

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject however, to certain qualifications described in this Official Statement, under existing law, interest on the 2014 Senior Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, interest on the 2014 Senior Bonds is exempt from personal income taxation imposed by the State of California. See "LEGAL MATTERS - Tax Matters."

\$31,805,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
REFUNDING REVENUE BONDS,
SENIOR SERIES 2014-A
(WINDEMERE RANCH INFRASTRUCTURE FINANCING PROGRAM)

Dated: Date of Delivery**Due: September 2 as shown below**

2007 Senior Bonds; 2007 Subordinate Bonds. The ABAG Finance Authority for Nonprofit Corporations (the "Authority") previously issued two series of bonds (i) \$112,545,000 Revenue Bonds, Senior Series 2007-A (Windemere Ranch Infrastructure Financing Program) (the "2007 Senior Bonds") and (ii) \$45,560,000 Revenue Bonds, Subordinate Series 2007-B (Windemere Ranch Infrastructure Financing Program) (the "2007 Subordinate Bonds") pursuant to an Indenture of Trust, dated as of June 1, 2007 (the "2007 Indenture"), between the Authority and MUFG Union Bank, N.A., as trustee (the "Trustee").

2014 Senior Bonds. The captioned bonds (the "2014 Senior Bonds") are being issued by the Authority, pursuant to Article II of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California and the 2007 Indenture, as supplemented by a First Supplemental Indenture of Trust, dated as of August 1, 2014 (the "2007 Indenture" and, as so amended and supplemented, the "Indenture"), to (i) currently refund a portion of the outstanding 2007 Subordinate Bonds, (ii) fund a deposit into a reserve account for the 2007 Senior Bonds and the 2014 Senior Bonds, and (iii) pay the costs of issuing the 2014 Senior Bonds.

The 2014 Senior Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the 2014 Senior Bonds is payable on March 2, 2015 and semiannually thereafter on March 2 and September 2 each year. The 2014 Senior Bonds will be initially issued only in book-entry form and registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the 2014 Senior Bonds. Principal and interest (and premium, if any) on the 2014 Senior Bonds is payable by the Trustee to DTC, which remits such payments to its Participants for subsequent distribution to the registered owners of the 2014 Senior Bonds as shown on the Trustee's books as of the fifteenth day of the calendar month immediately preceding each interest payment date. See "THE 2014 SENIOR BONDS - Book-Entry Only System" and "- General Provisions."

Security for the 2014 Senior Bonds. The 2014 Senior Bonds will be secured under the Indenture on a parity basis with the 2007 Senior Bonds; the 2014 Senior Bonds and the 2007 Senior Bonds are payable from "Revenues" pledged by the Authority pursuant to the Indenture. Revenues consist primarily of debt service paid on the "Local Obligations." The Local Obligations are secured by a pledge of and are payable from, as applicable, (i) reassessments levied in an Assessment District formed by the Association of Bay Area Governments (the "ABAG") and (ii) special taxes levied in a community facilities district formed by the Authority. The 2014 Senior Bonds and the 2007 Senior Bonds are also secured on a parity basis by a first lien on amounts in the Revenue Fund and an exclusive lien on amounts in the Senior Reserve Account.

The unrefunded 2007 Subordinate Bonds (consisting only of the September 2, 2015 maturity) will remain payable from Revenues on a subordinate basis pursuant to the Indenture. The 2007 Subordinate Bonds are also secured by a subordinate lien on amounts in the Revenue Fund and an exclusive lien on amounts in a Subordinate Reserve Account established under the Indenture.

Parity Senior Bonds. The Authority is authorized to issue additional bonds for the purpose of refunding all or a portion of the 2007 Senior Bonds or the 2014 Senior Bonds, and the additional bonds may be secured by a lien on the Revenues and other funds pledged for the payment of the 2007 Senior Bonds and the 2014 Senior Bonds on a parity with the 2007 Senior Bonds and the 2014 Senior Bonds (these additional bonds are referred to as "Parity Senior Bonds" in this Official Statement), subject to satisfaction of certain conditions. The issuance of the 2014 Senior Bonds complies with the conditions for the issuance of Parity Senior Bonds in the 2007 Indenture. The 2007 Senior Bonds, the 2014 Senior Bonds and any Parity Senior Bonds are defined in this Official Statement as "Senior Bonds." The 2007 Subordinate Bonds are defined in this Official Statement as "Subordinate Bonds." See "SECURITY FOR THE 2014 SENIOR BONDS - Parity Senior Bonds."

Redemption Prior to Maturity. The 2014 Senior Bonds are subject to redemption prior to maturity as described in this Official Statement. See "THE 2014 SENIOR BONDS - Redemption."

Risk Factors. The 2014 Senior Bonds may not be appropriate investments for certain individuals. This Official Statement includes a discussion of the risk factors that should be considered in evaluating the investment quality of the 2014 Senior Bonds.

Limited Obligation. The 2014 Senior Bonds are special obligations of the Authority payable solely from and secured solely by a pledge of the Revenues and moneys in certain funds pledged therefor in the Indenture. The 2014 Senior Bonds are not a debt or liability of ABAG, the State of California or any political subdivisions thereof other than the Authority and then only to the limited extent described in this Official Statement, and neither the faith nor the credit of the Authority, ABAG, the State nor any of its political subdivisions are pledged to the payment of principal of, premium, if any, or interest on the 2014 Senior Bonds and neither the Authority, ABAG, the State nor any of its political subdivisions is liable therefor (except the Authority to the limited extent set forth in the Indenture), nor in any event shall the 2014 Senior Bonds or any interest or redemption premium be payable out of any funds or properties other than those pledged pursuant to the Indenture. Neither the 2014 Senior Bonds nor the obligation to make payments under the Local Obligations constitute an indebtedness of the Authority, ABAG, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. Neither the Authority nor ABAG has any taxing power.

Maturity Schedule
(see inside cover)

The 2014 Senior Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Quint & Thimmig LLP, Larkspur, California, as Bond Counsel. Certain legal matters will be passed upon for the Authority and ABAG by Rosales Law Partners LLP, San Francisco, California. Jones Hall, A Professional Law Corporation, San Francisco, California will pass upon certain legal matters for the Underwriter. It is anticipated that the 2014 Senior Bonds in definitive form will be available for delivery to DTC in New York, New York on or about August 28, 2014.

STIFEL

Dated: August 20, 2014.

MATURITY SCHEDULE

(Base CUSIP: †00037C)

Maturity (September 2)	Principal Amount	Interest Rate	Yield	Price	CUSIP †
2016	\$1,445,000	2.000%	0.550%	102.896	VR8
2017	1,480,000	2.000	0.850	103.411	VS6
2018	1,505,000	3.000	1.090	107.476	VT4
2019	1,550,000	4.000	1.440	112.333	VU1
2020	1,615,000	4.000	1.790	112.541	VV9
2021	1,680,000	5.000	2.070	119.029	VW7
2022	1,765,000	5.000	2.340	119.328	VX5
2023	1,860,000	5.000	2.570	119.435	VY3
2024	1,945,000	5.000	2.720	119.863	VZ0
2025	2,040,000	5.000	2.880	118.324 C	WA4
2026	2,145,000	5.000	3.010	117.090 C	WB2
2027	2,250,000	5.000	3.090	116.338 C	WC0
2028	2,365,000	5.000	3.170	115.592 C	WD8
2029	2,480,000	5.000	3.250	114.852 C	WE6
2030	2,225,000	5.000	3.350	113.935 C	WF3
2031	1,000,000	5.000	3.410	113.389 C	WG1
2032	1,045,000	5.000	3.470	112.846 C	WH9
2033	690,000	5.000	3.520	112.396 C	WJ5
2034	720,000	5.000	3.570	111.948 C	WK2

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C: Priced to par call on September 2, 2024.

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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, ABAG or the Underwriter to give any information or to make any representations with respect to the 2014 Senior Bonds or the Local Obligations 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, ABAG 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 2014 Senior Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, ABAG, the Districts (as defined in this Official Statement), any other parties described in this Official Statement, or in the condition of property within the Districts since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2014 Senior 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 2014 Senior Bonds.

Preparation of this Official Statement. The information set forth in this Official Statement under the caption "THE AUTHORITY AND ABAG," "CONTINUING DISCLOSURE - The Authority" and "LEGAL MATTERS - Absence of Material Litigation - The Authority" has been obtained from the Authority and ABAG. All other information set forth in this Official Statement has been obtained from The Depository Trust Company and other sources which are believed to be current and reliable, but the accuracy or completeness of such information is not guaranteed by the Authority, ABAG or the Underwriter. The accuracy or completeness of any information other than that contained under the captions "THE AUTHORITY AND ABAG," "CONTINUING DISCLOSURE - The Authority" and "LEGAL MATTERS - Absence of Material Litigation - The Authority and ABAG" is not guaranteed by, and is not to be construed as a representation by, the Authority or ABAG.

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 2014 Senior 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 2014 Senior Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the 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 2014 Senior 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.

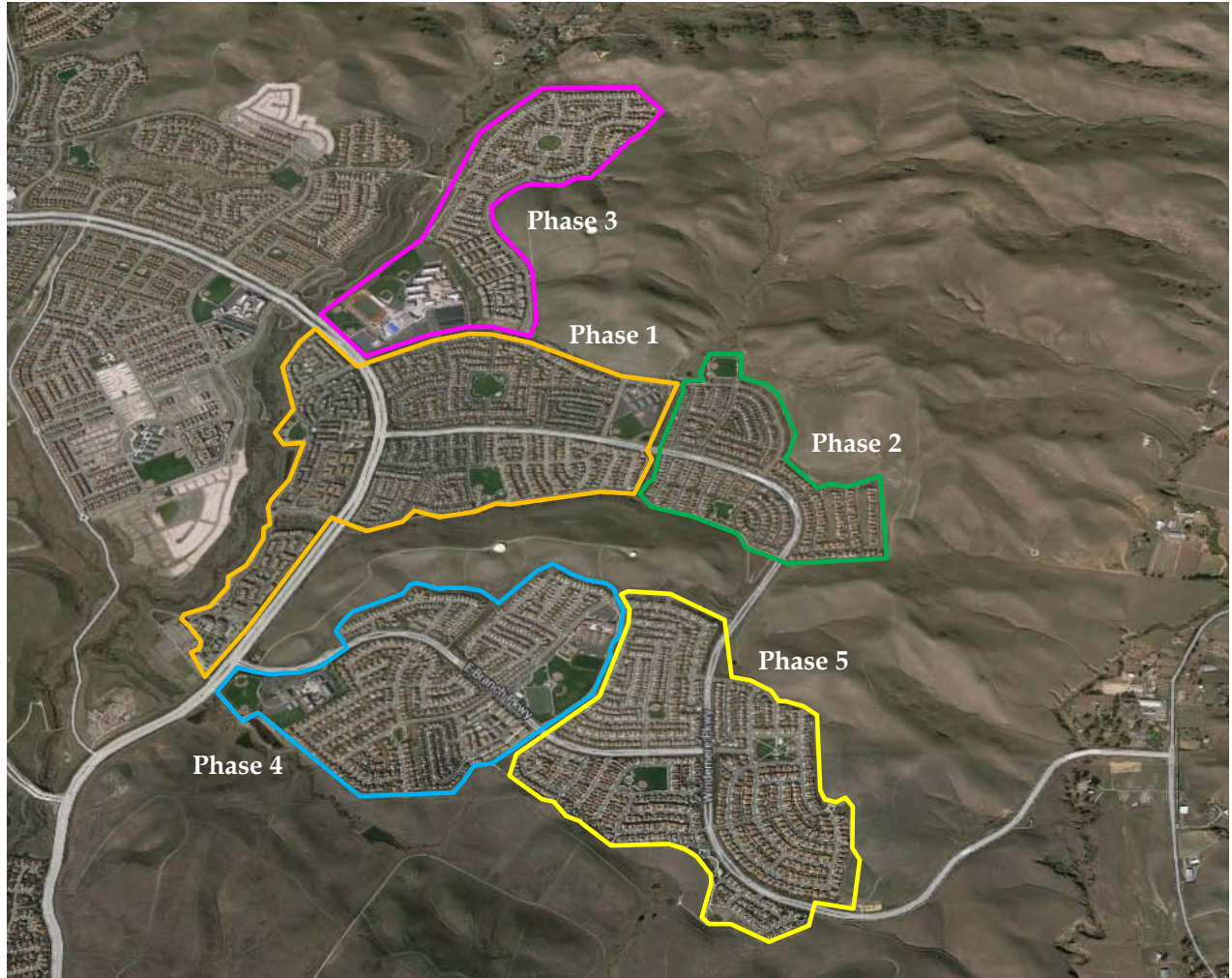
Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 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 AND ABAG DO 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.



