such lesser number of days as shall be consented to by the Trustee.

(C) **Purchase of Bonds in Lieu of Redemption.** In lieu of redemption under Section 2.03(A), moneys in the Bond Fund may be used and withdrawn by the Trustee for purchase of Outstanding 2018 Bonds, upon the filing with the Trustee of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

(D) **Redemption Procedure by Trustee.** The Trustee shall cause notice of any redemption to be mailed by first class mail, postage prepaid, or sent by such other means as is acceptable to the recipient thereof, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Original Purchaser, to the Securities Depositories, to one or more Information Services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Trustee; but such sending of the notice of redemption shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed by giving the individual CUSIP number and Bond number of each Bond to be redeemed or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Trustee for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date.

Notwithstanding the foregoing, in the case of any redemption of the 2018 Bonds under Section 2.03(A)(i) above, the notice of redemption may state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the 2018 Bonds on the anticipated redemption date, and that the redemption shall not occur if by no later than the scheduled redemption date sufficient moneys to redeem the 2018 Bonds have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled redemption date to so redeem the 2018 Bonds to be redeemed, the Trustee shall send written

notice to the owners of the 2018 Bonds, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the 2018 Bonds for which notice of redemption was given shall remain Outstanding for all purposes of this Indenture.

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

Whenever provision is made in this Indenture for the redemption of less than all of the Bonds or any given portion thereof, the Trustee shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, among maturities as directed in writing by the Chief Financial Officer (who shall specify Bonds to be redeemed so as to maintain, as much as practicable, the same debt service profile for the Bonds as in effect prior to such redemption), and by lot within a maturity in any manner which the Trustee deems appropriate. Upon surrender of Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the registered Owner, at the expense of the Authority, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

(E) **Effect of Redemption.** From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest on, the Bonds so called for redemption shall have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

All Bonds redeemed and purchased by the Trustee pursuant to this Section shall be canceled by the Trustee. The Trustee shall destroy the canceled Bonds and issue a certificate of destruction thereof to the Authority.

Section 2.04. Form of Bonds. The 2018 Bonds, the form of Trustee's certificate of authentication and the form of assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture, the Resolution and the Act.

Section 2.05. Execution of Bonds. The Bonds shall be executed on behalf of the Authority by the manual or facsimile signatures of its Chair or Chief Financial Officer, and attested by the Secretary, in each case who are in office on the date of execution of this Indenture or at any time thereafter, and the seal of the Authority shall be impressed, imprinted or reproduced by facsimile thereon. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the owner. Any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such Bond shall be the proper officers of the Authority although at the nominal date of such Bond any such person shall not have been such officer of the Authority.

Only such Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, executed and dated by the Trustee, shall be valid or obligatory for

any purpose or entitled to the benefits of this Indenture, and such certificate of authentication of the Trustee shall be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Trustee. The cost for any services rendered or any expenses incurred by the Trustee in connection with any such transfer shall be paid by the Authority. The Trustee shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount of authorized denomination(s). No transfers of Bonds shall be required to be made (i) fifteen days prior to the date established by the Trustee for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date.

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

No exchanges of Bonds shall be required to be made (i) fifteen days prior to the date established by the Trustee for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date.

Section 2.08. Bond Register. The Trustee will keep or cause to be kept, at its Principal Office a Bond Register for the registration and transfer of the Bonds, which books shall show the series number, date, amount, rate of interest and last known Owner of each Bond and shall at all times be open to inspection by the Authority during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided.

The Authority and the Trustee will treat the Owner of any Bond whose name appears on the Bond Register as the absolute Owner of such Bond for any and all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary. The Authority and the Trustee may rely on the address of the Bondowner as it appears in the Bond register for any and all purposes.

Section 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the Authority, and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority

upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Trustee or at such other location as the Trustee shall designate, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

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

Section 2.11. Limited Obligation. All obligations of the Authority under this Indenture and the Bonds shall be special obligations of the Authority, payable solely from the Trust Estate. Neither the faith and credit nor the taxing power of the Authority (except with respect to its power to levy and collect the Special Taxes) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds. The members of the Authority have no obligation whatsoever under this Indenture or otherwise with respect to the Bonds.

Section 2.12. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the redemption of Bonds under Section 2.03 hereof, or the defeasance of the Bonds and discharge of this Indenture under Section 10.03 hereof.

Section 2.13. Book-Entry System. DTC shall act as the initial Depository for the 2018 Bonds. One 2018 Bond for each maturity of the 2018 Bonds shall be initially executed, authenticated, and delivered as set forth herein with a separate fully registered certificate (in print or typewritten form). Upon initial execution, authentication, and delivery, the ownership of the 2018 Bonds shall be registered in the Bond Register kept by the Trustee for the Bonds in the name of Cede & Co., as nominee of DTC or such nominee as DTC shall appoint in writing.

The representatives of the Authority and the Trustee are hereby authorized to take any and all actions as may be necessary and not inconsistent with this Indenture to qualify the 2018

Bonds for the Depository's book-entry system, including the execution of the Depository's required representation letter.

With respect to Bonds registered in the Bond Register in the name of Cede & Co., as nominee of DTC, neither the Authority nor the Trustee shall have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds Bonds as Depository from time to time (the "DTC Participants") or to any person for which a DTC Participant acquires an interest in the Bonds (the "Beneficial Owners"). Without limiting the immediately preceding sentence, neither the Authority nor the Trustee shall have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the Authority elects to redeem the Bonds in part, (iv) the payment to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any amount with respect to the principal of or interest on the Bonds, or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

Except as set forth above, the Trustee may treat as and deem DTC to be the absolute Owner of each Bond for which DTC is acting as Depository for the purpose of payment of the principal of and interest on such Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bonds, for the purpose of registering transfers with respect to such Bonds, and for all purposes whatsoever. The Trustee shall pay all principal of and interest on the Bonds only to or upon the order of the Owners as shown on the Bond Register, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to the principal of and interest on the Bonds to the extent of the sums so paid.

No person other than an Owner, as shown on the Bond Register, shall receive a physical Bond. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions in Section 2.06 hereof, references to "Cede & Co." in this Section 2.13 shall refer to such new nominee of DTC.

DTC may determine to discontinue providing its services with respect to the 2018 Bonds at any time by giving written notice to the Trustee during any time that the 2018 Bonds are Outstanding, and discharging its responsibilities with respect thereto under applicable law. The Authority may terminate the services of DTC with respect to the 2018 Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the 2018 Bonds or that continuation of the system of book-entry transfers through DTC is not in the best interest of the Beneficial Owners, and the Authority shall mail notice of such termination to the Trustee.

Upon the termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions hereunder can be found which is willing and able to undertake such functions upon reasonable or customary terms, or if the Authority determines that it is in the best interest of the Beneficial Owners of the 2018 Bonds that they be able to obtain certificated Bonds, the 2018 Bonds shall no longer be restricted to being registered in the Bond Register of the Trustee in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names the Owners shall designate at that time, in accordance with Section 2.06.

To the extent that the Beneficial Owners are designated as the transferee by the Owners, in accordance with Section 2.06, the Bonds will be delivered to such Beneficial Owners as soon as practicable.

Section 2.14. Issuance of Parity Bonds for Refunding Purposes Only. The Authority may issue one or more series of bonds (the "Parity Bonds"), in addition to the 2018 Bonds authorized under Section 2.01 hereof, by means of a Supplemental Indenture and without the consent of any Bondowners, upon compliance with the provisions of this Section 2.14. Only Refunding Bonds that comply with the requirements of this Section 2.14 shall be Parity Bonds, and any such Parity Bonds shall constitute Bonds hereunder and shall be secured by a lien on and pledge of the Trust Estate on a parity with all other Bonds Outstanding hereunder. The Authority may issue the Parity Bonds subject to the following specific conditions precedent:

(A) **Current Compliance.** The Authority shall be in compliance on the date of issuance of the Parity Bonds with all covenants set forth in this Indenture and all Supplemental Indentures.

(B) **Payment Dates.** The Supplemental Indenture providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on March 1 and September 1, and principal thereof shall be payable on September 1 in any year in which principal is payable (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) **Funds and Accounts; Reserve Fund Deposit.** The Supplemental Indenture providing for the issuance of such Parity Bonds may provide for the establishment of a reserve fund, which may be separate from any others or a parity reserve, and if a reserve fund is established shall provide for a deposit therein in an amount equal to the Reserve Requirement calculated with respect to the Parity Bonds or the combined 2018 Bonds and Parity Bonds, as applicable.

(D) **Refunding Bonds.** The Parity Bonds must be Refunding Bonds.

(E) **Officer's Certificate.** The Authority shall deliver to the Trustee an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B), (C) and (D) of this Section 2.14 have been satisfied. In delivering such Officer's Certificate, the Authorized Officer that executes the same may conclusively rely upon such certificates of the Trustee, the Tax Consultant and others selected with due care, without the need for independent inquiry or certification. Nothing in this Section 2.14 shall prohibit the Authority from issuing bonds or otherwise incurring debt secured by a pledge of the Trust Estate subordinate to the pledge thereof under Section 3.02.

ARTICLE III

ISSUANCE OF BONDS

Section 3.01. Issuance and Delivery of 2018 Bonds. At any time after the execution of this Indenture, the Authority may issue the 2018 Bonds for the District in the aggregate principal amount set forth in Section 2.01 and deliver the 2018 Bonds to the Original Purchaser. The Authorized Officers of the Authority are hereby authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the 2018 Bonds in accordance with the provisions of the Act, the Resolution and this Indenture, to authorize the payment of Costs of Issuance and costs of the refunding of the Prior Bonds from the proceeds of the 2018 Bonds, and to do and cause to be done any and all acts and things necessary or convenient for delivery of the 2018 Bonds to the Original Purchaser.

Section 3.02. Pledge of Trust Estate. The Authority hereby irrevocably pledges, transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all right, title and interest of the Authority in the Trust Estate, subject to the provisions of this Indenture.

The pledge and assignment of the Trust Estate pursuant to this Indenture shall attach and be valid and binding upon the execution and delivery of this Indenture by the Authority and the Trustee, without any physical delivery of the Trust Estate or further act. Any and all interest in property acquired after the date of this Indenture of any kind or nature which is to become subject to the lien of this Indenture shall, without any further conveyance, assignment or act on the part of the Authority or the Trustee, be subject to the lien of this Indenture as fully and completely as though specifically described in this Indenture. The lien of the pledge and security interest created by this Indenture shall be valid and binding and prior to the claims of any and all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice of the lien. The Trust Estate is free and clear of any pledge, lien, charge or encumbrance other than the lien of this Indenture. Amounts in the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Project financed with the proceeds of the Prior Bonds is not in any way pledged to pay the Debt Service on the Bonds.

ARTICLE IV

FUNDS AND ACCOUNTS

Section 4.01. Application of Proceeds of Sale of 2018 Bonds and Other Moneys].

The proceeds of the purchase of the 2018 Bonds by the Original Purchaser (being _____) shall be paid to the Trustee, who shall forthwith set aside, pay over and deposit such proceeds on the Closing Date in the Bond Proceeds Fund which is hereby established as a separate fund to be held by the Trustee, and the Trustee shall promptly transfer the amount deposited in the Bond Proceeds Fund as follows:

- (i) Deposit \$_____ in the Costs of Issuance Fund.
- (ii) Transfer \$_____ to the Prior Trustee for the defeasance and the payment and redemption of the Prior Bonds.
- (iii) Deposit \$_____ in the Reserve Fund.

Following the transfer of the funds in the Bond Proceeds Fund, the Trustee shall close the Bond Proceeds Fund.

Section 4.02. [Intentionally Omitted]

Section 4.03. Costs of Issuance Fund.

(A) **Establishment of Costs of Issuance Fund.** There is hereby established as a separate fund to be held by the Trustee, the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Costs of Issuance Fund (the “Costs of Issuance Fund”), to the credit of which a deposit shall be made as required by Section 4.01(A)(i). Moneys in the Costs of Issuance Fund shall be held in trust by the Trustee and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) **Disbursement.** Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Chief Financial Officer and delivered to the Trustee concurrently with the delivery of the Bonds, or otherwise in an Officer’s Certificate delivered to the Trustee after the Closing Date. The Trustee shall pay all Costs of Issuance after receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee pursuant to an Officer’s Certificate requesting payment of Costs of Issuance. The Trustee shall maintain the Costs of Issuance Fund for a period of 90 days from the date of delivery of the Bonds and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Administrative Expense Fund.

(C) **Investment.** Moneys in the Costs of Issuance Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from said investment shall be retained by the Trustee in the Costs of Issuance Fund to be used for the purposes of such fund.

Section 4.04. Reserve Fund.

(A) **Establishment of Fund.** There is hereby established as a separate fund to be held by the Trustee the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Reserve Fund (the “Reserve Fund”), to the credit of which the Trustee shall deposit the amount specified in Section 4.01(A)(iii). Future deposits shall be made to the Reserve Fund as provided in Section 4.06(B). Amounts in the Reserve Fund shall be held in trust by the Trustee for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

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

(C) **Notice of Transfer Due to Deficiency in Bond Fund.** Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Trustee shall provide written notice thereof to the Chief Financial Officer, specifying the amount withdrawn.

(D) **Transfer of Excess of Reserve Requirement.** Whenever, on the Business Day prior to any Interest Payment Date, or on any other date at the request of the Chief Financial Officer, the amount in the Reserve Fund exceeds the Reserve Requirement, the Trustee shall provide written notice to the Chief Financial Officer of the amount of the excess and shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of interest on the Bonds on the next Interest Payment Date in accordance with Section 4.05.

(E) **Transfer When Balance Exceeds Outstanding Bonds.** Whenever the balance in the Reserve Fund equals or exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption the Trustee shall notify the Chief Financial Officer of such situation, and, upon the written direction of the Chief Financial Officer, the Trustee shall transfer the amount then in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption, in accordance with Section 2.03 and 4.05, as applicable, of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the Authority to be used for any lawful purpose of the Authority consistent with the provisions of the Act.

Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund pursuant to this Section 4.04(E) until after payment of any fees and expenses due to the Trustee.

(F) **Investment.** Moneys in the Reserve Fund shall be invested in accordance with Section 6.01. Interest earnings and profits resulting from said investment shall be retained by the Trustee in the Reserve Fund to be used for the purposes of such fund, including but not limited to Section 4.04(D) above.

(G) **Substitution of Qualified Reserve Fund Credit Instrument.** The Authority shall have the right at any time to release funds from the Reserve Fund, in whole or in part, by tendering to the Trustee a Qualified Reserve Fund Credit Instrument. Upon tender of such items to the Trustee, and upon delivery by the Authority to the Trustee of a written calculation of the amount permitted to be released from the Reserve Fund (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Fund to the Authority to be used for any lawful purpose under the Act. The Trustee shall comply with all documentation relating to a Qualified Reserve Fund Credit Instrument as shall be required to maintain such Qualified Reserve Fund Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under Section 4.04(B) and as described in Section 4.04(C). At least fifteen (15) days prior to the expiration of any Qualified Reserve Fund Credit Instrument, the Authority shall be obligated either (i) to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds such that the amount on deposit in the Reserve Fund is equal to the Reserve Requirement (without taking into account such expiring Qualified Reserve Fund Credit Instrument). In the event that the Authority shall fail to take action as specified in clause (i) or (ii) of the preceding sentence, the Trustee shall, prior to the expiration thereof, draw upon the Qualified Reserve Fund Credit Instrument in full and deposit the proceeds of such draw in the Reserve Fund. In the event that the Reserve Requirement shall at any time be maintained in the Reserve Fund in the form of a combination of cash and investments, and a Qualified Reserve Fund Credit Instrument, the Trustee shall apply the amount of such cash and liquidate such investments as necessary to make any transfer required to be from the Reserve Fund to the Bond Fund before the Trustee shall draw any moneys under such Qualified Reserve Fund Credit Instrument for such purpose. In the event that the Trustee shall at any time draw funds under a Qualified Reserve Fund Credit Instrument to make any transfer then required to be made from the Reserve Fund, the Special Tax Revenues thereafter received by the Trustee, to the extent deposited to the Reserve Fund under Section 4.06(B)(ii), shall first be used to reinstate the Qualified Reserve Fund Credit Instrument.

Section 4.05. Bond Fund.

(A) **Establishment of Bond Fund.** There is hereby established as a separate fund to be held by the Trustee, the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Bond Fund (the “Bond Fund”), to the credit of which deposits shall be made as required by Sections 4.04(B), 4.04(D), 4.04(E) and 4.06(B), and any other amounts required to be deposited therein by this Indenture or the Act.

Moneys in the Bond Fund shall be held in trust by the Trustee for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) **Disbursements.** On each Interest Payment Date, the Trustee shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal and interest then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments set forth in Section 2.03(A)(ii), or a redemption of the Bonds required by Section 2.03(A)(i), such payments to be made in the priority listed in the second succeeding paragraph.

In the event that amounts in the Bond Fund are insufficient for the purposes set forth in the preceding paragraph, the Trustee shall withdraw from the Reserve Fund amounts to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund. If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the first sentence of the first paragraph of this Section 4.05(B), the Trustee shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

(C) **Investment.** Moneys in the Bond Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from the investment and deposit of amounts in the Bond Fund shall be retained in the Bond Fund to be used for purposes of such fund.

Section 4.06. Special Tax Fund.

(A) **Establishment of Special Tax Fund.** There is hereby established as a separate fund to be held by the Trustee, the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Special Tax Fund (the “Special Tax Fund”), to the credit of which the Trustee shall deposit, promptly following receipt thereof, any Special Tax Revenues remitted to the Trustee by the County or the Authority, and any amounts required by Section 4.07(B) to be deposited therein. The Authority shall remit any Special Tax Revenues received by it to the Trustee for deposit by the Trustee to the Special Tax Fund.

Notwithstanding the foregoing, any Special Tax Revenues constituting payment of the portion of the Special Tax levy for Administrative Expenses, as identified by the Chief Financial Officer to the Trustee, shall be deposited by the Trustee in the Administrative Expense Fund.

Moneys in the Special Tax Fund shall be held by the Trustee for the benefit of the Authority and the Owners of the Bonds, shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners of the Bonds and the Authority.

(B) **Disbursements.** On or before each Interest Payment Date, the Trustee shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Reserve Fund pursuant to Sections 4.04(D) (transfer of excess of Reserve Requirement) or 4.04(E) (transfer when balance exceeds outstanding Bonds) to the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), and interest due on the Bonds on such Interest Payment Date and (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund such that the amount in the Reserve Fund is equal to the Reserve Requirement.

In addition to the foregoing, if in any Fiscal Year there are sufficient funds in the Special Tax Fund to make the foregoing transfers to the Bond Fund and the Reserve Fund in respect of the Interest Payment Dates occurring in the Bond Year that commences in such Fiscal Year, the Chief Financial Officer may direct the Trustee to transfer any amount in the Special Tax Fund in excess of the amount needed to make such transfers to the Bond Fund and the Reserve Fund

(i) to the Administrative Expense Fund, from time to time, if monies are needed to pay Administrative Expenses in excess of the amount then on deposit in the Administrative Expense Fund; (ii) to such other fund or account established to pay debt service on or administrative expenses with respect to any bonds or other debt secured by a pledge of Special Tax Revenues subordinate to the pledge thereof under Section 3.02 of this Indenture; or (iii) to such other fund or account established by and as directed by the Authority to be used for any lawful purpose under the Act and otherwise in accordance with the provisions of the Rate and Method of Apportionment of Special Taxes for the District.

(C) **Investment.** Moneys in the Special Tax Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

Section 4.07. Administrative Expense Fund.

(A) **Establishment of Administrative Expense Fund.** There is hereby established as a separate fund to be held by the Trustee, the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Administrative Expense Fund (the “Administrative Expense Fund”), to the credit of which deposits shall be made as required by Sections [[4.01(B),] 4.03(B) and 4.06(B). Moneys in the Administrative Expense Fund shall be held by the Trustee for the benefit of the Authority, and shall be disbursed as provided below.

(B) **Disbursement.** Amounts in the Administrative Expense Fund shall be withdrawn by the Trustee and paid to the Authority or its order upon receipt by the Trustee of an Officer’s Certificate stating the amount to be withdrawn, that such amount is to be used to pay, or to reimburse the Authority for payment of, an Administrative Expense or a Costs of Issuance, and the nature of such Administrative Expense or Costs of Issuance. Amounts transferred from the Costs of Issuance Fund to the Administrative Expense Fund pursuant to Section 4.03(B) shall be separately identified at all times, and such amounts and any investment earnings thereon shall be expended for purposes of the Administrative Expense Fund prior to the use of amounts transferred to the Administrative Expense Fund from the Special Tax Fund pursuant to Section [[4.01(B) or] 4.06(B).

Annually, on the last day of each Fiscal Year commencing with the last day of Fiscal Year 2018-2019, the Trustee shall withdraw any amounts then remaining in the Administrative Expense Fund in excess of \$30,000 that have not otherwise been allocated to pay Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, and transfer such amounts to the Special Tax Fund.

(C) **Investment.** Moneys in the Administrative Expense Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from said investment shall be retained by the Trustee in the Administrative Expense Fund to be used for the purposes thereof.

ARTICLE V

OTHER COVENANTS OF THE AUTHORITY

Section 5.01. Punctual Payment. The Authority will punctually pay or cause to be paid the principal of, and interest on, the Bonds when and as due in strict conformity with the terms of this Indenture and any Supplemental Indenture, and it will faithfully observe and perform all of the conditions covenants and requirements of this Indenture and all Supplemental Indentures and of the Bonds.

Section 5.02. Limited Obligation. The Bonds are limited obligations of the Authority on behalf of the District and are payable solely from and secured solely by the Trust Estate.

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

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

Section 5.05. Books and Records. The Authority will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Authority, in which complete and correct entries shall be made of all transactions relating to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Trustee and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing. The Trustee will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Trustee, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund, the Administrative Expense Fund, the Special Tax Fund, the Reserve Fund and the Costs of Issuance Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Authority and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

Section 5.06. Protection of Security and Rights of Owners. The Authority will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the Authority, the Bonds shall be incontestable by the Authority.

Section 5.07. Compliance with Law. The Authority will comply with all applicable provisions of the Act and law in administering the District; provided that the Authority shall have no obligation to advance any of its own funds for any purpose whatsoever under this Indenture.

Section 5.08. Collection of Special Tax Revenues. The Authority shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

On or within five (5) Business Days of each June 1, the Trustee shall provide the Chief Financial Officer with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund and informing the Authority of any necessary replenishment of the Reserve Fund so that the balance therein equals the Reserve Requirement. The receipt of or failure to receive such notice by the Chief Financial Officer shall in no way affect the obligations of the Chief Financial Officer under the following two paragraphs. Upon receipt of such notice, the Chief Financial Officer shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year. This notice requirement shall be met by the Trustee providing monthly statements to the Authority pursuant to Section 6.01

The Chief Financial Officer shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each July 15 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Chief Financial Officer shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

The Chief Financial Officer shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund and an amount estimated to be sufficient to pay the Administrative Expenses during such year, taking into account the balances in such funds and in the Special Tax Fund. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property; provided that, pursuant to and in accordance with the Ordinance, the Special Taxes may be collected by means of direct billing of the property owners within the District, in which event the Special Taxes shall become delinquent if not paid when due pursuant to said billing.

Section 5.09. Covenant to Foreclose. Pursuant to Section 53356.1 of the Act, the Authority hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following paragraph. The Chief Financial Officer shall notify the Authority

Attorney of any such delinquency of which it is aware, and the applicable Authority Attorney shall commence, or cause to be commenced, such proceedings.

On or about February 15 and June 15 of each Fiscal Year, the Chief Financial Officer shall compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the Authority, and:

(A) **Individual Delinquencies.** If the Chief Financial Officer determines that any single parcel (i.e. a Condominium Unit or a fractional interest in a Fractional Unit, the LP Parcel, or any Retail Property, as such terms are defined in the Rate and Method of Apportionment of Special Taxes for the District) subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$10,000.00 or more with respect to any Condominium Unit, the LP Parcel or any Retail Property, or \$4,000.00 or more with respect to any fractional interest in a Fractional Unit, then the Chief Financial Officer shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner (with a copy to the related homeowner's association with respect to any fractional interest) within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the Authority within 90 days of such determination.

(B) **Aggregate Delinquencies.** If the Chief Financial Officer determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the Chief Financial Officer shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and the Authority shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the District with a Special Tax delinquency.

Notwithstanding the foregoing, the Chief Financial Officer may defer any foreclosure action otherwise required under subparagraph (A) or (B) above, if the amount in the Reserve Fund is at least equal to the Reserve Requirement. The Chief Financial Officer and the Authority Attorney, as applicable, are hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for Authority staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

Section 5.10. Further Assurances. The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Indenture.

Section 5.11. Authority Bid of Foreclosure Sale. The Authority will not bid at a foreclosure sale of property in respect of delinquent Special Taxes, unless it expressly agrees to take the property subject to the lien for Special Taxes imposed by the District.

Section 5.12. Continuing Disclosure to Owners. In addition to its obligations under Section 9.07, the Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Indenture, failure of the Authority to comply with the Continuing Disclosure Agreement

shall not be considered a default hereunder; however, any Participating Underwriter or any holder or Beneficial Owner (as defined in Section 2.13) of the Bonds may take such actions as may be necessary and appropriate to compel performance by the Authority of its obligations thereunder, including seeking mandate or specific performance by court order.

Section 5.13. Reduction of Special Taxes. The Authority covenants and agrees to not consent or conduct proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District below an amount, for any Fiscal Year, equal to 110% of the aggregate of the debt service due on the Bonds in such Fiscal Year, plus a reasonable estimate of Administrative Expenses for such Fiscal Year. It is hereby acknowledged that the Bondowners are purchasing the Bonds in reliance on the foregoing covenant, and that said covenant is necessary to assure the full and timely payment of the Bonds.

Section 5.14. Limits on Special Tax Waivers and Bond Tenders. The Authority covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the Authority having insufficient Special Tax revenues to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

ARTICLE VI

INVESTMENTS, DISPOSITION OF INVESTMENT PROCEEDS, LIABILITY OF THE AUTHORITY

Section 6.01. Deposit and Investment of Moneys in Funds. Moneys in any fund or account created or established by this Indenture and held by the Trustee shall be invested by the Trustee in Permitted Investments which by their terms mature prior to the date on which such moneys are required to be paid out hereunder, as directed pursuant to an Officer's Certificate filed with the Trustee at least two (2) Business Days in advance of the making of such investments. Notwithstanding the foregoing, in the absence of an Officer's Certificate directing the investment of funds by the Trustee, the Trustee shall hold such moneys uninvested.

Moneys in any fund or account created or established by this Indenture and held by the Chief Financial Officer shall be invested by the Chief Financial Officer in any lawful investment for Authority funds or in any Permitted Investment, which in any event by its terms matures prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Indenture for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Indenture any moneys are required to be transferred by the Authority to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments.

The Trustee and its affiliates or the Chief Financial Officer may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Trustee nor the Chief Financial Officer shall incur any liability for losses arising from any investments made pursuant to this Section. The Trustee shall not be required to determine the legality of any investments.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Trustee or the Chief Financial Officer hereunder, provided that the Trustee or the Chief Financial Officer, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Indenture.

The Trustee or the Chief Financial Officer, as applicable, shall sell at or present for redemption any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Trustee nor the Chief Financial Officer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be

obtained from the applicable broker. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder or brokers selected by the Authority. Upon the Authority's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request.

Section 6.02. Limited Obligation. The Authority's obligations hereunder are limited obligations of the Authority on behalf of the District and are payable solely from and secured solely by the Trust Estate.

Section 6.03. Liability of Authority. The Authority shall not incur any responsibility in respect of the Bonds or this Indenture other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it, and then only to the extent of the Trust Estate. The Authority shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The Authority shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions covenants or agreements of the Trustee herein or of any of the documents executed by the Trustee in connection with the Bonds, or as to the existence of a default or Event of Default thereunder.

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

No provision of this Indenture shall require the Authority to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Trust Estate) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

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

The Authority shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactory established, if disputed.

Whenever in the administration of its duties under this Indenture the Authority or the Chief Financial Officer shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Authority, be deemed to be conclusively proved and established by a certificate of the Trustee, an appraiser, an Independent Financial Consultant or a Tax Consultant, and

such certificate shall be full warrant to the Authority and the Chief Financial Officer for any action taken or suffered under the provisions of this Indenture or any Supplemental Indenture upon the faith thereof, but in its discretion the Authority or the Chief Financial Officer may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

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

ARTICLE VII

THE TRUSTEE

Section 7.01. Appointment of Trustee. MUFG Union Bank, N.A. is hereby appointed Trustee and paying agent for the Bonds. The Trustee undertakes to perform such duties, and only such duties, as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee.

Any company into which the Trustee 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 Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

The Authority may at any time remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, corporation or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank, corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice to the Authority and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. Any resignation or removal of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

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

If, by reason of the judgment of any court, or reasonable agency, the Trustee is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Trustee hereunder shall be assumed by and vest in the Chief Financial Officer of the Authority in trust for the benefit of the Owners. The Authority covenants for the direct benefit of the Owners that its Chief Financial Officer in such case shall be vested with all of the rights and powers of the Trustee hereunder, and shall assume all of the responsibilities and perform all of the duties of the Trustee hereunder, in trust for the benefit of the Owners of the Bonds. In such event, the Chief Financial Officer may designate a successor Trustee qualified to act as Trustee hereunder.

Section 7.02. Liability of Trustee. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the Authority, and the Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of this Indenture or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of bad faith, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee by the Authority and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the same to determine whether or not they conform to the requirements of this Indenture. Except as provided above in this paragraph, Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Indenture, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Indenture, and the Trustee shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Trustee shall not be liable for any error of judgment made in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

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

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Owners pursuant to this Indenture unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Trustee may become the owner of the Bonds with the same rights it would have if it were not the Trustee.

The Trustee shall have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it hereunder, or as to the correctness of any amounts received, and its liability shall be limited to the proper accounting for such funds as it shall actually receive.

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

determinations and directions of such persons or entities. The Trustee shall not be deemed to have knowledge of any Event of Default (other than an Event of Default described in Section 9.01(A) or (B)) unless and until the Trustee has received written notice of such an Event of Default at its Principal Office.

Except during the continuance of an Event of Default, the Trustee undertakes to perform only such duties as are specifically set forth in this Indenture, and no implied covenants, duties or obligations shall be read into this Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

If the Trustee acts on any communication (including, but not limited to, communication with respect to the delivery of securities or the wire transfer of funds) sent by electronic transmission, the Trustee, absent negligence or willful misconduct, will not be responsible or liable in the event such communication is not an authorized or authentic communication of the party involved or is not in the form the party involved sent or intended to send (whether due to fraud, distortion or otherwise). The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees to assume all risks arising out of the use of such electronic transmission to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Trustee shall not be considered in breach of or in default in its obligations hereunder and will not incur any liability for not performing any act or fulfilling any duty in the event of enforced delay due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, natural catastrophes, civil or military disturbances, loss or malfunctions of utilities, any act of God or war, terrorism or the unavailability of the Federal Reserve Bank or other wire or communication facility, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, or any similar event and/or occurrences beyond the control of the Trustee.

Section 7.03. Reporting and Information to the Authority. On or before July 15 of each year the Trustee shall notify the Authority, via mutually acceptable electronic means or by mail, of the aggregate principal amount of Outstanding Bonds as of June 30 of such year or that no Bonds remain Outstanding. The Trustee shall also provide to the Authority such information relating to the Bonds and the funds maintained by the Trustee hereunder as the Authority shall reasonably request, including but not limited to quarterly statements reporting funds held and transactions by the Trustee.

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

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed. Whenever in the administration of its duties under this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture or any Supplemental Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 7.05. Compensation, Indemnification. The Authority shall pay to the Trustee from time to time reasonable compensation for all services rendered as Trustee under this Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Indenture, but the Trustee shall not have a lien therefor on any funds at any time held by it under this Indenture. The Authority further agrees, to the extent permitted by applicable law, to indemnify and save the Trustee, its officers, employees, directors and agents harmless against any costs, expenses, claims or liabilities whatsoever, including without limitation fees and expenses of its attorneys, which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligation of the Authority under this Section shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture, but any monetary obligation of the Authority arising under this Section shall be limited solely to amounts on deposit in the Administrative Expense Fund or otherwise available from the Special Taxes.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 8.01. Amendments Permitted. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Authority to pay the principal of, and the interest on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the Authority of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Owners of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Indenture), or (iii) reduce the percentage of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Trustee without its written consent.

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

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

(B) to make modifications not adversely affecting any Outstanding series of Bonds of the Authority in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in regard to questions arising under this Indenture, as the Authority or the Trustee may deem necessary or desirable and not inconsistent with this Indenture, and which shall not adversely affect the rights of the Owners of the Bonds; and

(D) in connection with the issuance of Parity Bonds under and pursuant to Section 2.14.

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

Section 8.03. Procedure for Amendment with Written Consent of Owners. The Authority and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of this Indenture or any Supplemental Indenture, to the extent that such amendment is permitted by Section 8.01, to take effect when and as provided in this Section. A copy of such Supplemental Indenture, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Trustee to each Owner of Bonds

Outstanding, but failure to mail copies of such Supplemental Indenture and request shall not affect the validity of the Supplemental Indenture when assented to as in this Section provided.

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

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

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the Authority, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII; provided, however, that the Trustee shall not be deemed to have knowledge that any Bond is owned or held by the Authority unless the Authority is the registered Owner or the Trustee has received written notice that any other registered Owner is an Owner for the account of the Authority.

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

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments. The Authority may determine that Bonds issued and delivered after the effective date of any

action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the Authority, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Office of the Trustee or at such other office as the Authority may select and designate for that purpose, a suitable notation shall be made on such Bond. The Authority may determine that new Bonds, so modified as in the opinion of the Authority is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Trustee without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

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

ARTICLE IX

DEFAULT

Section 9.01. Events of Default. Each of the following events shall constitute an “Event of Default” hereunder:

(A) failure to pay the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(B) failure to pay any installment of interest on any Bond when such interest installment shall become due and payable; and

(C) failure by the Authority to perform or observe any other of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, and the continuation of such failure for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time outstanding.

No default specified in (C) above shall constitute an Event of Default unless the Authority shall have failed to correct such default within the applicable period; provided, however, that if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected.

Section 9.02. Institution of Legal Proceedings by Trustee. If one or more of the Events of Default shall occur and be continuing, the Trustee in its discretion may, and upon the written request of the holders of a majority in principal amount of the Bonds then outstanding and upon being indemnified to its satisfaction therefor the Trustee shall, proceed to protect or enforce its rights or the rights of the holders of Bonds under the Act or under this Indenture, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein or therein, or in aid of the execution of any power herein or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder; provided that any such request from the Bondholders shall not be in conflict with any rule of law or with this Indenture, expose the Trustee to personal liability or be unduly prejudicial to Bondholders not joining therein.