LOCATION MAP

WINDEMERE RANCH AERIAL OVERVIEW



OFFICIAL STATEMENT

\$31,805,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
REFUNDING REVENUE BONDS,
SENIOR SERIES 2014-A
(WINDEMERE RANCH INFRASTRUCTURE FINANCING PROGRAM)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices (the “**Official Statement**”), is to provide certain information concerning the sale and issuance of the captioned bonds (the “**2014 Senior Bonds**”) by the ABAG Finance Authority for Nonprofit Corporations (the “**Authority**”).

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the 2014 Senior Bonds to potential investors is made only by means of the entire Official Statement.

Financing Purpose

Outstanding 2007 Bonds. The Authority previously issued the following bonds (collectively, the “**2007 Bonds**”) pursuant to an Indenture of Trust, dated as of June 1, 2007 (the “**2007 Indenture**”), by and between the Authority and MUFG Union Bank of California, N.A., as trustee (the “**Trustee**”):

2007 Senior Bonds: ABAG Finance Authority for Nonprofit Corporations Revenue Bonds, Senior Series 2007-A (Windemere Ranch Infrastructure Financing Program), which are currently outstanding in the principal amount of \$93,235,000; and

2007 Subordinate Bonds: ABAG Finance Authority for Nonprofit Corporations Revenue Bonds, Subordinate Series 2007-B (Windemere Ranch Infrastructure Financing Program), which are currently outstanding in the principal amount of \$37,785,000.

Purpose of the 2014 Senior Bonds. The 2014 Senior Bonds are being issued by the Authority pursuant to the 2007 Indenture, as amended and supplemented by a First Supplemental Indenture of Trust, dated as of August 1, 2014 (the “**First Supplement to Indenture**” and, together with the 2007 Indenture, the “**Indenture**”) to currently refund a portion of the outstanding 2007 Subordinate Bonds (see “THE REFUNDING PLAN”). The unrefunded 2007 Subordinate Bonds (consisting only of the September 2, 2015 maturity in the outstanding principal amount of \$1,415,000) are payable from Revenues on a subordinate basis pursuant to the Indenture and will be secured by a subordinate lien on amounts in the Revenue Fund and by amounts in a Subordinate Reserve Account established under the Indenture.

The Local Obligations. The Authority issued the 2007 Bonds to finance the acquisition of the following series of “**Reassessment Bonds**” and the following two series of “**Special Tax Bonds**,” which are collectively referred to as the “**Local Obligations**” in this Official Statement:

Reassessment Bonds: the \$104,520,000 initial principal amount Limited Obligation Improvement Refunding Bonds, Series 2007-A, Association of Bay Area Governments Windemere Ranch Reassessment District. The Reassessment Bonds were issued in 2007 by the Association of Bay Area Governments (“**ABAG**”) for the Association of Bay Area Governments Windemere Ranch Reassessment District (the “**Assessment District**”) to defease three outstanding series of assessment bonds relating to ABAG’s Windemere Ranch Assessment District No. 1999-1. The Reassessment Bonds are currently outstanding in the principal amount of \$86,546,522.

Special Tax Bonds: In 2007, the Authority issued two series of bonds for its Community Facilities District No. 2004-2 (Windemere Ranch) (the “**Community Facilities District**”), which are collectively referred to in this Official Statement as the “**Special Tax Bonds**”:

- ***Special Tax New Money Bonds:*** \$15,000,000 initial principal amount ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch) Special Tax Bonds, Series 2007B (the “**Special Tax New Money Bonds**”), which were issued by the Authority on behalf of the Community Facilities District for the purpose of financing acquisition and construction of certain public capital improvements.
- ***Special Tax Refunding Bonds:*** \$30,235,000 initial principal amount ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch) Special Tax Refunding Bonds, Series 2007A (the “**Special Tax Refunding Bonds**”), which were issued by the Authority on behalf of the Community Facilities District for the purpose of refunding an outstanding series of bonds issued by the Authority for the Community Facilities District.

The Special Tax Bonds are currently outstanding in the principal amount of \$39,203,864.

The Districts. The Community Facilities District and the Assessment District are collectively referred to in this Official Statement as the “**Districts**.”

The Senior Bonds and the Subordinate Bonds

2014 Senior Bonds; 2007 Senior Bonds. The 2014 Senior Bonds are payable from “**Revenues**”, as more completely defined below, generally consisting of revenues received by the Trustee as the result of the payment of debt service on the Local Obligations and amounts held in the funds and accounts established and held for the benefit of the 2007 Senior Bonds and the 2014 Senior Bonds under the Indenture. The 2007 Senior Bonds and the 2014 Senior Bonds are also secured by a first lien on amounts in the Revenue Fund and an exclusive lien on amounts in the Senior Reserve Account. The 2014 Senior Bonds are payable on a parity basis with the 2007 Senior Bonds.

The Authority is authorized to issue additional bonds secured by a lien on the Revenues and other funds pledged for the payment of the 2014 Senior Bonds on a parity with the 2014 Senior Bonds and the 2007 Senior Bonds (these additional bonds are referred to as “**Parity Senior Bonds**” in this Official Statement) (see “SECURITY FOR THE 2014 SENIOR BONDS – Parity Senior Bonds”). The 2014 Senior Bonds, the 2007 Senior Bonds and any Parity Senior Bonds are collectively defined in this Official Statement as “**Senior Bonds**.”

2007 Subordinate Bonds. The 2014 Senior Bonds are being issued to refund a portion of the 2007 Subordinate Bonds. Following issuance of the 2014 Senior Bonds, the only 2007 Subordinate Bonds that will remain outstanding mature on September 2, 2015 and are outstanding in the principal amount of \$1,415,000.

The 2007 Subordinate Bonds are payable from Revenues on a subordinate basis to the Senior Bonds. The 2007 Subordinate Bonds are also secured by a subordinate lien on amounts in the Revenue Fund and an exclusive lien on amounts in a Subordinate Reserve Account.

Bonds. Together, the Senior Bonds and the 2007 Subordinate Bonds are referred to in this Official Statement as the “**Bonds**.”

Legal Authority

The 2014 Senior Bonds. The 2014 Senior Bonds are being issued under Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “**Act**”) and the Indenture.

The Reassessment Bonds. The Reassessment Bonds were issued pursuant to proceedings under the Refunding Act of 1984 for 1915 Improvement Act Bonds, being Division 11.5 of the Streets and Highways Code of the State of California (the “**Reassessment Act**”), and a Fiscal Agent Agreement dated as of June 1, 2007 (the “**Reassessment Fiscal Agent Agreement**”), by and between ABAG and MUFG Union Bank of California, N.A., as fiscal agent (the “**Fiscal Agent**”). The Reassessment Fiscal Agent Agreement is being amended in connection with the issuance of the 2014 Senior Bonds.

The Special Tax Bonds. The Special Tax Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the “**Mello-Roos Act**”), and a Fiscal Agent Agreement, dated as of June 1, 2007 (the “**CFD Fiscal Agent Agreement**”), by and between the Community Facilities District and MUFG Union Bank of California, N.A., as fiscal agent. The CFD Fiscal Agent Agreement is also being amended in connection with the issuance of the 2014 Senior Bonds.

Sources of Payment for the 2014 Senior Bonds and the Local Obligations

Senior Bonds. The 2014 Senior Bonds and the 2007 Senior Bonds (and any Parity Senior Bonds) are secured by a first lien on and pledge of all of the Revenues. “**Revenues**” are defined in the Indenture to include:

- (a) all payments on the Local Obligations received by the Trustee;
- (b) any proceeds of the Senior Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and

accounts established under the Indenture with respect to the Senior Bonds (other than the Reserve Fund (including the Senior Reserve Account and the Subordinate Reserve Account), the Rebate Fund and the Surplus Fund); and

- (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture with respect to the Senior Bonds (other than investment income on moneys held in the Reserve Fund (including the Senior Reserve Account and the Subordinate Reserve Account), the Rebate Fund or the Surplus Fund).

Reassessment Bonds. The Reassessment Bonds are payable from reassessments (“**Reassessments**”) levied in the Assessment District and all moneys in the Redemption Fund established under the Reassessment Fiscal Agent Agreement. The Assessment District is comprised of parcels (the “**Reassessment Parcels**”) in the Assessment District. The Reassessment Bond Fiscal Agreement is being amended in connection with the issuance of the 2014 Senior Bonds to provide for payment of the debt service on the Reassessment Bonds with respect to the September 2, 2014 interest payment date on or before the date of Issuance of the 2014 Senior Bonds.

Special Tax Bonds. The Special Tax Bonds are payable from Special Tax Revenues collected in the Community Facilities District as a result of the levy of Special Taxes on parcels in the Community Facilities District and all moneys deposited in the Bond Fund and the Special Tax Fund established under the CFD Fiscal Agent Agreement. The CFD Fiscal Agreement is being amended in connection with the issuance of the 2014 Senior Bonds to provide for payment of the debt service on the Special Tax Bonds with respect to the September 2, 2014 interest payment date on or before the date of Issuance of the 2014 Senior Bonds.

Although the Local Obligations are not cross-collateralized, i.e., Reassessments cannot be used to pay debt service on the Special Tax Bonds and Special Tax Revenues cannot be used to pay debt service on the Reassessment Bonds, the scheduled aggregate debt service on the Local Obligations exceeds the scheduled aggregate debt service on the Bonds. As a result, in the event of delinquencies in the payment of Reassessments and/or Special Taxes and a resulting failure to pay in full the debt service on one or more of the Local Obligations, there may still be sufficient Revenues available to pay debt service on the 2014 Senior Bonds.

Description of the 2014 Senior Bonds

Payments. Interest on the 2014 Senior Bonds is payable on March 2, 2015, and semiannually thereafter on March 2 and September 2 each year by check or wire transfer of the Trustee, as provided in the Indenture. Principal of and premium, if any, on the 2014 Senior Bonds is payable by the Trustee. See “THE 2014 SENIOR BONDS - General Provisions” and “-Book-Entry Only System.”

Denominations. The 2014 Senior Bonds will be issued in denominations of \$5,000 each or integral multiples thereof.

Redemption. The 2014 Senior Bonds are subject to redemption prior to their maturity. See “THE 2014 SENIOR BONDS – Redemption.”

Registration, transfers and exchanges. The 2014 Senior Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the 2014 Senior Bonds (the “Beneficial Owners”) under the book-entry system maintained by DTC. See “THE 2014 SENIOR BONDS – Payment, Registration, Transfer and Exchange of Bonds” and “- Book-Entry Only System.”

The Authority and ABAG

The Authority is issuing the 2014 Senior Bonds and issued the Special Tax Bonds. ABAG issued the Reassessment Bonds. See “THE AUTHORITY AND ABAG.”

The Districts

The Assessment District was originally composed of the 2,320 gross acres of the Windemere Ranch master development within the Dougherty Valley Specific Plan area. The Community Facilities District was originally formed to include 1,951 gross acres within the Assessment District and does not include Phase 1 of the Windemere Ranch project.¹

The development of the property within the Assessment District and the Community Facilities District is substantially completed primarily with single-family residences. See Table 4 for a description of the development status.

Professionals Involved in the Offering

The proceedings in connection with the issuance of the 2014 Senior Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, Larkspur, California, Bond Counsel. Rosales Law Partners LLP, San Francisco, California, will render legal opinions on certain matters for the Authority and ABAG. NBS Local Government Solutions acted as Reassessment Engineer to ABAG and has acted and is acting as Special Tax Consultant to the Authority. MUFG Union Bank, N.A., Los Angeles, California, will act as the Trustee/Escrow Agent and acts as Fiscal Agent for the Local Obligations. Stifel, Nicolaus & Company, Incorporated is acting as underwriter in connection with the issuance and delivery of the 2014 Senior Bonds. Jones Hall, A Professional Law Corporation is acting as Underwriters’ Counsel. Causey Demgen & Moore Inc., Denver, Colorado, will provide verification services with respect to the sufficiency of moneys and securities deposited into the Escrow Fund to pay, when due, the redemption price of the 2007 Subordinate Bonds to be redeemed with proceeds of the 2014 Senior Bonds and certain other funds (as defined in “THE REFUNDING PLAN” below).

Payment of the fees and expenses of Bond Counsel, the Underwriter and Underwriter's Counsel is contingent upon issuance of the 2014 Senior Bonds.

Continuing Disclosure

Continuing Disclosure by the Authority. The Authority, for and on behalf of the Community Facilities District and ABAG, will covenant in a continuing disclosure certificate, the form of which is set forth in “APPENDIX E – Form of Issuer Continuing Disclosure Certificate” (the “**Issuer Continuing Disclosure Certificate**”), for the benefit of holders and beneficial

¹ The gross acreage figures used in this paragraph do not reflect the acreage of the Reassessment Parcels or of Taxable Property in the Community Facilities District.

owners of the 2014 Senior Bonds, to provide certain financial information and operating data relating to the Community Facilities District, the Assessment District and the 2014 Senior Bonds (the “**Issuer 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 Issuer Continuing Disclosure Certificate also requires the Authority to provide notices of the occurrence of certain enumerated events.

The covenants of the Authority in the Issuer Continuing Disclosure Certificate are being made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”).

A default under the Issuer Continuing Disclosure Certificate would not constitute an Event of Default under the Indenture, and the sole remedy under the Issuer Continuing Disclosure Certificate in the event of any failure of the Authority or the Dissemination Agent to comply would be an action to compel specific performance.

Compliance by the Authority and ABAG in the Past 5 Years. The Authority and ABAG were responsible pursuant to continuing disclosure undertakings under the Rule to provide annual reports and notice of enumerated events with respect to more than 10 bond issues during the past five years. During that time, both the Authority and ABAG failed, on certain occasions, to comply in all material respects with these undertakings. With respect to the 2007 Bonds, the Authority and ABAG substantially complied with their obligations to provide updated financial and operating data during the past five years; although the Authority failed on a number of occasions to file its audited financial statements on a timely basis, the Authority believes that the Authority’s audits did not include information material to owners of the 2007 Bonds.

More specifically, during the last five years:

(i) A total of 36 annual reports required to be filed from 2009 through 2013 did not include certain information required to be included in those reports, and 13 were not filed on a timely basis and notices of late filings were not made.

(ii) Notices of changes to the ratings of outstanding bonds as a result of the downgrades of bond insurance companies that insured five of the bond issues were not filed on a timely basis or at all, and notices of changes to the underlying ratings on four of the bond issues were not filed on a timely basis or at all.

(iii) Notices regarding the partial redemption of two bond issues were not filed on a timely basis.

The Authority and ABAG are in the process of establishing procedures to ensure that they will comply in all material respects with their continuing disclosure undertakings in the future.

With respect to the Issuer Continuing Disclosure Certificate to be executed by the Authority in connection with the issuance of the 2014 Senior Bonds, the Authority has retained NBS Government Finance as dissemination agent. NBS Government Finance has been the dissemination agent for the 2007 Bonds since 2007.

No Continuing Disclosure by Property Owners. In connection with issuance of the 2007 Bonds, the master developer of the property in the Districts undertook the obligation to provide continuing disclosure until the date on which all property within the Districts owned by the master developer and its affiliates was responsible for less than 10% of the total Special Taxes and Reassessments levied in the Districts. As a result of development activity in the Districts, the master developer is no longer obligated to provide continuing disclosure.

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THE REFUNDING PLAN

Purpose of Issue and the Refunding Plan

General. The Authority is issuing the 2014 Senior Bonds to legally defease and refund a portion of the outstanding 2007 Subordinate Bonds (the “**Refunded 2007 Subordinate Bonds**”). Following issuance of the 2014 Senior Bonds and the defeasance of the Refunded 2007 Subordinate Bonds, the 2007 Subordinate Bonds that mature on September 2, 2015 will remain outstanding in the principal amount of \$1,415,000 (the “**Remaining 2007 Subordinate Bonds**”)

Escrow Agreement; Escrow Fund. A portion of the proceeds of the sale of the 2014 Senior Bonds, together with certain funds held by the Trustee with respect to the 2007 Subordinate Bonds (see “Estimated Sources and Uses of Funds” below), will be irrevocably deposited in an escrow fund (the “**Escrow Fund**”) held by MUFG Union Bank, N.A., as escrow bank (the “**Escrow Bank**”) pursuant to an Escrow Agreement, dated as of August 1, 2014, between the Authority and the Escrow Bank, and applied to defease and refund the Refunded 2007 Subordinate Bonds.

Amounts in the Escrow Fund will be held by the Escrow Bank, uninvested, and will be used to refund the Refunded 2007 Subordinate Bonds on September 2, 2014, at a redemption price of 103% of the principal amount thereof plus accrued interest to the redemption date. Upon such irrevocable deposit with the Escrow Bank and in accordance with the Escrow Agreement, the Refunded 2007 Subordinate Bonds will be legally defeased and will no longer be entitled to the benefits of, or be secured by, the Indenture or any pledge of, or lien on Revenues or any amounts held in any fund or account held under the Indenture.

Amounts deposited in the Escrow Fund are not in any way available to pay debt service on the 2014 Senior Bonds.

See “MISCELLANEOUS – Verification of Mathematical Accuracy” below.

Estimated Sources and Uses of Funds

The anticipated sources and uses of funds relating to the 2014 Senior Bonds are as follows:

<u>Sources:</u>	<u>Amount</u>
Principal Amount of the 2014 Senior Bonds	\$31,805,000.00
Plus: Original Issue Premium	4,602,013.15
Plus: Other Sources of Funds (1)	5,421,852.19
Less: Underwriter's Discount	<u>(291,301.85)</u>
Total Sources	\$41,537,563.49
<u>Uses:</u>	
Deposit to Escrow Fund (2)	38,264,152.50
Costs of Issuance (3)	383,926.31
Deposit to Senior Reserve Account (4)	<u>2,889,484.68</u>
Total Uses	\$41,537,563.49

- (1) Represents transfer from the Subordinate Reserve Fund and debt service fund on hand for the September 2, 2014 payment on the Refunded 2007 Subordinate Bonds.
- (2) See "Purpose of Issue and the Refunding Plan" above.
- (3) Represents amounts used to pay Trustee fees, Bond Counsel fees, printing costs, rating agency fees and other related costs of issuing the 2014 Senior Bonds.
- (4) On the date of issuance of the 2014 Senior Bonds, a portion of the proceeds of the 2014 Senior Bonds will be deposited into separate sub-accounts in the Senior Reserve Account. See "SECURITY FOR THE 2014 SENIOR BONDS – Reserve Accounts."

THE 2014 SENIOR BONDS

General Provisions

The 2014 Senior Bonds will be dated their date of delivery, and Bonds will be issued in the aggregate principal amounts set forth on the inside cover page of this Official Statement. The 2014 Senior Bonds will bear interest from their dated date at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 2 and September 2, commencing March 2, 2015 (each, an "**Interest Payment Date**"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The 2014 Senior Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof.

Interest on the 2014 Senior Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Register as the Owner as of the Record Date immediately preceding each Interest Payment Date. The interest will be paid by check of the Trustee mailed on the Interest Payment Date by first-class mail, postage prepaid, to the Owner at the address shown on the Bond Register or by wire transfer to an account in the continental United States of America made on the Interest Payment Date upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds provided to the Trustee in writing at least 5 Business Days before the Record Date for the Interest Payment Date; with any such written instructions to remain in effect until rescinded in writing by the applicable Owner.

Principal of and premium (if any) on any Bond will be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Trust Office of the Trustee.

Each Bond will bear interest from the Interest Payment Date next preceding the date of its authentication, unless (a) it is authenticated after a Record Date occurring on or after February 15, 2015 and on or before the following Interest Payment Date, in which event it will bear interest from the Interest Payment Date; or (b) it is authenticated on or before February 15, 2015, in which event it will bear interest from the its dated date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, the Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon, or from the Bond's dated date if no interest has been paid or made available for payment.

Redemption

Optional Redemption. The 2014 Senior Bonds maturing on or after September 2, 2025, may be redeemed at the option of the Authority, from any source of available funds, on any date on or after September 2, 2024 as a whole, or in part among maturities as selected by the Authority (provided that the scheduled principal and interest on the 2014 Senior Bonds to remain Outstanding due on any Interest Payment Date following such redemption are not in excess of the remaining scheduled principal and interest payable on or before such Interest Payment Date on the Local Obligations to remain outstanding following the payment of any Local Obligations being redeemed, if any redemption of Local Obligations is being accomplished in conjunction with such optional redemption), and by lot within a maturity, at a redemption price equal to the principal amount of the 2014 Senior Bonds to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

General Limitation on Optional Redemption. Prior to consenting to any refunding of any Local Obligation, the Authority will deliver to the Trustee a certificate of an Independent Financial Consultant verifying that, following such refunding of the Local Obligation and redemption of Bonds, the scheduled principal and interest on the remaining Local Obligations is adequate in time and amount to make the timely payment of the scheduled principal and interest due on the 2014 Senior Bonds, the 2007 Senior Bonds and any 2007 Subordinate Bonds that will remain Outstanding following such optional redemption.