Section 9.03. Application of Moneys Collected by Trustee. Any moneys held by the Trustee, or collected by the Trustee pursuant to Section 7.02 shall be applied in the order following, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account of principal or interest, upon presentation of the Bonds and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: For payment of all amounts due to the Trustee under Section 9.06.

Second: For deposit in the Bond Fund to be applied to payment of the principal of all Bonds then due and unpaid and interest thereon; ratably to the persons entitled thereto

without discrimination or preference; except that no payment of principal or interest shall be made with respect to any Bonds registered in the name of the Authority, or known by the Trustee to be registered in the name of any nominee of the Authority, until all amounts due on all Bonds not so registered have been paid.

Third: For payment of all other amounts due to any person hereunder.

Section 9.04. Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee or of any holder of Bonds to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by this Article IX to the Trustee or to the holders of Bonds may be exercised from time to time and as often as shall be deemed expedient. In case the Trustee shall have proceeded to enforce any right under this Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the holders of the Bonds, severally and respectively, shall be restored to their former positions and rights hereunder in respect to the Trust Estate; and all remedies, rights and powers of the Authority, the Trustee and the holders of the Bonds shall continue as though no such proceedings had been taken.

Section 9.05. Remedies Cumulative. No remedy herein conferred upon or reserved to the Trustee or to any holder of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

Section 9.06. Covenant to Pay Bonds in Event of Default. The Authority covenants that, upon the happening of any Event of Default, the Authority will pay to the Trustee upon demand, but only out of Special Tax Revenues, for the benefit of the holders of the Bonds, the whole amount then due and payable thereon for interest or for principal, or both, as the case may be, and all other sums which may be due hereunder or secured hereby, including reasonable compensation to the Trustee, its agents and counsel, and any expenses or liabilities incurred by the Trustee hereunder. In case the Authority shall fail to pay the same forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, and upon being indemnified to its satisfaction shall be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of, Special Tax Revenues and any other assets pledged, transferred or assigned to the Trustee under this Indenture as herein provided and not otherwise. The Trustee shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of this Indenture, and the right of the Trustee to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of this Indenture.

Section 9.07. Trustee Appointed Agent for Bondholders. The Trustee is hereby appointed the agent and attorney of the holders of all Bonds outstanding hereunder for the purpose of filing any claims relating to the Bonds.

Section 9.08. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the

written request of the holders of a majority in principal amount of the Bonds then outstanding, it shall have full power, in the exercise of its discretion for the best interests of the holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the holders of at least a majority in principal amount of the Bonds outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 9.09. Limitation on Bondholders' Right to Sue. No holder of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the holders of at least a majority in aggregate principal amount of all the Bonds then outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of thirty (30) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any holder of Bonds of any remedy hereunder; it being understood and intended that no one or more holders of Bonds shall have any right in any manner whatever by its or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all holders of the outstanding Bonds.

The right of any holder of any Bond to receive payment of the principal of and interest on such Bond out of Special Tax Revenues, as herein and therein provided, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder, notwithstanding the foregoing provisions of this Section or Section 9.08 or any other provision of this Indenture.

Section 9.10. Limitation of Liability to Trust Estate. Notwithstanding anything in this Indenture contained, the Authority shall not be required to advance any moneys derived from the proceeds of taxes collected by the Authority, by the State of California or by any political subdivision thereof or from any source of income of any of the foregoing other than the Special Tax Revenues, for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. The Bonds are limited obligations of the Authority for the District, and are payable from and secured only by the Trust Estate.

ARTICLE X

MISCELLANEOUS

Section 10.01. Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Authority, the Trustee, and the Owners, any right, remedy, claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Owners and the Trustee.

Section 10.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 10.03. Discharge of Indenture. The Authority shall have the option to pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

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

(B) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in Sections 4.04 and 4.05 is fully sufficient to pay such Bonds Outstanding, including all principal and interest; or

(C) by irrevocably depositing with the Trustee, in trust, cash and Federal Securities in such amount as the Authority shall determine as confirmed by Bond Counsel or an independent certified public accountant will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in Sections 4.04 and 4.05, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal and interest) at or before their respective maturity dates.

If the Authority shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in this Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Authority, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Trust Estate provided for in this Indenture and all other obligations of the Authority under this Indenture with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Trustee. Notwithstanding the foregoing, the obligation of the Authority to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, all amounts owing to the Trustee pursuant to Section 7.05, and otherwise to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes, shall continue in any event.

Upon compliance by the Authority with the foregoing with respect to all Bonds Outstanding, any funds held by the Trustee after payment of all fees and expenses of the Trustee, which are not required for the purposes of the preceding paragraph, shall be paid over to the Authority and any Special Taxes thereafter received by the Authority shall not be remitted to the Trustee but shall be retained by the Authority to be used for any purpose permitted under the Act.

Section 10.04. Execution of Documents and Proof of Ownership by Owners.

Any request, declaration or other instrument which this Indenture may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

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

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the Bond Register.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the Authority or the Trustee in good faith and in accordance therewith.

Section 10.05. Waiver of Personal Liability.

No Authority Board Member, member of the Executive Committee of the Board of Directors of the Authority, or officer, official, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of, or interest on, the Bonds; but nothing herein contained shall relieve any such Authority Board Member, member of the Executive Committee of the Board of Directors of the Authority, officer, official, agent or employee from the performance of any official duty provided by law.

Section 10.06. Notices to and Demands on Authority and Trustee.

Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee to or on the Authority may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Authority with the Trustee) as follows:

ABAG Finance Authority for Nonprofit Corporations
375 Beale Street
San Francisco, CA 94105
Attention: Chief Financial Officer

Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Authority to or on the Trustee may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by

the Trustee with the Authority), or by facsimile transmission or email addressed as follows (provided that any such notice shall not be effective until actually received by the Trustee):

MUFG Union Bank, N.A.
350 California Street, 17th Floor
San Francisco, CA 94104
Attention: Corporate Trust Services
Ref: ABAG Finance Authority for Nonprofit Corporations
CFD 2008-1 2018 Special Tax Refunding Bonds (Taxable)
Fax: (415) 273-2492
Email: CashControlGroupLosAngeles@unionbank.com

Section 10.07. State Reporting Requirements. The following requirements shall apply to the Bonds, in addition to those requirements under Section 5.17:

(A) **Annual Reporting.** Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Chief Financial Officer shall cause the following information to be supplied to CDIAC: (i) the name of the Authority; (ii) the full name of the District; (iii) the name, title, and series of the Bond issue; (iv) any credit rating for the Bonds and the name of the rating agency; (v) the Closing Date of the Bond issue and the original principal amount of the Bond issue; (vi) the amount of the Reserve Requirement; (vii) the principal amount of Bonds outstanding; (viii) the balance in the Reserve Fund; (ix) that there was no capitalized interest with respect to the Bonds; (x) the number of parcels in the District that are delinquent with respect to Special Tax payments, the amount that each parcel is delinquent, the total amount of Special Taxes due on the delinquent parcels, the length of time that each has been delinquent, when foreclosure was commenced for each delinquent parcel, the total number of foreclosure parcels for each date specified, and the total amount of tax due on the foreclosure parcels for each date specified; (xi) that there is no balance in any improvement fund for the Bonds; (xii) the assessed value of all parcels subject to the Special Tax to repay the Bonds as shown on the most recent equalized roll, the date of assessed value reported, and the source of the information; (xiii) the total amount of Special Taxes due, the total amount of unpaid Special Taxes, and whether or not the Special Taxes are paid under the County's Teeter Plan (Chapter 6.6 (commencing with Section 54773) of the California Government Code); (xiv) the reason and the date, if applicable, that the Bonds were retired; and (xv) contact information for the party providing the foregoing information. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

(B) **Other Reporting.** If at any time the Trustee fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal and interest on the Bonds, the Trustee shall notify the Chief Financial Officer of such failure or withdrawal in writing. The Chief Financial Officer shall notify CDIAC and the Original Purchaser of such failure or withdrawal within 10 days of such failure or withdrawal.

(C) **Special Tax Reporting.** The Chief Financial Officer shall file a report with the Authority no later than January 1, 2019, and at least once a year thereafter, which annual report shall contain: (i) the amount of Special Taxes collected and expended with respect to the District, (ii) the amount of Bond proceeds collected and expended with respect to the District, and (iii) the status of the Project. It is acknowledged that the Special Tax Fund and the Special Tax Prepayments Account are the accounts into which Special Taxes collected on the District will be deposited for purposes of Section 50075.1(c) of the California Government Code, and

the funds and accounts listed in Section 4.01 are the funds and accounts into which Bond proceeds will be deposited for purposes of Section 53410(c) of the California Government Code, and the annual report described in the preceding sentence is intended to satisfy the requirements of Sections 50075.1(d), 50075.3(d) and 53411 of the California Government Code.

(D) **Amendment.** The reporting requirements of this Section 9.07 shall be amended from time to time, without action by the Authority or the Trustee (i) with respect to subparagraphs (A) and (B) above, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act, and (ii) with respect to subparagraph (C) above, to reflect any amendments to Section 50075.1, 50075.3, 53410 or 53411 of the California Government Code. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the Authority's obligations under the Continuing Disclosure Agreement. The Chief Financial Officer shall notify the Trustee in writing of any such amendments which affect the reporting obligations of the Trustee under this Indenture.

(E) **No Liability.** None of the Authority and its officers, agents and employees, the Chief Financial Officer or the Trustee shall be liable for any inadvertent error in reporting the information required by this Section 10.07.

The Chief Financial Officer shall provide copies of any of such reports to any Bondowner upon the written request of a Bondowner and payment by the person requesting the information of the cost of the Authority to produce such information and pay any postage or other delivery cost to provide the same, as determined by the Chief Financial Officer. The term "Bondowner" for purposes of this Section 10.07 shall include any beneficial owner of the Bonds.

Section 10.08. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Indenture shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The Authority hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 10.09. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the principal of, and the interest on, the Bonds which remains unclaimed for two (2) years after the date when the payments of such principal and interest have become payable, if such moneys was held by the Trustee at such date, shall be repaid by the Trustee to the Authority as its absolute property free from any trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Authority for the payment of the principal of, and interest on, such Bonds. Section 10.10. Applicable Law. This Indenture shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 10.11. Conflict with Act. In the event of a conflict between any provision of this Indenture with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Indenture.

Section 10.12. Conclusive Evidence of Regularity. Bonds issued pursuant to this Indenture shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 10.13. Payment on Business Day. In any case where the date of the maturity of interest or of principal of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Indenture is other than a Business Day, the payment of interest or principal or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

Section 10.14. Counterparts. This Indenture may be executed in counterparts, each of which shall be deemed an original.

Section 10.15. Destruction of Bonds. All Bonds acquired by the Authority, whether by purchase or gift or otherwise shall be surrendered to the Trustee for cancellation. Whenever in this Indenture provision is made for the cancellation by the Trustee of any Bonds, the Trustee shall destroy such Bonds and deliver a certificate of such destruction to the Authority.

IN WITNESS WHEREOF, the Authority caused this Indenture to be executed all as of August 1, 2018.

**ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS,**

for and on behalf of the
ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO.
2004-1 (SEISMIC SAFETY
IMPROVEMENTS – 690 AND 942
MARKET STREET PROJECT)

By: _____
_____,

MUFG UNION BANK, N.A.,
as Trustee

By: _____
Authorized Officer

EXHIBIT A

FORM OF 2018 BOND

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

No. \$ _____

\$ _____

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(SEISMIC SAFETY IMPROVEMENTS – 690 AND 942 MARKET STREET PROJECT)
2018 SPECIAL TAX REFUNDING BOND (TAXABLE)**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP</u>
_____%	September 1, ____	____, 2018	

REGISTERED OWNER: CEDE & CO

PRINCIPAL AMOUNT: _____ DOLLARS

The ABAG Finance Authority for Nonprofit Corporations (the "Authority") for and on behalf of the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) (the "District"), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in the District or amounts in the funds and accounts held under the Indenture (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Bond Date set forth above, or from the most recent interest payment date to which interest has been paid or duly provided for, semiannually on March 1 and September 1, commencing March 1, 2019, at the interest rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the registered owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the Principal Office (as defined in the Indenture referred to below) of MUFG Union Bank, N.A., as trustee (the "Trustee"). Interest on this Bond shall be paid by check of the Trustee mailed on each interest payment date to the registered owner hereof as of the close of business on the 15th day of the month preceding the month in which the interest payment date occurs (the "Record Date") at such registered owner's address as it appears on the registration books maintained by the Trustee, or (i) if the Bonds are in book-entry-only form, or (ii) otherwise upon written request filed with the Trustee prior to any Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to the depository for the Bonds or to an account in the United States designated by such registered owner in such written request, respectively.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$ _____ approved by the Executive Committee of the Board of Directors of the Authority on August 2, 2018 pursuant to provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Section 53311 et seq. of the California Government Code (the "Act"), for the purpose of refunding the ABAG Finance Authority for Nonprofit Corporations Community

Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable), and is one of the series of Bonds designated “ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) 2018 Special Tax Refunding Bonds (Taxable)” (the “Bonds”). The creation of the Bonds and the terms and conditions thereof are provided for in the Indenture, dated as of August 1, 2018, between the Authority and the Trustee (the “Indenture”) and this reference incorporates the Indenture herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Indenture permits the issuance of Parity Bonds (as defined therein) secured on a parity basis with the Bonds under the Indenture, subject to compliance by the Authority with the applicable provisions of the Indenture. The Indenture is entered into under and this Bond is issued under, and all are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act and the Indenture, the principal of and interest on this Bond are payable solely from the Trust Estate, as such term is defined in and as more particularly set forth in the Indenture. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the Authority, as may be permitted by law. The Bonds do not constitute obligations of the Authority for which the Authority is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith, nor the general credit of the Authority is pledged to secure or repay the Bonds. In no event shall any member of the Authority have any obligation whatsoever with respect to the Bonds, the Indenture or the District.

Interest on this Bond shall be payable from the interest payment date next preceding the date of authentication hereof, unless (i) it is authenticated on an interest payment date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an interest payment date and after the close of business on the Record Date preceding such interest payment date, in which event it shall bear interest from such interest payment date, or (iii) it is authenticated prior to the Record Date preceding the first interest payment date, in which event it shall bear interest from the Bond Date set forth above; provided, however, that if at the time of authentication of this Bond, interest is in default hereon, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment hereon.

The Bonds maturing on or after September 1, 20____ are subject to optional redemption prior to their respective maturities, in whole, or in part among maturities as provided in the Indenture and by lot within a maturity, on any Interest Payment Date on or after September 1, 20____, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

The Bonds maturing on September 1, 20____, are subject to mandatory sinking payment redemption in part on September 1, 20____ and on September 1, 20____, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date (September 1)	Sinking Payments
----------------------------------	------------------

The Bonds maturing on September 1, 20____, are subject to mandatory sinking payment redemption in part on September 1, 20____ and on September 1, 20____, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date (September 1)	Sinking Payments
----------------------------------	------------------

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Indenture. Notices of optional redemption may be conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds on the anticipated redemption date, and if the Trustee does not receive sufficient funds by the scheduled redemption date the redemption shall not occur and the Bonds for which notice of redemption was given shall remain outstanding for all purposes of the Indenture.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Trustee in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof and interest hereon shall be payable only to the registered owner or to such owner's order. The Trustee shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made (i) fifteen days prior to the date established by the Trustee for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding interest payment date. Exchanges may only be made for Bonds in authorized denominations, as provided in the Indenture.

The Indenture and the rights and obligations of the Authority thereunder may be modified or amended as set forth therein.

The Indenture contains provisions permitting the Authority to make provision for the payment of the interest on and the principal of the Bonds so that such Bonds shall no longer be deemed to be outstanding under the terms of the Indenture.

The Bonds are not general obligations of the Authority, but are limited obligations payable solely from the revenues and funds pledged therefor under the Indenture. Neither the faith and credit of the Authority or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, ABAG Finance Authority for Nonprofit Corporations has caused this Bond to be dated the Bond Date set forth above, to be signed by the facsimile signature of its Chief Financial Officer and countersigned by the facsimile signature of its Secretary.

**ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS**

By: _____
Chief Financial Officer

ATTEST

By: _____
Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the Resolution and in the Indenture which has been authenticated on _____.

MUFG UNION BANK, N.A., as Trustee

By: _____
Authorized Signatory

ASSIGNMENT

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

(Name, Address and Tax Identification or Social Security Number of Assignee)
the within-registered Bond and hereby irrevocably constitute(s) and appoints(s)

_____ attorney,
to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Signature:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

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

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PRELIMINARY OFFICIAL STATEMENT DATED AUGUST __, 2018

NEW ISSUE – BOOK-ENTRY ONLY

NOT RATED

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, under existing law, interest on the Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from California personal income taxes. See "LEGAL MATTERS—Tax Matters" herein.

\$ _____ *

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(SEISMIC SAFETY IMPROVEMENTS – 690 AND 942 MARKET STREET PROJECT)
2018 SPECIAL TAX REFUNDING BONDS (TAXABLE)**

Dated: Date of Issuance

Due: September 1, as shown on inside cover

Authority for Issuance. The above-captioned bonds (the "Bonds") are being issued by the ABAG Finance Authority for Nonprofit Corporations (the "Authority"), for and on behalf of ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) (the "District"), under the provisions of the Mello-Roos Community Facilities Act of 1982 (the "Act"), and an Indenture, dated as of August 1, 2018 (the "Indenture"), by and between the Authority, for and on behalf of the District, and MUFG Union Bank, N.A., as trustee (the "Trustee"). The Executive Committee of the Board of Directors of the Authority, acting as the legislative body of the District, has authorized the issuance of the Bonds. See "THE BONDS—Authority for Issuance."

Security and Sources of Payment. The Bonds are payable solely from the Trust Estate (as defined in the Indenture), consisting of: (i) the Special Tax Revenues (as defined in the Indenture) derived from the levy of special taxes (the "Special Taxes") on certain property within the District according to the rate and method of apportionment of special tax for the District approved by the Executive Committee of the Board of Directors of the Authority and the applicable eligible voters in the District, and (ii) moneys deposited in certain funds established under the Indenture. See "SECURITY FOR THE BONDS."

Use of Proceeds. The Bonds are being issued to (i) refund and defease the outstanding ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable) (the "2007 Bonds"), (ii) fund a debt service reserve fund for the Bonds, and (iii) pay the costs of issuing the Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS." The 2007 Bonds were issued to finance certain seismic safety improvements as described herein. See "THE COMMUNITY FACILITIES DISTRICT—Improvements Financed with Proceeds of the 2007 Bonds."

Bond Terms. Interest on the Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2019. The Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Purchasers of the Bonds will not receive physical certificates representing their ownership interests in the Bonds purchased. The Bonds will be issued in the principal amount of \$5,000 and any integral multiple thereof. Principal of and interest on the Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Bonds. See "THE BONDS—General Bond Terms" and APPENDIX F—DTC and the Book-Entry Only System.

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "THE BONDS—Redemption."

Parity Bonds. The Authority may issue additional bonded indebtedness that is secured by the Trust Estate on a parity with the Bonds ("Parity Bonds"), but only for the purpose of refunding the Bonds or refunding any outstanding Parity Bonds. See "SECURITY FOR THE BONDS—Additional Obligations Secured by Trust Estate."

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY FOR THE DISTRICT AND ARE PAYABLE SOLELY FROM, AND SECURED SOLELY BY A PLEDGE OF, THE TRUST ESTATE CONSISTING OF THE SPECIAL TAX REVENUES AND THE OTHER AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE. NONE OF THE MEMBERS OF THE AUTHORITY, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE BONDS.

MATURITY SCHEDULE

(see inside cover)

This cover page contains certain information for quick reference only. It is not a summary of the Bond issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds. Investment in the Bonds involves risks which may not be appropriate for some investors. See "BONDOWNERS' RISKS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Jones Hall, A Professional Law Corporation is also acting as disclosure counsel to the Authority with respect to the Bonds. Certain legal matters will be passed on for the Authority by Nixon Peabody, Los Angeles, California, acting as special counsel to the Authority. Certain matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, acting as counsel to the Underwriter. It is anticipated that the Bonds in book-entry form will be available for delivery through DTC on or about August __, 2018.

[UBS Logo]

The date of this Official Statement is: _____, 2018

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$ _____ *

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(SEISMIC SAFETY IMPROVEMENTS – 690 AND 942 MARKET STREET PROJECT)
2018 SPECIAL TAX REFUNDING BONDS (TAXABLE)**

MATURITY SCHEDULE
(Base CUSIP†: _____)

\$ _____ Serial Bonds

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Suffix†
--------------------------------	---------------------	------------------	-------	-------	------------------

\$ _____ % Term Bonds due September 1, ____; Yield ____%; Price ____ CUSIP Suffix† _____

\$ _____ % Term Bonds due September 1, 2038; Yield ____%; Price ____ CUSIP Suffix† _____

* Preliminary, subject to change.

† Copyright American Bankers Association. CUSIP data herein is provided by CUSIP Global Services Bureau, operated by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the owners of the Bonds. The Authority is not responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the District or any other parties described in this Official Statement, or in the condition of property within the District since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information set forth in this Official Statement has been obtained from sources which are believed to be current and reliable, but the accuracy or completeness of such information is not guaranteed by the Authority or the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Websites. The Authority maintains an Internet website, but the information on that website is not incorporated in this Official Statement.

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[Insert Location Map Here]

OFFICIAL STATEMENT

\$ _____ *

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(SEISMIC SAFETY IMPROVEMENTS – 690 AND 942 MARKET STREET PROJECT)
2018 SPECIAL TAX REFUNDING BONDS (TAXABLE)**

INTRODUCTION

This Official Statement, including the cover page and attached appendices, is provided to furnish information regarding the above-captioned bonds (the “Bonds”) to be issued by ABAG Finance Authority for Nonprofit Corporations (the “Authority”) for and on behalf of the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) (the “District”).

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, the more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement by those interested in purchasing the Bonds. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the meanings given to them in the Indenture described below. See APPENDIX B—Summary of the Indenture – Definitions.

Authority for Issuance of the Bonds

The Bonds are issued under the following:

- the Mello-Roos Community Facilities Act of 1982, as amended, consisting of Sections 53311 et seq. of the California Government Code (the “Act”),
- a resolution adopted on August 2, 2018 by the Executive Committee of the Board of Directors (the “Board”) of the Authority (the “Resolution”), and
- an Indenture, dated as of August 1, 2018 (the “Indenture”), by and between the Authority, for and on behalf of the District, and MUFG Union Bank, N.A., as trustee (the “Trustee”). See “THE BONDS—Authority for Issuance.”

The Community Facilities District

The District was formed by the Authority under the Act pursuant to (i) Resolution No. 04-38 adopted by the Executive Committee of the Board on December 17, 2004 following a public hearing, and (ii) a landowner election held on December 17, 2004 at which the then two

* Preliminary, subject to change.

qualified electors of the District authorized the District to incur bonded indebtedness and approved the levy of Special Taxes on certain property in the District. In 2007, proceedings were conducted to alter the Rate and Method of Apportionment of Special Taxes for the District (the "Rate and Method"), and the Authority issued, for and on behalf of the District, the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable) (the "2007 Bonds") in the initial principal amount of \$11,000,000, of which \$9,795,000 principal amount is outstanding. See "THE COMMUNITY FACILITIES DISTRICT — History of the District."

The District was formed to finance certain seismic safety improvements to the two buildings included within the boundaries of the District. See "THE COMMUNITY FACILITIES DISTRICT — Improvements Financed With Proceeds of the 2007 Bonds." All of the improvements funded with proceeds of the 2007 Bonds have been completed.

The property within the District includes two sites, one located at 690 Market Street in San Francisco, California, and one located at 942 Market Street, San Francisco, California. The site located at 690 Market Street has been improved with a 24-story, high rise building commonly referred to as the Ritz-Carlton Club and Residences, San Francisco (and is referred to in this Official Statement as the "Development"). The Development is included in Tax Zone #1 of the District, as such Tax Zone is identified in the Rate and Method ("Tax Zone #1"). The site at 942 Market Street is included in Tax Zone #2 of the District, as identified in the Rate and Method ("Tax Zone #2").

The Development represents a conversion from a historical office building previously known as the Chronicle Building, which was one of the first high rise buildings constructed in San Francisco, to residential occupancy and ground floor retail. The Development includes 71 condominium units, 30 units in which fractional interests (twelve interests in each such unit) have been sold and 3 units for retail facilities (collectively, the "Taxable Property"), as well as common area space. For detailed information about the Development, see "THE DEVELOPMENT."

The Bonds are payable from and are secured by a pledge of the Special Tax Revenues derived from the levy of the Special Taxes on the Taxable Property in Tax Zone #1, including the condominium units, the fractional interest units and the retail property. The property in Tax Zone #2 of the District is exempt from the levy of Special Taxes. Since there will be no levy of Special Taxes on property in Tax Zone #2, there is no information in this Official Statement regarding such property or its ownership.

The District is located within the City and County of San Francisco. For additional demographic and statistical information about the City and County of San Francisco, see APPENDIX C.

Purpose of the Bonds

Proceeds of the Bonds will be used to (i) refund and defease the outstanding 2007 Bonds, (ii) fund a debt service reserve fund for the Bonds, and (iii) pay the costs of issuing the Bonds. See "PLAN OF REFUNDING."

Security and Sources of Payment for the Bonds

The Bonds are secured by and payable from the Trust Estate, consisting of the Special Tax Revenues and moneys in the Special Tax Fund, the Bond Fund and the Reserve Fund established under the Indenture. See “SECURITY FOR THE BONDS.” The Indenture defines Special Tax Revenues as proceeds of the Special Taxes received by the Authority, including any scheduled payments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. The Special Tax Revenues do not include any penalties collected in connection with delinquent Special Taxes.

The Special Taxes, first levied on the Taxable Property in the District in Fiscal Year 2008-09, are being levied by the Authority in accordance with the Rate and Method. See “SECURITY FOR THE BONDS—Rate and Method” and APPENDIX A—Amended and Restated Rate and Method of Apportionment of Special Tax. The aggregate County Assessor’s value of the Taxable Property in the District on which the Special Taxes have been levied for Fiscal Year 2017-18 is \$153,422,276. See “THE COMMUNITY FACILITIES DISTRICT—Property Values and Value to Burden Ratio—Assessed Values of Parcels in the District.” The Special Taxes are collected on the County’s ad valorem property tax roll and sent directly to the Trustee, without passing through the Authority. The Authority has covenanted in the Indenture to cause foreclosure proceedings to be commenced and prosecuted, in certain circumstances, against parcels with delinquent installments of the Special Tax. For a more detailed description of the foreclosure covenant, see “SECURITY FOR THE BONDS—Covenant to Foreclose.” The Special Taxes are not subject to prepayment by the owners of the Taxable Property in the District.

The Indenture provides for the establishment of a Reserve Fund to be held by the Trustee. The Reserve Fund will be funded with Bond proceeds in the amount of the Reserve Requirement (see “ESTIMATED SOURCES AND USES OF FUNDS”), which is defined in the Indenture as, as of any date of calculation, an amount equal to the least of (i) the then Maximum Annual Debt Service on the Bonds and any Parity Bonds, (ii) one hundred twenty-five percent of the average Annual Debt Service on the Bonds and any Parity Debt, or (iii) ten percent of the initial principal amount of the Bonds and of any Parity Debt. Amounts in the Reserve Fund may be drawn upon to pay the scheduled debt service on the Bonds in the event that amounts in the Bond Fund are not sufficient for such purpose. See “SECURITY FOR THE BONDS—Reserve Fund”

Limited Obligation

All obligations of the Authority under the Indenture and with respect to the Bonds are special obligations of the Authority for the District, payable solely from the Trust Estate. See “THE AUTHORITY—Limited Obligation of Authority.”

Risk Factors Associated with Purchasing the Bonds

Investment in the Bonds involves risks that may not be appropriate for some investors. See “BONDOWNERS’ RISKS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Bonds.

Continuing Disclosure

For purposes of complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”), the Authority has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (the “MSRB”) certain annual financial information and operating data and notice of certain significant events. These covenants have been made in order to assist the Underwriter in complying with the Rule. See “CONTINUING DISCLOSURE” and Appendix D for a description of the specific nature of the annual reports and notices of significant events, as well as the terms of the Continuing Disclosure Agreement pursuant to which such reports and notices are to be made.

Professionals Involved in the Offering

The following professionals are participating in this financing:

- Sperry Capital Inc., Sausalito, California, is serving as Municipal Advisor to the Authority with respect to the Bonds.
- MUFG Union Bank, N.A., San Francisco, California, will serve as the Trustee under the Indenture.
- Jones Hall, A Professional Law Corporation, San Francisco, California, is serving as Bond Counsel and as Disclosure Counsel to the Authority.
- Nixon Peabody, Los Angeles, California, is serving as special counsel to the Authority.
- Goodwin Consulting Group, Inc., Sacramento, California, is serving as special tax administrator with respect to the District and will serve as the dissemination agent under the Authority’s Continuing Disclosure Certificate.
- UBS Financial Services Inc., is the Underwriter for the Bonds.
- Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is serving as counsel to the Underwriter.

Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor and Underwriter’s Counsel is contingent upon issuance of the Bonds.

Other Information

Copies of the Indenture, the Refunding Instructions (defined herein) and certain other documents referenced herein are available for inspection, and upon written request and payment to the Authority of a charge for copying, mailing and handling are available for delivery, from the ABAG Finance Authority for Nonprofit Corporations, 375 Beale Street, Suite 700, San Francisco, California 94105, Attention: Secretary. Reference is hereby made to such documents on file with the Authority for further information contained therein.

PLAN OF REFUNDING

Proceeds of the sale of the Bonds, together with certain funds held under the Indenture, dated as of October 1, 2007, pursuant to which the 2007 Bonds were issued (the “2007 Indenture”), will be deposited with MUFG Union Bank, N.A., as trustee for the 2007 Bonds (the “2007 Bonds Trustee”) pursuant to Irrevocable Refunding Instructions (the “Refunding Instructions”), given by the Authority to the 2007 Bonds Trustees.

Amounts held by the 2007 Bonds Trustee pursuant to the Refunding Instructions will be held in cash (uninvested). The amount will be sufficient to fully pay the scheduled debt service on the 2007 Bonds to and including September 1, 2018, and to redeem the then outstanding 2007 Bonds on September 1, 2018, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the redemption date. Upon the deposit of proceeds of the Bonds and certain amounts held under the 2007 Indenture pursuant to, and in accordance with, the Refunding Instructions, the 2007 Bonds will be legally defeased and will no longer be entitled to the benefits of, or be secured by, the 2007 Indenture or any pledge of or lien on the Special Taxes levied in the District.

Amounts held by the 2007 Bonds Trustee pursuant to the Refunding Instructions are not in any way available to pay debt service on the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds derived from the sale of the Bonds and the refunding of the 2007 Bonds are expected to be as follows:

SOURCES

Principal Amount of Bonds	\$
Plus/Minus: [Net] Original Issue Premium/Discount	
Plus: Amounts Related to the 2007 Bonds	_____
Total Sources	\$

USES

Deposit to Refunding Fund ⁽¹⁾	\$
Costs of Issuance ⁽²⁾	
Deposit to Reserve Fund ⁽³⁾	_____
Total Uses	\$

(1) See “PLAN OF REFUNDING.”

(2) Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel and Special Counsel to the Authority, the cost of reproducing the Preliminary Official Statement and the final Official Statement, fees and expenses of the Trustee, the fees of the Municipal Advisor and the Special Tax Administrator, expenses of the Authority, verification agent fees, Underwriter’s discount, and other costs of issuance of the Bonds.

(3) Equal to the initial Reserve Requirement. See “SECURITY FOR THE BONDS—Reserve Fund.”

THE BONDS

General Bond Terms

Dated Date, Maturity and Authorized Denominations. The Bonds will be dated their date of delivery and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple of \$5,000.

Interest. The Bonds will bear interest at the annual rates set forth on the inside cover page of this Official Statement, payable semiannually on each March 1 and September 1, commencing March 1, 2019 (each, an “Interest Payment Date”). Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the Closing Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, the Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. “Record Date” is defined in the Indenture as the fifteenth day of the month next preceding the month of the applicable Interest Payment Date, whether or not such day is a Business Day.

DTC and Book-Entry Only System. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC’s nominee). So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the owners or holders of the Bonds will mean Cede & Co., and will not mean the Beneficial Owners of the Bonds, as further described and as the term Beneficial Owners is defined in APPENDIX F—DTC and the Book-Entry Only System.

Method of Payment. Principal and interest on the Bonds are payable directly to DTC by the Trustee in lawful money of the United States of America. Upon receipt of payments of principal or interest, DTC is to remit such principal or interest to the “DTC Participants” (as defined in APPENDIX F) for subsequent disbursement to the Beneficial Owners of the Bonds. See APPENDIX F—DTC and the Book-Entry Only System.

Authority for Issuance

Statutory Authority. The Bonds are being issued pursuant to the authority granted in the Act.

Authority Resolution. On August 2, 2018, the Executive Committee of the Board adopted a resolution authorizing the issuance of the Bonds, approving the Indenture and the Refunding Instructions, and approving and authorizing other documents and actions in connection with the issuance of the Bonds and the refunding of the 2007 Bonds.

Debt Service Schedule

The following table presents the scheduled annual debt service on the Bonds (including sinking fund redemptions), assuming there is no optional redemptions of the Bonds.

Bond Year Ending September 1	Principal	Interest	Total Debt Service
2018	\$	\$	\$
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
Totals:	\$ _____	\$ _____	\$ _____

Redemption

Optional Redemption. The Bonds maturing on or after September 1, _____ are subject to optional redemption prior to their stated maturity from any source of funds on any date on or after September 1, _____, as a whole, or in part among maturities so as to maintain to the maximum extent practicable the same debt service profile for the Bonds as in effect on the Closing Date, and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Payment Redemption. The Bonds maturing on September 1, _____ are subject to mandatory sinking payment redemption in part on September 1, _____, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date (September 1)	Sinking Payments
_____	_____

The Bonds maturing on September 1, _____, are subject to mandatory sinking payment redemption in part on September 1, _____, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date (September 1)	Sinking Payments
----------------------------------	------------------

The amounts in the foregoing tables will be reduced so as to maintain to the maximum extent practicable the same debt service profile for the Bonds as in effect on the Closing Date as a result of any prior partial redemption of the Bonds as described in "Optional Redemption" above.