Special Mandatory Redemption. The 2014 Senior Bonds are subject to mandatory redemption on any Interest Payment Date from proceeds of early redemption of Local Obligations arising from prepayments of Reassessments or Special Taxes, in whole, or in part among maturities as selected by the Authority in the manner provided in the Indenture and by lot within a maturity, at a redemption price equal to the principal amount thereof to be redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest to the date of redemption thereof:

<u>Redemption Date</u>	<u>Redemption Premium</u>
Any Interest Payment Date from March 2, 2015 to and including March 2, 2022	3%
September 2, 2022 and March 2, 2023	2
September 2, 2023 and March 1, 2024	1
September 2, 2024 and any Interest Payment Date thereafter	0

Purchase In Lieu of Redemption. In lieu of redemption of the 2014 Senior Bonds, amounts held by the Trustee for such redemption will, at the written request of the Authority received by the Trustee prior to the selection of the 2014 Senior Bonds for redemption, be applied by the Trustee to the purchase of the 2014 Senior Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the Authority may in its discretion direct, but not to exceed the redemption price which would be payable if such the 2014 Senior Bonds were redeemed.

Notice of Redemption. The Trustee, on behalf and at the expense of the Authority, will send notice of any redemption to the respective Owners of any 2014 Senior Bonds designated for redemption at their respective addresses appearing on the Bond Register, and to the Securities Depositories and to the Information Services, at least 30 but not more than 60 days prior to the date fixed for redemption. Neither failure to receive any such notice so sent nor any defect therein will affect the validity of the proceedings for the redemption of such 2014 Senior Bonds or the cessation of the accrual of interest thereon.

The redemption notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Bond numbers, the series and the maturity or maturities (in the event of redemption of less than all of the 2014 Senior Bonds) of the 2014 Senior Bonds to be redeemed, and will require that such 2014 Senior Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2014 Senior Bonds will not accrue after the redemption date.

Notwithstanding the foregoing, in the case of an “Optional Redemption” of the 2014 Senior Bonds or a “Mandatory Redemption” of the 2014 Senior Bonds as described above, the notice of redemption may state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the 2014 Senior Bonds on the anticipated redemption date, and that the redemption will not occur if by no later than the scheduled redemption date sufficient moneys to redeem the 2014 Senior Bonds have not been deposited with the Trustee. In such event, if the the Trustee does not receive sufficient funds by the scheduled redemption date to redeem the 2014 Senior Bonds, the Trustee will send written notice to the owners of the 2014 Senior 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 2014 Senior Bonds for which notice of optional redemption was given will remain Outstanding for all purposes of the Indenture.

Selection of 2014 Senior Bonds of a Maturity for Redemption. For purposes of the selection by the Authority of Bonds among series and maturities for redemption pursuant to a “Mandatory Redemption”, the 2014 Senior Bonds will be selected for redemption by the Authority (evidenced pursuant to a certificate of an Independent Financial Consultant) to the extent practicable pro rata among the 2014 Senior Bonds, the 2007 Senior Bonds and any Parity Senior Bonds (based upon the principal amounts of such respective series then outstanding), and otherwise among maturities within a series such that, in any event, the remaining scheduled payments of principal and interest on the Local Obligations will be sufficient in time and amount to pay the scheduled debt service on the Bonds which remain Outstanding following such redemption.

Unless otherwise provided in the Indenture, whenever provision is made in the Indenture for the redemption of less than all of the 2014 Senior Bonds of a maturity, the Trustee will select the 2014 Senior Bonds to be redeemed from all 2014 Senior Bonds of such maturity not

previously called for redemption by lot in any manner which the Trustee in its sole discretion deems appropriate and fair. For purposes of such selection, all 2014 Senior Bonds will be deemed to be comprised of separate \$5,000 authorized denominations, and such separate authorized denominations shall be treated as separate Bonds which may be separately redeemed.

Partial Redemption of 2014 Senior Bonds. In the event only a portion of any 2014 Senior Bond is called for redemption, then upon surrender of such 2014 Senior Bond the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2014 Senior Bond or 2014 Senior Bonds of the same maturity date and series, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2014 Senior Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the 2014 Senior Bonds so called for redemption have been duly provided, such 2014 Senior Bonds so called 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 from and after the redemption date specified in such notice.

Payment, Registration, Transfer and Exchange of Bonds

Book-Entry Only System. The 2014 Senior Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the 2014 Senior Bonds (the “**Beneficial Owners**”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in this Official Statement) as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the 2014 Senior Bonds. See “THE 2014 SENIOR BONDS – Book-Entry Only System.”

No Book-Entry Only System. In the event that the book-entry-only system is no longer used with respect to the 2014 Senior Bonds, the 2014 Senior Bonds will be registered and transferred in accordance with the Indenture. See “THE 2014 SENIOR BONDS – Book-Entry Only System – Discontinuance of DTC Service.”

Book-Entry Only System

While the 2014 Senior Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a 2014 Senior Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the 2014 Senior Bonds, as described in “APPENDIX G— DTC and the Book-Entry-Only System” in this Official Statement. The Authority gives no assurance that DTC or the DTC Participants will distribute payments or notices to Beneficial Owners.

Estimated Debt Service Schedules for the Senior Bonds

The following table presents the debt service schedule for the 2007 Senior Bonds and the 2014 Senior Bonds, assuming none of the 2007 Senior Bonds or the 2014 Senior Bonds are redeemed prior to maturity.

TABLE 1
Debt Service Schedules
for the 2007 Senior Bonds and 2014 Senior Bonds

2007 Senior Bonds⁽¹⁾				2014 Senior Refunding Bonds⁽²⁾			
Year Ending September 2	Principal	Interest	Total	Principal	Interest	Total	Grand Total
2015	\$3,495,000	\$4,376,968	\$7,871,968	--	\$1,456,758	\$1,456,758	\$9,328,726
2016	3,650,000	4,219,693	7,869,693	\$1,445,000	1,440,750	2,885,750	10,755,443
2017	3,815,000	4,055,443	7,870,443	1,480,000	1,411,850	2,891,850	10,762,293
2018	3,975,000	3,895,213	7,870,213	1,505,000	1,382,250	2,887,250	10,757,463
2019	4,155,000	3,716,338	7,871,338	1,550,000	1,337,100	2,887,100	10,758,438
2020	4,360,000	3,508,588	7,868,588	1,615,000	1,275,100	2,890,100	10,758,688
2021	4,580,000	3,290,588	7,870,588	1,680,000	1,210,500	2,890,500	10,761,088
2022	4,805,000	3,061,588	7,866,588	1,765,000	1,126,500	2,891,500	10,758,088
2023	5,040,000	2,821,338	7,861,338	1,860,000	1,038,250	2,898,250	10,759,588
2024	5,300,000	2,569,338	7,869,338	1,945,000	945,250	2,890,250	10,759,588
2025	5,565,000	2,304,338	7,869,338	2,040,000	848,000	2,888,000	10,757,338
2026	5,845,000	2,026,088	7,871,088	2,145,000	746,000	2,891,000	10,762,088
2027	6,135,000	1,733,838	7,868,838	2,250,000	638,750	2,888,750	10,757,588
2028	6,440,000	1,427,088	7,867,088	2,365,000	526,250	2,891,250	10,758,338
2029	6,765,000	1,105,088	7,870,088	2,480,000	408,000	2,888,000	10,758,088
2030	6,060,000	766,838	6,826,838	2,225,000	284,000	2,509,000	9,335,838
2031	2,790,000	463,838	3,253,838	1,000,000	172,750	1,172,750	4,426,588
2032	2,920,000	331,313	3,251,313	1,045,000	122,750	1,167,750	4,419,063
2033	1,980,000	192,613	2,172,613	690,000	70,500	760,500	2,933,113
2034	2,075,000	98,563	2,173,563	720,000	36,000	756,000	2,929,563
Total:	\$89,750,000	\$45,964,690	\$135,714,690	\$31,805,000	\$16,477,308	\$48,282,308	\$183,997,008

(1) Reflects amounts outstanding as of September 3, 2014.

(2) At the time the 2014 Senior Bonds are issued, the Remaining 2007 Subordinate Bonds will remain outstanding with a total debt service payment of \$1,479,383, payable from Revenues on a subordinate basis to the payment of the Senior Bonds pursuant to the Indenture.

Source: Stifel, Nicolaus & Co., Inc.

Debt Service Coverage

The following tables set forth (i) the scheduled debt service on the Local Obligations and total Revenues and (ii) debt service coverage provided by the Revenues on the 2014 Senior Bonds and the the 2007 Senior Bonds.

Although the Local Obligations are not cross-collateralized, i.e., Reassessments cannot be used to pay debt service on the Special Tax Bonds and Special Tax Revenues cannot be used to pay debt service on the Reassessment Bonds, the scheduled aggregate debt service on the Local Obligations exceeds the scheduled aggregate debt service on the 2014 Senior Bonds, the 2007 Senior Bonds and the Remaining 2007 Subordinate Bonds, which means, in the event of delinquencies in the payment of Reassessments and/or Special Taxes and a resulting failure to pay in full the debt service on one or more of the Local Obligations, there may still be sufficient Revenues available to pay debt service on the 2014 Senior Bonds.

The following table summarizes the scheduled debt service payments on Local Obligations:

TABLE 2
Summary of Revenues for Local Obligations

Year Ending September 2	Reassessment Bonds Debt Service	Reassessment Bonds Debt Service as % of Revenues	Special Tax Bonds Debt Service	Special Tax Bonds Debt Service as % of Revenues	Total Revenues (Local Obligations Debt Service)
2015	\$8,090,363	73%	\$3,029,678	27%	\$11,120,041
2016	8,084,545	73	3,026,433	27	11,110,978
2017	8,087,608	73	3,025,592	27	11,113,200
2018	8,091,142	73	3,029,877	27	11,121,018
2019	8,086,330	73	3,028,446	27	11,114,776
2020	8,083,710	73	3,029,143	27	11,112,853
2021	8,085,903	73	3,025,410	27	11,111,313
2022	8,085,999	73	3,028,147	27	11,114,147
2023	8,080,413	73	3,026,903	27	11,107,317
2024	8,083,078	73	3,026,654	27	11,109,733
2025	8,082,901	73	3,027,152	27	11,110,053
2026	8,083,837	73	3,028,147	27	11,111,985
2027	8,083,892	73	3,029,392	27	11,113,283
2028	8,082,724	73	3,025,659	27	11,108,383
2029	8,088,849	73	3,026,903	27	11,115,752
2030	6,608,210	69	3,027,650	31	9,635,859
2031	1,532,111	34	3,027,650	66	4,559,761
2032	1,532,462	34	3,026,256	66	4,558,718
2033	0	0	3,029,056	100	3,029,056
2034	0	0	3,025,609	100	3,025,609
Total:	\$130,954,079	68%	\$60,549,757	32%	\$191,503,836

Source: NBS Government Finance Group.

TABLE 3
Debt Service Coverage

Year Ending September 2	Maximum Special Tax Revenues ⁽¹⁾	Special Tax Bonds Debt Service	Reassessment Bonds Debt Service	Total Revenues (Local Obligations Debt Service)	2007 Senior Bonds Debt Service	2014 Senior Refunding Bonds Debt Service	Total Senior Bonds Debt Service ⁽²⁾	Senior Bonds All-In Coverage ⁽³⁾	Excess Annual Revenues	All-In Coverage from Maximum Revenues ⁽⁴⁾
2015	\$3,507,044	\$3,029,678	\$8,090,363	\$11,120,041	\$7,871,968	\$1,456,758	\$9,328,726	1.19	\$311,933	1.24
2016	3,507,044	3,026,433	8,084,545	11,110,978	7,869,693	2,885,750	10,755,443	1.03	355,535	1.08
2017	3,507,044	3,025,592	8,087,608	11,113,200	7,870,443	2,891,850	10,762,293	1.03	350,907	1.08
2018	3,507,044	3,029,877	8,091,142	11,121,018	7,870,213	2,887,250	10,757,463	1.03	363,555	1.08
2019	3,507,044	3,028,446	8,086,330	11,114,776	7,871,338	2,887,100	10,758,438	1.03	356,338	1.08
2020	3,507,044	3,029,143	8,083,710	11,112,853	7,868,588	2,890,100	10,758,688	1.03	354,165	1.08
2021	3,507,044	3,025,410	8,085,903	11,111,313	7,870,588	2,890,500	10,761,088	1.03	350,225	1.08
2022	3,507,044	3,028,147	8,085,999	11,114,147	7,866,588	2,891,500	10,758,088	1.03	356,059	1.08
2023	3,507,044	3,026,903	8,080,413	11,107,317	7,861,338	2,898,250	10,759,588	1.03	347,729	1.08
2024	3,507,044	3,026,654	8,083,078	11,109,733	7,869,338	2,890,250	10,759,588	1.03	350,145	1.08
2025	3,507,044	3,027,152	8,082,901	11,110,053	7,869,338	2,888,000	10,757,338	1.03	352,715	1.08
2026	3,507,044	3,028,147	8,083,837	11,111,985	7,871,088	2,891,000	10,762,088	1.03	349,897	1.08
2027	3,507,044	3,029,392	8,083,892	11,113,283	7,868,838	2,888,750	10,757,588	1.03	355,695	1.08
2028	3,507,044	3,025,659	8,082,724	11,108,383	7,867,088	2,891,250	10,758,338	1.03	350,045	1.08
2029	3,507,044	3,026,903	8,088,849	11,115,752	7,870,088	2,888,000	10,758,088	1.03	357,664	1.08
2030	3,507,044	3,027,650	6,608,210	9,635,859	6,826,838	2,509,000	9,335,838	1.03	300,021	1.08
2031	3,507,044	3,027,650	1,532,111	4,559,761	3,253,838	1,172,750	4,426,588	1.03	133,173	1.14
2032	3,507,044	3,026,256	1,532,462	4,558,718	3,251,313	1,167,750	4,419,063	1.03	139,655	1.14
2033	3,507,044	3,029,056	--	3,029,056	2,172,613	760,500	2,933,113	1.03	95,943	1.20
2034	3,507,044	3,025,609	--	3,025,609	2,173,563	756,000	2,929,563	1.03	96,046	1.20

1) The maximum annual Special Tax is \$3,584,120. However, State law limits the amount a homeowner's tax levy can increase due to another property owner's delinquency to 10% of the tax levy.

2) Reflects amounts remaining after a September 2, 2014 prepayment call on the 2007 Senior Bonds. In addition, total debt service payments of \$1,479,383 will be due in 2015 on the unrefunded 2007 Subordinate Bonds.

3) Calculated by dividing total revenues of Local Obligations debt service by the total Senior Bonds debt service.

4) Calculated by dividing the sum of Maximum Special Tax Revenues and the Reassessment Bonds scheduled debt service by the total Senior Bonds scheduled debt service.

Source: NBS Government Finance Group; Stifel, Nicolaus & Co. Inc. for 2014 Senior Bonds debt service.

SECURITY FOR THE 2014 SENIOR BONDS

General

As described below, the Senior Bonds (including the 2014 Senior Bonds, the 2007 Senior Bonds and any Parity Senior Bonds) are secured by and payable from Revenues on a senior basis. Revenues primarily consist of amounts received by the Trustee as the payment of debt service on the Local Obligations.

See “THE AUTHORITY AND ABAG” for a description of the limited nature of the Authority’s obligation with respect to the 2014 Senior Bonds.

Revenues; Flow of Funds

General. So long as any of the Bonds are Outstanding, the Revenues will not be used for any purpose except as is expressly permitted by the Indenture.

Senior Bonds. The Senior Bonds (including the 2014 Senior Bonds, the 2007 Senior Bonds and any Parity Senior Bonds) are secured by a first lien on and pledge of all of the Revenues.

Subordinate Bonds. The Remaining 2007 Subordinate Bonds are secured by a subordinate lien on and pledge of the Revenues.

Collection and Deposit of the Revenues by the Trustee. All Revenues described in clause (a) of the definition (i.e., all payments on the Local Obligations received by the Trustee) will be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund established under the Indenture; however, any Revenues which represent the payment of delinquent principal of or interest on a Local Obligation will immediately be deposited by the Trustee as follows:

First, to the applicable subaccount (being the subaccount from which amounts were drawn pursuant to the Indenture to satisfy a shortfall due to a prior delinquency in payment of the related Local Obligation) within the Senior Reserve Account to the extent necessary to replenish the amount in the Senior Reserve Account to the amount of the Senior Reserve Requirement.

Second, to the applicable subaccount (from which amounts were drawn pursuant to the Indenture to satisfy a shortfall due to a prior delinquency in payment of the related Local Obligation) within the Subordinate Reserve Account to the extent necessary to replenish the amount in the Subordinate Reserve Account to the amount of the Subordinate Reserve Account.

Third, to the Surplus Fund.

Transfer of the Revenues by the Trustee. On each Interest Payment Date and date for redemption of the Bonds, the Trustee will transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain in trust separate and distinct from the other funds and accounts established under the Indenture), the following amounts in the following order of priority, the requirements of each such account at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

Interest Account with Respect to the Senior Bonds. On each Interest Payment Date or redemption date for the Senior Bonds, the Trustee will deposit in the Interest Account an amount which, together with the amounts then on deposit therein, is required to cause the aggregate amount on deposit in the Interest Account to equal the amount then required to make any payment on the Senior Bonds from the Interest Account.

Principal Account with Respect to the Senior Bonds. On September 2 of each year, the Trustee will deposit in the Principal Account an amount which, together with the amounts then on deposit therein, is required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal then coming due and payable on the Senior Bonds.

Redemption Account with Respect to the Senior Bonds. On each redemption date for the Senior Bonds, the Trustee shall deposit in the Redemption Account an amount equal to the principal and any premium due on any Senior Bonds to be redeemed on such date.

Reserve Account with Respect to the Senior Bonds. On each Interest Payment Date, the Trustee shall deposit in the Senior Reserve Account the amount, if any, necessary to bring the amount then on deposit in the Senior Reserve Account up to an amount equal to the then-Senior Reserve Requirement, with the amount so to be deposited to be allocated to the subaccounts within the Senior Reserve Account as necessary to replace any funds previously withdrawn therefrom or otherwise on a pro rata basis based upon the then-outstanding principal amount of the respective Local Obligations.

Interest Account with Respect to the Senior Bonds and the Subordinate Bonds. On each Interest Payment Date or redemption date for the Subordinate Bonds, the Trustee will deposit in the Interest Account an amount which, together with the amounts then on deposit therein, is required to cause the aggregate amount on deposit in the Interest Account to equal the amount then required to make any payment on the Senior Bonds and the Subordinate Bonds from the Interest Account.

Principal Account with Respect to the Senior Bonds and the Subordinate Bonds. On September 2 of each year, the Trustee will deposit in the Principal Account an amount which, together with the amounts then on deposit therein, is required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal then coming due and payable on the Senior Bonds and the Subordinate Bonds.

Redemption Account with Respect to the Senior Bonds and the Subordinate Bonds. On each redemption date for the Subordinate Bonds, the Trustee will deposit in the Redemption Account an amount equal to the principal and any premium due on any Senior Bonds and any Subordinate Bonds to be redeemed on such date.

Reserve Account with Respect to the Subordinate Bonds. On each Interest Payment Date, the Trustee will deposit in the Subordinate Reserve Account the amount, if any, necessary to bring the amount then on deposit in the Subordinate Reserve Account up to an amount equal to the then-Subordinate Reserve Requirement, with the amount so to be deposited to be allocated to the subaccounts within the Subordinate

Reserve Account as necessary to replace any funds previously withdrawn therefrom or otherwise on a pro rata basis based upon the then-outstanding principal amount of the respective Local Obligations.

Surplus Fund. Following the foregoing transfers on each September 2, the Trustee will deposit in the Surplus Fund all remaining amounts then on deposit in the Revenue Fund.

Reserve Accounts

General. The Indenture establishes within the Reserve Fund a Senior Reserve Account and a Subordinate Reserve Account, and within each Account a Special Tax Bonds Subaccount and a Reassessment Bonds Subaccount.

Following issuance of the 2014 Senior Bonds, the Senior Reserve Requirement is \$10,762,292.50. A deposit of \$683,378.77 will be made from the 2014 Bond proceeds to bring the balance to \$3,016,132.10 in the Special Tax Bonds Subaccount and a deposit of \$2,206,105.91 will be made from the 2014 Bond proceeds to bring the balance to \$7,746,160.40 in the Reassessment Bonds Subaccount.

Subordinate Reserve Account. Amounts in the Subordinate Reserve Account are not available to pay debt service on the Senior Bonds.

Application of Amounts in the Reserve Account. Amounts in the Reserve Account may be applied to pay the principal or Redemption Price of and interest on the related series of Bonds in the following circumstances:

(A) When the moneys in the Interest Account, the Principal Account or the Redemption Account of the Revenue Fund are insufficient therefor.

(B) In connection with prepayments of Reassessments or Special Taxes.

(C) When the balance therein equals the principal and interest due on the related series of Bonds to and including maturity.

(D) When amounts in the Reserve Account are transferred to the Interest Account and the Principal Account as a credit against the payments due on the Local Obligations on the transfer dates specified in the Indenture.

If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Revenue Fund are insufficient to pay the principal or Redemption Price of or interest on the related series of Bonds when due, the Trustee will, subject to the provisions of the last paragraph under "Surplus Fund" below, withdraw from the applicable Reserve Account for deposit in the Interest Account, the Principal Account and the Redemption Account, as applicable and in that order, moneys necessary for such purposes.

Limitations on Uses of Moneys in the Reserve Account. The Indenture establishes the following limitations on uses of moneys in the Reserve Accounts and their subaccounts:

(A) When moneys in the Interest Account, the Principal Account or the Redemption Account are not sufficient to pay debt service on the Bonds, the Trustee will

(i) first draw amounts from the respective subaccount of the Reserve Account for the Local Obligation that failed to make timely payment of debt service on the applicable payment date for the Bonds to the amount of the delinquency in payment of such Local Obligation (not to exceed, in any event, the amount then on deposit in such subaccount); and (ii) then draw any remaining amount needed to be drawn from the other subaccount of the respective Reserve Account, provided that the amount so drawn from the other subaccount of the respective Reserve Account shall not exceed the amount deposited therein on the date of issuance of the Bonds, less the amount of any previous draw described in this clause (ii) not previously replenished from Revenues constituting collections of delinquent amounts on the Local Obligation that is unrelated to such subaccount.

(B) Amounts transferred from the Senior Reserve Account may only be used to make payments on the Senior Bonds.

(C) Amounts transferred from the Subordinate Reserve Account may only be used to make payments on the Subordinate Bonds. See "APPENDIX A – Summary of Principal Legal Documents."