Purchase In Lieu of Redemption. In lieu of redemption as described above, moneys in the Bond Fund may be used and withdrawn by the Trustee for purchase of Outstanding Bonds, at public or private sale, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Notice of Redemption. The Trustee will cause notice of any redemption to be mailed by first class mail, postage prepaid, or sent by such other means as is acceptable to the recipient thereof, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories, to one or more Information Services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond Register maintained by the Trustee; however, sending of the notice by the Trustee is not a condition precedent to redemption and failure to mail or to receive any such notice, or any defect in the notice, will not affect the validity of the proceedings for the redemption of the Bonds.

Notwithstanding the foregoing, in the case of any optional redemption of the Bonds, the notice of redemption may state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds on the anticipated redemption date, and that the redemption shall not occur if by no later than the scheduled redemption date sufficient moneys to redeem the Bonds have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled redemption date to so redeem the Bonds to be redeemed, the Trustee will send written notice to the owners of the Bonds, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of redemption was given will remain outstanding for all purposes of the Indenture.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest on the Bonds so called for redemption are deposited in the Bond Fund, the Bonds called for redemption will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in the redemption notice.

Registration, Transfer and Exchange

The following provisions regarding the exchange and transfer of the Bonds apply only during any period in which the Bonds are not subject to DTC's book-entry system. While the Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and will be subject to the procedures, rules and requirements established by DTC. See APPENDIX F—DTC and the Book-Entry Only System.

Registration. The Trustee will keep or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds (the "Bond Register"), which books will show the series number, date, amount, rate of interest and last known Owner of each Bond. The Authority and the Trustee will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary. The Authority and the Trustee may rely on the address of the Bondowner as it appears in the Bond Register for any and all purposes.

Transfers of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Bond register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Trustee. The cost for any services rendered or any expenses incurred by the Trustee in connection with any such transfer shall be paid by the Authority. The Trustee shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds is surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount of authorized denomination(s).

No transfers of Bonds will be required to be made (i) fifteen days prior to the date established by the Trustee for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date.

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

No exchanges of Bonds may be required to be made (i) fifteen days prior to the date established by the Trustee for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date.

SECURITY FOR THE BONDS

General

The Authority's obligation to pay the principal of and interest on the Bonds is secured by a pledge of the "Trust Estate," which is defined in the Indenture to include:

- the Special Tax Revenues; and
- amounts in the Special Tax Fund, the Bond Fund and the Reserve Fund.

Amounts in the Administrative Expense Fund and the Costs of Issuance Fund established under the Indenture are not pledged to the repayment of the Bonds.

"Special Tax Revenues" is defined in the Indenture as the proceeds of the Special Taxes received by the Authority, including any scheduled payments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but it excludes any penalties collected in connection with delinquent Special Taxes. Under the Indenture, Special Tax Revenues received by the Authority each calendar year, after deducting the portion thereof levied for Administrative Expenses (which will be deposited to the Administrative Expense Fund), will be deposited to the Special Tax Fund to be used to pay the scheduled debt service due on the Bonds. See "SECURITY FOR THE BONDS—Special Tax Fund."

Special Taxes

Levy of Special Taxes. The Authority has covenanted in the Indenture to comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. The Special Taxes were first levied in fiscal year 2008-09, and have been levied in each succeeding fiscal year. The Special Taxes are not subject to prepayment by the owners of the Taxable Property in the District.

Under the Indenture, the Chief Financial Officer is obligated to effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each July 15 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which the Auditor-Controller of the County will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Chief Financial Officer prepares or causes to be prepared, and transmits to the Auditor-Controller of the County, such data as the Auditor-Controller requires to include the levy of the Special Taxes on the next real property tax roll.

The Chief Financial Officer will fix and levy the amount of Special Taxes within the District in an amount at least equal to the amount required for the payment of principal of and interest on any outstanding Bonds becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds to the amount of the then Reserve Requirement, and an amount estimated to be sufficient to pay the Administrative Expenses during such year, taking into account the balances in such fund and in the Special Tax Fund. The Special Taxes so levied may not exceed the authorized maximum amounts as provided in the Rate and Method. See "SECURITY FOR THE BONDS—Rate and Method."

Reduction of Maximum Special Taxes. The Authority has covenanted in the Indenture not to consent or conduct proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District below an amount, for any Fiscal Year, equal to 110% of the aggregate of the debt service due on the Bonds (including any Parity Bonds) in such Fiscal Year, plus a reasonable estimate of Administrative Expenses for such Fiscal Year.

Manner of Collection. The Indenture provides that the Special Taxes are payable and will be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property; provided that, pursuant to and in accordance with the Ordinance, the Special Taxes may be collected by means of direct billing of the property owners within the District, in which event the Special Taxes will become delinquent if not paid when due pursuant to said billing.

Special Tax levies on the Condominium Units, the Fractional Units and the Retail Property are included on the ad valorem property tax bills for such properties. Historically, the trust in which ownership of the Fractional Units appears on the County ad-valorem tax roll, working through an owner's association, has charged each owner of a Share in a Fractional Unit a representative portion of the property tax (including Special Tax) due on such unit, and remits the taxes to the County on behalf of the respective owners. See "THE DEVELOPMENT." The County remits Special Taxes collected, less an administrative charge, to the Authority for the account of the District. The Authority then remits the Special Tax Revenues to the Trustee for deposit to the Administrative Expense Fund and the Special Tax Fund. See "SECURITY FOR THE BONDS—Special Tax Fund."

Because the Special Tax levy is limited to the maximum Special Tax rates set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the receipts of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the Bonds. See "BOND OWNERS' RISKS," including the subsection entitled "Other Possible Claims Upon the Value of Taxable Property," for a discussion of factors that could impact the amount of Special Taxes collected by the Authority and the amount, if any, to be realized by Bond owners as a result of a foreclosure sale in respect of delinquent Special Taxes.

Additional Obligations Secured by Trust Estate

The Indenture authorizes the Authority to issue additional series of bonds for the District (the "Parity Bonds"), without the consent of any Bondowners, subject to satisfaction of certain conditions. Any such Parity Bonds must be Refunding Bonds, as such term is defined in the Indenture. See "APPENDIX B—Summary of the Indenture—Parity Bonds." The Parity Bonds will be secured by a lien on and pledge of the Trust Estate on a parity with all other Bonds Outstanding under the Indenture.

Rate and Method

The following is a summary of certain provisions of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method included in Appendix A. The meaning of the capitalized terms used in this section that are not defined

below have the meanings given to such terms in the Rate and Method, as set forth in Appendix A.

General. The Special Tax is levied and collected according to the Rate and Method, which provides the means by which the Authority or its designee may annually levy the Special Taxes within the District, up to the Maximum Special Tax, and determine the amount of the Special Tax that will need to be collected each Fiscal Year from the Taxable Property within the District. There is no provision in the Rate and Method that allows for prepayments of Special Taxes by owners of the Taxable Property.

Assessor’s Parcels in Tax Zone #1 which are Developed Property are the only parcels subject to the levy of the Special Tax pursuant to the Rate and Method. For the fiscal year 2017-18 Special Tax levy, all of the Condominium Units, the Fractional Units and the Retail Property in the Development were classified under the Rate and Method as Developed Property.

Certain Definitions. Certain definitions set forth in the Rate and Method are set forth below:

“Administrator” means the person or firm designated by the Authority to administer the Special Tax in accordance with the Rate and Method. The current Administrator is Goodwin Consulting Group, Inc., Sacramento, California.

“Airspace Parcel” means a parcel with an assigned Assessor’s Parcel number that shares common vertical space of an underlying land Parcel with other Parcels.

“Assessor’s Parcel” or “Parcel” means a lot, parcel, or Airspace Parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel number.

“Condominium Unit” means an individual residential dwelling unit in the District that is not a Fractional Unit. Notwithstanding the foregoing, any residential unit in the District that had at any time been taxed as a Fractional Unit shall continue to be taxed as a Fractional Unit even if the unit subsequently becomes a Condominium Unit.

“Developed Property” means, in any Fiscal Year, all Assessor’s Parcels of Taxable Property in the District for which (i) a final building permit inspection has been conducted prior to June 1 of the preceding Fiscal Year in association with a building permit for construction of an individual Condominium Unit, Fractional Unit, or Square Footage of Retail Property, or (ii) for which a certificate of occupancy was issued by the City prior to June 1 of the preceding Fiscal Year for construction of an individual Condominium Unit, Fractional Unit, or Square Footage of Retail Property.

“Fractional Unit” means an individual residential dwelling unit in the District for which multiple owners may each purchase a fractional share of ownership (also referred to as a timeshare unit by the California Department of Real Estate).

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property.

“Public Property” means any property within the boundaries of the District that is owned by or irrevocably offered for dedication to the federal government, State of California, City, or other local government or public agency.

“Retail Property” means any Parcel of Developed Property within the District for which a building permit was issued for construction of Square Footage that is not part of a Condominium Unit or Fractional Unit.

“Special Tax” means a Special Tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which is due in the calendar year which begins in such Fiscal Year, (ii) to pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds, (iii) to create or replenish reserve funds, (iv) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, (v) to pay Administrative Expenses, and (vi) to pay the costs of public improvements authorized to be financed by the District. The amount referred to in clause (i) of the preceding sentence may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture, (ii) proceeds from the collection of penalties associated with delinquent Special Taxes, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

“Square Foot”, “Square Footage” or “Square Feet” means the square footage reflected on the original construction building permit issued for construction of an individual Condominium Unit, Fractional Unit, or Parcel of Retail Property, and any Square Footage subsequently added to a residential unit or retail suite after issuance of a building permit for expansion or renovation of the unit or suite.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of the District which are not exempt from the Special Tax pursuant to law or Section F of the Rate and Method.

“Tax Zone” means one of the two mutually exclusive geographic areas defined below and identified in Attachment 1 of the Rate and Method of Apportionment of Special Tax.

“Tax Zone #1” means the Parcel identified in Fiscal Year 2004-05 by Assessor’s Parcel number 0311-006 and shown on Attachment 1 of the Rate and Method of Apportionment of Special Tax as Tax Zone #1.

“Tax Zone #2” means the Parcel identified in Fiscal Year 2004-05 by Assessor’s Parcel number 0341-005 and shown on Attachment 1 of the Rate and Method of Apportionment of Special Tax as Tax Zone #2.

Annual Administration. On or about July 1 of each Fiscal Year, the Administrator identifies the current Assessor's Parcel numbers for Taxable Property within Tax Zone #1. The Administrator also, for each Parcel of Developed Property, identifies the Square Footage on the Parcel and determines whether the Square Footage is that of a Condominium Unit, Fractional Unit or Retail Property, and calculates the Special Tax Requirement for the Fiscal Year. For Fiscal Year 2017-18, there were 62 parcels classified as Condominium Units, 39 parcels classified as Fractional Units (nine of which are actually condominium units, as described in the second paragraph under the subheading "Maximum Special Tax" below), and 3 parcels classified as Retail Property.

Maximum Special Tax. See "SECURITY FOR THE BONDS—Special Tax Rates" for the current Maximum Special Tax rates applicable to the Taxable Property in the District. The maximum Special Tax rates are subject to increase each July 1 by an amount equal to two percent (2%) of the amount in effect for the prior Fiscal Year.

The Rate and Method provides that once a Maximum Special Tax has been assigned to a Fractional Unit, the Maximum Special Tax for the Assessor's Parcel shall not be reduced in any future Fiscal Year even if the unit is subsequently sold as a Condominium Unit. *Because of the foregoing, there are currently nine condominium units in the Development that are being taxed under the Rate and Method as if they were Fractional Units, because at one time in the past they were classified as Fractional Units but they were subsequently converted to and sold as condominium units.*

Limitation on Special Tax Levies. Pursuant to Section 53321 (d) of the Act, the Special Tax levied against a Parcel used for private residential purposes (which includes all of the Taxable Property in the District except for the three units of Retail Property) shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

The Special Tax will continue to be levied and collected until principal and interest on Bonds have been repaid. However, in no event will a Special Tax be levied after Fiscal Year 2040-41.

Method of Levy of the Special Tax. For each Fiscal Year, the Administrator determines the Special Tax Requirement to be collected in that Fiscal Year, and levies a Special Tax Proportionately on each Parcel of Developed Property in Tax Zone #1 up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year.

Collection of Special Tax. The Special Taxes are being collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the Authority may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods. The Special Tax for the 30 units in the Development that are actually Fractional Units is being billed to the trust in which ownership of those units appears on the County ad-valorem tax rolls, which then through a homeowner's association bills the amounts due to individual fractional owners; non-payment of Special Taxes billed by the homeowners association will result in interest and penalties, and the fractional ownership will be subject to foreclosure proceedings as set forth in the Indenture. See "SECURITY FOR THE BONDS—Covenant to Foreclose." Special Taxes for Fractional Units are currently being billed to the homeowners association for the Fractional Units.

Exemptions. No Special Tax will be levied on Parcels of Public Property except as otherwise provided in the Act. No Special Tax will be levied on property in Tax Zone #2.

No Prepayment of Special Tax. Prepayment of the Special Tax is not permitted.

Special Tax Rates

The Authority’s Special Tax Administrator has determined that, based on the Taxable Property in the District included on the County’s 2017-18 secured tax roll and on which Special Taxes may be levied for Fiscal Year 2017-18 and the provisions of the Rate and Method, the Special Tax for Fiscal Year 2017-18 was levied on 62 parcels classified as Condominium Units, 39 parcels classified as Fractional Units (nine of which are actually condominium units), and 3 parcels of Retail Property. In accordance with the foregoing, and the aggregate Special Tax levy for Fiscal Year 2017-18 in the District, approximately 51% of such levy was on parcels classified under the Rate and Method as Condominium Units, 44% on parcels classified under the Rate and Method as Fractional Units (nine of which are actually condominium units), and 4% of such levy was on parcels of Retail Property. See Tables 4 and 5 under the heading “THE COMMUNITY FACILITIES DISTRICT—Property Values and Value to Burden Ratio.”

The following Table 1 sets forth the Maximum Special Tax Rates for Taxable Property in Tax Zone #1 of the District for Fiscal Year 2018-19, and the actual Special Tax rates for the Fiscal Year 2018-19 Special Tax levy.

Table 1
ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements – 690 and 942 Market Street Project)
Fiscal Year 2018-19 Special Tax Rates – Tax Zone 1

Type of Property	FY 2018-19 Maximum Special Tax Rate ⁽¹⁾	FY 2018-19 Estimated Special Tax Rate
LP Parcel	\$3,492,738 per parcel	\$0.00 per parcel
Condominium Unit	\$15.52 per sf	\$5.29 per sf
Fractional Unit	\$20.70 per sf	\$7.05 per sf
Retail Property	\$25.87 per sf	\$8.82 per sf

(1) On July 1 of each Fiscal Year, the Maximum Special Tax Rate increases by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.

Source: *Goodwin Consulting Group, Inc.*

Special Tax Delinquencies

The following Table 2 is a summary of Special Tax levies, collections and delinquency rates for the Taxable Property in the District for Fiscal Years 2008-09 through Fiscal Year 2016-17, based on amounts levied and outstanding delinquencies as of the July 1 following the respective Fiscal Year end, and as of July 3, 2018

Table 2
ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements – 690 and 942 Market Street Project)

Special Tax Delinquency History

Fiscal Year	Special Tax Levy	As of the end of each Fiscal Year			As of July 3, 2018			Special Tax Collected
		Number of Parcels Delinquent	Amount Delinquent ⁽¹⁾	Percent Delinquent	Number of Parcels Delinquent	Amount Delinquent ⁽¹⁾	Percent Delinquent	
2008-09	\$1,040,339	4	\$25,222	2.42%	0	\$ 0	0.00%	\$1,040,339
2009-10	1,057,318	3	13,061	1.24	0	0	0.00	1,057,318
2010-11	1,059,210	0	0	0.00	0	0	0.00	1,059,210
2011-12	1,055,308	4	14,349	1.36	0	0	0.00	1,055,308
2012-13	1,056,007	1	5,880	0.56	0	0	0.00	1,056,007
2013-14	1,055,933	3	12,291	1.16	0	0	0.00	1,055,933
2014-15	1,060,083	2	12,340	1.16	0	0	0.00	1,060,083
2015-16	1,058,070	1	3,595	0.34	0	0	0.00	1,058,070
2016-17	1,054,958	1	7,169	0.68	0	0	0.00	1,054,958

(1) Delinquent amounts do not include penalties, interest or fees.

Source: *City and County of San Francisco Tax Collector's Office; Goodwin Consulting Group, Inc.*

Covenant to Foreclose

Sale of Property for Nonpayment of Taxes. The Indenture provides that the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem property taxes. The Indenture also allows the Authority to collect the Special Taxes by directly billing the property owners in the District, in which event the Special Taxes will become delinquent if they are not paid when due pursuant to the direct billing. To date, the Special Taxes have been collected on the ad valorem property tax roll, with Special Taxes levied on the Fractional Units billed to the trust in which ownership of those units appears on the County ad-valorem tax roll.

Under Section 53356.1 of the Act, if any delinquency occurs in the payment of the Special Tax, the Authority may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory. However, the Authority has covenanted in the Indenture that, on or about February 15 and June 15 of each Fiscal Year, the Chief Financial Officer will compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the Authority, and:

Individual Delinquencies. If the Chief Financial Officer determines that any single parcel (i.e. a Condominium Unit or a fractional interest in a Fractional Unit, the LP Parcel, or any Retail Property, as such terms are defined in the Rate and Method of Apportionment of Special Taxes for the District) subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$10,000.00 or more with respect to any Condominium Unit or any Retail Property, or \$4,000.00 or more with respect to any fractional interest in a Fractional Unit, then the Chief Financial Officer

shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner (with a copy to the related homeowner's association with respect to any fractional interest) within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the Authority within 90 days of such determination.

Aggregate Delinquencies. If the Chief Financial Officer determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District, (including the total of delinquencies described in "Individual Delinquencies" above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the Chief Financial Officer will notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and the Authority will commence foreclosure proceedings within 90 days of such determination against each parcel of land in the District with a Special Tax delinquency.

It should be noted, however, that the Indenture authorizes the Chief Financial Officer to defer initiating foreclosure if the amount in the Reserve Fund is at least equal to the then Reserve Requirement.

Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays. No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the Authority to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale, and the Authority has no intent to purchase property should any property with delinquent Special Taxes be offered for sale at a foreclosure sale. See "BONDOWNERS' RISKS."

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the Authority, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the Authority could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the Authority becomes the purchaser under a credit bid, the Authority must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale. The Authority has no intent to be a bidder at any foreclosure sale.

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on the nature of the defense, if any, put forth by the debtor and the Superior Court calendar. In addition, the ability of the Authority to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the "FDIC"). See "BOND OWNERS' RISKS—Bankruptcy Delays."

Special Tax Fund

Deposits. The Indenture obligates the Authority to deposit the Special Tax Revenues received by it in the Special Tax Fund held by the Trustee; however, the Indenture provides that:

(i) any Special Tax Revenues constituting payment of the portion of the Special Tax levy for Administrative Expenses, as identified by the Chief Financial Officer, shall be deposited by the Trustee in the Administrative Expense Fund (provided, however, that the amount so deposited shall not exceed the amount of Special Tax Revenues derived from the portion of the Special Tax levied for Administrative Expenses), and

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Chief Financial Officer and shall be deposited by the Trustee (as directed by the Chief Financial Officer) first, in the Bond Fund to the extent needed to pay any past due debt service on the Bonds; second, to the Reserve Fund to the extent needed to increase the funds then on deposit in the Reserve Fund up to an amount equal to the then Reserve Requirement; third, to the Administrative Expense Fund to the extent that amounts in such fund were used to pay costs related to the collection of such delinquencies; and fourth, to the Special Tax Fund for use as described below.

Disbursements. On each Interest Payment Date, the Trustee will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

Bond Fund: to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers to the Bond Fund from the Reserve Fund such that the amount in the Bond Fund equals the principal (including any sinking payment) and interest due on the Bonds on such Interest Payment Date.

Reserve Fund: to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund such that the amount in the Reserve Fund is equal to the Reserve Requirement.

Other Transfers. In addition to the foregoing, if in any Fiscal Year there are sufficient funds in the Special Tax Fund to make the foregoing transfers to the Bond Fund and the Reserve Fund in respect of the Interest Payment Dates occurring in the Bond Year that commences in such Fiscal Year, the Chief Financial Officer may direct the Trustee to transfer any amount in the Special Tax Fund in excess of the amount needed to make such transfers to the Bond Fund and the Reserve Fund (i) to the Administrative Expense Fund, from time to time, if monies are needed to pay Administrative Expenses in excess of the amount then on deposit in the Administrative Expense Fund; (ii) to such other fund or account established to pay debt service on or administrative expenses with respect to any bonds or other debt secured by a pledge of Special Tax Revenues subordinate to the pledge thereof under the Indenture; or (iii) to such other fund or account established by and as directed by the Authority to be used for any lawful purpose under the Act and otherwise in accordance with the provisions of the Rate and Method.

Bond Fund

The Indenture establishes the Bond Fund which is held by the Trustee. Moneys in the Bond Fund will be held in trust by the Trustee for the benefit of the Owners of the Bonds, will be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, will be subject to a lien in favor of the Owners of the Bonds.

On each Interest Payment Date, the Trustee will withdraw from the Bond Fund and pay to the Owners of the Bonds the principal and interest then due and payable on the Bonds, including any amounts due on the Bonds by reason of the mandatory sinking payments or an optional redemption of the Bonds. In the event that amounts in the Bond Fund are insufficient for such purpose, the Trustee will withdraw from the Reserve Fund to the extent of any funds therein an amount to cover the amount of such Bond Fund insufficiency.

If, following any transfer from the Reserve Fund, there are insufficient funds in the Bond Fund to make the required payments, the Trustee will apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Reserve Fund

In order to further secure the payment of principal of and interest on the Bonds, a portion of the proceeds of the Bonds will be deposited into the Reserve Fund in an amount equal to the initial Reserve Requirement. In the event that amounts in the Bond Fund are insufficient for to pay principal of or interest due on the Bonds, the Trustee will withdraw from the Reserve Fund and deposit in the Bond Fund the amount of the insufficiency, up to the amount then on deposit in the Reserve Fund.

The "Reserve Requirement" for the Bonds is \$_____.

The Indenture allows the Authority to release amounts held in the Reserve Fund that are in excess of the Reserve Requirement from the Reserve Fund, subject to certain conditions. See APPENDIX B—Summary of the Indenture for a description of the timing, purpose and manner of disbursements from the Reserve Fund.

The Authority has the right at any time to release funds from the Reserve Fund, in whole or in part, by tendering to the Trustee a Qualified Reserve Fund Credit Instrument (as defined below). Upon tender of a Qualified Reserve Fund Credit Instrument to the Trustee, and upon delivery by the Authority to the Trustee of a written calculation of the amount permitted to be released from the Reserve Fund, the Trustee shall transfer such funds from the Reserve Fund to the Authority to be used for any lawful purpose under the Act.

The Indenture defines "Qualified Reserve Fund Credit Instrument" to mean an irrevocable standby or direct-pay letter of credit issued by a commercial bank or a surety bond or insurance policy provided by an insurance company and in each case deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met: (a) the long-term credit rating or claims paying ability of such bank or insurance company is in one of the three highest rating categories by S&P and Moody's at the time of delivery of the

Qualified Reserve Fund Credit Instrument to the Trustee; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (d) the Trustee is authorized pursuant to the terms of such letter of credit, surety bond or insurance policy to draw thereunder for the purpose of making transfers to the Bond Fund required pursuant to the Indenture.

Limited Obligation

All obligations of the Authority under the Indenture and the Bonds are special obligations of the Authority, payable solely from the Trust Estate. See “THE AUTHORITY—Limited Obligation of Authority.”

No Acceleration

The principal of the Bonds is not subject to acceleration under the Indenture as a result of the occurrence of an Event of Default under the Indenture.

THE COMMUNITY FACILITIES DISTRICT

General

The property within the District includes two sites, one located at 690 Market Street in San Francisco, California, and one located at 942 Market Street, San Francisco, California. The site located at 690 Market Street has been improved with a 24-story, high rise building commonly referred to as the Ritz-Carlton Club and Residences, San Francisco (and is referred to in this Official Statement as the “Development”). The Development is included in Tax Zone #1 of the District. The site at 942 Market Street is included in Tax Zone #2 of the District. *The property in Tax Zone #2 is exempt from the levy of Special Taxes, so no information regarding the property at 942 Market Street is included in this Official Statement.*

The Development represents a conversion from a historical office building known as the Chronicle Building, which was one of the first high rise buildings constructed in San Francisco, to residential occupancy and ground floor retail. The Development includes 71 condominium units, 30 units in which fractional interests have been sold, 3 properties for retail facilities, and common area space. Because of the historical nature of the building at 690 Market Street, certain of the parcels within the District have their assessed value calculated by the County Assessor’s Office pursuant to an alternative method of valuation. See “–Property Values and Value to Burden Ratio – Mills Act and Impact on Assessed Values,” below.

The Development is located at the southeast corner of Market and Kearney Streets in a mixed-use neighborhood on the edge of Union Square and the Financial District of San Francisco. It is situated a few blocks north of the I-80/Bay Bridge freeway, and one block away from the Yerba Buena Gardens, a park and arts complex. The nearby land uses in are office, retail, hotel, institutional uses and major transportation facilities. Much of the area to the southeast has been undergoing a transition over several years from low-rise and mid-rise industrial district with surface parking to a predominately high-rise, high-density residential district.

History of the District

The Bonds will be issued under the Act and the Indenture. As required by the Act, the Executive Committee of the Board of Directors of the Authority (the "Executive Committee") has taken the following actions with respect to establishing the District and the authorization for the issuance of the 2007 Bonds and the Bonds:

Resolutions of Intention: On November 17, 2004, the Executive Committee adopted Resolution No. 04-34 (the "Resolution of Intention") and Resolution No. 04-35 stating its intention to establish the District, and to authorize the levy of a special tax therein and to issue bonds for the District in an amount not to exceed \$30 million.

Resolution of Formation: Immediately following a noticed public hearing, on December 17, 2004, the Executive Committee adopted Resolution No. 04-38, which established the District and authorized the levy of a special tax within the District.

Resolution of Necessity: Also on December 17, 2004, the Executive Committee adopted Resolution No. 04-39 declaring the necessity to incur bonded indebtedness in an aggregate amount not to exceed \$30 million within the District and submitting that proposition to the then qualified electors of the District.

Resolution Calling Election: Also on December 17, 2004, the Executive Committee adopted Resolution No. 04-40 calling an election by the then two landowners within the District for the same date on the issues of the levy of the Special Tax, the incurring of bonded indebtedness and the establishment of an appropriations limit.

Landowner Election and Declaration of Results: Also on December 17, 2004, an election was held within the District in which the then two qualified electors within the District approved a ballot proposition authorizing the issuance of up to \$30 million in bonds to finance the seismic safety improvements authorized to be funded by the District, the levy of a special tax and the establishment of an appropriations limit for the District; and the Executive Committee adopted Resolution No. 04-41 pursuant to which the Executive Committee approved the canvass of the votes and declared the District to be fully formed with the authority to levy the Special Taxes, to incur the bonded indebtedness and to have the established appropriations limit, all with respect to the District.

Notice of Special Tax Lien: A Notice of Special Tax Lien was recorded in the real property records of the City and County on December 23, 2004 as Instrument No. 2004-H878074-00.

Ordinance Levying Special Taxes: On December 17, 2004, the Executive Committee introduced Ordinance No. 2004-B levying the Special Tax within the District (the "Initial Ordinance"), which Initial Ordinance was adopted by the Executive Committee on February 10, 2005.

Resolution of Consideration: On July 18, 2007, the Executive Committee adopted Resolution No. 07-25 proposing to amend and restate the rate and method of apportionment for special tax for the District to eliminate the ability of property owners to prepay Special Taxes and to remove property in Tax Zone #2 from the Taxable Property in the District.

Resolution of Special Election: On August 24, 2007, the Executive Committee adopted Resolution No. 07-27 calling an election regarding the alteration of the rate and method of apportionment for special tax for the District.

Landowner Special Election Results and Resolution of Alteration: Also on August 24, 2007 an election was held within the District in which the then two qualified electors within the District approved a ballot proposition authorizing the alteration of the rate and method of apportionment of special tax for the District; and the Executive Committee adopted Resolution No. 07-28 pursuant to which the Executive Committee approved the canvass of the votes and determined that the alteration of the rate and method of apportionment of special taxes for the District was lawfully authorized.

Ordinance Levying Special Taxes. Also on August 24, 2007, the Executive Committee introduced Ordinance No. 2007-A amending and restating the Initial Ordinance (the "Ordinance"), which Ordinance was adopted by the Executive Committee on September 21, 2007.

Amended Notice of Special Tax Lien: An Amended and Restated Notice of Special Tax Lien was recorded in the real property records of the City and County on September 7, 2007 as Instrument No. 2007-1450385-00.

Resolution Authorizing Issuance of the 2007 Bonds: On September 21, 2007, the Executive Committee adopted Resolution No. 07-29 authorizing the issuance of the 2007 Bonds by the Authority for the District in an amount not to exceed \$30,000,000, with an initial series of 2007 Bonds in an amount not to exceed \$11,000,000.

Issuance of the 2007 Bonds: On October 31, 2007, the Authority issued, for the District, the 2007 Bonds in the initial principal amount of \$11,000,000.

Resolution Authorizing Issuance of the Bonds: On August 2, 2018, the Executive Committee adopted a resolution authorizing the issuance of the Bonds for the District.

City and County Findings. On March 30, 2004, in order to meet a requirement of the Authority's "Guidelines for Issuance", the Board of Supervisors of the City and County adopted Resolution No. 212-04 approving the formation of the District by the Authority.

Authority's Goals and Policies. The Authority adopted "Local Agency Goals and Policies for Community Facilities Districts" (the "Goals and Policies") on April 23, 2004, and subsequently amended them on May 14, 2004. The Goals and Policies establish an order of priority for financing by community facilities districts and certain credit quality requirements for bonds issued under the Act. The Goals and Policies allow for a not-to-exceed 2% per year special tax increase only with respect to parcels to be developed for commercial or industrial uses. However, in view of the fact that the City and County allows for 2% increases in special taxes on residential property in other community facilities districts, the Authority, in its Resolution of Intention, granted a waiver to the Goals and Policies so as to permit the 2% increase in the maximum special tax per year on the residential units to be taxed. In its resolution adopted on August 2, 2018, the Executive Committee determined that issuance of the Bonds conforms with the Authority's Goals and Policies, except as described above.

Authority's Debt Issuance Policy. On December 13, 2016, the Executive Committee approved a Debt Issuance Policy for the Authority. In its resolution adopted on August 2, 2018, the Executive Committee determined that the issuance of the Bonds conforms with the Authority's Debt Issuance Policy.

Improvements Financed With Proceeds of the 2007 Bonds

The net proceeds of the 2007 Bonds were used to finance costs of seismic safety improvements, which included:

With respect to the building located at 690 Market Street: A new seismic system to comply with the requirements of Section 1605.4 of the San Francisco Building Code was installed. The system is comprised of a concrete moment resisting frame in the new core for the entire height of the new (an eight-story vertical addition above the existing roof) and existing structure, augmented by new structural elements on the perimeter. The existing perimeter brick masonry walls were strengthened by the addition of shotcrete panels. The perimeter of the new superstructure above the original historic building consists of steel moment resisting frames.

A new foundation system was installed to sustain the new seismic loads. The system consists of proprietary steel or concrete piles and concrete pile caps. A concrete mat foundation was employed in some areas. The existing columns and foundation walls were underpinned to accommodate the new foundation system.

With respect to the buildings located at 938-942 Market Street: A new seismic system to comply with the requirements of Section 1605.4 of the San Francisco Building Code was installed. The system consists of new concrete or shotcrete shearwalls connected to the existing structural framework. The new walls were installed at the weak points of the floor plans, and included existing concrete walls with window openings filled-in. New foundations were installed below the new shearwalls to resist overturning forces.

All of the foregoing improvements have been completed.

Property Values and Value to Burden Ratio

Assessed Values of Parcels in the District. The Authority has obtained the assessed values of all of the taxable property in the District, as established by the County Assessor for each applicable fiscal year, including as subject to application of applicable provisions of the Mills Act (see "–Mills Act and Impact on Assessed Values" below). The following Table 3 sets forth the assessed values for the Taxable Property in the District from Fiscal Year 2007-08 to and including Fiscal Year 2018-19:

Table 3
ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements – 690 and 942 Market Street Project)

Historical Assessed Values of Taxable Property⁽¹⁾

Fiscal Year	Land Value	Improvement Value	Total Assessed Value	Percentage Change
2007-08	\$ 13,765,951	\$ 60,722,190	\$ 74,488,141	
2008-09	41,758,563	104,836,002	146,594,565	96.8%
2009-10	69,560,104	107,152,502	176,712,606	20.5
2010-11	71,073,567	104,829,077	175,902,644	-0.5
2011-12	121,443,565	81,194,870	202,638,435	15.2
2012-13	121,463,358	79,674,820	201,138,178	-0.7
2013-14	105,927,914	77,175,783	183,103,697	-9.0
2014-15	131,453,519	88,312,004	219,765,523	20.0
2015-16	128,966,332	80,016,267	208,982,599	-4.9
2016-17	123,112,388	78,794,015	201,906,403	-3.4
2017-18	89,295,811	64,126,465	153,422,276	-24.0
2018-19	93,632,246	72,954,389	166,586,635	8.6

(1) Does not include assessed value for property in Tax Zone #2, which property is not subject to the levy of Special Taxes. A portion of the declines in assessed values for taxable property, particularly in Fiscal Year 2017-18, is a result of applications of property owners for reductions in assessed valuations under the Mills Act. See “-Mills Act and Impact on Assessed Values” herein.

Source: City and County of San Francisco Auditor’s Office; Goodwin Consulting Group, Inc.

Most of the assessed values shown in the table for property in the District are calculated as their “full cash value.” Article XIII A of the California Constitution (Proposition 13) defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under ‘full cash value, or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment,’ subject to exemptions in certain circumstances of property transfer or reconstruction. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. No assurance can be given that should a parcel with delinquent Special Tax installments be foreclosed and sold for the amount of the delinquency, that any bid will be received for such property, or if a bid is received that such bid will be sufficient to pay such delinquent installments.

Mills Act and Impact on Assessed Values. Certain property located in the District is subject to a Mills Act contract with the City, entered into as of July 9, 2009 (the “Mills Act Contract”). The Mills Act Contract covers two sections of the building located at 690 Market Street, consisting of the nine-story plus mezzanine office tower originally constructed in 1889-90 and the adjoining sixteen-story tower originally constructed in 1905, Block Number 311, Lot Numbers 016-069, 73-74 and 78-79 (collectively, the “Historic Property”). Given the existence of the Mills Act Contract, each Historic Property is eligible to have its assessed value be calculated pursuant to the Mills Act (defined below), instead of the “full cash value” described in Article XIII A of the California Constitution.