Prepayment of Special Taxes or Reassessments. In the event Reassessments or Special Taxes are paid in cash in advance of the applicable Local Obligation final maturity date, the Authority is required to credit such prepaid Reassessment or Special Tax obligation with a proportionate share of the subaccounts of the Senior Reserve Account and the Subordinate Reserve Account for the applicable District, which will reduce the total amount of the Senior Reserve Account and the Subordinate Reserve Account. The amount to be so credited is the pro-rata share of the amount then on deposit in the respective Reserve Account subaccount, based upon the principal amount of the Local Obligation to be redeemed with the Reassessment or Special Tax being prepaid as a fraction of the then-aggregate unpaid principal of the Local Obligation.

Reserve Fund Credits. On September 3, 2031, the balance remaining in the Reassessment Bonds Subaccounts will be transferred to the Interest Account and the Principal Account as a credit against the payments due on the Reassessment Bonds after such date with the amount transferred from the Reassessment Bonds Subaccounts being deposited first to the Interest Account as a credit against the interest due on the Reassessment Bonds after such date and the balance being deposited to the Principal Account as a credit against the principal due on the Reassessment Bonds after such date.

On September 3, 2033, the balance remaining in the Special Tax Bonds Subaccounts will be transferred to the Interest Account and the Principal Account as a credit against the payments due on the Special Tax Bonds after such date, with the amount transferred from the Special Tax Bonds Subaccounts being deposited first to the Interest Account as a credit against the interest due on the Special Tax Bonds after such date and the balance being deposited to the Principal Account as a credit against the principal due on the Special Tax Bonds after such date.

Surplus Fund

Any amounts transferred to the Surplus Fund will no longer be considered Revenues and are not pledged to repay the Bonds. Any amounts in the Surplus Fund may be used by the

Authority for any lawful purpose. See “APPENDIX A – Summary of Principal Legal Documents” for a summary of the authorized uses of such funds.

Parity Senior Bonds

The Authority may issue one or more series of Parity Senior Bonds pursuant to a Supplemental Indenture and without the consent of any of the Bondowners. The Parity Senior Bonds will constitute Senior Bonds under the Indenture and will be secured by a lien on the Revenues and funds pledged for the payment of the Senior Bonds under the Indenture on a parity with all other outstanding Senior Bonds, subject to specific conditions of the Indenture. One of those conditions is that the proposed Parity Senior Bonds be “**Refunding Senior Bonds**,” which are defined in the Indenture to mean bonds (i) the net proceeds of which are used to refund, in whole or in part, any Outstanding Senior Bonds; (ii) the debt service on which Refunding Senior Bonds in any Bond Year is not in excess of the debt service on the Senior Bonds being refunded; and (iii) the final maturity of the Refunding Senior Bonds is not later than the final maturity of the Senior Bonds being refunded. See “APPENDIX A – Summary of Principal Legal Documents.”

Covenants Relating to the Local Obligations

In order to ensure the availability of sufficient Revenues to pay debt service on the Bonds, the Indenture (i) limits the ability of the Authority, the Trustee and ABAG to modify the Local Obligations and (ii) limits the Authority’s ability to consent to optional redemption of the Local Obligations (the Authority’s consent is required in connection with any optional redemption of the Local Obligations). See “APPENDIX A – Summary of Principal Legal Documents.”

SECURITY FOR THE REASSESSMENT BONDS

The Prior Assessment District

The Prior Assessment District was established pursuant to provisions of the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code) (the “**Act**”) and proceedings taken by ABAG pursuant to a Resolution of Intention adopted by the governing board of ABAG on May 20, 1999 (the “**Resolution of Intention**”).

The assessment proceedings resulted in the levy of a total assessment of \$125 million against property within the Prior Assessment District.

Reassessments

The Reassessment Bonds were issued upon and secured by a pledge of the unpaid Reassessments levied on properties within the Assessment District, amounts transferred to the Fiscal Agent from the Surplus Fund established pursuant to the Indenture (see “SECURITY FOR THE 2014 SENIOR BONDS – Surplus Fund”) and moneys on deposit in the Redemption Fund established under the Reassessment Fiscal Agent Agreement.

Although the unpaid Reassessments constitute fixed liens on the Reassessment Parcels, they do not constitute personal indebtedness of the owners of the Reassessment Parcels. Furthermore, there can be no assurance as to the ability of the owners to pay the unpaid Reassessments.

The unpaid Reassessments levied on the Reassessment Parcels will be collected in annual installments, together with interest on the declining balances, on the tax roll of the County on which ad valorem taxes on real property are collected, and the unpaid Reassessments are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do general taxes, and the Reassessment Parcels are subject to the same provisions for sale and redemption as are properties for nonpayment of ad valorem taxes.

All obligations of ABAG under the Reassessment Fiscal Agent Agreement and the Reassessment Bonds are not general obligations of ABAG, but are limited obligations, payable solely from the Reassessments and amounts in the Redemption Fund created under the Reassessment Fiscal Agent Agreement. Neither the faith and credit of ABAG, the State of California or any political subdivision thereof is pledged to the payment of the 2014 Senior Bonds. ABAG is not obligated to advance available surplus funds from the ABAG treasury to cure any deficiency in the Redemption Fund.

Legal Authority

The Reassessment Bonds were issued pursuant to particular provisions of the Reassessment Act which permit their authorization, issuance and sale without public hearing if three conditions are satisfied:

- (a) Each estimated annual installment of principal and interest on the Reassessment is less than the corresponding annual installment of principal and interest on the portion of

the original assessment(s) being superseded and supplanted by the same percentage for all Reassessment Parcels.

(b) The number of years to maturity of the Reassessment Bonds is not more than the number of years to the last maturity of the Prior AD Bonds.

(c) The principal amount of the Reassessment on each Reassessment Parcel is less than the unpaid principal amount of the portion of the original assessment being superseded and supplanted by the same percentage for each Reassessment Parcel.

The Executive Board of ABAG, as part of the refunding proceedings, made a finding that the three conditions were satisfied.

Method of Reassessment Spread Among Reassessment Parcels

Reassessment Spread. The Reassessments on a parcel are directly proportionate to the ratio of the previously existing assessments on that parcel to the aggregate previously existing assessments. The principal amount of the Reassessment on each Reassessment Parcel is less than the original principal amount of the original assessment by the same percentage for each Reassessment Parcel.

Assessment Spread. The current criteria for spreading the assessment was established in 2002, and is based on an Equivalent Dwelling Unit (“EDU”) of 1.00 for single-family dwellings planned on a minimum lot size of 5,000 to 5,850 square feet. Each EDU corresponds to an assessment amount of approximately \$36,683. Smaller lots are assessed based on less than 1.00 EDU and larger lots are assessed based on more than 1.00 EDU. The current average annual Reassessment per parcel is approximately \$2,187.

Covenants of ABAG Relating to the Reassessment Bonds

In the Reassessment Fiscal Agent Agreement, ABAG covenants as follows, among other things:

Collection of Reassessments. ABAG will comply with all requirements of the Reassessment Act, the Improvement Bond Act of 1915 and the Reassessment Fiscal Agent Agreement to assure the timely collection of the Reassessments, including, without limitation, the enforcement of delinquent Reassessments.

In addition, the Finance Director (as defined in the Reassessment Fiscal Agent Agreement) will, before the final date on which the County Auditor will accept the transmission of the Reassessments for the parcels within the Assessment District for inclusion on the next tax roll, prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the installments of the Reassessments on the next secured tax roll.

Any funds received by ABAG in and for the Assessment District, including, but not limited to, collections of Reassessments upon the secured tax rolls, collections of delinquent Reassessments and penalties thereon, through foreclosure proceedings and the prepayment of Reassessments or portions thereof, will be held by ABAG, which will (i) place the portion thereof levied for and to be used by the Agency to pay administrative expenses of ABAG and the Fiscal Agent related to the Reassessment Bonds, the

Reassessment Fiscal Agent Agreement and the Reassessments in an account to be used for such purpose; and (ii) five Business Days prior to each Interest Payment Date for the Reassessment Bonds, remit to the Fiscal Agent for deposit into the Redemption Fund the amount due on the Reassessment Bonds on the next Interest Payment Date..

Foreclosure. ABAG covenants in the Reassessment Fiscal Agent Agreement that it will order, and cause to be commenced and thereafter diligently prosecute to judgment (unless the delinquency is brought current), an action in the superior court to foreclose the lien of any Reassessment or installment thereof which has been billed, but has not been paid. More specifically, on or about February 15 and June 15 of each fiscal year, the Finance Director will compare the amount of Reassessments levied in the Assessment District to the amount of Reassessments received by the Agency, and:

Individual Delinquencies. If the Finance Director determines that any single parcel subject to the Reassessments in the Assessment District is delinquent in the payment of Reassessments in the aggregate amount of \$5,000 or more, then the Finance Director will send or cause to be sent a notice of delinquency (and a demand for immediate payment) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by ABAG within 90 days of such determination.

Aggregate Delinquencies. If the Finance Director determines that the total amount of delinquent Reassessments for the prior fiscal year for the entire Assessment District (including the total of delinquencies under the previous paragraph), exceeds 5% of the total Reassessments due and payable for the prior fiscal year, the Finance Director will notify or cause to be notified property owners who are then delinquent in the payment of Reassessments (and demand immediate payment of the delinquency) within 45 days of such determination, and the Agency will commence foreclosure proceedings within 90 days of such determination against each parcel of land in the Assessment District with a Reassessment delinquency.

Priority of Lien

Each Reassessment (and any reassessment thereof) and each installment thereof, and any interest and penalties thereon, constitutes a lien against the parcel of land on which it was imposed until the same is paid. The lien is subordinate to all fixed special assessment liens imposed upon the same property prior to the date that the Reassessments became a lien on the property assessed, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property. Pursuant to the Reassessment Act, the Reassessments are considered to have been levied against the applicable property on the date the original assessments were levied. In general, the lien of the Reassessments is co-equal to and independent of the lien for general taxes and any community facilities district special taxes, including the Special Taxes.

See "THE DISTRICTS IN THE AGGREGATE – Overlapping Liens," for information relating to the overlapping governmental liens in the Districts.

Sales of Tax Defaulted Property Generally

Property securing delinquent Reassessments which is not sold pursuant to the judicial foreclosure proceedings undertaken by ABAG pursuant to its foreclosure covenant may be sold, subject to redemption by the property owner, in the same manner and to the same extent as real property sold for nonpayment of general County property taxes. On or before June 30 of the year in which such delinquency occurs, the property becomes tax-defaulted. This initiates a five-year period during which the property owner may redeem the property. At the end of the five-year period the property becomes subject to sale by the County Treasurer and Tax Collector. Except in certain circumstances, as provided in the Reassessment Act, the purchaser at any such sale takes such property subject to all unpaid assessments, interest and penalties, costs, fees and other charges which are not satisfied by application of the sales proceeds and subject to all public improvement assessments which may have priority.

Limited Obligations of ABAG Upon Delinquency

If a delinquency occurs in the payment of any Reassessment installment, ABAG has no duty to transfer into the Redemption Fund the amount of the delinquency except from monies available as a result of the payment of Reassessments. In this respect, it should be noted that the Reassessments installments are equal to approximately 100% of the debt service on the Reassessment Bonds.