A Mills Act contract is an agreement between a local agency, such as the City, and the owners of a qualified property based on California Government Code, Article 12, Sections 50280-50290 (the "Mills Act"). The Mills Act contract is for a minimum term of ten years. It automatically renews each year on its anniversary date and a new ten-year term becomes effective. The contract runs (essentially in perpetuity) with the land, and has an impact on the way the County assessor calculates the assessed valuation of taxable property located in the District as described below

Background on the Mills Act and Related Matters. The Mills Act, which became effective March 7, 1973, allows an owner of qualified historical property to enter into a preservation contract with a local government. When property is placed under such a contract, the owner agrees to restore the property if necessary, maintain its historic character, and use it in a manner compatible with its historic characteristics

Prior to the passage of Proposition 7 in 1976, these agreements (i.e., Mills Act contracts) constituted enforceable restrictions on the use of land within the meaning of California Revenue and Taxation Code section 402.11 (Property Tax Rule 60, repealed January 10, 1978). However, Proposition 7 added the second paragraph to Section 8 of Article XIII of the California Constitution, which provided, "To promote the preservation of property of historical significance, the Legislature may define such property and shall provide that when it is enforceably restricted, in a manner specified by the Legislature, it shall be valued for property tax purposes only on a basis that is consistent with its restrictions and uses."

To implement Proposition 7, Chapter 1040 of the Statutes of 1977 (Senate Bill 380) added sections 439 through 439.4 to the California Revenue and Taxation Code. These statutes, in particular section 439.2, prohibit a valuation of enforceably restricted historical property based on sales data and instead require that such property be valued by a prescribed income capitalization method.

Under section 439, historical property is "enforceably restricted" if it meets the definition of a "qualified historical property" as defined in Government Code section 50280.1 and is subject to a historical property contract executed pursuant to Government Code section 50280 and following. A qualified historical property includes qualified historical improvements and the land on which the improvements are situated, as specified in the historical property contract. If the contract does not specify the land to be included, the qualified historical property includes only a land area of reasonable size to situate the improvements. A qualified historical property is privately-owned property that is not exempt from property taxation and that also meets either of the following criteria: (i) the property is listed in the National Register of Historic Places, or is located within a registered historic district; or (ii) the property is listed in any official state, county, city, or city and county official register of historical or architecturally significant sites, places or landmarks, including the California Register of Historical Resources, California Historical Landmarks, State Points of Historical Interest, local landmarks, and local survey listings of historical properties.

Once a contract is signed, accepted, and recorded, the property subject to the contract must be assessed under section 439.2 on the ensuing lien date.

Local authorities may cancel a historical property agreement for breach of contract or failure to protect the historical property. Alternatively, the local entity may take legal action to enforce the contract.

Valuation of Restricted Historical Property. The California State Board of Equalization released its "Guidelines for the Assessment of Enforceably Restricted Historical Property" dated June 2, 2005 setting forth guidelines for County assessors to value property subject to a Mills Act contract. The Guidelines note that section 439.2 of the California Revenue and Taxation Code prohibits the assessor from using sales data relating to similar properties, whether or not enforceably restricted, to value an enforceably restricted historical property. Instead, the assessor must annually value a restricted historical property using an income approach that follows the specific provisions of section 439.2. These provisions explicitly address (1) the determination of the income to be capitalized, (2) the development of the capitalization rate, (3) the capitalization technique to be used, and (4) the determination of the restricted historical property's taxable value on each lien date.

Section 439.2 further provides that the taxable value of a restricted historical property on each lien date shall be the lowest of its restricted value, current market value, or factored base year value. The factored base year value for an enforceably restricted historical property is the value that was established for the 1975 lien date or as of the date of the most recent change in ownership, whichever is later, adjusted by the annual inflation factor.

When only a portion of a property that would normally be considered a single appraisal unit is restricted by a historical property contract, the assessed value should be determined by making a comparison of three values, determined as follows. First, the portion under contract should be valued using the capitalization method prescribed by section 439.2. Added to this figure should be the lower of the unrestricted portion's fair market value or factored base year value. The resulting sum should be compared to both the fair market value and the factored base year value of the entire property (i.e., both restricted and unrestricted portions) and the lowest of the three figures should be enrolled.

Value-to-Bond Burden Ratios. The value-to-Bond burden ratios for the Taxable Property in Tax Zone #1 of the District are as described in the following two tables:

Table 4
ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements – 690 and 942 Market Street Project)

Tax Zone #1 Value-to-Bond Burden Ratios

Type of Property ⁽¹⁾	Number of Parcels ⁽²⁾	Total Sq. Ft.	FY 2018-19 Maximum Special Tax	FY 2018-19 Estimated Special Tax Levy	% of Estimated Tax Levy	FY 2018-19 Assessed Value	Allocation of Bond Principal ⁽³⁾	Value-to-Bond Burden Ratio *
Condominium Units	62	102,810	\$1,595,948	\$543,791	51%	\$106,687,586	\$ 5,696,161	18.7
Fractional Units	39	66,554	1,377,515	469,364	44	47,924,229	4,916,541	9.7
Retail	3	5,223	135,130	46,043	4	\$11,974,820	482,298	24.8
Total	104	174,587	\$3,108,594	\$1,059,199	100%	\$166,586,635	\$11,095,000	15.0

* Preliminary, subject to change.

- (1) Per the Second Amendment to Declaration of Covenants, Conditions, and Restrictions of 690 Market Residence Condominiums dated June 24, 2015, 14 units in Tax Zone #1 that were originally anticipated to be Fractional Units have changed to Condominium Units. Nine of these units had a final building permit inspection prior to June 25, 2015 and had previously been taxed as Fractional Units. Per the Rate and Method, once a maximum special tax has been assigned to a Fractional Unit, the maximum special tax for the assessor's parcel shall not be reduced in any future fiscal year even if the unit is subsequently sold as a Condominium Unit.
- (2) As of June 1, 2018, all parcels in Tax Zone #1 have received a final building permit inspection and are considered Developed Property.
- (3) Allocated based on the share of the estimated Fiscal Year 2018-19 Special Tax levy.

Source: *City and County of San Francisco Assessor's Office and Goodwin Consulting Group, Inc.*

Table 5
ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements – 690 and 942 Market Street Project)

Summary of Value-to-Bond Burden Ratios

Value-to-Lien	Number of Parcels	FY 2018-19 Estimated Special Tax Levy	% of Estimated Tax Levy	FY 2018-19 Assessed Value	Allocation of Bond Principal ⁽¹⁾	Average Value-to-Bond Burden Ratio*
15:1 and above	55	\$523,934	49%	\$117,234,070	\$5,488,152	21.4
10:1 to 15:1	17	173,194	16	22,846,610	1,814,192	12.6
5:1 to 10:1	27	308,621	29	23,972,335	3,232,773	7.4
3:1 to 5:1	5	53,450	5	2,533,620	559,883	4.5
3:1 and below ⁽²⁾	0	0	0	0	0	0.0
Total	104	\$1,059,199	100%	\$166,586,635	\$11,095,000	15.0

* Preliminary, subject to change.

- (1) Allocated based on the share of the estimated fiscal year 2018-19 special tax levy.
- (2) Includes two condominium units owned by Market Street Luxury Condos, LLC.

Source: *City and County of San Francisco Assessor's Office and Goodwin Consulting Group, Inc.*

Top Taxpayers

The following Table 6 sets forth the top payers of the Special Tax in the District, based on the estimated Fiscal Year 2018-19 Special Tax levy.

**Table 6
 ABAG Finance Authority for Nonprofit Corporations
 Community Facilities District No. 2004-1
 (Seismic Safety Improvements – 690 and 942 Market Street Project)**

Top Taxpayers

<u>Property Owner⁽¹⁾</u>	<u>Number of Parcels</u>	<u>FY 2018-19 Estimated Tax Levy</u>	<u>% of Estimated Tax Levy</u>	<u>FY 2018-19 Assessed Value</u>
First American Trust FSB	23	\$269,196	25%	\$33,241,374
Market Street Luxury Condos, LLC	18	201,493	19	16,382,844
RCP LLC	3	46,043	4	11,974,820
Other Owners ⁽²⁾	60	542,465	51	104,987,597
Total	104	\$1,059,199	100%	\$166,586,635

(1) Ownership information as of January 1, 2017.
 (2) Includes all other property owners who are responsible for less than 2.0% of the total estimated special tax levy.
 Source: *City and County of San Francisco Assessor's Office and Goodwin Consulting Group, Inc.*

Direct and Overlapping Governmental Obligations

Set forth below is a statement of direct and overlapping public debt (the "Debt Report") prepared by California Municipal Statistics, Inc., effective as of August 1, 2017. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general informational purposes only. The Authority makes no representation as to its completeness or accuracy.

Table 7
ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements – 690 and 942 Market Street Project)

Direct and Overlapping Indebtedness
As of August 1, 2017

2017-18 Local Secured Assessed Valuation: \$153,422,276

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/1/17</u>
Bay Area Rapid Transit District	0.022%	\$ 184,790
San Francisco Community College District	0.066	163,939
San Francisco Unified School District	0.066	689,642
City of San Francisco	0.066	1,370,927
ABAG Community Facilities District No. 2004-1	100.000	<u>9,970,000</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$12,379,298
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
City of San Francisco General Fund Obligations	0.066%	<u>\$1,005,694</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$1,005,694
COMBINED TOTAL DEBT		\$13,384,992 ⁽²⁾

Ratios to 2017-18 Assessed Valuation:

Direct Debt (\$9,970,000) ⁽¹⁾	6.50%
Total Direct and Overlapping Tax and Assessment Debt	8.07%
Combined Total Debt	8.72%

(1) Represents the outstanding principal amount of the 2007 Bonds. Does not include the principal amount of the Bonds.

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

It should be noted that County ad valorem levies, as well as the other levies described in the foregoing table, are secured by a statutory lien on the parcels that is on a parity with the lien securing the payment of the Special Taxes.

The Authority has no control over the amount of indebtedness that could be issued by other public agencies in the future, and the liens on the taxable parcels within the Community Facilities District could greatly increase without any corresponding increase in the value of the parcel and thereby severely reduce the ratio between the value of the property and the debt secured by all taxes and assessments thereon which exists at the time the Bonds are issued. The imposition of additional indebtedness could reduce the willingness and the ability of the owners of the taxable parcel within the Community Facilities District to pay the Special Taxes when due.

The following table sets forth a sample tax bill for one of the Condominium Units in the District, as estimated for Fiscal Year 2018-19.

Table 8
ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements – 690 and 942 Market Street Project)

Fiscal Year 2018-19 Illustrative Tax Bill
(Condominium Unit)

<u>Assumptions</u>		
Average Assessed Value ⁽¹⁾		\$1,616,894
Homeowner's Exemption		(7,000)
Net Expected Assessed Value		<u>\$1,609,894</u>
<u>Ad Valorem Tax Rate⁽²⁾</u>		
	<u>Rate</u>	
Base Tax Rate	1.0000%	\$16,099
Other Ad Valorem Property Taxes	0.1723	<u>2,774</u>
Total Ad Valorem Taxes	<u>1.1723%</u>	<u>\$18,873</u>
<u>Direct Charges⁽³⁾</u>		
SFUSD Facility District		\$ 36
SFCCD Parcel Tax		79
Apartment Lic. Fee		13
SF-Teacher Support		237
ABAG CFD No. 2004-1 ⁽⁴⁾		<u>8,771</u>
Total Direct Charges		<u>\$9,135</u>
Total Taxes and Direct Charges		\$28,008
Percentage of Net Assessed Value		1.73%

- (1) Fiscal year 2017-18 average assessed value of a condominium unit subject to the Special Tax levy.
(2) Based on the fiscal year 2017-18 ad valorem tax rate. Ad valorem tax rates are subject to change in future years.
(3) Based on the fiscal year 2017-18 charges identified on the San Francisco County-issued property tax bills. Charges subject to change in future years.
(4) Special Tax based on the average size (1,658 sq ft) of a condominium unit within the District. As described under "SECURITY FOR THE BONDS—Rate and Method – Maximum Special Taxes".
Source: *City and County of San Francisco Tax Collector's Office and Goodwin Consulting Group, Inc.*

THE DEVELOPMENT

The Ritz-Carlton Management Company, L.L.C., on behalf of 690 Market Club Owners Association and 690 Market Homeowners Association, and Market Street Luxury Condos, LLC have provided information included in this Section, which has not been independently verified by the Authority or the District. Only the owners of the condominium units, the Fractional Units and the Retail Property are subject to the levy of the Special Taxes, and the Special Taxes are secured by the Special Tax Lien on such property. The Special Taxes are not a personal obligation of any of such owners, and none of the entities described below are responsible for the payment of any of the Special Taxes, except for Market Street Luxury Condos, LLC with respect to the condominium units owned by it and R.C. Chronicle Building, L.P. with respect to the single fractional interest in a Fractional Unit owned by it.

Background

The 690 Market Street building at the corner of Market and Kearny, formerly known as the Chronicle Building, a 24-story, high-rise building, was constructed in multiple phases over 70 years. The original eight-story structure, built in 1888 for the San Francisco Chronicle newspaper, was the City's original skyscraper. Until the structure was converted primarily to residential use as described below, the building was used mostly as office space.

The R.C. Chronicle Building L.P. (the "Developer") converted the Development into a 101-unit residential building with 3 retail ground floor retail units over a period of several years, commencing in 2004, with some of the interior improvements to the Condominium Units more recently. The project scope included a change in occupancy from office use to residential use, the removal of all interior improvements, renovation of the original historic building and the addition of eight new stories. Proceeds of the 2007 Bonds were to be used to reimburse the Developer for the seismic safety improvement portion of the project. See "THE COMMUNITY FACILITIES DISTRICT—Improvements Financed with Proceeds of the 2007 Bonds." The Developer is no longer involved in the operation or maintenance of the building, but it does own a single 1/12 interest in one of the Fractional Units on the fourth floor of the building.

As previously stated, the building includes a total of 71 condominium units, 30 Fractional Units and 3 units for retail facilities. Each Fractional Unit includes twelve, one-twelfth ownership shares, entitling each owner to three weeks per year of use of a Fractional Unit.

All of the units in the building are subject to a Master Declaration of Covenants, Conditions and Restrictions for 690 Market Condominiums, dated May 31, 2006, which was recorded by the Developer in the San Francisco Assessor-Recorder's Office (the "Assessor's Office") on June 15, 2006 (the "Master Declaration"). The condominium units in the building are also subject to a Declaration of Covenants, Conditions and Restrictions for 690 Market Residence Condominiums recorded by the Developer in the Assessor's Office on June 15, 2006 (the "Residence Declaration"); and the Fractional Units in the building are subject to an Amended and Restated Declaration of Covenants, Conditions and Restrictions for 690 Market Club, dated July 6, 2007, and recorded by the Developer in the Assessor's Office on July 11, 2007 (the "Club Interest Declaration").

Pursuant to the Master Declaration, the 690 Market Master Association, a California nonprofit mutual public benefit corporation (the "Master Association") has the obligation to operate and maintain the common areas of the building. Under the Residence Declaration, the 690 Market Homeowners Association, a California nonprofit mutual benefit corporation (the "Homeowners Association") has the obligation to operate and maintain common areas appurtenant to and designed for the exclusive use of the condominium units in the building as well as other areas used by owners of the condominium units, and also provides for other matters related to the condominium units. Under the Club Interest Declaration, the 690 Market Club Owners Association, a California nonprofit mutual public benefit corporation (the "Club Interest Association"), has the obligation to operate and maintain the common areas, including the lobbies, corridors and certain storage areas, appurtenant to the Fractional Units, and provides for other matters related to the Fractional Units.

Ownership

There currently are five types of owners of the 104 units in the building. Market Street Luxury Condos, LLC, an entity unrelated to the Developer or any other entity involved in the

ownership or operation of the building, acquired 19 condominium units from the Developer in June of 2016. It proceeded to complete unfinished interior improvements for some of those units and has been marketing the units for sale. It has advised that as of July 3, 2018, it had 8 completed sales to individuals, and had one pending sale in escrow.

Joseph Cassidy, the owner of Centrix Builder, Inc. is a partner in Market Street Luxury Condos, LLC, but the two entities are otherwise not in any way related.

MVC Trust, a Florida land trust, owns 201 of the 300 total fractional ownership interests in the 25 Fractional Units (there are twelve ownership interests in each of the 25 Fractional Units, for a total of 300 fractional interests), which are subject to an MVC Trust Plan (a timeshare plan) developed by Marriot Ownership Resorts, Inc. (“MORI”). MORI markets and sells interests in the MVC Trust. The MVC Trust currently holds title to timeshare interests and wholly-owned condominium units and other property located in over 50 different properties throughout the United States and the U.S. Virgin Islands. Owners of beneficial interests in the MVC Trust are able to access all of the properties in the MVC Trust (subject to reservation rules). MORI is a wholly-owned subsidiary of MVW US Holdings, Inc., which is a wholly-owned subsidiary of Marriot Vacations Worldwide Corporation (the “Corporation”).

The Developer owns one fractional ownership interest in a single Fractional Unit in the building.

The three units of Retail Property are owned by RCP LLC, which has leased two of the units as a Sprint store and one of the units as a 7-Eleven store. RCP LLC is not related to any other entity involved with the building.

All of the remaining condominium units (including 8 of the condominiums previously acquired by Market Street Luxury Condos, LLC and subsequently sold, together with all of the other 60 condominiums not owned by Market Street Luxury Condos, LLC) and the remaining fractional ownership interests in the Fraction Units not owned by MVC Trust (99 of the 300 total ownership interests) are owned by individual owners. See Table 6 under the heading “THE COMMUNITY FACILITIES DISTRICT – Top Taxpayers.”

Operations

The overall building is currently operated by Ritz-Carlton Management Company, LLC, a Delaware limited liability company (the “Operating Company”) pursuant to a Ritz-Carlton, San Francisco Master Association Operating Agreement, entered into on June 15, 2006, by the Master Association and the Operating Company. That agreement provides for the management and operation of the Retail Property and the areas subject to the Master Declaration (including a health club/fitness center, the parking garage, a lounge, storage areas, operation areas, common areas and other property owned by the Master Association).

The annual expenses incurred by the Operating Company are allocated to the condominium units, the Fractional Units, and the Retail Property, with approximately 68.8% of the \$2,988,735 operating budget for the calendar year ending December 31, 2018 allocated to the condominium units, 29.5% to the Fractional Units, and the remaining 1.7% to the Retail Property. The amounts allocated to the condominium units and the Fractional Units are billed to owners of those units pursuant to the respective operating agreements described below.

The condominium units are subject to the Ritz-Carlton, San Francisco Homeowners Association Operating Agreement, entered into on June 15, 2006, by the Homeowners Association and the Operating Company, and the Fractional Units are subject to the Ritz-Carlton, San Francisco Club Owner's Association Operating Agreement, entered into on June 15, 2006, by the Club Interest Association and the Operating Company. The Operating Company allocates the expenses incurred by it under the two agreements to the owners of the condominium units and the Fractional Units, respectively, based on various groupings of the respective units. The allocations for calendar year 2018 vary from a low of \$31,874.91 for some of the condominium units to a high of \$43,671.22 for other condominium units, and a low of \$18,735.78 for one-bedroom Fractional Units to a high of \$23,684.87 for the three bedroom Fractional Interests. The allocations to the condominium units do not include the Special Tax levy on those units (which for Fiscal Year 2017-18 vary from a low of \$5,520.58 for several of those units, to a high of \$18,835.54 for one of the units); however, the allocations to the Fractional Units do include the Special Tax levy.

All three of the operating agreements have automatic renewal provisions, but each of them is subject to termination by the Operating Company upon 90 days' notice (30 days' notice in certain events) to the respective counterparty to the applicable agreement. The Operating Company charges fees for its services under the three operating agreements, including a fee of ten percent of all money collected by the Operating Company under the respective agreement with the Master Association and the Homeowners Association, and an annual fee per unit under the agreement with the Club Interest Association.

The agreements provide for enforcement of amounts charged to the owners of the condominium units and of the fractional interests in the Fractional Units. The Operating Company reports that in the last 4 years it has had only one condominium delinquent account (the same account was delinquent in 2014, 2015, 2016 and 2017, with partial and catch-up payments periodically over the years by the owner). With respect to the Fractional Units, the Operating Company reported that it has had 8 delinquent fractional interest accounts in 2013, 7 in 2014, 6 in 2015, 3 in 2016, and 4 delinquent fractional interest accounts in 2017.

Litigation

Between 2009 and 2013, certain condominium owners and fractional owners filed suit in the Superior Court of California in the City and County of San Francisco alleging that the existence of the District and the Special Tax levy were not timely or adequately disclosed to them. Defendants generally included the Developer, RCC (GP) Holdings, Ltd., The Ritz-Carlton Sales Company, The Ritz-Carlton Hotel Company, and MORI. The actions were brought by owners of approximately two dozen condominium units (some of whom also owned fractional interests) and by owners of a handful of fractional interests. One fractional owner brought his case as a putative class action on behalf of similarly situated fractional owners, and a stipulated class was subsequently certified, which included approximately 100 current and former owners of the fractional interests. Additional owners of fractional units, who were excluded from the stipulated class, filed three separate actions. The plaintiffs sought different forms of relief in the various cases, including damages, rescission, and attorneys' fees.

The issues in the litigation generally centered on disclosure of the existence of the District and the associated annual Special Tax levy. None of the pleadings challenged or sought to overturn the District or the lien of the Special Taxes. The form of disclosure of the existence of the District and the Special Taxes used by the Developer was subsequently revised during

the 2006-08 period. No further litigation arose related to the form of disclosure that was revised during the 2006-2008 period.

Two of the actions were settled in 2012 without the defendants admitting liability, but with the Developer agreeing to repurchase certain of the condominium units owned by the plaintiffs. In 2013, a third action filed by an owner of a condominium unit was settled. The settlement with the stipulated class, which included approximately 100 current and former owners of fractional interests, was approved by the Court on March 31, 2015. In 2016, two additional actions filed by current owners of fractional interests were settled. The action brought by the owner of a single fractional interest in a Fractional Unit remains pending.

From time to time, present and former owners of fractional interests may pursue claims against the Developer and entities related to the Developer, however as of the date of this disclosure, with the exception of the claims described herein, none of those claims have related to the District or the Special Tax levy.

BONDOWNERS' RISKS

The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision, in no particular order of importance.

Limited Obligation of the Authority to Pay Debt Service

The Authority has no obligation to pay principal of and interest on the Bonds if Special Tax collections are delinquent, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels for Special Tax delinquencies. The Authority is not obligated to advance its own funds to pay debt service on the Bonds. See "SECURITY FOR THE BONDS—Limited Obligation."

Levy and Collection of the Special Tax

The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against the Taxable Property in the District. The annual levy of the Special Tax is subject to the Maximum Special Tax authorized in the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds.

In addition to the foregoing, pursuant to Section 53321 (d) of the Act, the Special Tax levied against a Parcel used for private residential purposes (which includes all of the Taxable Property in the District except for the three units of Retail Property) shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied. See "SECURITY FOR THE BONDS—Rate and Method – Maximum Special Tax."

Because allocation of the annual Special Tax levy under the Rate and Method is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of Taxable Property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Taxable Property and their proportionate share of debt service on the Bonds, and certainly not a direct relationship.

Except as set forth above under “SECURITY FOR THE BONDS—Special Taxes” and “SECURITY FOR THE BONDS—Rate and Method,” the Indenture provides that the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described in “SECURITY FOR THE BONDS—Covenant to Foreclose” and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary ad valorem property taxes. Under these procedures, if ad valorem taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the Authority of the proceeds of sale if the Reserve Fund is depleted. See “SECURITY FOR THE BONDS—Covenant to Foreclose.”

Concentration of Property Ownership

As of the January 1, 2018 lien date for the Fiscal Year 2018-19 property tax roll, Market Street Luxury Condos, LLC owned 11 condominium units (8 of which were being taxed as Fractional Units) in Tax Zone #1 of the District. As of July 2018, Market Street Luxury Condos, LLC had sold [[3]] of those units to individual buyers, and continues to market the remaining units to prospective purchasers. Until it is able to sell the remaining units that it owns, failure of Market Street Luxury Condos, LLC to pay installments of the Special Tax levied on the units it owns when due could result in the depletion of the Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, an insufficiency of Special Tax proceeds to meet Bond debt service obligations under the Indenture. In that event, there could be a delay or failure in payments of the principal of and interest on the Bonds.

Units in Single Building in Single Location

The units in the District subject to Special Taxes are located in a single building at 690 Market Street in San Francisco. The concentration of all units in one building increases the chances that there could be simultaneous reductions in the value of multiple (or all) units in the event of a fire, flood, earthquake or other natural or man-made disaster, or a general decline in market conditions in the San Francisco real estate market. No property insurance on the Development will be obtained for the benefit of the owners of the Bonds. Further, there can be no assurance as to the coverage or amount of any property insurance maintained by owners of the units or the homeowners associations in the Development. See “BONDOWNERS’ RISKS—Property Values” below.

Fractional Units

Twelve, one-twelfth interval ownership shares (“Share”) have been sold for each of the 30 units in the Development that are actually Fractional Units. Buyers of Shares typically use

the Fractional Unit on vacation, up to three weeks per year under the terms of the sale contract. Due to Share owners limited and recreational use of the Fractional Units, in the event of financial hardship a Share owner may be less likely to pay the Special Tax, and the value of a Share in a Fractional Unit may be more susceptible to decreases in the event of economic downturns. In addition, in the event of a foreclosure, due to the nature of the fractional ownership interest, there may be a small market for buyers of Shares, negatively impacting the amount received as the result of a foreclosure sale. See “SECURITY FOR THE BONDS—Covenant to Foreclose” herein.

Payment of Special Tax is not a Personal Obligation of Property Owners

An owner of Taxable Property is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation only against the parcels of Taxable Property. If, after a default in the payment of the Special Tax and a foreclosure sale by the Authority, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the parcels of Taxable Property, the District has no recourse against the owner.

No Teeter Plan

Although the City and County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, it has done so only with respect to property taxes on the secured tax roll and a single community facilities district, but not the District. Most special taxes and assessments (including the Special Tax levied in the District) are not included in the Teeter Plan, and as a result, the amount of the Special Tax levy received by the Authority will reflect actual collections. Substantial delinquencies in the payment of the Special Tax could impair the Authority’s ability to pay debt service on the Bonds.

Property Values

The value of Taxable Property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the Authority’s only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Property values could be adversely affected by economic and other factors beyond the Authority’s control, such as a general economic downturn, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

The following is a discussion of specific risk factors that could affect the value of property in the District.

Natural Disasters. The value of the Taxable Property in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect the building in which the Taxable Property is located, and the continued habitability and enjoyment of the dwelling units and retail property in the building.

Natural disasters could include, without limitation, earthquakes, landslides, floods, droughts or wildfires. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because

repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the Taxable Property may well depreciate or disappear.

Hazardous Substances. One of the most serious risks in terms of the potential reduction in the value of Taxable Property is a claim with regard to a hazardous substance. In general, the owners and operators of Taxable Property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the Taxable Property be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Other Possible Claims Upon the Value of Taxable Property

While the Special Taxes are secured by the Taxable Property, the security only extends to the value of such Taxable Property that is not subject to senior, priority and parity liens and similar claims. The section entitled “THE COMMUNITY FACILITIES DISTRICT—Direct and Overlapping Governmental Obligations” discusses certain overlapping assessments.

Other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Special Tax securing the Bonds.

In general, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Tax would usually be subordinate only to existing prior governmental liens, and there are no such existing liens on the Taxable Property in the District. Otherwise, in the event of such foreclosure proceedings, the Special Taxes would generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See “-Bankruptcy Delays” below.

Exempt Properties

Certain properties are exempt from the Special Tax in accordance with the Rate and Method and the Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the District acquired by a public entity through a negotiated transaction or by gift or devise, which is

not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. See "SECURITY FOR THE BONDS—Rate and Method." In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. In any event, the property in Tax Zone #2 is exempt from the Special Tax levy.

Depletion of Reserve Fund

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement. See "SECURITY FOR THE BONDS—Reserve Fund." Funds in the Reserve Fund may be used to pay principal of and interest on the Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Tax. If funds in the Reserve Fund for the Bonds are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay current debt service on the Bonds and administrative expenses of the District. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Tax against property within the District at the maximum Special Tax rates, together with other available funds, remains insufficient to pay all such amounts. See "SECURITY FOR THE BONDS—Rate and Method – Maximum Special Tax." Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy of the Special Tax.

Bankruptcy Delays

The payment of the Special Tax and the ability of the Authority to foreclose the lien of a delinquent unpaid tax, as discussed in "SECURITY FOR THE BONDS," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in Taxable Property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

Proceeds of Foreclosure Sales

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax, the Authority may order that the Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. The Authority has covenanted in the Fiscal Agent Agreement that it will, under certain circumstances, commence such a foreclosure action. See "SECURITY FOR THE BONDS—Covenant to Foreclosure."

No assurances can be given that a taxable parcel in the District that would be subject to a judicial foreclosure sale for delinquent Special Taxes will be sold or, if sold, that the proceeds

of such sale will be sufficient to pay the delinquent Special Tax installment. Although the Act authorizes the Authority to cause such an action to be commenced and diligently pursued to completion, the Act does not specify any obligation of the Authority with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale in any such action if there is no other purchaser at such sale and the Authority has not in any way agreed nor does it expect to be such a bidder.

In a foreclosure proceeding, a judgment debtor (i.e., the property owner) has 140 days from the date of service of the notice of levy in which to redeem the property to be sold and may have other redemption rights afforded by law. If a judgment debtor fails to so redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale if the purchaser at the sale was the judgment creditor. If a foreclosure sale is thereby set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made.

If foreclosure proceedings were ever instituted, any holder of a mortgage or deed of trust on the affected property could, but would not be required to, advance the amount of tie delinquent Special Tax installment to protect its security interest.

In the event such superior court foreclosure or foreclosures are necessary, there could be a delay in principal and interest payments to the owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the District of the proceeds of the foreclosure sale, if any. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions and other factors beyond the control of the Authority, including delay due to crowded local court calendars or legal tactics and, in any event could take several years to complete. In particular, bankruptcy proceedings involving an owner of a taxable parcel in the District could cause a delay, reduction or elimination in the flow of Special Tax Revenues. See “SPECIAL RISK FACTORS—Bankruptcy Delays.”

Disclosure to Future Purchasers

The Authority has recorded an amended and restated notice of the Special Tax lien in the Office of the County Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such special tax obligation in the purchase of a parcel of land or a home in the Community Facilities District or the lending of money secured by property in the District. The Act requires the subdivider of a subdivision (or its agent or representative) to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with these requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Property Interests of Government Agencies; Federal Deposit Insurance Corporation

The Authority’s ability to collect interest and penalties specified by State law and to foreclose the lien of a delinquent Special Tax payment may be limited in certain respects with

regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal agencies has or obtains an interest.

General. The supremacy clause of the United States Constitution reads as follows: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding." The foregoing is generally interpreted to mean that, unless the United States Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District but does not pay taxes and assessments levied on the parcel (including the Special Taxes), the applicable State and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments. Moreover, unless the United States Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* 597 F.2d 174 (9th Cir. 1979), the United States Court of Appeal, Ninth Circuit (the "Ninth Circuit"), held that FNMA is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The Authority has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the Authority to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Law and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from special taxes levied pursuant to the Act.

The Authority is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the Bonds should assume that the Authority will be unable to foreclose on any parcel owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment of the Bonds. The Authority has not undertaken to determine whether the FDIC currently has, or is likely to acquire, any interest in any of the parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

No Acceleration Provision

The Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or upon the occurrence of an Event of Default under the Indenture. Under the Indenture, a Bond holder is given the right for the equal benefit and protection of all Bond holders similarly situated to pursue certain remedies, subject to the compliance with certain requirements. See "APPENDIX B—Summary of the Indenture." However, so long as the Bonds are in book-entry form, DTC will be the sole Bondholder and will be entitled to exercise all rights and remedies of Bond holders. See "THE BONDS—General Bond Terms – DTC and Book-Entry Only System."

Voter Initiatives

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, the most recent of which was approved as Proposition 218 in the general election held on November 5, 1996.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the Authority. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Bonds.

Proposition 218 (Voter Approval for Local Government Taxes-Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment) added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

The Special Taxes and the Bonds were each authorized by not less than a two-thirds vote of the landowners within the District at the time it was formed, which constituted the qualified electors at the time of such voted authorization. The Authority believes, therefore, that issuance of the Bonds does not require the conduct of further proceedings under the Act or Proposition 218.

Like its antecedents, Proposition 218 is likely to undergo both judicial and legislative scrutiny before its impact on the Authority, the District and the Bonds can be determined. Certain provisions of Proposition 218 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

Limitations on Remedies

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights' to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and the limitations on legal remedies against governmental entities such as the Authority and the District in the State of California. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

Secondary Market; Potential Reductions in Bond Values

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation.

Although the Authority has committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Bond Owners on a timely basis. See "CONTINUING DISCLOSURE." The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated.

THE AUTHORITY

The following information relating to the Authority is included only for the purpose of supplying general information regarding the Authority. The Bonds are not payable from any of the Authority's revenues or assets other than the Trust Estate.

The Authority. The Authority is a joint powers agency duly organized and existing under the laws of the State of California. The Authority was formed pursuant to the terms of a Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992, and the Joint Exercise of Powers Act of the State (constituting Chapter 5, commencing with Section 6500, of Division 7 of Title 1 of the California Government Code), in order to assist nonprofit corporations and other entities to obtain financing for projects located within the several jurisdictions of the Authority's members with purposes serving the public interest.

Limited Obligation of Authority. The Bonds are limited obligations of the Authority and the principal thereof, and premium, if any, and interest thereon, are payable solely from, and secured in accordance with their terms and the provisions of the Indenture solely by, the Special Tax Revenues and the other amounts pledged therefor under the Indenture. Neither the Authority, the Association of Bay Area Governments ("ABAG"), any of the member of the Authority or of ABAG, the State, nor any political subdivision thereof (except the Authority, to the limited extent set forth in the Indenture) will in any event be liable for the payment of the principal of, or premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever, and none of the Bonds or any of the Authority's agreements or obligations will be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of the Authority, of ABAG, or of the members of the Authority or ABAG, the State or any political subdivision thereof (except the Authority, to the limited extent set forth in the Indenture) within the meaning of any constitutional or statutory provision whatsoever. Neither the Authority nor ABAG has any taxing power.

Staff of ABAG and the Authority. Currently, certain members of the staff of ABAG also serve as staff to, and officers of, the Authority. ABAG and the Metropolitan Transportation Commission, a local area planning agency created pursuant to the Metropolitan Transportation Commission Act (constituting Title 7.1, commencing with Section 66500, of the California Government Code) have entered into a contract whereby certain employees of the Metropolitan Transportation Commission will also serve as staff to, and officers of, ABAG or the Authority.