Pursuant to the Indenture, in the event ABAG fails to pay all or a portion of the debt service on the Reassessment Bonds, the Trustee may apply moneys on deposit in the Reassessment Bonds Subaccount of the Senior Reserve Account to make up any deficiency with respect to the Senior Bonds, and moneys on deposit in the Reassessment Bonds Subaccount of the Subordinate Reserve Account to make up any deficiency with respect to the Subordinate Bonds. However, there is no assurance that funds will be available in the Reassessment Bonds Subaccounts of the Reserve Accounts for this purpose and, during the period of Reassessment delinquency, a delay may occur in payments to the owners of the 2014 Senior Bonds or there may be insufficient funds to make such payments.

If there are additional delinquencies after exhaustion of funds in the Reassessment Bonds Subaccounts of the Reserve Accounts, ABAG has no direct or contingent liability to make up the delinquency out of any other available monies of ABAG, but the Authority may use moneys on deposit in the Special Tax Bonds Subaccounts of the Reserve Accounts for that purpose, subject to the limitations set forth in the Indenture. See "SECURITY FOR THE 2014 SENIOR BONDS - Reserve Accounts."

No Acceleration

The principal of the Reassessment Bonds is not subject to acceleration under the provisions of the Reassessment Fiscal Agent Agreement in the event of a default thereunder.

SECURITY FOR THE SPECIAL TAX BONDS

General

Each Special Tax Bond is a limited obligation of the Authority on behalf of the Community Facilities District payable solely from Special Tax Revenues and amounts in the Bond Fund and the Special Tax Fund established under the CFD Fiscal Agent Agreement.

The Authority's obligations under the CFD Fiscal Agent Agreement and the Special Tax Bonds are not general obligations of the Authority, but are limited obligations, payable solely from the Special Tax Revenues and moneys in the Bond Fund and the Special Tax Fund. Neither the faith and credit of the Authority nor of the State of California or any political subdivision thereof is pledged to the payment of the Special Tax Bonds.

Formation of the Community Facilities District

As required by the Act, the Executive Committee of the Board of Directors of the Authority took the following actions with respect to establishing the Community Facilities District and authorizing issuance of the Special Tax Bonds:

Resolution of Intention: On April 23, 2004, the Executive Committee of the Board adopted Resolution No. 04-09, stating its intention to establish the Community Facilities District, to authorize the levy of a special tax therein and to issue bonds for the Community Facilities District in an amount not to exceed \$45 million, and authorizing joint community facilities agreements with the City and any other public entity that will own and/or operate any element of the Project (including, among others, the Dublin San Ramon Services District (“**DSRSD**”) and the Central Contra Costa Sanitary District (“**CCCSD**”)).

Resolution of Intention to Incur Bonded Indebtedness: On April 23, 2004, the Executive Committee of the Board adopted Resolution No. 04-10, stating its intention to incur bonded indebtedness within the boundaries of the Community Facilities District in an amount not to exceed \$45 million.

Resolution of Formation: Immediately following a noticed public hearing, on May 24, 2004, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, adopted Resolution No. 04-15 (the “**Resolution of Formation**”), which established the Community Facilities District and authorized the levy of a special tax within the Community Facilities District.

Resolution of Necessity: On May 24, 2004, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, adopted Resolution No. 04-16 declaring the necessity to incur bonded indebtedness in an aggregate amount not to exceed \$45 million within the Community Facilities District and submitting that proposition to the qualified electors of the Community Facilities District.

Resolution Calling Election: On May 24, 2004, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, adopted Resolution No. 04-17 calling an election by the landowners within the Community Facilities 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: On May 24, 2004, an election was held within the Community Facilities District in which the qualified electors within the Community Facilities District approved a ballot proposition authorizing the issuance of up to \$45 million in bonds to finance the acquisition and construction of the Project, the levy of a special tax and the establishment of an appropriations limit for the Community Facilities District. On May 24, 2004, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, adopted Resolution No. 04-18 under which the Executive Committee of the Board approved the canvass of the votes and declared the Community Facilities 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 Community Facilities District.

Special Tax Lien and Levy: A Notice of Special Tax Lien was recorded in the real property records of the County on June 2, 2004 as document number 2004-0209494-00.

Ordinance Levying Special Taxes: On June 24, 2004, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, adopted an ordinance levying the Special Tax within the Communities Facilities District beginning with the 2004-05 fiscal year (the “**Ordinance**”).

Special Taxes; Gross Taxes; Special Tax Revenues

The “**Special Taxes**” are levied and collected according to the rate and method of apportionment of special taxes (the “**Rate and Method**”) established for the Community Facilities District. See “Rate and Method” below and Appendix C.

The “**Special Tax Revenues**” pledged by the Authority to the Special Tax Bonds are defined in the CFD Fiscal Agent Agreement as the proceeds of the Special Taxes received by the Authority, including any scheduled payments and prepayments thereof, 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 do not include any penalties collected in connection with any such foreclosure.

Rate and Method

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 Community Facilities 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 Community Facilities District.

Special Tax Requirement The annual special tax requirement is the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds which is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish reserve accounts for the Bonds; (iii) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or, based on existing delinquencies in the payment of Special Taxes, are expected to occur in the Fiscal Year in which the tax will be collected; and (iv) pay Administrative Expenses. The amounts referred to in clauses (i) and (ii) 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 a Bond indenture, Bond resolution, or other legal document that sets 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.

Maximum Special Tax. The table below identifies the Maximum Special Tax for Taxable Property within the Community Facilities District.

Rate and Method Maximum Special Taxes	
<i>Type of Property</i>	<i>Range of Max Tax Per Unit</i>
Single Family Detached Property	\$890-1,970
Condominium Property	530
Townhome Property	1,210

Source: Rate and Method.

Pursuant to the Rate and Method, the Special Tax to be levied against any parcel used for private residential purposes may not be increased as a consequence of delinquencies or defaults in the Community Facilities District by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. In fiscal year 2014-15, the Special Tax was levied at 88.95% of the maximum annual Special Tax.

Method of Levy of the Special Tax. Each Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year, and the Special Tax shall be levied according to the steps outlined below.

- Step 1:** The Special Tax shall be levied Proportionately on each Parcel of Developed Property within the Community Facilities District up to 100% of the Maximum Special Tax determined pursuant to "Maximum Special Tax" until the amount levied on Developed Property is equal to the Special Tax Requirement;
- Step 2:** If additional revenue is needed after Step 1, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property within the Community Facilities District, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year;
- Step 3:** If additional revenue is needed after applying the first two steps, the Special Tax shall be levied Proportionately on each Parcel of Association Property within the Community Facilities District, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year;
- Step 4:** If additional revenue is needed after applying the first three steps, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Excess Public

Property, exclusive of property exempt from the Special Tax, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year.

Collection of Special Tax. The Special Taxes for the Community Facilities District shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in “Prepayment of Special Tax” below and provided further that the Issuer 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 shall be levied and collected until principal and interest on The Special Tax Bonds have been repaid and authorized facilities to be financed from Special Tax proceeds have been completed. However, in no event shall a Special Tax be levied after Fiscal Year 2040-2041. 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.

Prepayment of Special Tax. The Rate and Method allows prepayment of the Special Tax in full or in part, in an amount to be computed as set forth in the Rate and Method.

Additional Special Tax Bonds

The CFD Fiscal Agent Agreement prohibits the issuance of additional bonds secured by Special Tax Revenues on a parity with or senior to the pledge of Special Tax Revenues securing the Special Tax Bonds.

Priority of Lien

Each installment of the Special Taxes and any interest and penalties thereon, constitutes a lien on the parcel of land on which it was imposed until the same is paid. Such lien is co-equal to and independent of the lien for general taxes, any other community facilities district special taxes and special assessment liens, including the Reassessments. See “THE DISTRICTS IN THE AGGREGATE — Overlapping Liens.”

Covenants of the Authority Relating to the Community Facilities District

In the CFD Fiscal Agent Agreement, the Authority covenants as follows, among other things:

Collection of Special Tax Revenues. The Authority will comply with all requirements of the Mello-Roos Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

Foreclosure Covenant. Pursuant to the Mello-Roos Act, the Authority will order, and cause to be commenced, and thereafter diligently prosecute to judgment (unless the delinquency is 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.

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

Individual Delinquencies. If the Chief Financial Officer determines that any single parcel subject to the Special Tax in the Community Facilities District is delinquent in the payment of Special Taxes in the aggregate amount of \$5,000 or more, then the Chief Financial Officer will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will 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 Community Facilities 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 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.

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THE DISTRICTS IN THE AGGREGATE

Introduction

The Assessment District was initially composed of the 2,320 gross acres of the Windemere Ranch master development within the Dougherty Valley Specific Plan area. The Community Facilities District was originally formed to include a portion of the Assessment District, excluding the first phase of the Windemere Ranch project.² The Districts were developed by Windemere BLC Land Company, LLC, a joint venture among affiliates of Lennar Corporation, Brookfield Home Corporation and Centex Corporation. Development in the Districts is now complete. The Reassessment District currently includes 3,857 residential units and one commercial parcel subject to the Reassessment liens. The Community Facilities District currently includes 2,635 residential parcels subject to the Special Tax.

Set forth below is certain information describing the Community Facilities District and the Assessment District in the aggregate.

Although the Authority believes the information with respect to the Community Facilities District and the Assessment District in the aggregate is relevant to an informed decision to purchase the 2014 Senior Bonds, investors should be aware that the debt service on one Local Obligation may not be used to make up any shortfall in the debt service on another Local Obligation.

Moreover, the parcels in the Community Facilities District and the Assessment District are taxed and/or assessed according to that District's specific Rate and Method or the Reassessment Act, as applicable, and the Special Taxes and Reassessments may only be applied to pay the debt service on the related Local Obligation and not on the debt service of another Local Obligation.

General Description

The Districts are located in the City of San Ramon (the "**City**"), which is in Contra Costa County (the "**County**"), approximately 35 miles southeast of San Francisco. The City and its sphere of influence are bounded by Alameda County and open space to the east, the Town of Danville to the north, and the Alameda County line and City of Dublin to the south.

The Districts are located approximately 2 miles northeast of the intersection of Interstate 680 and Interstate 580, the region's major north/south and east/west transportation arteries. The Districts are also nearby access to the Bay Area Rapid Transit System ("**BART**") at the Pleasanton BART station located approximately 2 miles south of the border of the Property at Dougherty Road and I-580.

Residential units in the Districts range from 1,211 to 4,771 square feet. The assessed value for developed residential property ranges from \$305,339 to \$1,481,696, with an average assessed value of \$871,891 and a median assessed value of \$883,559.

² The gross acreage figures used in this paragraph do not reflect the acreage of the Reassessment Parcels or of Taxable Property in the Community Facilities District.

Utilities

Utility service for property in Windemere Ranch is provided by the following:

- *Water:* DSRSD
- *Sewer:* CCCSD
- *Stormwater drainage:* Central Costa County Flood Control District
- *Electricity:* Pacific Gas & Electric
- *Natural Gas:* Pacific Gas & Electric

For demographic information regarding the City, the County and the Tri-Valley Area, see Appendix B.

Land Use Distribution

The table below summarizes land use and development status based on (i) fiscal year 2014-15 assessed values for the Community Facilities District and the Reassessment District and (ii) the lien of the outstanding aggregate principal amount of the Local Obligations.

For purposes of the following table, the terms “**Developed Property**” and “**Undeveloped Property**” have the meaning given them in the Rate and Method, based on information available as of July 15, 2014:

Additional information on property ownership, assessed and estimated values (as applicable), and current land uses for the Community Facilities District and the Assessment District follows in subsequent sections of this Official Statement.