Defalcations by Prior Authority Officer and ABAG Employee. The Authority discovered in January 2015 that its former Secretary, who also served as the Financial Services Director of ABAG, had misappropriated monies from bank accounts maintained for two bond programs, not including the 2007 Bond program and the Special Taxes levied in the District. The employee, subsequently terminated by ABAG, misappropriated in excess of \$2.6 million from accounts related to those other two bond programs.

The Authority and ABAG conducted a full examination of the situation, with the assistance of consultants, and determined that the employee acted alone. The employee pled guilty to felony wire fraud in December 2015, and was sentenced to a year in prison and an additional six months of home confinement. He made full restitution of all funds misappropriated, and the Authority and ABAG entered into various Settlement and Release of Claims and Assignment of Rights Agreements with several public agencies that may have been affected by the former employee's actions.

At its meetings of June 19, 2016 and September 21, 2016, the Executive Committee of the Board of Directors of the Authority fully reviewed and discussed various remedial actions to improve the control environment and reduce the risk of theft in the future by enhancing and strengthening internal control and reporting processes. The Executive Committee approved revised internal controls and periodic financial reporting requirements.

As mentioned above, all misappropriated funds have been fully restored. The defalcations had no effect on the timely payment of the debt service on any of the outstanding 2007 Bonds. The Authority believes that the enhanced internal controls and reporting requirements will reduce the risk of any future defalcations of financing program assets by its officers or employees.

CONTINUING DISCLOSURE

Continuing Disclosure by the Authority. The Authority, for and on behalf of the District, will covenant in a continuing disclosure certificate, the form of which is set forth in APPENDIX D—Form of Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), for the benefit of owners and beneficial owners of the Bonds, to provide certain financial information and operating data relating to the District and the Bonds (the “Authority Annual Report”) by not later than nine months after the end of the Authority’s Fiscal Year (which would correspond to a distribution date of not later than April 1 based on the Authority’s current fiscal year ending of June 30). The Continuing Disclosure Certificate also requires the Authority to provide notices of the occurrence of certain enumerated events, if material.

The covenants of the Authority in the Continuing Disclosure Certificate are being made in order to assist the Purchaser in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

A default under the Continuing Disclosure Certificate would not constitute an Event of Default under the Indenture, and the sole remedy under the Continuing Disclosure Certificate in the event of any failure of the Authority or the Dissemination Agent to comply with the requirements of the Continuing Disclosure Certificate would be an action to compel specific performance. Goodwin Consulting Group will act as the initial dissemination agent for the Authority under the Continuing Disclosure Certificate.

Compliance by the Authority in the Past 5 Years. The Authority was responsible pursuant to continuing disclosure undertakings under the Rule to provide annual reports and notice of enumerated events with respect to several bond issues during the past five years. During that time, with respect to the continuing disclosure certificate for the Authority’s Revenue Bonds, Senior Series 2007-A (Windemere Ranch Infrastructure Financing Authority) and its Revenue Bonds, Subordinate Series 2007-B (Windemere Ranch Infrastructure Financing Programs), and with respect to the continuing disclosure certificate for its Revenue Bonds, Senior Series 2014-A (Windemere Ranch Infrastructure Financing Program), the Authority substantially complied with its obligations to provide updated financial and operating data during the past five years, except that the Authority failed to provide operating data relating to the amount of prepayments for the last five years and all of the funds’ and accounts’ balances for its reporting requirement in 2016, file notices of rating changes for the Revenue Bonds, Senior Series 2007-A Bonds on two occasions and the Authority failed to file its audited financial statements on a timely basis, and without notice of late filing, with respect to its 2012 (234 days late) and 2013 (121 days late) annual disclosure reports; however, the Authority believes that the Authority’s audits did not include information material to owners of the Revenue Bonds, Senior Series 2007-A, the Revenue Bonds, Subordinate Series 2017-B or the Revenue Bonds, Series 2014-A. Remedial filings in respect of the aforementioned operating data and rating changes have subsequently been made. [***Underwriter reviewing***]

The Authority has established enhanced internal accounting controls and procedures, implemented in fiscal year 2015-16, to ensure that they will comply in all material respects with their continuing disclosure undertakings in the future.

With respect to the Continuing Disclosure Certificate to be executed by the Authority in connection with the issuance of the Bonds, the Authority has retained Goodwin Consulting Group, Inc. as dissemination agent. Goodwin Consulting Group, Inc. has been the dissemination agent for the 2007 Bonds.

LEGAL MATTERS

Legal Opinions

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, approving the validity of the Bonds will be made available to purchasers at the time of original delivery and the form of which is attached as APPENDIX E. Nixon Peabody, Los Angeles, California, will pass upon certain legal matters for the Authority as Special Counsel to the Authority. Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is serving as Underwriters' Counsel. See "PROFESSIONAL FEES" below.

Tax Matters

In the opinion of Jones Hall, under existing law, interest on the Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Jones Hall, under existing law, interest on the Bonds is exempt from California personal income taxes. The complete text of the final opinion that Bond Counsel expects to delivery upon issuance of the Bonds is set forth in APPENDIX E.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

Absence of Material Litigation

To the best knowledge of the Authority, there is no controversy of any nature now pending or threatened against the Authority which seeks to restrain or enjoin the sale or issuance of the Bonds or which in any way contests or affects the validity of the Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds, the use of the Bonds proceeds or the existence or powers of the Authority relating to the issuance of the Bonds. See, however, "THE DEVELOPMENT" for a discussion of certain litigation affecting one of the fractional interests in a Fractional Unit in the Development.

NO RATING

The Bonds have not been rated by any securities rating agency.

MUNICIPAL ADVISOR

The Authority has retained Sperry Capital Inc., Sausalito, California, as its Municipal Advisor (the "Municipal Advisor") in connection with the authorization and delivery of the Bonds. The Municipal Advisor has not independently verified any of the data contained in this Official Statement or conducted a detailed investigation of the affairs of the Authority or the District to determine the accuracy or completeness of this Official Statement.

UNDERWRITING

The Bonds will be purchased by UBS Financial Services Inc., as underwriter (the "Underwriter"), at an aggregate purchase price of \$_____ (being the principal amount of the Bonds of \$_____, plus/less an original issue premium/discount of \$_____, and less underwriter's discount of \$_____). The initial public offering prices stated on the inside cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

PROFESSIONAL FEES

In connection with the issuance of the Bonds, fees payable to certain professionals are contingent upon the issuance and delivery of the Bonds. Those professionals include:

- Jones Hall, A Professional Law Corporation, as Bond Counsel and as Disclosure Counsel;
- Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's Counsel;
- MUFG Union Bank, N.A., as Trustee for the Bonds; and
- Sperry Capital Inc., as Municipal Advisor.

MISCELLANEOUS

Included herein are brief summaries of certain documents, which summaries do not purport to be complete or definitive, and reference is made to such documents for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the District and the purchasers or Owners of any of the Bonds.

EXECUTION

This Official Statement has been duly authorized by the Authority for the District.

ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS, for and on
behalf of ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS COMMUNITY
FACILITIES DISTRICT NO. 2004-1 (SEISMIC
SAFETY IMPROVEMENTS – 690 AND 942
MARKET STREET PROJECT)

By: _____

Its: _____

APPENDIX A

AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements—690 and 942 Market Street Projects) shall be levied and collected according to the tax liability determined by the Board or its designee, through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 2004-1, unless exempted by law or by the provisions of Section F below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the Government Code of the State of California.

“Administrative Expenses” means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the Authority in carrying out its duties with respect to CFD No. 2004-1 and the Bonds, including, but not limited to, the levying and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County Auditor's Office, Tax Collector's Office, and/or Treasurer's Office, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to Bonds, costs associated with complying with continuing disclosure requirements under the California Government Code with respect to the Bonds and the Special Tax, and all other costs and expenses of the Authority in any way related to the establishment or administration of CFD No. 2004-1.

“Administrator” shall mean the person or firm designated by the Authority to administer the Special Tax according to this Rate and Method of Apportionment of Special Tax.

“Airspace Parcel” means a parcel with an assigned Assessor's Parcel number that shares common vertical space of an underlying land Parcel with other Parcels.

“Assessor's Parcel” or **“Parcel”** means a lot, parcel, or Airspace Parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

“Assessor's Parcel Map” means an official map of the County Assessor designating Parcels by Assessor's Parcel number.

“Authority” means the ABAG Finance Authority for Nonprofit Corporations.

“Below Market-Rate Units” means those Condominium Units within Tax Zone #2 that have a deed restriction recorded on title of the property that (i) limits the sales price of the Condominium Unit, (ii) limits the appreciation that can be realized by the owner of such unit, or (iii) in any other way restricts the current or future value of the unit.

“Board” means the Board of Directors of the Authority, acting as the legislative body of CFD No. 2004-1.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, issued, insured or assumed by CFD No. 2004-1 related to public infrastructure and/or improvements that will serve property included within CFD No. 2004-1.

“Capitalized Interest” means funds in any capitalized interest account available to pay debt service on Bonds.

“CFD” or **“CFD No. 2004-1”** means the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements—690 and 942 Market Street Projects).

“CFD Formation” means the date of which the Resolution of Formation of CFD No. 2004-1 is adopted by the Board.

“City” or **“County”** means the City and County of San Francisco.

“Condominium Unit” means an individual residential dwelling unit in CFD No. 2004-1 that is not a Fractional Unit. Notwithstanding the foregoing, any residential unit in CFD No. 2004-1 that had at any time been taxed as a Fractional Unit shall continue to be taxed as a Fractional Unit even if the unit subsequently becomes a Condominium Unit.

“Developed Property” means, in any Fiscal Year, all Assessor’s Parcels of Taxable Property in CFD No. 2004-1 for which (i) a final building permit inspection has been conducted prior to June 1 of the preceding Fiscal Year in association with a building permit for construction of an individual Condominium Unit, Fractional Unit, or Square Footage of Retail Property, or (ii) for which a certificate of occupancy was issued by the City prior to June 1 of the preceding Fiscal Year for construction of an individual Condominium Unit, Fractional Unit, or Square Footage of Retail Property.

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

“Fractional Unit” means an individual residential dwelling unit in CFD No. 2004-1 for which multiple owners may each purchase a fractional share of ownership (also referred to as a timeshare unit by the California Department of Real Estate).

“LP” means the R.C. Chronicle Building L.P. and any successor to this LP.

“LP Parcel” means, at CFD Formation, the Assessor’s Parcel identified in Fiscal Year 2004-05 by Assessor’s Parcel number 0311-006. If and when a separate Parcel is created within Tax Zone #1 that (i) is owned by the LP, (ii) is designated primarily for parking that will serve other land uses in CFD No. 2004-1, and (iii) has been assigned its own Assessor’s Parcel number and will receive its own tax bill, such Parcel shall then be designated as the LP Parcel and the corresponding Maximum Special Tax shall be assigned thereto. If, in any Fiscal Year, there is no Assessor’s Parcel that meets the three criteria set forth above, any Parcel in Tax Zone #1 that is owned by the LP (including a Parcel of Retail Property) may be designated by the Administrator as the LP Parcel.

“Market-Rate Unit” means any Condominium Unit within Tax Zone #2 that is not a Below Market-Rate Unit.

“Maximum Special Tax” means the maximum Special Tax, determined in accordance with Section C, that can be levied in any Fiscal Year.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property.

“Public Property” means any property within the boundaries of CFD No. 2004-1 that is owned by or irrevocably offered for dedication to the federal government, State of California, City or other public agency.

“Retail Property” means any Parcel of Developed Property within CFD No. 2004-1 for which a building permit was issued for construction of Square Footage that is not part of a Condominium Unit or Fractional Unit.

“Special Tax” means a Special Tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which is due in the calendar year which begins in such Fiscal Year, (ii) to pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds, (iii) to create or replenish reserve funds, (iv) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, (v) to pay Administrative Expenses, and (vi) to pay the costs of public improvements authorized to be financed by CFD No. 2004-1. The amount referred to in clause (i) of the preceding sentence may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for the Bonds (including Capitalized Interest) to the extent that such earnings or balances are available to apply against debt service pursuant to the Bond indenture, Bond resolution, or other legal document that set forth these terms, (ii) proceeds from the collection of penalties associated with delinquent Special Taxes, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

“Square Foot”, “Square Footage” or “Square Feet” means the square footage reflected on the original construction building permit issued for construction of an individual Condominium Unit, Fractional Unit, or Parcel of Retail Property, and any Square Footage subsequently added to a residential unit or retail suite after issuance of a building permit for expansion or renovation of the unit or suite.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2004-1 which are not exempt from the Special Tax pursuant to law or Section F below.

“Tax Zone” means one of the two mutually exclusive geographic areas defined below and identified in Attachment 1 of this Rate and Method of Apportionment of Special Tax.

“**Tax Zone #1**” means the Parcel identified in Fiscal Year 2004-05 by Assessor’s Parcel number 0311-006 and shown on Attachment 1 of this Rate and Method of Apportionment of Special Tax as Tax Zone #1.

“**Tax Zone #2**” means the Parcel identified in Fiscal Year 2004-05 by Assessor’s Parcel number 0341-005 and shown on Attachment 1 of this Rate and Method of Apportionment of Special Tax as Tax Zone #2.

B. DATA FOR ANNUAL ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for Taxable Property within each Tax Zone. The Administrator shall also (i) identify the LP Parcel, (ii) determine which Parcels other than the LP Parcel are Developed Property, (iii) for each Parcel of Developed Property, identify the Square Footage on the Parcel and determine whether the Square Footage is that of a Condominium Unit, Fractional Unit or Retail Property, (iv) in Tax Zone #2, determine if each Condominium Unit is a Below Market-Rate Unit or a Market-Rate Unit, and (v) calculate the Special Tax Requirement for the Fiscal Year.

C. MAXIMUM SPECIAL TAX

Table 1 below identifies the Maximum Special Tax for Taxable Property within CFD No. 2004-1 for Fiscal Year 2005-06:

**TABLE 1
CFD NO. 2004-1
MAXIMUM SPECIAL TAXES**

Type of Property	Maximum Special Tax Fiscal Year 2005-06 *
TAX ZONE #1	
LP Parcel	\$2,700,000
Condominium Unit	\$12.00 per Square Foot
Fractional Unit	\$16.00 per Square Foot
Retail Property	\$20.00 per Square Foot
TAX ZONE #2	
Below Market-Rate Unit	\$0.00 per Square Foot
Market-Rate Unit	\$0.00 per Square Foot
Retail Property	\$0.00 per Square Foot

* On July 1, 2006 and on each July 1 thereafter, all figures shown in Table 1 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.

Once a Maximum Special Tax has been assigned to a Fractional Unit, the Maximum Special Tax for the Assessor’s Parcel shall not be reduced in any future Fiscal Year even if the unit is subsequently sold as a Condominium Unit. In addition, once a Condominium Unit in Tax Zone #2 has been taxed as a Market-Rate Unit, such unit shall never be categorized as a Below Market-Rate Unit unless, in the same Fiscal Year that the such change would take effect, a unit in Tax Zone #2 that had been taxed as a Below Market-Rate Unit becomes a Market-Rate Unit. Notwithstanding the above, the actual

Special Tax levied in any Fiscal Year may be less than the Maximum Special Tax pursuant to Step 1 in Section D below.

D. METHOD OF LEVY OF THE SPECIAL TAX

Commencing with Fiscal Year 2005-06 and for each following Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year and shall levy a Special Tax according to the following steps until the amount of the levy is equal to the Special Tax Requirement:

- Step 1. The Special Tax shall be levied Proportionately on each Parcel of Developed Property in both Tax Zones up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year determined pursuant to Section C.

- Step 2. If additional revenues are needed after Step 1, and after applying Capitalized Interest to the Special Tax Requirement, the Special Tax shall be levied on the LP Parcel up to 100% of the Maximum Special Tax for the LP Parcel for such Fiscal Year determined pursuant to Section C;

E. MANNER OF COLLECTION OF SPECIAL TAX

The Special Taxes for CFD No. 2004-1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the Authority may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods. The Special Tax for Fractional Units may be billed either directly to individual fractional owners or to a homeowners association, which shall then bill the individual fractional owners; non-payment of Special Taxes billed by the homeowners association shall result in interest and penalties, and the fractional ownership shall be subject to foreclosure proceedings as set forth in the Bond covenants.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and authorized facilities to be constructed directly from Special Tax proceeds have been completed. However, in no event shall a Special Tax be levied after Fiscal Year 2040-41. Pursuant to Section 53321 (d) of the Act, the Special Tax levied against a Parcel used for private residential purposes shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

F. EXEMPTIONS

Notwithstanding any other provision of this Rate and Method of Apportionment of Special Tax, no Special Tax shall be levied on Parcels of Public Property, except as otherwise provided in the Act.

G. PREPAYMENT OF SPECIAL TAX

Prepayment of the Special Tax is not permitted.

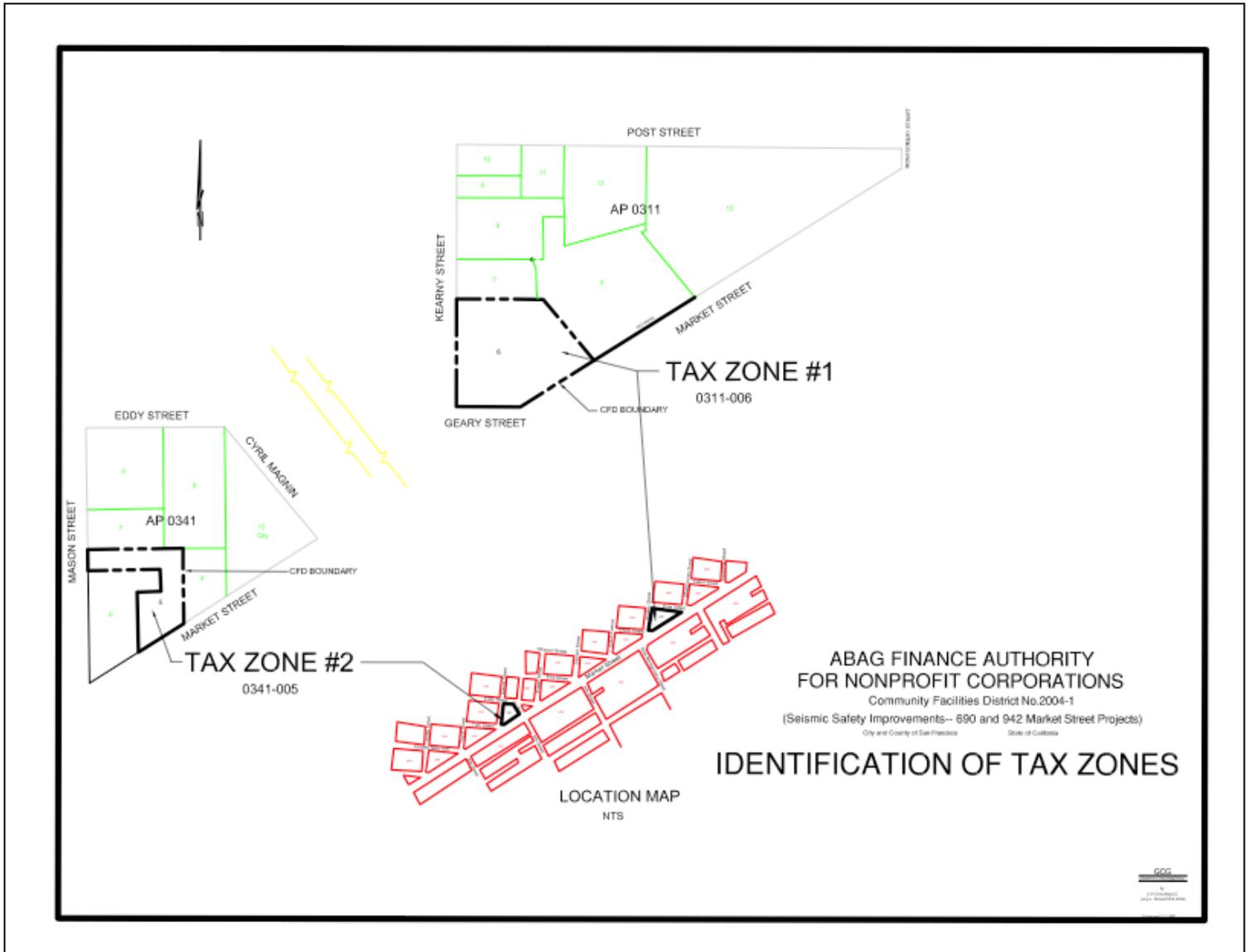
H. INTERPRETATION OF SPECIAL TAX FORMULA

The Authority reserves the right to make minor administrative and technical changes to this document that do not materially affect the rate and method of apportioning Special Taxes. In addition, the interpretation and application of any section of this document shall be left to the Authority's discretion. Interpretations may be made by the Authority by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment of Special Tax.

ATTACHMENT 1

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(SEISMIC SAFETY IMPROVEMENTS—690 AND 942 MARKET STREET PROJECTS)

IDENTIFICATION OF TAX ZONES



APPENDIX B
SUMMARY OF THE INDENTURE

[to come]

APPENDIX C

GENERAL INFORMATION ABOUT THE CITY AND COUNTY OF SAN FRANCISCO

The following information concerning the City and County of San Francisco (the “City”) is included only for the purpose of supplying general information regarding the area of the District. The Bonds are not a debt of the City, the State of California (the “State”) or any of its political subdivisions (other than the District), and none of the City, the State or any of its political subdivisions (other than the District) is liable therefor.

The City encompasses 93 square miles of which 45 squares miles are land, the balance consisting of tidelands and a portion of San Francisco Bay. The City is located on a peninsula bounded by the Pacific Ocean to the west, San Francisco Bay on the east, and the entrance to the Bay, the Golden Gate, to the north.

On April 15, 1850, several months before California became a state, San Francisco's first charter was granted. The present City Charter, adopted in 1931 and in effect since 1932, provides for an elected Board of Supervisors consisting of eleven members and an elected Mayor who serves as chief executive officer. In addition, the City and County of San Francisco are one and the same. As a consequence, the City can exercise the powers of both a city and county under State law. School functions are carried out by the District and the San Francisco Community College District, each with a separate governing board. The Charter provides a civil service system for City employees.

The City is the core of economic activity within the nine-county Bay Area. The nine counties are Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties. The economy of the Bay Area includes a wide range of industries, supplying local needs as well as national and international markets. Its major income sources include heavy manufacturing, petroleum refining, food processing and production and fabrication of electronics and aerospace equipment. Non-manufacturing industries, including tourism and international and wholesale trade, are characteristic of the City and also are major contributors to the basic income of the Bay Area.

Population

Between the years 2014 and 2018 the District’s population increased 4.02 percent. As of January 1, 2018, the population of the District is estimated to be 883,963.

The following table sets forth annual population figures, as of January 1, for the City and the State, for each of the years listed:

**CITY AND COUNTY OF SAN FRANCISCO
AND THE STATE OF CALIFORNIA
2014 through 2018 Population Estimates**

Year (January 1)	City and County of San Francisco	State of California
2014	848,448	38,568,628
2015	858,224	38,912,464
2016	865,709	39,179,627
2017	874,008	39,500,973
2018	883,963	39,809,693

Source: State of California Department of Finance, Demographic Research Unit.

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Employment

The unemployment rate in the San Francisco-Redwood City-South San Francisco MD was 2.0 percent in May 2018, down from a revised 2.1 percent in April 2018, and below the year-ago estimate of 2.6 percent. This compares with an unadjusted unemployment rate of 3.7 percent for California and 3.6 percent for the nation during the same period. The unemployment rate was 2.1 percent in the City, and 1.9 percent in San Mateo County.

The following table summarizes the civilian labor force, employment and unemployment in the City for the calendar years 2013 through 2017.

**CITY AND COUNTY OF SAN FRANCISCO
Civilian Labor Force, Employment and Unemployment
(Annual Averages)
March 2018 Benchmark**

	2013	2014	2015	2016	2017
Civilian Labor Force ⁽¹⁾	516,300	529,800	545,700	560,100	568,700
Employment	488,100	506,700	525,900	541,700	552,100
Unemployment	28,200	23,200	19,800	18,400	16,600
Unemployment Rate	5.5%	4.4%	3.6%	3.3%	2.9%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	100	200	200	200	200
Mining, Logging and Construction	15,900	16,900	18,600	20,300	20,600
Manufacturing	9,300	10,100	10,800	12,800	12,900
Wholesale Trade	13,500	14,100	14,700	15,700	16,700
Retail Trade	43,500	44,800	47,000	47,300	47,700
Transportation, Warehousing and Utilities	11,600	11,900	13,900	16,600	18,400
Information	25,700	28,300	35,200	38,900	41,500
Finance and Insurance	36,400	36,900	40,000	41,800	41,500
Real Estate and Rental and Leasing	13,000	13,300	13,600	14,000	14,900
Professional and Business Services	156,800	168,800	183,400	188,700	194,900
Educational and Health Services	82,800	83,000	85,700	88,300	89,100
Leisure and Hospitality	86,200	90,200	93,900	97,300	96,800
Other Services	24,300	25,800	26,000	27,000	27,300
Federal Government	13,900	13,900	13,900	14,000	13,800
State Government	32,300	32,400	33,500	34,700	35,500
Local Government	42,200	43,300	44,700	46,100	47,200
Total All Industries ⁽³⁾	607,500	633,500	675,200	703,600	719,000

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
 (2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
 (3) Columns may not sum to totals due to rounding.
 Source: State of California Employment Development Department.

Largest Employers

The following table lists in descending order the top twenty-five employers within the City:

CITY AND COUNTY OF SAN FRANCISCO Major Employers As of July 2018

Employer Name	Location	Industry
Bechtel Corp	San Francisco	Engineers
California Pacific Medical Ctr	San Francisco	Hospitals
California Pacific Medical Ctr	San Francisco	Hospitals
Ernst & Young	San Francisco	Accountants
Federal Reserve Bank	San Francisco	Government Offices-Us
Golden Gate University	San Francisco	Schools
Gourmet Gate	San Francisco	Gourmet Shops
Gsa Pacific Rim Region	San Francisco	Government Offices-Us
Kaiser Permanente Sn Francisco	San Francisco	Hospitals
Laguna Honda Hosp & Rehab Ctr	San Francisco	Hospitals
Marriott-San Francisco Marquis	San Francisco	Hotels & Motels
Media Relations Unit	San Francisco	Police Departments
P G & E Corp	San Francisco	Electric Companies
Pacific Gas & Electric Co	San Francisco	Electric Companies
Riverbed Technology Inc	San Francisco	Publishers-Computer Software (mfrs)
San Francisco Chronicle	San Francisco	Newspapers (publishers/Mfrs)
San Francisco Municipal Rlwy	San Francisco	Government Offices-City, Village & Twp
San Francisco Police Dept	San Francisco	Police Departments
UCSF Medical Ctr	San Francisco	Hospitals
Ucsf Medical Ctr Radiology	San Francisco	Diagnostic Imaging Centers
University of Ca-San Francisco	San Francisco	Schools-Universities & Colleges Academic
University of Ca-San Francisco	San Francisco	Schools-Universities & Colleges Academic
US Veterans Medical Ctr	San Francisco	Hospitals
Williams-Sonoma	San Francisco	Kitchen Accessories
Yellow Cab Co-Op	San Francisco	Taxicabs & Transportation Service

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2018 2nd Edition.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, State, and the United States for the years 2013 through 2017.

**CITY AND COUNTY OF SAN FRANCISCO, THE STATE OF CALIFORNIA
AND THE UNITED STATES
Effective Buying Income
As of January 1, 2013 through 2017**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2013	City and County of San Francisco	\$30,985,143	\$59,402
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City and County of San Francisco	\$33,327,850	\$63,154
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	City and County of San Francisco	\$38,622,793	\$68,815
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	City and County of San Francisco	\$40,785,915	\$71,900
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2017	City and County of San Francisco	\$47,251,044	\$80,735
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735

Source: The Nielsen Company (US), Inc.

Construction Trends

Provided below are the building permits and valuations for the City for calendar years 2013 through 2017. Figures for calendar year 2018 are not yet available.

**CITY AND COUNTY OF SAN FRANCISCO
Total Building Permit Valuations
(Valuation in Thousands of Dollars)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Permit Valuation					
New Single-family	\$29,580.5	\$22,267.1	\$39,454.8	\$73,734.7	\$24,912.1
New Multi-family	1,142,564.4	777,092.6	1,043,439.9	1,086,522.6	1,695,078.2
Res. Alterations/Additions	<u>305,584.5</u>	<u>399,522.7</u>	<u>896,881.8</u>	<u>976,306.6</u>	<u>835,963.5</u>
Total Residential	\$1,477,729.4	\$1,198,882.4	1,979,776.6	\$2,136,563.9	\$2,531,041.7
New Commercial	\$839,024.8	\$389,996.8	\$725,107.3	\$604,218.8	\$1,112,888.6
New Industrial	215.0	600.0	0.0	4,360.0	0.0
New Other	134,196.0	173,890.0	176,779.1	65,080.1	24,289.2
Com. Alterations/Additions	<u>919,755.3</u>	<u>1,019,410.6</u>	<u>1,335,219.4</u>	<u>869,093.4</u>	<u>858,280.9</u>
Total Nonresidential	\$1,893,191.1	\$1,583,897.4	\$2,237,105.8	\$1,542,752.3	\$1,995,458.7
<u>New Dwelling Units</u>					
Single Family	69	35	66	127	46
Multiple Family	<u>5,208</u>	<u>3,035</u>	<u>3,604</u>	<u>4,080</u>	<u>4,211</u>
TOTAL	<u>5,277</u>	<u>3,070</u>	<u>3,670</u>	<u>4,207</u>	<u>4,257</u>

*Totals may not foot due to rounding.
Source: Construction Industry Research Board, Building Permit Summary.

Commercial Activity

A summary of historic taxable sales within the City during the past five years in which data are available is shown in the following table. Total taxable sales during calendar year 2016 in the City were reported to be \$19,397,302,991, a 2.71% increase over the total taxable sales of \$18,871,834,144 reported during calendar year 2015. Annual figures for calendar year 2017 are not yet available.

Building activity for the past five years in the City is shown in the following tables.

**CITY AND COUNTY OF SAN FRANCISCO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Figures in Thousands)**

Year	Retail Stores		Total Outlets	
	Retail Permits on July 1	Taxable Transactions	Total Permits on July 1	Taxable Transactions
2012	18,279	\$10,883,271	27,499	\$15,953,605
2013	19,395	11,869,555	28,394	17,094,163
2014	19,423	12,633,215	28,196	18,469,729
2015 ⁽¹⁾	10,950	13,032,755,323	30,599	18,871,834,144
2016	19,488	13,222,461,658	30,414	19,397,302,991

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Board of Equalization.

APPENDIX D

FORM CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate"), dated as of _____, 2018, is executed and delivered by the ABAG Finance Authority For Nonprofit Corporations (the "Authority") in connection with the issuance of \$_____ ABAG Finance Authority For Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements - 690 and 942 Market Street Project) 2018 Special Tax Refunding Bonds (Taxable) (the "Bonds"). The Bonds are being issued by the Authority pursuant to an indenture, dated as of August 1, 2018 (the "Indenture"), by and between the Authority and MUFG Union Bank, N.A., as trustee (the "Trustee"). The Authority covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including persons holding any Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

"*Disclosure Representative*" means the Chief Financial Officer of the Authority, or such person's designee, or such other officer or employee of the Authority as the Authority shall designate as the Disclosure Representative hereunder in writing to the Dissemination Agent from time to time.

"*Dissemination Agent*" shall mean Goodwin Consulting Group, Inc., or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

"*EMMA*" or "Electronic Municipal Market Access" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for

purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future. -2-

“*Official Statement*” means the Official Statement, dated _____, 2018, relating to the Bonds.

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

“*Rule*” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The Authority shall, or shall cause the Dissemination Agent to, not later than nine months after the end of each fiscal year of the Authority, commencing with the report for the 2017-18 fiscal year, which is due not later than April 1, 2019, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that any audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the Authority’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than six months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA), the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Authority.

(d) *Report of Non-Compliance.* If the Authority is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the Authority shall in a timely manner send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the Authority is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the Authority, file a report with the Authority certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Agreement, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report for each fiscal year shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the Authority for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* The Annual Report for each fiscal year commencing with fiscal year 2017-18 shall also include the following information:

- (i) The principal amount of Bonds outstanding and the balance in the Reserve Fund for the Bonds (including a statement of the Reserve Requirement) as of the September 30 next preceding the date of the Annual Report.
- (ii) The aggregate assessed value of all parcels in the District subject to the Special Taxes for the most recent year.
- (iii) The Special Tax delinquency rate for parcels in the District for the most recent year for which such information is available.
- (iv) Concerning parcels with delinquent Special Taxes:
 - number of parcels delinquent in payment of Special Tax,
 - amount of total delinquency of such parcels and as a percentage of total Special Tax levy, and
 - status of the Authority's actions on covenants to pursue foreclosure proceedings upon such delinquent properties, if any.
- (v) To the extent not otherwise provided pursuant to the preceding items (i)-(iv), annual information required to be filed by the District with the California Debt and Investment Advisory Commission pursuant to the Indenture.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which are available to the public on EMMA. The Authority shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the Authority shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The Authority shall, or shall cause the Dissemination Agent (if not the Authority) to, give notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701- TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.

(4) The release, substitution, or sale of property securing repayment of the securities.

(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The Authority shall, or shall cause the Dissemination Agent (if not the Authority) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Goodwin Consulting Group, Inc.

If the Dissemination Agent is not the Authority, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Agreement. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the Authority. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Agreement and has no liability to any person, including any Bond owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Authority shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the Authority.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder as agreed to between the Dissemination Agent and the Authority from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder, with payment to be made from any lawful funds of the District. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Authority, the owners of the Bonds, the Beneficial Owners, or any other party. The Dissemination Agent - 6- may rely, and shall be protected in acting or refraining from acting, upon any written direction from the Authority or a written opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the Authority. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent.* In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the Authority to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the Authority under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Agreement is waived, the Authority shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Certificate any holder of the Bonds or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS

By: _____

Goodwin Consulting Group, Inc. agrees to
act as Dissemination Agent pursuant to the
foregoing Continuing Disclosure Certificate

By: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: ABAG Finance Authority For Nonprofit Corporations

Name of Bond Issue: ABAG Finance Authority For Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements - 690 and 942 Market Street Project) 2018 Special Tax Refunding Bonds

Date of Issuance: _____, 2018

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.12 of the indenture, dated as August 1, 2018, by and between the Authority and MUFG Union Bank, N.A., as trustee. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

GOODWIN CONSULTING GROUP, INC.,
as Dissemination Agent

By: _____
Title: _____

APPENDIX E
FORM OF OPINION OF BOND COUNSEL

August ____, 2018

ABAG Finance Authority For Nonprofit Corporations
Bay Area Metro Center
375 Beale Street, Suite 800
San Francisco, California 94105

OPINION: \$ _____ ABAG Finance Authority For Nonprofit Corporations
Community Facilities District No. 2004-1 (Seismic Safety Improvements --
690 and 942 Market Street Project) 2018 Special Tax Refunding Bonds
(Taxable)

Members of the Board of Directors:

We have acted as bond counsel in connection with the issuance by the ABAG Finance Authority For Nonprofit Corporations (the "Authority") of its \$ _____ ABAG Finance Authority For Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements - 690 and 942 Market Street Project) 2018 Special Tax Refunding Bonds (Taxable) (the "Bonds") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.*, of the California Government Code) (the "Act"), an Indenture, dated as of August 1, 2018 (the "Indenture"), by and between the Authority, for and on behalf of the ABAG Finance Authority For Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements - 690 and 942 Market Street Project) (the "District"), and MUFG Union Bank, N.A., as Trustee, and a resolution adopted by the Executive Committee of the Board of Directors of the Authority on August 2, 2018 (the "Resolution").

In connection with this opinion, we have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture and the Resolution, and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority is duly created and validly existing as a joint exercise of powers agency under the laws of the State of California, with the power to adopt the Resolution, enter into the Indenture and perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture has been duly entered into by the Authority and constitutes a valid and binding obligation of the Authority enforceable upon the Authority in accordance with its terms.

3. Pursuant to the Act, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, on a parity with the pledge thereof for the security of any Parity Bonds that may be issued under, and as such term is defined in, the Indenture.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority for the District, payable solely from the sources provided therefor in the Indenture, on a parity with any Parity Bonds that may be issued under and as such term is defined in the Indenture.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Authority”) nor the trustee appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s

Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Authority or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Authority or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

10. Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

§ _____
**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(SEISMIC SAFETY IMPROVEMENTS - 690 AND 942 MARKET STREET PROJECT)
2018 SPECIAL TAX REFUNDING BONDS (TAXABLE)**

BOND PURCHASE AGREEMENT

August __, 2018

ABAG Finance Authority for Nonprofit Corporations
375 Beale Street, Suite 700
San Francisco, CA 94105

Ladies and Gentlemen:

UBS Financial Services Inc. (the “Underwriter”), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement (the “Purchase Agreement”) with ABAG Finance Authority for Nonprofit Corporations (the “Authority”) acting on behalf of the Authority’s Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) (the “District”) which, upon acceptance, will be binding upon the Authority and upon the Underwriter. This offer is made subject to acceptance of it by the Authority on the date hereof, and if not accepted will be subject to withdrawal by the Underwriter upon notice delivered to the Authority at any time prior to the acceptance hereof by the Authority.

The Authority acknowledges and agrees that: (i) the purchase and sale of the Bonds (defined below) pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the Authority and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as a Municipal Advisor (as defined in Section 15B of The Securities Exchange Act of 1934, as amended), agent or fiduciary of the Authority; (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Authority on other matters) or any other obligation to the Authority except the obligations expressly set forth in this Purchase Agreement; and (iv) the Authority has consulted its own legal, financial and other advisors to the extent it has deemed appropriate on this transaction.

1. Purchase, Sale and Delivery of the Bonds.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter agrees to purchase from the Authority, and the Authority agrees to sell to the Underwriter, all (but not less than all) of the Authority’s Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) 2018 Special Tax Refunding Bonds (Taxable) (the “Bonds”) in the aggregate principal amount specified in Exhibit A hereto. The Bonds shall be dated the Closing Date (hereinafter defined), and bear interest from said date (payable semiannually on March 1 and September 1 in each year, commencing March 1, 2019) at the rates per annum and maturing on the dates and in the amounts set

forth in Exhibit A hereto. The purchase price for the Bonds shall be the amount specified as such in Exhibit A hereto. The net proceeds of the sale of the Bonds will be used: (i) to defease and refund the Authority's Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable) (the "Prior Bonds"); (ii) to fund a deposit to the Reserve Fund for the Bonds; and (iii) to pay costs incurred in connection with the issuance of the Bonds.

(b) The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable and subject to redemption as provided in, the Indenture by and between the Authority and MUFG Union Bank, N.A., as Trustee (the "Trustee"), dated as of August 1, 2018 (the "Indenture"), approved by Resolution No. ___ adopted by the Executive Committee (the "Committee") of the Board of Directors of the Authority (the "Board"), as the legislative body of the District, on August 2, 2018 (the "Resolution of Issuance"). The Bonds and interest thereon will be payable from special taxes levied to satisfy the Special Tax Requirement (as defined in the Rate and Method, as defined herein) (the "Special Tax") levied and collected on the taxable land within the District in accordance with Resolution No. 04-38 adopted by the Committee on December 17, 2004 (the "Resolution of Formation"). The Resolution of Issuance, the Resolution of Formation and Resolution Nos. 04-34, 04-39, 04-40, 04-41, 07-25, 07-27, 07-28 and Ordinance No. 2007-B are collectively referred to herein as the "District Resolutions."

(c) The Underwriter has received from the Authority a certificate in substantially the form attached hereto as Exhibit B (the "Rule 15c2-12 Certificate") deeming the Preliminary Official Statement for the Bonds, dated August __, 2018 (which Preliminary Official Statement, together with the cover page and all appendices thereto, is herein collectively referred to as the "Preliminary Official Statement") final for purposes of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"). Subsequent to its receipt of the Rule 15c2-12 Certificate, the Underwriter has distributed copies of the Preliminary Official Statement. The Authority hereby ratifies the use by the Underwriter of the Preliminary Official Statement and authorizes the Underwriter to use and distribute the final Official Statement dated the date hereof (including all information previously permitted to have been omitted by Rule 15c2-12, and any supplements and amendments thereto as have been approved by the Authority as evidenced by the execution and delivery of such document by an officer of the Authority (the "Official Statement"), the Indenture, the Continuing Disclosure Certificate of the Authority (the "Continuing Disclosure Certificate"), this Purchase Agreement, any other documents or contracts to which the Authority or the District is a party, and all information contained therein, and all other documents, certificates and statements furnished by the Authority to the Underwriter in connection with the transactions contemplated by this Purchase Agreement, in connection with the offer and sale of the Bonds by the Underwriter.

(d) At 8:00 A.M., Pacific Daylight Time, on August 30, 2018, or at such earlier time or date as shall be agreed upon by the Underwriter and the Authority (such time and date being herein referred to as the "Closing Date"), the Authority will deliver (i) to the Depository Trust Company in New York, New York, the Bonds in definitive form (all Bonds being in book-entry form registered in the name of Cede & Co. and having the CUSIP numbers assigned to them printed thereon), duly executed by the officers of the Authority, as provided in the Indenture, and (ii) to the Underwriter, at the offices of Bond Counsel, or at such other place as shall be mutually agreed upon by the Authority and the Underwriter, the other documents herein mentioned; and the Underwriter shall accept such delivery and pay the purchase price of the Bonds in immediately available funds (such delivery and payment being herein referred to as the "Closing"). Notwithstanding the foregoing, the Underwriter may, in its discretion, accept delivery of the Bonds in temporary form upon making arrangements with

the Authority which are satisfactory to the Underwriter relating to the delivery of the Bonds in definitive form.

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

(a) The Authority is duly organized and validly existing as a joint exercise of powers agency under the laws of the State of California and has duly authorized the formation of the District pursuant to the Resolution of Formation and the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the “Law”). The Board, as the legislative body of the District, has duly adopted the District Resolutions, and has caused to be recorded in the real property records of the City and County of San Francisco as Document No. 2007-1450385-00 recorded on September 7, 2007, an Amended and Restated Notice of Special Tax Lien (the “Notice of Special Tax Lien”) (such District Resolutions and Notice of Special Tax Lien being collectively referred to herein as the “Formation Documents”). Each of the Formation Documents remains in full force and effect as of the date hereof and has not been amended. The District is duly organized and validly existing as a community facilities district under the laws of the State of California. The Authority has, and at the Closing Date will have, as the case may be, full legal right, power and authority (i) to execute, deliver and perform its obligations under this Purchase Agreement and the Continuing Disclosure Certificate, and to carry out all transactions contemplated by each of such agreements, (ii) to issue, sell and deliver the Bonds to the Underwriter pursuant to the Resolution of Issuance and the Indenture as provided herein, and (iii) to carry out, give effect to and consummate the transactions contemplated by the Formation Documents and by the Indenture, this Purchase Agreement, the Escrow Agreement, by and between MUFG Union Bank, N.A., as Escrow Bank (the “Escrow Bank”), and the Authority, for and on behalf of the District, dated as of August 1, 2018 (the “Escrow Agreement”), and the Continuing Disclosure Certificate (collectively, the “District Documents”) and the Official Statement;

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

(c) The Board, or the Committee thereof, has duly and validly: (i) adopted the District Resolutions, (ii) called, held and conducted in accordance with all requirements of the Law an election within the District to approve the levy of the Special Tax within the District and the issuance of the Bonds and recorded the Notice of Special Tax Lien which established a continuing lien on the land within the District securing the Special Tax, (iii) authorized and approved the execution, delivery and due performance of the Bonds and the District Documents, (iv) authorized the preparation, delivery and distribution of the Preliminary Official Statement and the Official Statement, and (v) authorized and approved the performance by the Authority of its obligations contained in, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions contemplated by, each of the District Documents (including, without limitation, the collection of the Special Tax), the Bonds and the Official Statement and at the Closing Date, the Formation Documents will be in full force and effect and the District Documents and the Bonds will constitute the valid, legal and binding obligations of the Authority and the District and (assuming due authorization, execution and delivery by other parties thereto, where necessary) will be enforceable in accordance with their

respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought;

(d) To the best of the Authority's knowledge, neither the District nor the Authority is in breach of or default under any applicable law or administrative rule or regulation of the State of California (the "State") or the United States, or of any department, division, agency or instrumentality thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, fiscal agent agreement, contract, agreement or other instrument to which the District or the Authority is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the performance by the District or the Authority of its obligations under the Bonds, the Formation Documents or the District Documents, and compliance with the provisions of each thereof will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State or the United States, or of any department, division, agency or instrumentality thereof, or under any applicable court or administrative decree or order, or a material breach of or default under any loan agreement, note, resolution, trust agreement, contract, agreement or other instrument to which the District or the Authority, as the case may be, is a party or is otherwise subject or bound;

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

(f) The Special Tax constituting the security for the Bonds has been duly and lawfully authorized and may be levied under the Law, the State Constitution and the applicable laws of the State, and such Special Tax, when levied, will constitute a valid and legally binding continuing lien on the properties on which it has been levied;

(g) The Authority shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter. Until the date which is twenty-five (25) days after the "end of the underwriting period" (as hereinafter defined), if any event shall occur of which the Authority is aware, as a result of which it may be necessary to supplement the Official Statement in order to make the statements in the Official Statement, in light of the circumstances existing at such time, not misleading, the Authority shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the Authority shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term "end of the underwriting period" means the later of such time as (i) the Authority delivers the Bonds to the Underwriter, or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the "end of the underwriting period" shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the Authority at or prior

to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the “end of the underwriting period”;

(h) The Indenture creates a valid pledge of the Trust Estate (as defined in the Indenture) pursuant to the Indenture. Until such time as moneys have been set aside in an amount sufficient to pay all then outstanding Bonds at maturity or to the date of redemption if redeemed prior to maturity, plus unpaid interest thereon to maturity or to the date of redemption if redeemed prior to maturity, and premium, if any, the Authority will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture;

(i) Except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending or, to the best knowledge of the Authority, threatened (i) which would materially adversely affect the ability of either the Authority or the District to perform its obligations under the Bonds, the Formation Documents or the District Documents, or (ii) seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or the collection or application of the Special Tax pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Formation Documents, the District Documents, or any action contemplated by any of said documents, or (iii) in any way contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or the powers or authority of the Authority or the District with respect to the Bonds, the Formation Documents, the District Documents, or any action of the Authority or the District contemplated by any of said documents; nor is there any action pending or, to the best knowledge of the Authority, threatened against the Authority or the District which alleges that interest on the Bonds is not exempt from California personal income taxation;

(j) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter, at the expense of the Underwriter, as the Underwriter may reasonably request in order for the Underwriter (i) to qualify the Bonds for offer and sale under the “Blue Sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, the Authority shall not be required to register as a dealer or a broker of securities or to consent to service of process in connection with any blue sky filing;

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

(l) The Authority will apply the proceeds of the Bonds in accordance with the Indenture and as described in the Official Statement;

(m) The information contained in the Preliminary Official Statement relating to the Authority, the District, the Indenture, the Bonds, the Rate and Method, the Authority’s continuing disclosure compliance, the Continuing Disclosure Certificate and the District Resolutions was as of the date thereof, and the information contained in the Official Statement relating to the Authority, the District, the Indenture, the Bonds, the Rate and Method, the Authority’s continuing disclosure compliance, the Continuing Disclosure Certificate and the District Resolutions as of its date and on the Closing Date shall be, true and correct in all material respects and such information does not and

shall not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(n) The Preliminary Official Statement heretofore delivered to the Underwriter has been deemed final by the Authority as of its date, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(1) of Rule 15c2-12. The Authority hereby covenants and agrees that, within seven (7) business days from the date hereof, the Authority shall cause a final printed or electronic form of the Official Statement to be delivered to the Underwriter in a quantity mutually agreed upon by the Underwriter and the Authority so that the Underwriter may comply with paragraph (b)(4) of Rule 15c2-12 and Rules G-12, G-15 and G-32 of the Municipal Securities Rulemaking Board;

(o) [Except as otherwise disclosed in the Preliminary Official Statement and Official Statement, the Authority is, and has always been, during the previous five years, in material compliance with respect to all of the Authority's continuing disclosure undertakings entered into to satisfy the related underwriters' obligations under Rule 15c2-12;]

(p) Except as otherwise disclosed in the Preliminary Official Statement and Official Statement, the Formation Documents have not been amended, terminated, rescinded or modified;

(q) The Authority shall not voluntarily undertake any course of action inconsistent with satisfaction of the requirements applicable to the Authority as set forth in this Purchase Agreement;

(r) The Authority shall cooperate with the Underwriter, at the expense of the Underwriter, in the qualification of the Bonds for offering and sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Underwriter may designate;

(s) The Authority shall not knowingly take or omit to take any action that, under existing law, may adversely affect the exemption from state income taxation of the interest on the Bonds.

(t) No member, officer, agent or employee of the governing body of the Authority or the District shall be individually liable for the breach of any representation, warranty or agreement contained herein.

(u) The Authority shall not be directly, indirectly, contingently or otherwise liable for any costs, expenses, losses, damages, claims or actions of any conceivable kind under any conceivable theory under this Purchase Agreement or any document or instrument referred to herein or by reason of or in connection with this Purchase Agreement or other document or instrument except to the extent of the Trust Estate.

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

(a) At the Closing Date, the Formation Documents and the District Documents shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds and with the transactions contemplated thereby and by this Purchase Agreement, all such actions as, in the opinion of Jones Hall, A Professional Law Corporation, Bond Counsel and Disclosure Counsel for the Authority, and Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, shall be necessary and appropriate;

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

(c) Between the date hereof and the Closing Date, the market price or marketability of the Bonds at the initial offering prices set forth in the Official Statement shall not have been materially adversely affected, in the judgment of the Underwriter (evidenced by a written notice to the Authority terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

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

(2) any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the status of the Authority or the District, its property, income, securities (or interest thereon), the validity or enforceability of the Special Tax or the ability of the Authority to construct or acquire the improvements as contemplated by the Formation Documents, the District Documents or the Official Statement;

(3) any event occurring, or information becoming known, which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or the Official Statement, or results in the Preliminary Official Statement or the Official Statement containing any untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(4) the declaration of war or the escalation of, or engagement in, military hostilities by the United States or the occurrence of any other national or international emergency or calamity

relating to the effective operation of the government of, or the financial community in, the United States which, in the judgment of the Underwriter, makes it impracticable or inadvisable to proceed with the offering or the delivery of the Bonds on the terms and in the manner contemplated in the Preliminary Official Statement or the Official Statement;

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

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

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

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

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

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

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

(1) The Formation Documents and the District Documents, together with a certificate dated as of the Closing Date of the Secretary of the Board to the effect that each Formation Document is a true, correct and complete copy of the one duly adopted by the Board;

(2) The Official Statement;

(3) An unqualified approving opinion for the Bonds, dated the Closing Date and addressed to the Authority, of Jones Hall, A Professional Law Corporation, Bond Counsel for the Authority, in the form attached to the Preliminary Official Statement as Appendix E, and an unqualified letter of such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such approving opinion addressed to the District may be relied upon by the Underwriter to the same extent as if such opinion was addressed to it;

(4) A supplemental opinion or opinions, dated the Closing Date and addressed to the Underwriter, of Jones Hall, A Professional Law Corporation, Bond Counsel for the Authority, to the effect that (i) the District Documents have been duly authorized, executed and delivered by the Authority, and, assuming such agreements constitute a valid and binding obligation of the other parties thereto, constitute the legally valid and binding agreements of the Authority enforceable in accordance with their terms, except as enforcement may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and may be subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law); (ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; (iii) the information contained in the Official Statement on the cover and under the captions "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," "LEGAL MATTERS — Tax Matters" and Appendices B and E thereof (except that no opinion or belief need be expressed as to any financial or statistical data contained in the Official Statement), insofar as it purports to summarize or replicate certain provisions of the Law, the Bonds and the Indenture and the exemption from State of California personal income taxes of interest on the Bonds present a fair and accurate summary of such provisions; (iv) the Special Tax has been duly and validly authorized in accordance with the provisions of the Law and, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion in appropriate cases, a lien to secure payment of the Special Taxes has been imposed on all nonexempt property in the District, and (v) the Prior Bonds have been defeased in accordance with the provisions of the indenture pursuant to which they were issued;

(5) A negative assurance letter of Jones Hall, A Professional Law Corporation, as Disclosure Counsel to the Authority, addressed to the Underwriter with a reliance letter to the Authority, to the effect that Disclosure Counsel, based upon the information made available to Disclosure Counsel in the course of its participation in financing team conferences, its review of and reliance on the documents, letters, certificates and opinions of counsel described herein and its understanding of applicable law, as a matter of fact and not opinion, that no information has come to the attention of the attorneys in the firm representing the Authority which caused it to believe that the Official Statement as of its date contained, or as of the Closing Date contains, any untrue statement of a material fact or as of its date omitted, or as of the date hereof omits, to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no view need be expressed with respect to any financial, statistical, engineering, economic or demographic data or forecasts, numbers, charts, graphs, estimates, projections, assumptions or expressions of opinion therein, or any information therein as to valuation, appraisals, absorption, environmental matters, the book-entry system, The Depository Trust Company or CUSIP numbers, or as to any of Appendices A, D and F thereto);

(6) A certificate or certificates, dated the Closing Date and signed by an authorized officer of the Authority, ratifying the use and distribution by the Underwriter of the Preliminary

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

(7) An opinion, dated the Closing Date and addressed to the Underwriter, of Nixon Peabody LLP, Special Counsel to the Authority, to the effect that (i) to its current actual knowledge and except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending or threatened, which seeks to restrain or enjoin the issuance, sale and delivery of the Bonds, or the application of the proceeds thereof in accordance with the Indenture, or the collection or application of the Special Tax to pay the principal of and interest on the Bonds, or which in any way contests or affects the validity or enforceability of the Bonds or the District Documents or any action of the Authority contemplated by and of said documents, or in any way contesting the accuracy of the Official Statement, wherein an unfavorable decision, ruling, or finding could materially adversely affect the validity or enforceability of the Bonds, the Resolution of Formation or the District Documents; (ii) the Authority is a joint exercise of powers agency organized and existing under and by virtue of the laws of the State of California; and (iii) the Resolution of Formation was duly and validly adopted at a meeting of the Executive Committee which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Resolution of Formation is now in full force and effect and have not been amended;

(8) One or more certificates dated the Closing Date from Goodwin Consulting Group, Inc. addressed to the Authority and the Underwriter to the effect that (i) the amount of the Special Taxes that could be levied in each Fiscal Year on all Parcels (as defined in the Rate and Method) of Taxable Property in the District that are not delinquent in the payment of any Special Taxes then due and owing is at least one hundred ten percent (110%) of the total Annual Debt Service for each such Fiscal Year on the proposed Bonds, plus estimated Administrative Expenses, and (ii) all information supplied by them for use in the Official Statement is true and correct as of the date of the Official Statement and as of the Closing Date;

(9) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's Counsel, dated the date of the Closing Date, addressed to the Underwriter in form and substance acceptable to the Underwriter;

(10) A certificate of the Trustee and Escrow Bank and an opinion of counsel to the Trustee and Escrow Bank dated the Closing Date and addressed to the Authority and the Underwriter to the effect that the Trustee and Escrow Bank has authorized the execution and delivery of the Indenture and Escrow Agreement and that the Indenture and Escrow Agreement are valid and binding obligations of the Trustee and Escrow Bank enforceable in accordance with their terms; and

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

If the Authority shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter nor the Authority shall be under any further obligation hereunder, except that the respective obligations of the Authority and the Underwriter set forth in Section 5, Section 6 and Section 8 hereof shall continue in full force and effect.

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

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

(b) As of the Closing Date, the Authority shall receive the approving opinion of Bond Counsel referred to in Section 3(c)(3) hereof, dated as of the Closing Date.

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

(a) The Underwriter shall be under no obligation to pay, and the Authority shall pay or cause to be paid (out of any legally available funds of the District) all expenses incident to the performance of the Authority's obligations hereunder, including, but not limited to, the cost of printing, engraving and delivering the Bonds to the Underwriter, the cost of preparation, printing, distribution and delivery of the Indenture, the Preliminary Official Statement, the Official Statement and all other agreements and documents contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Underwriter (excluding the fees and disbursements of the Underwriter's counsel); and the fees and disbursements of the Trustee for the Bonds and Bond Counsel and any accountants, engineers or any other experts or consultants the Authority has retained in connection with the Bonds; and

(b) The Authority shall be under no obligation to pay, and the Underwriter shall pay, any fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda and this Purchase Agreement; expenses to qualify the Bonds for sale under any "blue sky" or other state securities laws; and all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those

specifically enumerated in paragraph (a) of this section), including the fees and disbursements of its counsel, advertising expenses and transaction related financing team meal expenses.

(c) The Authority's closing fee and the fee of its special counsel shall have been paid by wire transfer or in other immediately available funds or arrangements reasonably satisfactory to the Authority and its special counsel shall have been made to pay such fees from the proceeds of the Bonds or otherwise.

(d) The Underwriter shall provide information to which it has access in its ordinary course of business that is requested by the Authority for purposes of its compliance with California Government Code Section 8855.

6. Notices. Any notice or other communication to be given to the Authority under this Purchase Agreement may be given by delivering the same in writing to the Authority at 375 Beale Street, Suite 700, San Francisco, CA 94105, Attention: Executive Director; and any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to UBS Financial Services Inc., 515 South Flower Street, Suite 5000, Los Angeles, California 90071, Attention: Shawn Dralle.

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

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

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

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

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

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

Very truly yours,

UBS FINANCIAL SERVICES INC.

By: _____
Authorized Representative

By: _____
Authorized Representative

ACCEPTED:

ABAG FINANCE AUTHORITY FOR NONPROFIT
CORPORATIONS

By: _____
Executive Director

Time: _____

EXHIBIT A

MATURITY SCHEDULE

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(SEISMIC SAFETY IMPROVEMENTS - 690 AND 942 MARKET STREET PROJECT)
2018 SPECIAL TAX REFUNDING BONDS (TAXABLE)**

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				

The purchase price of the Bonds shall be \$_____, which is the principal amount thereof (\$4_____) [plus][less] net original issue [premium][discount] of \$_____, and less Underwriter's discount of \$_____.

OPTIONAL REDEMPTION

The Bonds maturing on or after September 1, 20____ are subject to optional redemption prior to their stated maturity on any Interest Payment Date on or after September 1, 20____, as a whole, or in part among maturities so as to maintain to the maximum extent practicable the same debt service profile for the Bonds as in effect on the Closing Date, and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

EXHIBIT B

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(SEISMIC SAFETY IMPROVEMENTS - 690 AND 942 MARKET STREET PROJECT)
2018 SPECIAL TAX REFUNDING BONDS (TAXABLE)**

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents that he is the Executive Director of the ABAG Finance Authority for Nonprofit Corporations (the "Authority"), and, as such, is duly authorized to execute and deliver this certificate and further hereby certifies that:

(1) this certificate is being delivered in connection with the sale and issuance of the Authority's Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) 2018 Special Tax Refunding Bonds (the "Bonds") in order to enable the underwriter of the Bonds to comply with Rule 15c2-12 promulgated under the Securities and Exchange Act of 1934, as amended (the "Rule");

(2) in connection with the sale and issuance of the Bonds, there has been prepared a Preliminary Official Statement dated August __, 2018 setting forth information concerning the Bonds and the District (the "Preliminary Official Statement"); and

(3) except for the Permitted Omissions, the Preliminary Official Statement is deemed final within the meaning of the Rule. As used herein, the term "Permitted Omissions" refers to the offering price(s), interest rates(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all as set forth in the Rule.

IN WITNESS WHEREOF, I have hereunto set my hand as of August __, 2018.

ABAG FINANCE AUTHORITY FOR NONPROFIT
CORPORATIONS

By: _____
Executive Director

IRREVOCABLE REFUNDING INSTRUCTIONS

These IRREVOCABLE REFUNDING INSTRUCTIONS (these "Instructions"), dated as of August ____, 2018, are given by the ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS, a joint exercise of powers agency organized and existing under the laws of the State of California (the "Authority"), for and on behalf of the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) (the "District"), to MUFG UNION BANK, N.A., a national banking association organized and existing under the laws of the United States of America, acting as Prior Trustee under the Prior Indenture (as such capitalized terms are defined below).

WITNESSETH:

WHEREAS, the Executive Committee of the Board of Directors of the Authority has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, to form the District, to authorize the levy of special taxes upon the taxable property within the District, and to issue bonds secured by said special taxes to finance certain facilities; and

WHEREAS, the Executive Committee of the Board of Directors of the Authority, as legislative body of the District, authorized the issuance of bonds of the Authority for the District in the original principal amount of \$11,000,000 (the "Prior Bonds"), said Prior Bonds having been issued on October 31, 2007 pursuant to Resolution No. 07-29 of the Executive Committee of the Board of Directors adopted on September 21, 2007 and an Indenture, dated as of October 1, 2007 (the "Prior Indenture"), by and between the Authority and MUFG Union Bank, N.A. (formerly known as Union Bank of California, N.A.), as trustee (the "Prior Trustee"); and

WHEREAS, the Authority has determined to issue, for and on behalf of the District, special tax refunding bonds in the aggregate principal amount of \$_____ (the "Refunding Bonds") at this time for the purpose of providing funds to refund and defease the Prior Bonds; and

WHEREAS, the Authority wishes to provide these Instructions to the Prior Trustee for the purpose of providing the terms and conditions relating to the deposit and application of moneys to provide for the payment and redemption of the Prior Bonds in full, pursuant to and in accordance with the provisions of Section 10.03(C) of the Prior Indenture.

NOW, THEREFORE, the Authority hereby irrevocably instructs the Prior Trustee as follows:

Section 1. Use of Bond Fund. There has previously been established under the Prior Indenture the "Bond Fund," which shall continue to be held in trust by the Prior Trustee as an irrevocable escrow securing the payment of the Prior Bonds, as hereinafter set forth. The Prior Trustee shall administer the Bond Fund as provided in these Instructions. All cash in the Bond Fund is hereby irrevocably pledged as a special fund for the payment of the principal of and interest and premium on the Prior Bonds in accordance with the provisions of these Instructions and the Prior Indenture. If at any time the Prior Trustee shall receive actual knowledge that the cash in the Bond Fund will not be sufficient to make the payment required by Section 3 hereof, the Prior Trustee shall notify the Authority of such fact and the Authority shall immediately cure

such deficiency from any source of funds legally available to the District. The Prior Trustee shall have no obligation whatsoever to use its own funds to cure any such deficiency.

Section 2. Deposit into Bond Fund; Investment of Amounts.

(a) Concurrent with delivery of the Refunding Bonds, the Authority shall cause to be transferred to the Prior Trustee for deposit into the Bond Fund the amount of \$_____ in immediately available funds, which shall be derived from (i) proceeds of sale of the Refunding Bonds in the amount of \$_____, (ii) the moneys on deposit in the reserve fund established under the Prior Indenture in the amount of \$_____, and (iii) moneys on deposit in the special tax fund established under the Prior Indenture in the amount of \$_____. The Prior Trustee is hereby directed by the Authority to make the transfers of funds from the reserve fund and the special tax fund for the Prior Bonds to the Bond Fund as described in clauses (ii) and (iii) of the preceding sentence, and to transfer any remaining amounts in such special tax fund to the special tax fund for the Refunding Bonds.

(b) The Prior Trustee shall hold the entire \$_____ in cash, uninvested.

(c) The Prior Trustee shall not be liable or responsible for any loss resulting from its full compliance with the provisions of these Instructions.

Section 3. Instructions as to Application of Deposit.

(a) The cash in the Bond Fund shall be applied by the Prior Trustee for the sole purpose of paying the scheduled debt service on the Prior Bonds coming due and payable to and including September 1, 2018, and redeeming the Prior Bonds then outstanding in full on September 1, 2018 (the "Redemption Date"), all as shown in Exhibit A attached hereto. Following the redemption of the Prior Bonds, the Prior Trustee shall transfer any moneys remaining in the Bond Fund to the trustee for the Refunding Bonds for deposit in the special tax fund established under the indenture for the Refunding Bonds.

(b) The Prior Trustee acknowledges that, in accordance with the prior written request of the Authority, the Prior Trustee has previously provided a redemption notice to the holders of the Prior Bonds, on or prior to August 2, 2018.

(c) The Prior Trustee is hereby requested, and the Prior Trustee hereby agrees, to give notice of the defeasance of the Prior Bonds, substantially in the form attached hereto as Exhibit B.

Section 4. Application of Proceeds from Prior Bond Funds. After transferring the amounts described in Section 2(a) above, any other amounts remaining on deposit in or accruing to any funds and accounts established under the Prior Indenture held by the Prior Trustee shall be transferred in immediately available funds as provided in Section 4.01(B) of the indenture for the Refunding Bonds. In addition, any investment earnings on funds held by the Prior Trustee under the Prior Indenture which are posted after the date of the foregoing transfers shall be remitted by the Prior Trustee to the trustee for the Refunding Bonds for deposit by such trustee to the special tax fund established under the indenture for the Refunding Bonds to be used for purposes of such special tax fund.

Section 5. Application of Terms of Prior Indenture. All of the terms of the Prior Indenture relating to the making of payments of the principal of and interest and premium on the Prior Bonds and the redemption thereof, receiving instructions (including in electronic format), and the

protections, immunities and limitations from liability afforded the Prior Trustee, are incorporated in these Instructions as if set forth in full herein.

Section 6. Compensation to Prior Trustee. The Authority shall pay the Prior Trustee, promptly upon written request, from funds of the District or from proceeds of the Refunding Bonds, full compensation for its duties under these Instructions, including out-of-pocket costs such as publication costs, redemption expenses, legal fees (including fees of outside counsel and the allocated costs of internal attorneys) and other costs and expenses relating hereto. Under no circumstances shall amounts deposited in or credited to the Bond Fund be deemed to be available for said purposes. The obligation of the Authority under this Section 6 to pay compensation already earned by the Prior Trustee and to pay costs and expenses already incurred shall survive termination of this Agreement and shall survive the resignation or removal of the Prior Trustee.

Section 7. Amendment. These Instructions shall be irrevocable by the Authority. These Instructions may be amended or supplemented by the Authority, but only if the Authority shall file with the Prior Trustee (i) an opinion of nationally recognized bond counsel engaged by the City stating that such amendment or supplement will not, of itself, adversely affect the exclusion from gross income of interest on the Prior Bonds or the Refunding Bonds under federal income tax law, and (ii) a certification by the Authority stating that such amendment or supplement will not affect the sufficiency of funds invested and held hereunder to make the payments required by Section 3.

Section 8. Execution in Counterparts. These Instructions may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9. Applicable Law. These Instructions shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed in California.

ABAG FINANCE AUTHORITY FOR NONPROFIT
CORPORATIONS, for and on behalf of the ABAG
FINANCE AUTHORITY FOR NONPROFIT
CORPORATIONS COMMUNITY FACILITIES
DISTRICT NO. 2004-1 (SEISMIC SAFETY
IMPROVEMENTS – 690 AND 942 MARKET
STREET PROJECT)

By: _____
Authorized Signatory

ACCEPTED:

MUFG UNION BANK, N.A.,
as Prior Trustee

By: _____
Authorized Signatory

EXHIBIT A

SCHEDULE OF PAYMENTS ON PRIOR BONDS

Payment Date	Maturing Principal	Interest	Called Principal	Total
9/1/2018	\$190,000.00	_____ \$	\$9,605,000.00	_____ \$

EXHIBIT B

NOTICE OF DEFEASANCE

ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements – 690 and 942 Market Street Project)
Special Tax Bonds, Series 2007A (Taxable)

Maturity Date	Amount Defeased	CUSIP Number
9/1/2018	\$ 190,000	000379 BD8
9/1/2024	1,505,000	000379 BE6
9/1/2030	2,400,000	000379 BF3
9/1/2038	5,700,000	000379 BG1

NOTICE IS HEREBY GIVEN, on behalf of the ABAG Finance Authority for Nonprofit Corporations (the "Authority") to the owners of the outstanding ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable), described above (the "Bonds"), that pursuant to the Indenture under which the Bonds were issued (the "Indenture"), the lien of the Indenture with respect to the Bonds has been discharged through the irrevocable deposit of cash, in trust, with MUFG Union Bank, N.A., as trustee for the Bonds. As a result of such deposit, the Bonds are deemed to have been paid and defeased in accordance with the Indenture. The pledge of the funds provided for under the Indenture and all other obligations of the Authority and the District to the owners of the Bonds are hereafter limited to the application of moneys held by the trustee for the Bonds for the payment of the Bonds as described below.

The cash held by the trustee for the Bonds is calculated to provide sufficient moneys to pay the scheduled principal and interest due on the Bonds to and including September 1, 2018, and to redeem the Bonds maturing after September 1, 2018 in full on September 1, 2018 at a redemption price equal to the principal thereof plus accrued interest to such date, without premium.

August _____, 2018

MUFG UNION BANK, N.A., as Trustee for
the Bonds



\$10,500,000*

ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements –
690 and 942 Market Street Project)
2018 Special Tax Refunding Bonds (Taxable)

CREDIT ASSESSMENT REPORT

JULY 17, 2018

* Not-to-Exceed. Preliminary, subject to change.

SPERRY CAPITAL INC. | THREE HARBOR DRIVE, SUITE 101, SAUSALITO, CA 94965

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I. EXECUTIVE SUMMARY

The purpose of this report (the “Credit Assessment”) is to provide the ABAG Finance Authority for Nonprofit Corporations (the “Authority”) with an understanding of the level of credit risk the Community Facility District No. 2004-1 (the “District”) would assume by serving as issuer to the 690 Market Master Association (the “Property Owner”) on the proposed 2018 Special Tax Refunding Bonds offering. Key sections of this report include:

- Review information on the formation of the District and authorization to issue Special Tax Bonds;
- Review relevant financial and bond documents, specifically the Preliminary Official Statement, Indenture, Resolution, and Continuing Disclosure Annual Reports;
- A quantitative assessment and analysis of the proposed refunding cash flows; and
- A qualitative assessment of issuer’s responsibilities and risks relevant to the Project and/or District.

II. BACKGROUND

A. COMMUNITY FACILITY DISTRICT AND PROPERTY OWNERSHIP

The District was formed by the Authority under the Mello-Roos Community Facilities Act of 1982 (the “Act”) pursuant to (i) Resolution No. 04-38 adopted by the Executive Committee of the Board on December 17, 2004 following a public hearing, and (ii) a landowner election held on December 17, 2004 at which the then two qualified electors of the District authorized the District to incur bonded indebtedness and approved the levy of Special Taxes on certain property in the District. On September 21, 2007, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, adopted Resolution No. 07-29 approving issuance of the Bonds for and on behalf of the Community Facilities District in an amount not to exceed \$30,000,000. In 2007, proceedings were conducted to alter the Rate and Method of Apportionment of Special Taxes for the District (the “Rate and Method”), and the Authority issued, for and on behalf of the District, the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable) (the “2007 Bonds”) in the initial principal amount of \$11,000,000, of which \$9,795,000 principal amount is outstanding.

The property within the District includes two sites, one located at 690 Market Street in San Francisco, California, and one located at 942 Market Street, San Francisco, California. The site located at 690 Market Street has been improved with a 24-story, high rise building commonly referred to as the Ritz-Carlton Club and Residences, San Francisco (the “Development”). The Development is included in Tax Zone #1 of the District, as such Tax Zone is identified in the Rate and Method (“Tax Zone #1”). The site at 942 Market Street is included in Tax Zone #2 of the District, as identified in the Rate and Method (“Tax Zone #2”). ***The Bonds are payable from and are secured by a pledge of the Special Tax Revenues derived from the levy of the Special Taxes on the Taxable Property in Tax Zone #1, including the condominium units, the fraction interest units and the retail property. Tax Zone #2 contains affordable housing required units, and such units are exempt from the levy of Special Taxes.***

III. SECURITY AND ISSUANCE REQUIREMENTS

A. SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds are secured by and payable from the Trust Estate, consisting of the Special Tax Revenues and moneys in the Special Tax Fund, the Bond Fund and the Reserve Fund established under the Indenture. The Indenture defines Special Tax Revenues as proceeds of the Special Taxes received by the Authority, including any scheduled payments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. The Special Tax Revenues do not include any penalties collected in connection with delinquent Special Taxes.

The Special Taxes, first levied on the Taxable Property in the District in Fiscal Year 2008-09, are being levied by the Authority in accordance with the Rate and Method. The aggregate County Assessor's value of the Taxable Property in the District on which the Special Taxes have been levied for Fiscal Year 2017-18 is \$153,422,276. The Special Taxes are collected on the County's ad valorem property tax roll. The Authority has covenanted in the Indenture to cause foreclosure proceedings to be commenced and prosecuted, in certain circumstances, against parcels with delinquent installments of the Special Tax.

Per Resolution No. 04-38, the Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and authorized facilities to be constructed directly from Special Tax proceeds have been completed. However, in no event shall a Special Tax be levied after Fiscal Year 2040-41. The proposed final maturity of the refunding bonds is September 1, 2038.

The Maximum Special Tax levy allowed for Fiscal Year 2018-19 for the Taxable Property in Tax Zone #1 is \$3,108,594, or 2.02% of Fiscal Year 2017-18 Assessed Value. The estimated Special Tax levy for the current Fiscal Year is \$1,059,199, or 34.1% of the Maximum Special Tax levy allowed for Fiscal Year 2018-19.

B. RESERVE FUND

In the event that amounts in the Bond Fund are insufficient for to pay principal of or interest due on the Bonds, the Trustee will withdraw from the Reserve Fund and deposit in the Bond Fund the amount of the insufficiency. In order to further secure the payment of principal of and interest on the Bonds, certain proceeds of the Bonds will be deposited into the Reserve Fund in an amount equal to the initial Reserve Requirement.

C. CONDITIONS TO ISSUE REFUNDING/PARITY BONDS

The Authority may issue the Refunding/Parity Bonds subject to the following specific conditions precedent:

Current Compliance. The Authority shall be in compliance on the date of issuance of the Parity Bonds with all covenants set forth in the Indenture and all Supplemental Indentures.

Payment Dates: Refunding Bonds. Interest on the Parity Bonds must be payable on March 1 and September 1, and principal must be payable on September 1 in any year in which principal is payable (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

Funds and Accounts: Reserve Fund Deposit. The Supplemental Indenture providing for the issuance of Parity Bonds may provide for the establishment of separate funds and accounts, and must provide for a deposit to the Reserve Fund in an amount necessary so that the amount on deposit therein, following the issuance of the Parity Bonds, is equal to the Reserve Requirement for the Bonds and the Parity Bonds.

Value-to-Lien Ratio. The "District Value" shall be at least three times the sum of aggregate principal amount of all Bonds outstanding. According to the *Continuing Disclosure Annual Report for Fiscal Year 2016-2017* prepared by Goodwin Consulting Group, the Tax Zone #1 Value to Burden Ratio was 15.66 to 1 as shown in the table below.

ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements - 690 and 942 Market Street Project)
Tax Zone #1 Value to Burden Ratios

<u>Property Owner</u>	<u>Number of Units</u>	<u>Total Sq. Ft.</u>	<u>FY 2017-18 Assessed Value</u>	<u>FY 2017-18 Maximum Special Tax</u>	<u>Percentage of FY 17-18 Tax Levy</u>	<u>Principal Amount of the Bonds Outstanding</u>	<u>Value to Burden Ratio</u>
STREET LUXURY CONDOS LL MARKET							
Fractional	13	23,108	\$5,958,901	\$468,905	15.4%	\$1,507,041	3.95 : 1
Condominium	5	7,284	\$1,407,641	\$110,854	3.6%	\$356,282	3.95 : 1
Subtotal	18	30,392	\$7,366,542	\$579,759	19.0%	\$1,863,323	3.95 : 1
FIRST AMERICAN TRUST FSB							
Fractional	23	38,171	\$32,348,392	\$774,561	25.4%	\$2,489,409	12.99 : 1
All other development /1	63	106,024	\$113,707,342	\$1,693,321	55.6%	\$5,442,268	20.89 : 1
Totals	104	174,587	\$153,422,276	\$3,047,641	100.0%	\$9,795,000	15.66 : 1

/1 Includes all other property owners who are responsible for less than 5% of the total special tax levy.

Source: San Francisco County Assessor's Office; Goodwin Consulting Group, Inc.

Over the past five years, the Value to Burden Ratio has ranged from 15.66 to 21.36: 1.

	Assessed Value	Principal Amount of Bonds Outstanding	Value to Burden Ratio
FY 2017-18	\$153,422,276	\$9,795,000	15.66 : 1
FY 2016-17	\$201,906,403	\$9,970,000	20.25 : 1
FY 2015-16	\$208,982,599	\$10,135,000	20.62 : 1
FY 2014-15	\$219,765,523	\$10,290,000	21.36 : 1
FY 2013-14	\$183,103,697	\$10,430,000	17.56 : 1

Special Tax Coverage. The Issuer shall obtain a certificate of a Tax Consultant to the effect that the amount of the maximum Special Taxes that may be levied in each Fiscal Year shall be at least 110 percent of the total Annual Debt Service for each such Fiscal Year on the Bonds, any outstanding Parity Bonds and the proposed Parity Bonds. Goodwin Consulting Group has been retained as special tax consultant to administer the annual Special Tax levy for the Authority.

Officer's Certificate. The Issuer must deliver to the Trustee an Officer's Certificate certifying that the conditions precedent to the issuance of the Parity Bonds have been satisfied.

D. RATINGS

The Bonds have not been rated by any securities rating agency. Based on our knowledge of the Rating Agency Criteria for Mello Roos Bonds these bonds at the present time would not receive an investment grade rating.

E. NO TEFRA HEARING

The Bonds are taxable and therefore there is no requirement for a public TEFRA Hearing under the Tax Equity and Fiscal Responsibility Act of 1982.

IV. PROPOSED REFUNDING STRUCTURE

A. PRESENT VALUE SAVINGS

The proposed 2018 Special Tax Refunding Bonds are expected to refund and defease in full the outstanding \$9,605,000 (\$190,000 sinking fund matures on September 1, 2018) taxable Special Tax Bonds, Series 2007A. The refunding bonds are expected to be structured with term bonds maturing in 2024, 2030, and 2038 and are subject to optional and mandatory sinking fund redemption prior to maturity. The final maturity on the refunding bonds (9/1/2038) matches the final maturity of the refunded bonds (9/1/2038). Interest is payable every September 1 and March 1 beginning on March 1, 2019. Principal on the 2018 Bonds will be payable on September 1 beginning on September 1, 2019. Based on current market rates, the refunding (\$9,905,000 par amount) is estimated to generate net present value savings of approximately \$1.48 million or 15.47% of the refunded par resulting in average annual gross savings of \$140,000 from 2019 through 2038. The total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds (\$17,270,101) is less than the total interest cost to maturity on the bonds to be refunded plus the principal amount of the bonds to be refunded (\$20,303,294).

SUMMARY OF REFUNDING RESULTS

ABAG Finance Authority for Nonprofit Corporations
 Special Tax Refunding Bonds, Series 2018
 Community Facilities District No. 2004-1
 Seismic Safety Improvements - 690 and 942 Market Street Project
 Fully Funded DSRF
 Rates as of July 11, 2018

Dated Date	08/30/2018
Delivery Date	08/30/2018
Arbitrage yield	5.997695%
Escrow yield	0.000000%
Value of Negative Arbitrage	
Bond Par Amount	9,905,000.00
True Interest Cost	6.361149%
Net Interest Cost	6.152815%
All-In TIC	6.724266%
Average Coupon	6.007545%
Average Life	12.377
Weighted Average Maturity	12.377
Duration	8.332
Par amount of refunded bonds	9,605,000.00
Average coupon of refunded bonds	8.523649%
Average life of refunded bonds	13.065
Remaining weighted average maturity of refunded bonds	13.044
PV of prior debt to 08/30/2018 @ 5.997695%	11,662,326.92
Net PV Savings	1,486,311.13
Percentage savings of refunded bonds	15.474348%
Percentage savings of refunding bonds	15.005665%

SAVINGS

ABAG Finance Authority for Nonprofit Corporations
 Special Tax Refunding Bonds, Series 2018
 Community Facilities District No. 2004-1
 Seismic Safety Improvements - 690 and 942 Market Street Project
 Fully Funded DSRF
 Rates as of July 11, 2018

Date	Prior Debt Service	Refunding Debt Service	Refunding Expenses	Refunding Net Cash Flow	Savings	Present Value to 08/30/2018 @ 5.9976950%
09/01/2019	1,015,025.00	865,772.74	10,000.00	875,772.74	139,252.26	134,315.24
09/01/2020	1,013,625.00	863,590.50	10,000.00	873,590.50	140,034.50	127,334.98
09/01/2021	1,016,025.00	862,196.80	10,000.00	872,196.80	143,828.20	123,189.82
09/01/2022	1,016,825.00	864,955.16	10,000.00	874,955.16	141,869.84	114,551.81
09/01/2023	1,016,025.00	866,582.90	10,000.00	876,582.90	139,442.10	106,145.03
09/01/2024	1,013,625.00	862,080.06	10,000.00	872,080.06	141,544.94	101,498.49
09/01/2025	1,014,625.00	861,002.06	10,000.00	871,002.06	143,622.94	97,019.03
09/01/2026	1,012,812.50	858,753.06	10,000.00	868,753.06	144,059.44	91,681.16
09/01/2027	1,013,937.50	860,333.06	10,000.00	870,333.06	143,604.44	86,104.90
09/01/2028	1,017,587.50	865,449.30	10,000.00	875,449.30	142,138.20	80,298.38
09/01/2029	1,013,350.00	863,809.06	10,000.00	873,809.06	139,540.94	74,275.56
09/01/2030	1,016,637.50	864,773.86	10,000.00	874,773.86	141,863.64	71,099.51
09/01/2031	1,016,625.00	863,923.96	10,000.00	873,923.96	142,701.04	67,344.24
09/01/2032	1,016,343.76	866,259.36	10,000.00	876,259.36	140,084.40	62,253.29
09/01/2033	1,017,181.26	866,477.60	10,000.00	876,477.60	140,703.66	58,847.32
09/01/2034	1,013,706.26	864,578.70	10,000.00	874,578.70	139,127.56	54,761.77
09/01/2035	1,015,918.76	865,562.66	10,000.00	875,562.66	140,356.10	51,966.13
09/01/2036	1,012,956.26	859,127.00	10,000.00	869,127.00	143,829.26	50,071.40
09/01/2037	1,014,818.76	860,574.20	10,000.00	870,574.20	144,244.56	47,213.33
09/01/2038	1,015,643.76	864,299.36	10,000.00	874,299.36	141,344.40	43,486.49
	20,303,293.82	17,270,101.40	200,000.00	17,470,101.40	2,833,192.42	1,643,457.88

Savings Summary

PV of savings from cash flow	1,643,457.88
Less: Prior funds on hand	-1,028,259.81
Plus: Refunding funds on hand	871,113.06
Net PV Savings	1,486,311.13

V. RISK ASSESSMENT

A. QUALITATIVE ANALYSIS

1. LIMITED OBLIGATION

The Bonds are limited obligations of the Authority and the principal thereof, and premium, if any, and interest thereon, are payable solely from, and secured in accordance with their terms and the provisions of the Indenture solely by, the Special Tax Revenues and the other amounts pledged therefor under the Indenture. Neither the Authority, the Association of Bay Area Governments (“ABAG”), any of the member of the Authority or of ABAG, the State, nor any political subdivision thereof (except the Authority, to the limited extent set forth in the Indenture) will in any event be liable for the payment of the principal of, or premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever, and none of the Bonds or any of the Authority’s agreements or obligations will be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of the Authority, of ABAG, or of the members of the Authority or ABAG, the State or any political subdivision thereof (except the Authority, to the limited extent set forth in the Indenture) within the meaning of any constitutional or statutory provision whatsoever. Neither the Authority nor ABAG has any taxing power.

2. COVENANTS OF THE ISSUER

Collection of Special Tax Revenues. The Authority shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

On or within five (5) Business Days of each June 1, the Trustee shall provide the Chief Financial Officer with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund and informing the Authority of any necessary replenishment of the Reserve Fund so that the balance therein equals the Reserve Requirement. The receipt of or failure to receive such notice by the Chief Financial Officer shall in no way affect the obligations of the Chief Financial Officer under the following two paragraphs. Upon receipt of such notice, the Chief Financial Officer shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The Chief Financial Officer shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each July 15 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Chief Financial Officer shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

The Chief Financial Officer shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund and an amount estimated to be sufficient to pay the Administrative Expenses during such year, taking into account the balances in such funds and in the Special Tax Fund. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property; provided that, pursuant to and in accordance with the Ordinance, the Special Taxes may be collected by means of direct billing of the property owners within the District, in which event the Special Taxes shall become delinquent if not paid when due pursuant to said billing.

Covenant to Foreclose. Pursuant to Section 53356.1 of the Act, the Authority hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following paragraph. The Chief Financial Officer shall notify the Authority Attorney of any such delinquency of which it is aware, and the applicable Authority Attorney shall commence, or cause to be commenced, such proceedings.

On or about February 15 and June 15 of each Fiscal Year, the Chief Financial Officer shall compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the Authority, and:

(A) *Individual Delinquencies.* If the Chief Financial Officer determines that any single parcel (i.e. a Condominium Unit or a fractional interest in a Fractional Unit, the LP Parcel, or any Retail Property, as such terms are defined in the Rate and Method of Apportionment of Special Taxes for the District) subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$10,000.00 or more with respect to any Condominium Unit, the LP Parcel or any Retail Property, or \$4,000.00 or more with respect to any fractional interest in a Fractional Unit, then the Chief Financial Officer shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner (with a copy to the related homeowner's association with respect to any fractional interest) within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the Authority within 90 days of such determination.

(B) *Aggregate Delinquencies.* If the Chief Financial Officer determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year,

the Chief Financial Officer shall notify or cause to be notified property owners who are then delinquent in the payment of over \$326.00 in Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and the Authority shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the District with a Special Tax delinquency.

Notwithstanding the foregoing, the Chief Financial Officer may defer any foreclosure action otherwise required under subparagraph (A) or (B) above, if the amount in the Reserve Fund is at least equal to the Reserve Requirement. The Chief Financial Officer and the Authority Attorney, as applicable, are hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for Authority staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

Continuing Disclosure to Owners. The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the Continuing Disclosure Agreement shall not be considered a default hereunder; however, any Participating Underwriter or any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the Authority of its obligations thereunder, including seeking mandate or specific performance by court order.

Reduction of Special Taxes. The Authority covenants and agrees to not consent or conduct proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District below an amount, for any Fiscal Year, equal to 110% of the aggregate of the debt service due on the Bonds in such Fiscal Year, plus a reasonable estimate of Administrative Expenses for such Fiscal Year. It is hereby acknowledged that the Bondowners are purchasing the Bonds in reliance on the foregoing covenant, and that said covenant is necessary to assure the full and timely payment of the Bonds.

Goodwin Consulting Group has been retained to serve as special tax consultant with respect to the District and will administer the annual Special Tax Levy for the District and serve as Dissemination Agent.

3. STATE REPORTING REQUIREMENTS

The following requirements shall apply to the Bonds.

(A) **Annual Reporting.** Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Chief Financial Officer shall cause the following information to be supplied to CDIAC: (i) the name of the Authority; (ii) the full name of the District; (iii) the name, title, and series of the Bond issue; (iv) any credit rating for the Bonds and the name of the rating agency; (v) the Closing Date of the Bond issue and the original principal amount of the Bond issue; (vi) the amount of the Reserve Requirement; (vii) the principal amount of Bonds outstanding; (viii) the balance in the Reserve Fund; (ix) that there was no capitalized interest with respect to the Bonds; (x) the number of parcels in

the District that are delinquent with respect to Special Tax payments, the amount that each parcel is delinquent, the total amount of Special Taxes due on the delinquent parcels, the length of time that each has been delinquent, when foreclosure was commenced for each delinquent parcel, the total number of foreclosure parcels for each date specified, and the total amount of tax due on the foreclosure parcels for each date specified; (xi) that there is no balance in any improvement fund for the Bonds; (xii) the assessed value of all parcels subject to the Special Tax to repay the Bonds as shown on the most recent equalized roll, the date of assessed value reported, and the source of the information; (xiii) the total amount of Special Taxes due, the total amount of unpaid Special Taxes, and whether or not the Special Taxes are paid under the County's Teeter Plan (Chapter 6.6 (commencing with Section 54773) of the California Government Code); (xiv) the reason and the date, if applicable, that the Bonds were retired; and (xv) contact information for the party providing the foregoing information. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

(B) **Other Reporting.** If at any time the Trustee fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal and interest on the Bonds, the Trustee shall notify the Chief Financial Officer of such failure or withdrawal in writing. The Chief Financial Officer shall notify CDIAC and the Original Purchaser of such failure or withdrawal within 10 days of such failure or withdrawal.

(C) **Special Tax Reporting.** The Chief Financial Officer shall file a report with the Authority no later than January 1, 2019, and at least once a year thereafter, which annual report shall contain: (i) the amount of Special Taxes collected and expended with respect to the District, (ii) the amount of Bond proceeds collected and expended with respect to the District, and (iii) the status of the Project. It is acknowledged that the Special Tax Fund and the Special Tax Prepayments Account are the accounts into which Special Taxes collected on the District will be deposited for purposes of Section 50075.1(c) of the California Government Code, and the funds and accounts listed in Section 4.01 are the funds and accounts into which Bond proceeds will be deposited for purposes of Section 53410(c) of the California Government Code, and the annual report described in the preceding sentence is intended to satisfy the requirements of Sections 50075.1(d), 50075.3(d) and 53411 of the California Government Code.

(D) **Amendment.** The Chief Financial Officer shall notify the Trustee in writing of any such amendments which affect the reporting obligations of the Trustee under this Indenture.

4. GENERAL REAL ESTATE RISK

The security for the bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the Project, the supply of or demand for competitive properties in such area, and the market value of properties and/or sites in the event of sale or foreclosure and (ii) changes in real estate tax rates and other operating expenses, government rules and fiscal policies. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due.

The value of Taxable Property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the Authority’s only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Property values could be adversely affected by economic and other factors beyond the Authority’s control, such as a general economic downturn, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

The following table sets forth the assessed values for Taxable Property in the District from Fiscal Year 2007-08, to and including Fiscal Year 2017-18.

**ABAG Finance Authority For Nonprofit Corporations
Community Facilities District No. 2004-1
(Seismic Safety Improvements – 690 and 942 Market Street Project)**

Historical Assessed Values of Taxable Property⁽¹⁾

Fiscal Year	Land Value	Improvement Value	Total Assessed Value	Percentage Change
2007-08	\$ 13,765,951	\$ 60,722,190	\$ 74,488,141	
2008-09	41,758,563	104,836,002	146,594,565	96.8%
2009-10	69,560,104	107,152,502	176,712,606	20.5
2010-11	71,073,567	104,829,077	175,902,644	-0.5
2011-12	121,443,565	81,194,870	202,638,435	15.2
2012-13	121,463,358	79,674,820	201,138,178	-0.7
2013-14	105,927,914	77,175,783	183,103,697	-9.0
2014-15	131,453,519	88,312,004	219,765,523	20.0
2015-16	128,966,332	80,016,267	208,982,599	-4.9
2016-17	123,112,388	78,794,015	201,906,403	-3.4
2017-18	89,295,811	64,126,465	153,422,276	-24.0
2018-19	93,632,246	72,954,389	166,586,635	8.6

(1) Does not include assessed value for property in Tax Zone #2, which property is not subject to the levy of Special Taxes. A portion of the declines in assessed values for taxable property, particularly in Fiscal Year 2017-18, is a result of applications of property owners for reductions in assessed valuations under the Mills Act.

Source: City and County of San Francisco Auditor’s Office; Goodwin Consulting Group, Inc.

Mills Act. A portion of the declines in assessed values for taxable property, particularly in Fiscal Year 2017-18, is a result of applications of property owners for reductions in assessed valuations under the Mills Act. Certain property located in the District is subject to a Mills Act contract with the City, entered into as of July 9, 2009 (the “Mills Act Contract”). The Mills Act Contract covers two sections of the building located at 690 Market Street, consisting of the nine-story plus mezzanine office tower originally constructed in 1889-90 and the adjoining sixteen-story tower originally constructed in 1905 (collectively, the “Historic Property”). Given the existence of the Mills Act Contract, each Historic Property is eligible to have its assessed value be calculated pursuant to the Mills Act, instead of the “full cash value” described in Article XIII A of the California Constitution. The Mills Act has an impact on the way the County assessor calculates the assessed valuation of taxable property located in the District.

5. DELINQUENCY

The following table is a summary of Special Tax levies, collections and delinquency rates for the Taxable Property in the District for Fiscal Years 2008-09 through Fiscal Year 2016-17, based on amounts levied and outstanding delinquencies as of the July 1 following the respective Fiscal Year end, and as of July 3, 2018.

**ABAG Finance Authority For Nonprofit Corporations
 Community Facilities District No. 2004-1
 (Seismic Safety Improvements – 690 and 942 Market Street Project)
Special Tax Delinquency History**

Fiscal Year	Special Tax Levy	As of the end of each Fiscal Year			As of July 3, 2018			Special Tax Collected
		Number of Parcels Delinquent	Amount Delinquent ⁽¹⁾	Percent Delinquent	Number of Parcels Delinquent	Amount Delinquent ⁽¹⁾	Percent Delinquent	
2008-09	\$1,040,339	4	\$25,222	2.42%	0	\$ 0	0.00%	\$1,040,339
2009-10	1,057,318	3	13,061	1.24	0	0	0.00	1,057,318
2010-11	1,059,210	0	0	0.00	0	0	0.00	1,059,210
2011-12	1,055,308	4	14,349	1.36	0	0	0.00	1,055,308
2012-13	1,056,007	1	5,880	0.56	0	0	0.00	1,056,007
2013-14	1,055,933	3	12,291	1.16	0	0	0.00	1,055,933
2014-15	1,060,083	2	12,340	1.16	0	0	0.00	1,060,083
2015-16	1,058,070	1	3,595	0.34	0	0	0.00	1,058,070
2016-17	1,054,958	1	7,169	0.68	0	0	0.00	1,054,958

(1) Delinquent amounts do not include penalties, interest or fees.

Source: *City and County of San Francisco Tax Collector's Office; Goodwin Consulting Group, Inc.*

6. LITIGATION

Between 2009 and 2013, certain condominium owners and fractional owners filed suit in the Superior Court of California in the City and County of San Francisco alleging that the existence of the District and the Special Tax levy were not timely or adequately disclosed to them at the time they purchased the property. The issues in the litigation generally centered on disclosure of the existence of the District and the associated annual Special Tax levy. None of the pleadings challenged or sought to overturn the District or the lien of the Special Taxes. The form of disclosure of the existence of the District and the Special Taxes used by the Developer was subsequently revised during the 2006-08 period and no further litigation arose following the revision.

Defendants generally included the Developer, RCC (GP) Holdings, Ltd., The Ritz-Carlton Sales Company, The Ritz-Carlton Hotel Company, and MORI. The actions were brought by owners of approximately two dozen condominium units (some of whom also owned fractional interests) and by owners of a handful of fractional interests. One fractional owner brought his case as a putative class action on behalf of similarly situated fractional owners, and a stipulated class was subsequently certified, which included approximately 100 current and former owners of the fractional interests. The plaintiffs sought different forms of relief in the various cases, including damages, rescission, and attorneys' fees.

Two of the actions were settled in 2012 without the defendants admitting liability, but with the Corporation agreeing to repurchase certain of the units owned by the plaintiffs. In 2013 a third lawsuit was settled. The action brought by the owner of a single fraction interest in a Fractional Unit, is expected to reach settlement by the time of this bond sale.

VI. CONCLUSION

In this Credit Assessment, Sperry has identified various risks that should be considered by the Authority if the Authority is to approve the proposed refunding transaction. The proposed refunding transaction is requesting the Authority serve as the issuer of the District resulting in additional risks, responsibilities and on-going compliance requirements compared to a typical conduit issuer financing. The Authority has retained Goodwin Consulting Group as special tax consultant to administer the annual Special Tax Levy for the District and serve as Dissemination Agent.

The Bonds are payable from and are secured by a pledge of the Special Tax Revenues derived from the levy of the Special Taxes on the Taxable Property in Tax Zone #1, including the condominium units, the fraction interest units and the retail property. Tax Zone #2 contains affordable housing required units, and such units are exempt from the levy of Special Taxes. The Special Taxes are levied on the Taxable Property in the District and are collected on the County's ad valorem property tax roll. The Tax Zone #1 Value to Burden Ratio for Fiscal Year 2017-18 was 15.66 to 1. The Maximum Special Tax levy allowed for Fiscal Year 2018-19 for the Taxable Property in Tax Zone #1 is \$3,108,594, or 2.02% of Fiscal Year 2017-18 Assessed Value. The estimated Special Tax levy for the current Fiscal Year is \$1,059,199, or 34.1% of the Maximum Special Tax levy allowed for Fiscal Year 2018-19. Tax delinquency for the District has been relatively low and all delinquencies have been cured immediately without the prosecution of foreclosure proceedings. A reserve fund has been established in the event Special Tax Revenues collected are insufficient to pay principal of or interest due on the Bonds.

The proposed refunding transaction is expected to refund the Series 2007A bonds. The refunding is estimated to generate net present value savings of approximately \$1.48 million or 15.47% of the refunded par resulting in average annual gross savings of \$140,000 from 2019 through 2038. The total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds (\$17,270,101) is less than the total interest cost to maturity on the bonds to be refunded plus the principal amount of the bonds to be refunded (\$20,303,294). The final maturity on the refunding bonds (9/1/2038) matches the final maturity of the refunded bonds (9/1/2038).

VII. DISCLAIMER

Sperry Capital has not independently verified any of the data contained in the Preliminary Official Statement or conducted a detailed investigation of the affairs of the Authority or the District to determine the accuracy or completeness of the Preliminary Official Statement.

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ABAG Finance Authority for Nonprofit Corporations

Community Facilities District No. 2004-1
(Seismic Safety Improvements – 690 and 942 Market Street Project)
2018 Special Tax Refunding Bonds (Taxable)

Credit Presentation



METROPOLITAN
TRANSPORTATION
COMMISSION



August 2, 2018

Item 8, Attachment I

Financing Team

Issuer	ABAG Finance Authority for Nonprofit Corporations	Underwriter	UBS Financial Services Inc.
Homeowner's Association	690 Market Master Association	Underwriter's Counsel	Stradling Yocca Carlson & Rauth
Issuer's Municipal Advisor	Sperry Capital	Special Tax Consultant and Dissemination Agent	Goodwin Consulting Group
Issuer's Counsel	Nixon Peabody	Trustee	MUFG Union Bank, N.A.
Bond / Disclosure Counsel	Jones Hall	Trustee's Counsel	MUFG Union Bank, N.A.

Financing Overview

- **District No. 2004-1 (the "District")**

- The District, located in the City and County of San Francisco, was established on December 17, 2004 to finance certain seismic improvements to the two buildings included within the boundaries of the District
- In 2007, the Authority issued the \$11 million ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable) (the "2007 Bonds")
 - \$9.795 million of the 2007 Bonds remain outstanding
- The property within the District includes two sites, one located at 690 Market Street in San Francisco, California, and one located at 942 Market Street, San Francisco, California
 - The site located at 690 Market Street has been improved with a 24-story, high rise building commonly referred to as the Ritz-Carlton Club and Residences, San Francisco and is included in Tax Zone #1 of the District
 - The site at 942 Market Street is included in Tax Zone #2 of the District

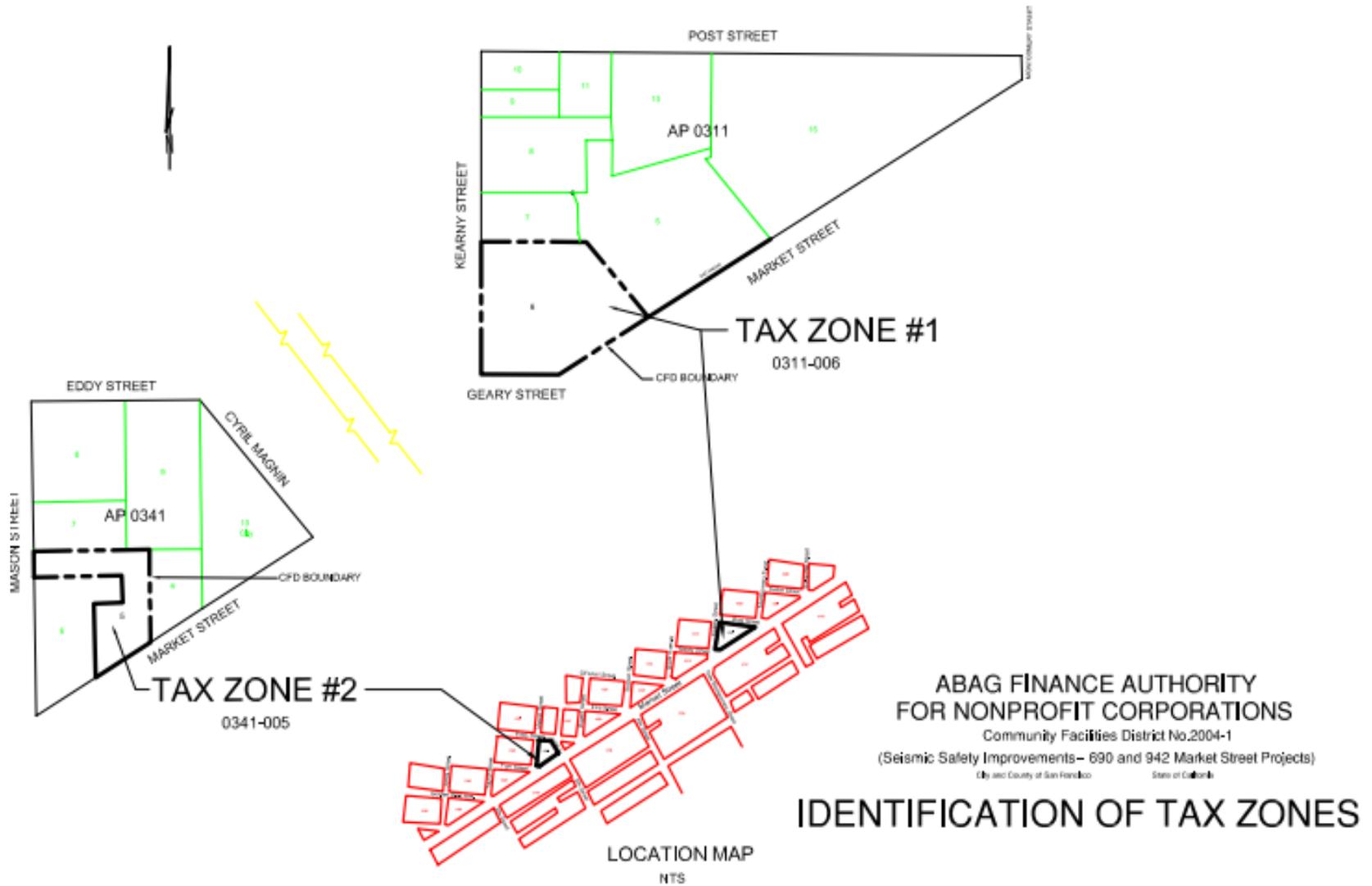
- **Not to exceed \$10.5 Million 2018 Special Tax Refunding Bonds (Taxable) (the "2018 Bonds")**

- To be issued by ABAG Finance Authority for Nonprofit Corporations ("FAN")
- Refund \$9.605 million 2007 Bonds outstanding (\$190,000 matures on 9/1/2018) and callable 9/1/2018
- The Bonds are payable from and are secured by a pledge of the Special Tax Revenues derived from the levy of the Special Taxes on the Taxable Property in Tax Zone #1, including the condominium units, the fractional interest units and the retail property
 - The property in Tax Zone #2 of the District contains affordable housing required units, and such units are exempt from the levy of Special Taxes.
- The 2018 Bonds will be further secured by a Debt Service Reserve Fund in the amount of \$[]
- The Bonds will be unrated

Legal Documents

- The homeowner's association has requested FAN to refund the 2007 Bonds for interest cost savings.
- The Executive Committee of FAN is expected to approve the issuance of the 2018 Bonds by resolution scheduled to be considered on August 2nd. The resolution approves the issuance of bonds in accordance with a proposed Indenture, Preliminary Official Statement and Bond Purchase Agreement.
- The Indenture provides a pledge of Special Tax Revenues, which are proceeds of the special taxes levied within the District and received by FAN, net of annual administration expenses. Special Tax Revenues include proceeds of the redemption or sale of property sold as a result of foreclosure and interest, but not penalties, or delinquencies.
- The Indenture provides for the establishment of a reserve fund to cover payments should any deficiencies occur because of non-payment of special taxes.
- The maximum authorized indebtedness for the District was established in 2004 at \$30 million. The 2007 Bonds were issued in the amount of \$11 million and no additional improvements or bonds are contemplated. The Indenture does not allow additional bonds other than to refund a portion of the 2018 Bonds.
- The 2018 Bonds are not an obligation of FAN, as is typical with CFDs. The sole source of revenue to pay debt service on the 2018 Bonds comes only from the special tax levied within the District. FAN has arranged with the County that the special taxes are transferred directly to the Trustee.

District Tax Zones



District Delinquency History

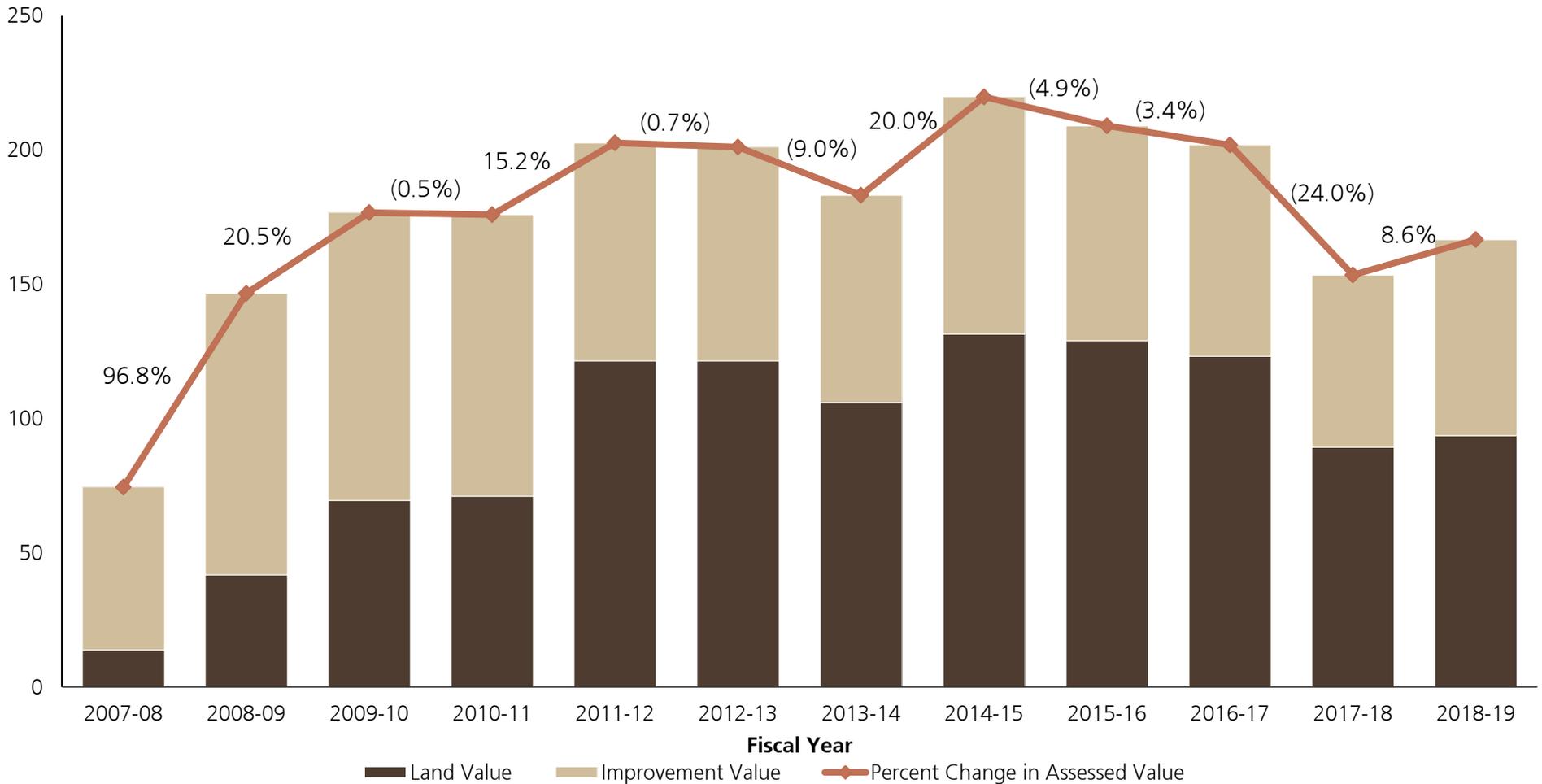
Fiscal Year	Special Tax Levy	As of the end of each Fiscal Year			As of July 3, 2018			
		Number of Parcels Delinquent	Amount Delinquent ⁽¹⁾	Percent Delinquent	Number of Parcels Delinquent	Amount Delinquent ⁽¹⁾	Percent Delinquent	Special Tax Collected
2008-09	\$1,040,339	4	\$25,222	2.42%	0	\$0	0.00%	\$1,040,339
2009-10	1,057,318	3	13,061	1.24%	0	0	0.00%	1,057,318
2010-11	1,059,210	0	0	0.00%	0	0	0.00%	1,059,210
2011-12	1,055,308	4	14,349	1.36%	0	0	0.00%	1,055,308
2012-13	1,056,007	1	5,880	0.56%	0	0	0.00%	1,056,007
2013-14	1,055,933	3	12,291	1.16%	0	0	0.00%	1,055,933
2014-15	1,060,083	2	12,340	1.16%	0	0	0.00%	1,060,083
2015-16	1,058,070	1	3,595	0.34%	0	0	0.00%	1,058,070
2016-17	1,054,958	1	7,169	0.68%	0	0	0.00%	1,054,958

(1) Delinquent amounts do not include penalties, interest or fees.

Source: City and County of San Francisco Tax Collector's Office; Goodwin Consulting Group, Inc.

District Historical Assessed Values of Taxable Property

Historical Assessed Values of Taxable Property⁽¹⁾



1) Does not include assessed value for property in Tax Zone #2, which property is not subject to the levy of Special Taxes. A portion of the declines in assessed values for taxable property, particularly in Fiscal Year 2017-18, is a result of applications of property owners for reductions in assessed valuations under the Mills Act.

Source: City and County of San Francisco Auditor's Office; Goodwin Consulting Group, Inc.

Summary of Value-to-Lien Ratios

Tax Zone #1 Value-to-Lien Ratios

Type of Property ⁽¹⁾	Number of Parcels ⁽²⁾	Total Sq. Ft.	FY 2018-19 Maximum Special Tax	FY 2018-19 Estimated Tax Levy	% of Estimated Tax Levy	FY 2018-19 Assessed Value	Series 2018 Refunding Bonds ⁽³⁾	Value-to-Lien Ratio*
Condominium Units	62	102,810	\$1,595,948	\$543,791	51%	\$106,687,586	\$5,696,161	18.7
Fractional Units	39	66,554	1,377,515	469,364	44%	47,924,229	4,916,541	9.7
Retail	3	5,223	135,130	46,043	4%	11,974,820	482,298	24.8
Total	104	174,587	\$3,108,594	\$1,059,199	100%	\$166,586,635	\$11,095,000	15.0

* Preliminary, subject to change.

(1) Per the Second Amendment to Declaration of Covenants, Conditions, and Restrictions of 690 Market Residence Condominiums dated June 24, 2015, 14 units in Tax Zone #1 that were originally anticipated to be Fractional Units have changed to Condominium Units. Nine of these units had a final building permit inspection prior to June 25, 2015 and had previously been taxed as Fractional Units. Per the Rate and Method, once a maximum special tax has been assigned to a Fractional Unit, the maximum special tax for the assessor's parcel shall not be reduced in any future fiscal year even if the unit is subsequently sold as a Condominium Unit.

(2) As of June 1, 2018, all parcels in Tax Zone #1 have received a final building permit inspection and are considered Developed Property.

(3) Allocated based on the share of the estimated Fiscal Year 2018-19 Special Tax levy.

Source: *City and County of San Francisco Assessor's Office and Goodwin Consulting Group, Inc.*

Summary of Value-to-Lien Ratios

Value-to-Lien	Number of Parcels	FY 2018-19 Estimated Tax Levy	% of Estimated Tax Levy	FY 2018-19 Assessed Value	Debt Lien ⁽¹⁾	Average Value-to- Lien Ratio*
15:1 and above	55	\$523,934	49%	\$117,234,070	\$5,488,152	21.4
10:1 to 15:1	17	173,194	16%	22,846,610	1,814,192	12.6
5:1 to 10:1	27	308,621	29%	23,972,335	3,232,773	7.4
3:1 to 5:1	5	53,450	5%	2,533,620	559,883	4.5
3:1 and below	0	0	0%	0	0	0.0
Total	104	\$1,059,199	100%	\$166,586,635	\$11,095,000	15.0

* Preliminary, subject to change.

(1) Allocated based on the share of the estimated fiscal year 2018-19 special tax levy.

Source: *City and County of San Francisco Assessor's Office and Goodwin Consulting Group, Inc.*

Top District Taxpayers

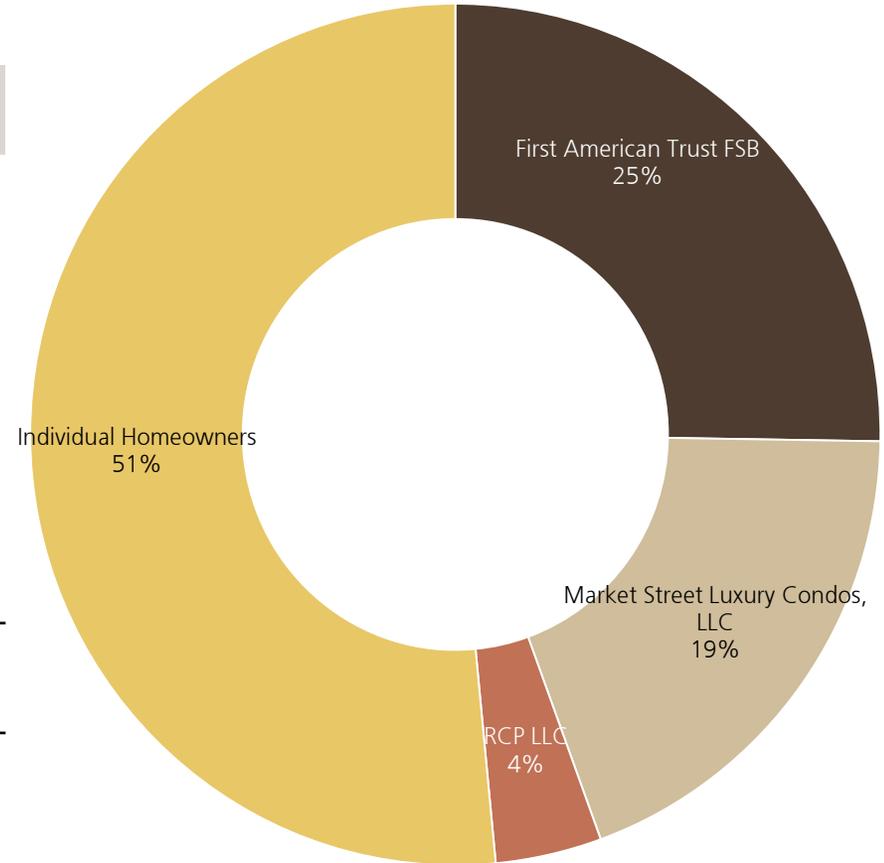
Top Taxpayers

Property Owner ⁽¹⁾	Number of Parcels	FY 2018-19 Estimated Tax Levy	% of Estimated Tax Levy	FY 2018-19 Assessed Value
First American Trust FSB	23	\$269,196	25%	\$33,241,374
Market Street Luxury Condos, LLC	18	201,493	19	16,382,844
RCP LLC	3	46,043	4	11,974,820
Individual Homeowners ⁽²⁾	60	542,465	51	104,987,597
Total	104	\$1,059,199	100%	\$166,586,635

(1) Ownership information as of January 1, 2017.

(2) Includes all other property owners who are responsible for less than 2.0% of the total estimated special tax levy.

Source: City and County of San Francisco Assessor's Office and Goodwin Consulting Group, Inc.



Sample Tax Bill for Condominium Unit in District

Assumptions

Average Assessed Value ⁽¹⁾		\$1,720,768
Homeowner's Exemption		(7,000)
Net Expected Assessed Value		\$1,713,768

Ad Valorem Tax Rate⁽²⁾

	Rate	
Base Tax Rate	1.0000%	\$17,138
Other Ad Valorem Property Taxes	0.1723%	2,953
Total Ad Valorem Taxes	1.1723%	\$20,090

Direct Charges⁽³⁾

SFUSD Facility District		\$36
SFCCD Parcel Tax		79
Apartment Lic. Fee		13
SF-Teacher Support		237
ABAG CFD No. 2004-1 ⁽⁴⁾		8,771
Total Direct Charges		\$9,135

Total Taxes and Direct Charges **\$29,226**

Percentage of Net Assessed Value **1.70%**

(1) Fiscal year 2018-19 average assessed value of a condominium unit subject to the Special Tax levy.

(2) Based on the fiscal year 2017-18 ad valorem tax rate. Ad valorem tax rates are subject to change in future years.

(3) Based on the fiscal year 2017-18 charges identified on the San Francisco County-issued property tax bills. Charges subject to change in future years.

(4) Special Tax based on the average size (1,658 sq ft) of a condominium unit within the CFD.

Source: City and County of San Francisco Tax Collector's Office and Goodwin Consulting Group, Inc.

Estimated Sources and Uses of Funds*

Sources of Funds	Amount
Par Amount	9,905,000.00
Debt Service Reserve Fund Release	1,028,259.81
Total Sources of Funds	10,933,259.81

Uses of Funds	Amount
Cash Deposit	9,605,000.00
Debt Service Reserve Fund	866,582.90
Cost of Issuance	279,050.00
Underwriter's Discount	178,096.75
Additional Proceeds	4,530.16
Total Uses of Funds	10,933,259.81

*Preliminary, subject to change based on market conditions at the time of pricing.

Summary of Refunding Results*

Preliminary Summary of Savings Results

Fiscal Year	Prior Debt Service	Refunding Debt Service	Refunding Expenses	Refunding Net Cash Flow	Savings	PV Savings
2019	\$1,015,025.00	\$865,772.74	\$10,000.00	\$875,772.74	\$139,252.26	\$134,315.24
2020	1,013,625.00	863,590.50	10,000.00	873,590.50	140,034.50	127,334.98
2021	1,016,025.00	862,196.80	10,000.00	872,196.80	143,828.20	123,189.82
2022	1,016,825.00	864,955.16	10,000.00	874,955.16	141,869.84	114,551.81
2023	1,016,025.00	866,582.90	10,000.00	876,582.90	139,442.10	106,145.03
2024	1,013,625.00	862,080.06	10,000.00	872,080.06	141,544.94	101,498.49
2025	1,014,625.00	861,002.06	10,000.00	871,002.06	143,622.94	97,019.03
2026	1,012,812.50	858,753.06	10,000.00	868,753.06	144,059.44	91,681.16
2027	1,013,937.50	860,333.06	10,000.00	870,333.06	143,604.44	86,104.90
2028	1,017,587.50	865,449.30	10,000.00	875,449.30	142,138.20	80,298.38
2029	1,013,350.00	863,809.06	10,000.00	873,809.06	139,540.94	74,275.56
2030	1,016,637.50	864,773.86	10,000.00	874,773.86	141,863.64	71,099.51
2031	1,016,625.00	863,923.96	10,000.00	873,923.96	142,701.04	67,344.24
2032	1,016,343.76	866,259.36	10,000.00	876,259.36	140,084.40	62,253.29
2033	1,017,181.26	866,477.60	10,000.00	876,477.60	140,703.66	58,847.32
2034	1,013,706.26	864,578.70	10,000.00	874,578.70	139,127.56	54,761.77
2035	1,015,918.76	865,562.66	10,000.00	875,562.66	140,356.10	51,966.13
2036	1,012,956.26	859,127.00	10,000.00	869,127.00	143,829.26	50,071.40
2037	1,014,818.76	860,574.20	10,000.00	870,574.20	144,244.56	47,213.33
2038	1,015,643.76	864,299.36	10,000.00	874,299.36	141,344.40	43,486.49
Total	\$20,303,293.82	\$17,270,101.40	\$200,000.00	\$17,470,101.40	\$2,833,192.42	\$1,643,457.88

Preliminary Summary of Refunding Results

Refunded Par	\$9,605,000
Delivery Date	8/30/2018
Arbitrage Yield	6.00%
All-in TIC	6.72%
Gross Savings	\$2,833,192
NPV Savings	\$1,643,458
NPV Savings (%)	15.47%

*Preliminary, subject to change based on market conditions at the time of pricing.

Detailed Projected Debt Service on the 2018 Bonds*

Bond Year Ending September 1	Principal	Interest	Total Debt Service
2019	\$275,000	\$590,773	\$865,772.74
2020	290,000	573,591	863,590.50
2021	305,000	557,197	862,196.80
2022	325,000	539,955	864,955.16
2023	345,000	521,583	866,582.90
2024	360,000	502,080	862,080.06
2025	380,000	481,002	861,002.06
2026	400,000	458,753	858,753.06
2027	425,000	435,333	860,333.06
2028	455,000	410,449	865,449.30
2029	480,000	383,809	863,809.06
2030	510,000	354,774	864,773.86
2031	540,000	323,924	863,923.96
2032	575,000	291,259	866,259.36
2033	610,000	256,478	866,477.60
2034	645,000	219,579	864,578.70
2035	685,000	180,563	865,562.66
2036	720,000	139,127	859,127.00
2037	765,000	95,574	860,574.20
2038	815,000	49,299	864,299.36
Total	\$9,905,000	\$7,365,101	\$17,270,101

*Preliminary, subject to change based on market conditions at the time of pricing.

Credit Summary

Access to Strong San Francisco Economy

- The District benefits from its location within the City and County of San Francisco, a major economic and employment center that enjoys a large, diverse tax base and strong demographics

Low Special Tax Delinquency Levels

- For FY 2016-17, just \$7,169 in special taxes was delinquent, representing approximately 0.68% of the special tax levy
- Under Mellow-Roos Law, if any delinquency occurs in the payment of special taxes, FAN may force a foreclosure on the delinquent property in order to collect the unpaid levy

Assessed Values

- As of June 1, 2018, all parcels in Tax Zone #1 have received a final building permit inspection and are considered Developed Property
- Assessed Values within Tax Zone #1 have grown at a Compound Annual Growth Rate of 7.6% since FY 2007-08
- For FY 2018-19, Tax Zone #1 maintained a value-to-lien ratio of 15.0x

Additional Security

- In addition to Special Tax Revenues derived from the levy of special taxes on certain property within the District, the 2018 Bonds will be further secured by a Debt Service Reserve Fund in the amount of [\$]

Sound Management

- History of strong debt management since the issuance of the 2007 Bonds

Financing Schedule

Event	Date
ABAG FAN Board Meeting	Thursday, August 2 nd *
Mail Preliminary Official Statement	Friday, August 3 rd *
Pricing	Wednesday, August 15 th *
Pre-Closing	Wednesday, August 29 th *
Closing	Thursday, August 30 th *
Redeem 2007 Bonds	Tuesday, September 4 th *

* Preliminary, subject to change.

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ASSOCIATION OF BAY AREA GOVERNMENTS
ABAG Finance Authority for Nonprofit Corporations



ABAG

Date: July 26, 2018
To: ABAG FAN Executive Committee
From: Executive Director
Subject: **ELECTION AND INTENTION TO DISCHARGE BOND AND INDENTURE—
INSURED HEALTH FACILITY REFUNDING REVENUE BONDS (THE WEST
OAKLAND HEALTH COUNCIL) 2003 SERIES A**

The ABAG Finance Authority for Nonprofit Corporations (ABAG FAN) issued its Insured Health Facility Refunding Revenue Bonds (The West Oakland Health Council) 2003 Series A (Bonds) pursuant to the Indenture of July 1, 2003 between U.S. Bank National Association (Trustee) and ABAG FAN. Under the Indenture, the ABAG FAN is required to issue a *Certificate of the Authority's Intention and Election to Discharge the Bonds and Indenture* (Attachment A) upon receiving notice from the bond trustee that the outstanding obligations have retired and the debt obligations are satisfied.

The West Oakland Health Council (Corporation) in a redemption request to the Trustee gave notice of its election to redeem the outstanding Bonds on May 4, 2018 (Attachment B). The Trustee notified ABAG FAN on June 19, 2018 that the Bonds were redeemed on May 4, 2018 (Attachment C) and that the Bonds and the Indenture should be discharged in accordance with Section 10.01 of the Indenture. According to Nixon Peabody, ABAG FAN's Bond Counsel, there are no known outstanding obligations of the Corporation under the Bonds, the Indenture, or the Loan Agreement between the ABAG FAN and the Corporation.

Recommended Action

The ABAG FAN Executive Committee is requested to authorize the Chair of the ABAG FAN Executive Committee to approve the *Certificate of the Authority's Election and Intention to Discharge the Bonds and the Indenture* for Insured Health Facility Refunding Revenue Bonds (The West Oakland Health Council) 2003 Series A.



Steve Heminger

Attachments

- A. Certificate Election and Intention to Discharge
- B. Redemption Request
- C. Trustee's Notice

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
INSURED HEALTH FACILITY REFUNDING REVENUE BONDS
(THE WEST OAKLAND HEALTH COUNCIL)
2003 SERIES A

CERTIFICATE OF THE AUTHORITY’S ELECTION AND
INTENTION TO DISCHARGE THE BONDS AND THE INDENTURE

I, the undersigned Chair of the Executive Committee of the ABAG Finance Authority for Nonprofit Corporations (the “Authority”), hereby certify as follows with respect to the above captioned bonds.

1. Pursuant to the Indenture dated as of July 1, 2003 (the “Indenture”) by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), the Authority issued its Insured Health Facility Refunding Revenue Bonds (The West Oakland Health Council) 2003 Series A (the “Bonds”).
2. Pursuant to a Redemption Request dated April 3, 2018 from The West Oakland Health Council, as borrower of the proceeds of the Bonds (the “Corporation”), to the Trustee, the Corporation notified the Trustee of its election to redeem the outstanding Bonds on May 4, 2018.
3. The Trustee notified the Authority on June 19, 2018 that the Bonds were redeemed on May 4, 2018 and that the Bonds and the Indenture should be discharged in accordance with Section 10.01 of the Indenture.
4. The Authority is not aware of any outstanding obligations of the Corporation under the Bonds, the Indenture or the Loan Agreement dated as of July 1, 2003 between the Authority and the Corporation pursuant to which the proceeds of the sale of the Bonds were loaned by the Authority to the Corporation.
5. By this Certificate the Authority elects and signifies its intention to discharge the Bonds and the Indenture in accordance with Section 10.01 of the Indenture.

Date: August ____, 2018

ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS

By: _____
Chair of the Executive Committee

THE WEST OAKLAND HEALTH COUNCIL

700 Adeline Street, Oakland, CA 94607

Phone: (510) 835-9610



REDEMPTION REQUEST

April 3, 2018

U.S. Bank National Association
Global Corporate Trust Services
One California Street, 10th Floor
San Francisco, CA 94111
Attention: Mr. David Jason, Vice President

Re: ABAG Finance Authority for Nonprofit Corporations Insured Health Facility Refunding Revenue Bonds (The West Oakland Health Council), 2003 Series A

Ladies and Gentlemen:

As trustee (the "2003 Trustee") with respect to the above-referenced bonds (the "2003 Bonds"), you are hereby notified of the election of The West Oakland Health Council (the "Corporation"), to redeem, on May 4, 2018, pursuant to that certain Indenture, dated as of July 1, 2003, by and between the ABAG Finance Authority for Nonprofit Corporations and the 2003 Trustee, all outstanding 2003 Bonds allocable to the Corporation at a price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

On the date hereof, you have received the sum of \$235,852.77, derived from land sale proceeds. Such amount, together with the total amount of \$266,211.11 held by the Trustee in the various funds and accounts relating to the 2003 Bonds, totaling \$502,063.88. Such amount should be applied to the redemption of the 2003 Bonds on May 4, 2018, as follows:

Redemption Date	Principal Redeemed	Accrued Interest	Redemption Premium	Total
5/4/18	\$500,000	\$2,063.88	—	\$502,063.88

You are hereby instructed to provide, no later than April 4, 2018, notice of redemption of the 2003 Bonds to occur on May 4, 2018, substantially in the form attached hereto as Exhibit A.

Please evidence your acknowledgment of this request by signing a copy of this letter and returning it to the undersigned.

THE WEST OAKLAND HEALTH COUNCIL

By Donald E. Usher
Donald E. Usher
Chief Financial Officer

ACKNOWLEDGED AND AGREED:

U.S. BANK NATIONAL ASSOCIATION, as
2003 Trustee

By  _____
David Jason
Vice President

EXHIBIT A

NOTICE OF FULL/FINAL REDEMPTION OF

ABAG Finance Authority for Nonprofit Corporations
Insured Health Facility Refunding Revenue Bonds
(The West Oakland Health Council), 2003 Series A

Issue Date	Maturity Date	Principal Amount	Redemption Premium	Redemption Price (1)	Interest Rate	CUSIP No.
7/22/03	10/1/18	\$160,000	—	\$160,000	4.400%	00037K AQ5
7/22/03	10/1/19	165,000	—	165,000	4.500	00037K AR3
7/22/03	10/1/20	175,000	—	175,000	4.600	00037K AS1

(1) Plus accrued interest

NOTICE is hereby given that the above-captioned bonds (the "Bonds") have been called for redemption on May 4, 2018 (the "Redemption Date"), in the aggregate principal amount of \$500,000, at a price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Redemption Price"). The Bonds are being called for redemption pursuant to the provisions of the governing documents of the Bonds.

On the Redemption Date, the Redemption Price will become due and payable upon each Bond and interest with respect thereto shall cease to accrue from and after the Redemption Date.

Payment of principal will be made upon presentation on and after the Redemption Date, at the following addresses:

U.S. Bank National Association
Global Corporate Trust Services
111 Fillmore Avenue E.
St. Paul, MN 55107

Owners of Bonds presenting their Bonds in person for the same day payment must surrender their Bonds by 1:00 p.m. on the prepayment date and a check will be available for pickup after 2:00 p.m. Checks not picked up by 4:30 p.m. will be mailed to the Bond holder by first class mail.

Interest with respect to the principal amount designated to be redeemed shall cease to accrue on and after the Redemption Date.

If payment of the Redemption Price is to be made to the registered owner of the Bond you are not required to endorse the Bond to collect the Redemption Price.

Under the Economic Growth and Tax Relief Reconciliation Act of 2001 (the "Act") 28% will be withheld if tax identification number is not properly certified. The Form W-9 may be obtained from the Internal Revenue Service.

Neither the Authority nor the Trustee shall be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness as shown in the Redemption Notice. It is included solely for convenience of the Holders.

Dated: April __, 2018

U.S. BANK NATIONAL ASSOCIATION, as
Trustee



NOTICE OF FULL OPTIONAL REDEMPTION

**ABAG Finance Authority For Nonprofit Corporation
Insured Health Facility Refunding Revenue Bonds
(The West Oakland Health Council) 2003 Series A \$2,225,000**

NOTICE IS HEREBY GIVEN pursuant to the terms of the governing document dated as of July 1, 2003, between ABAG Finance Authority For Nonprofit Corporation, as Issuer, and U.S. Bank National Association, as Trustee or Agent, that the bonds listed below have been selected for Full Redemption on May 4, 2018 (the Redemption Date) at the price listed below of the principal amount (the Redemption Price) together with interest accrued to the Redemption Date.

<u>*CUSIP</u>	<u>Maturity</u>	<u>Rate</u>	<u>Amount</u>	<u>Price</u>
00037KAR3	10/01/2018	4.40%	\$160,000	100.00%
00037KAS1	10/01/2019	4.50%	\$165,000	100.00%
00037KAM4	10/01/2020	4.60%	\$175,000	100.00%

Pursuant to the Governing Documents, payment of the Redemption Price on the Bonds called for redemption will be paid without presentation of the Bonds if presentment is not required and upon presentation of the Bonds if presentment is required. If presentment is required, surrender thereof can be made in the following manner:

Delivery Instructions:

**U.S. Bank
Global Corporate Trust Services
111 Fillmore Ave E
St. Paul, MN 55107**

Bondholders presenting their bonds in person for same day payment **must** surrender their bond(s) by 1:00 P.M. CST on the Redemption Date and a check will be available for pick up after 2:00 P.M. CST. Checks not picked up by 4:30 P.M. CST will be mailed out to the bondholder via first class mail. If payment of the Redemption Price is to be made to the registered owner of the Bond, you are not required to endorse the Bond to collect the Redemption Price.

Interest on the principal amount designated to be redeemed shall cease to accrue on and after the Redemption Date.

For a list of redemption requirements please visit our website at www.usbank.com/corporatetrust and click on the "Bondholder Information" link for Redemption instructions. You may also contact our Bondholder Communications team at **1-800-934-6802** Monday through Friday from 8 AM to 6 PM CST.

IMPORTANT NOTICE

Federal law requires the Paying Agent to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit www.irs.gov for additional information on the tax forms and instructions.

**The Undersigned shall not be held responsible for the selection or use of the CUSIP number in this Redemption Notice, nor is any representation made as to its correctness. It is included solely for the convenience of the Holders.*

By: U.S. Bank National Association
As Trustee or Agent

Dated: April 4, 2018

Code:586802@4/2/2018 9:54:59 AM
SR

ASSOCIATION OF BAY AREA GOVERNMENTS
ABAG Finance Authority for Nonprofit Corporations



ABAG

Date: July 26, 2018
To: ABAG FAN Executive Committee
From: Executive Director
Subject: **Adoption of Resolution No. 2018-006—Authority for Chief Financial Officer to Execute Administrative Instruments and take Authorized Actions on behalf of ABAG Finance Authority for Nonprofit Corporations**

The ABAG Finance Authority for Nonprofit Corporations (ABAG FAN) issues bonds on behalf of the borrowers to provide conduit financings. In the course of administering its debt portfolio various administrative instruments are to be executed and delivered on behalf of ABAG FAN and authorized actions taken.

Staff recommends that the Chief Financial Officer of ABAG FAN be designated and authorized to execute administrative instruments and take authorized actions on behalf of ABAG FAN.

Recommended Action

The ABAG FAN Executive Committee is requested to adopt Resolution No. 2018-006— Authority for Chief Financial Officer to Executive Administrative Instruments and take Authorized Action on behalf of ABAG Finance Authority for Nonprofit Corporations.


Steve Heminger

Attachment

Resolution No. 2018-006

**ASSOCIATION OF BAY AREA GOVERNMENTS
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**

**AUTHORITY FOR CHIEF FINANCIAL OFFICER TO EXECUTE ADMINISTRATIVE
INSTRUMENTS AND TAKE AUTHORIZED ACTIONS ON BEHALF OF ABAG
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**

Resolution No. 2018-006

WHEREAS, the ABAG Finance Authority for Nonprofit Corporations (“ABAG FAN”) is a public agency within the meaning of Section 6500 of the California Joint Exercise of Powers Act, consisting of Sections 6500 through 6599.3 of the California Government Code, as amended from time to time (the “Joint Powers Act”), and as such may, pursuant to the Joint Powers Act, issue bonds or obtain other forms of financing; and

WHEREAS, ABAG FAN has previously issued bonds and obtained funding to finance and refinance capital improvements that serve the public interest; and

WHEREAS, in the course of administering its bond and loan portfolios there are various instruments and documents to be executed and delivered on behalf of ABAG FAN that neither materially increase the obligations or liabilities of ABAG FAN nor materially decrease the rights and privileges of ABAG FAN (collectively, the “Administrative Instruments”); and

WHEREAS, many of the ABAG FAN resolutions authorizing the issuance of bonds or other obligations also authorize the officers of ABAG FAN to take actions and execute documents and instruments in furtherance of the purposes of such resolutions (collectively, the “Authorized Actions”); and

WHEREAS, the ABAG FAN Executive Committee has determined that it is

**ASSOCIATION OF BAY AREA GOVERNMENTS
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**

Resolution No. 2018-006

appropriate and in the best interest of ABAG FAN to designate and authorize the Chief Financial Officer of ABAG FAN to execute Administrative Instruments and take Authorized Actions on behalf of ABAG FAN; now, therefore, be it

RESOLVED, that ABAG FAN specifically finds and declares that the statements, findings and determinations set forth in the preambles above are true and correct; and be it further

RESOLVED, that ABAG FAN hereby designates and authorizes the Chief Finance Officer of ABAG FAN as an authorized representative of ABAG FAN and the Chief Financial Officer is hereby authorized and directed, for and in the name and on behalf of ABAG FAN, to execute and deliver any Administrative Instruments and take any Authorized Actions that the Chief Financial Officer determines to be in the best interest of ABAG FAN, the execution of any such instrument or document and the taking of any such action to be conclusive evidence of such determination; and be it further

RESOLVED, that the officers and agents of the ABAG FAN are hereby authorized and directed to take all further actions necessary and convenient to effect the resolutions hereby adopted; and, be it further

**ASSOCIATION OF BAY AREA GOVERNMENTS
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**

Resolution No. 2018-006

RESOLVED, that this Resolution shall take effect from and after its adoption.

ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS

Charles Lomeli
Chair of the Executive Committee

The above resolution was adopted by the ABAG Finance Authority for Nonprofit Corporations Executive Committee at a properly noticed meeting held on August 2, 2018 in San Francisco, California at which a quorum was present and acting throughout.

Frederick Castro
Secretary
ABAG Finance Authority for Nonprofit
Corporations Executive Committee