The table below shows the development status, assessed values and value-to-lien ratios for the Community Facilities District and the Assessment District for fiscal year 2014-15.

TABLE 4
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
The Assessment District (Phases 1-5) and the Community Facilities District (Phases 2-5)
Development Status, Assessed Values, Value-to-Lien Ratio
Fiscal Year 2014-15

Land Uses ⁽¹⁾	Number of Parcels	Fiscal Year 2014/15 Assessed Value ⁽²⁾	Fiscal Year 2014/15 Reassessment Levy	Remaining Reassessments ⁽³⁾	Fiscal Year 2014/15 Special Tax Levy	Remaining Special Tax Bond Share ⁽⁴⁾	% of Total Fiscal Year 2014-15 Levy ⁽⁵⁾	Aggregate Value-to- Lien Ratio ⁽⁶⁾
Developed Property								
Single-family detached	3,270	\$3,031,349,940	\$7,758,881	\$76,693,486	\$2,963,847	\$35,351,417	92.2%	27.05:1
Single-family attached	597	340,251,164	635,286	6,192,522	224,369	2,676,169	7.4	38.37:1
Commercial	<u>1</u>	<u>1,029,653</u>	<u>12,982</u>	<u>130,444</u>	<u>0</u>	<u>0</u>	<u>0.1</u>	<u>7.89:1</u>
Subtotal:	3,868	\$3,372,630,757	\$8,407,149	\$83,016,452	\$3,188,216	\$38,027,585	99.7%	27.86:1
 Undeveloped Property ⁽⁷⁾	 <u>1</u>	 <u>\$40,985</u>	 <u>\$30,086</u>	 <u>\$302,629</u>	 <u>\$0</u>	 <u>\$0</u>	 0.3%	 <u>0.14:1</u>
Totals:	3,869	\$3,372,671,742	\$8,437,235	\$83,319,082	3,188,216	\$38,027,585	100.0%	27.79:1

(1) Based on the issuance of building permits and/or County assessor parcels with structure values greater than \$25,000.

(2) Calculated by adding the land and structure value for each property based upon the fiscal year 2014-15 Contra Costa County secured tax roll.

(3) Amount due following the September 2014 debt service payment.

(4) Calculated using the fiscal year Special Tax levy for each parcel and the outstanding Special Tax Bonds following the scheduled September 2, 2014 debt service payment.

(5) Equals the share of the sum of the fiscal year 2014-15 Reassessments and Special Tax levies.

(6) Calculated by dividing the Assessed Value by the total of the unbilled Reassessments and the remaining Special Tax Bond share.

(7) Owned by the Geological Hazard Abatement District and expected to remain undeveloped in the future.

Source: NBS Government Finance Group.

Land Ownership in the Districts on an Aggregate Basis

The following table lists the top owners of property responsible for the greatest share of the Local Obligations when considering the Districts in the aggregate.

TABLE 5
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
Windemere Ranch, the Assessment District (Phases 1-5) and the Community Facilities District (Phases 2-5)
Top Property Owners Based Upon Fiscal Year 2014-15 Levy

Property Owner	No. of Parcels	Total FY 2014-15 Levy (Reassessment and Special Tax)	% of Total FY 2014-15 Levy	Remaining Reassessments (⁽¹⁾)	% of Total Remaining Reassessments	Remaining Special Tax Bond Share (⁽²⁾)	% of Remaining Special Tax Bond Share	Assessed Values (⁽³⁾)
Geological Hazard Abatement District (⁽⁴⁾)	1	\$30,086	0.26%	\$302,629	0.36%	\$0	0.00%	\$40,985
BDC Bollinger LLC	1	12,982	0.11	130,444	0.16	0	0.00	1,029,653
Individual Owners	3,867	11,582,383	99.63	82,886,008	99.48	38,027,585	100.00	3,371,601,104
	3,869	\$11,625,451	100.00%	\$83,319,082	100.00%	\$38,027,585	100.0%	\$3,372,671,742

(1) Amount due following September 2, 2014 scheduled debt service payment.

(2) Calculated using the fiscal year Special Tax levy for each parcel and the outstanding Special Tax Bonds following the scheduled September 2, 2014 debt service payment.

(3) Calculated by adding the land and structure value for each property based upon the January 1, 2014 Contra Costa County Secured Tax Roll.

(4) The parcel owned by the Geological Hazard Abatement District is undeveloped and is expected to remain undeveloped in the future. The Geological Hazard Abatement District is currently delinquent in the payment of Reassessment installments for fiscal years 2012-13 and 2013-14. The Authority has not initiated judicial foreclosure, but expects to initiate remedial action with respect to the delinquent Reassessment installments in the near future.

Source: NBS Government Finance Group.

Property Values and Value-to-Lien Ratios on an Aggregate Basis

Assessed Value of Parcels in the Community Facilities District and the Assessment District. The Authority has obtained the “full cash” assessed values of all of the taxable property in the Community Facilities District (2,635 parcels in total with a fiscal year 2014-15 assessed value of \$2.39 billion) and the Reassessment Parcels (3,858 parcels in total with a fiscal year 2014-15 assessed value of \$3.36 billion), as established by the County Assessor for fiscal year 2014-15.

The following information shows the history of the assessed values of all taxable property in the Community Facilities District and the Reassessment District for the previous ten years.

TABLE 6
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
Reassessment District and Community Facilities District
History of Assessed Values

Reassessment District			Community Facilities District		
Fiscal Year Ended	Total Assessed Value ⁽¹⁾	Annual Change	Fiscal Year Ended	Total Assessed Value ⁽¹⁾	Annual Change
2006	\$1,674,668,323	-	2006	\$747,223,198	-
2007	2,434,792,002	45.39%	2007	1,436,182,499	92.20%
2008	2,951,548,032	21.22%	2008	1,960,578,191	36.51%
2009	2,877,098,215	-2.52%	2009	1,907,661,657	-2.70%
2010	2,713,398,053	-5.69%	2010	1,825,176,376	-4.32%
2011	2,811,696,427	3.62%	2011	1,984,545,276	8.73%
2012	2,961,785,662	5.34%	2012	2,100,546,768	5.85%
2013	2,866,592,161	-3.21%	2013	2,044,595,801	-2.66%
2014	3,005,429,391	4.84%	2014	2,152,223,538	5.26%
2015	3,360,981,134	11.83%	2015	2,391,289,454	11.11%

(1) Calculated by adding the land and structure value for each property that was levied within that specific fiscal year. The data used to calculate the assessed value was based upon County data as of January 1 of each fiscal year.

Source: NBS Government Finance Group.

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 or reassessment 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.

Value-to-Lien Ratios. The aggregate value-to-lien ratio of all property in the Districts against which Special Taxes or Reassessments are levied equals 27.79, based on fiscal year 2014-15 assessed values of taxable parcels in the Community Facilities District and the Reassessment Parcels of \$3.37 billion and the aggregate outstanding principal amount of the Local Obligations, following the September 2, 2014 debt service payment of \$121 million. The following table describes the number of parcels in certain value-to-lien categories based on information provided on the fiscal year 2014-15 tax roll, and only those parcels against which Reassessments or Special Taxes may be levied and collected.

TABLE 7
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
The Assessment District (Phases 1-5) and the Community Facilities District (Phases 2-5)
Assessed Value-to-Lien Ratios
Fiscal Year 2014-15

Assessed Value-to-Lien Category	No. of Parcels	Remaining Reassessment Lien ⁽¹⁾	Outstanding Share of Special Tax Bonds ⁽²⁾	Total Outstanding Reassessment/ Special Tax Bond Lien ⁽³⁾	% of Total Outstanding Reassessment/ Special Tax Bond Lien
20:1 +	3,632	\$73,191,086	\$33,426,852	\$106,617,938	87.86%
10:1 to 19.99:1	235	9,694,923	4,600,734	14,295,656	11.78
5:1 to 9.99:1	1	130,444	0	130,444	0.11
Less than 1.1 ⁽⁴⁾	1	302,629	0	302,629	0.25
	3,869	\$83,319,082	\$38,027,585	\$121,346,667	100.00%

(1) Represent the amounts due following the September 2, 2014 scheduled debt service payment.

(2) Calculated using the fiscal year Special Tax levy for each parcel and the outstanding Special Tax Bonds following September 2, 2014 scheduled debt service payment.

(3) Sum of the unbilled Reassessment lien and the outstanding share of Special Tax Bonds.

(4) This parcel is owned by the Geological Hazard Abatement District, is undeveloped and is expected to remain undeveloped in the future. The Geological Hazard Abatement District is currently delinquent in the payment of Reassessment installments for fiscal years 2012-13 and 2013-14. The Authority has not initiated judicial foreclosure, but expects to initiate remedial action with respect to the delinquent Reassessment installments in the near future.

Source: NBS Government Finance Group.

Delinquencies

The following table is a summary of assessment or Special Tax levies, as applicable, delinquencies and delinquency rates in the Assessment District and the Community Facilities District for fiscal year 2009-10 through the first installment of fiscal year 2013-14. Because the Districts participate in the “**Teeter Plan**” (which is the County’s Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds, as provided for in Section 4701 et seq. of the California Revenue and Taxation Code), collections of assessments and Special Taxes reflect the amount levied rather than actual delinquencies. There is no assurance, however, that the Districts will continue to participate in the Teeter Plan.

TABLE 8
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
The Assessment District (Phases 1-5) and the Community Facilities District (Phases 2-5)
Assessments/Special Tax Levies, Collections and Delinquency Rates
Fiscal Years 2009-10 through 2013-14

Fiscal Year	Total Reassessment Levied	Total Special Taxes Levied	Total Amount Levied	<u>At Fiscal Year End</u>		<u>As of June 26, 2014</u>	
				Historical Amount Delinquent	Percent Delinquent	Amount Delinquent	Percent Delinquent
2009-10	\$8,521,549	\$3,152,701	\$11,674,251	\$186,498	1.60%	\$9,148	0.08%
2010-11	8,516,781	3,148,119	11,664,900	120,482	1.03	9,749	0.08
2011-12	8,369,682	3,143,763	11,513,445	141,878	1.23	24,965	0.22
2012-13	8,363,579	3,139,750	11,503,330	84,095	0.73	54,102	0.47
2013-14 ⁽¹⁾	8,469,644	3,194,570	11,664,214	108,959	0.93	108,959 ⁽²⁾	0.93

(1) As of June 26, 2014.

(2) \$30,089.20 of this amount is attributable to delinquent Reassessments payable by the Geological Hazard Abatement District.

Source: NBS Government Finance Group.

Overlapping Liens

Taxes, Charges and Assessments. The base property tax rate on property in the Assessment District and the Community Facilities District is 1.1063% and 1.0982%, respectively (including ad valorem tax overrides). Property in the District is also subject, or will be subject, to certain annual charges and assessments (which are billed to property owners on a semi-annual basis). The following tables reflect the tax bills of a representative property in the Community Facilities District and a property in the Assessment District.

TABLE 9
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
Community Facilities District (Phases 2-5)
Taxes, Charges and Assessments for Representative Property
Fiscal Year 2014-15 ⁽¹⁾

Description	Rate	Estimated Amount
1% Countywide Tax ⁽²⁾	1.0000%	\$12,060.30
Bay Area Rapid Transit ⁽²⁾	0.0075%	90.45
East Bay Regional Park District Bond ⁽²⁾	0.0078%	94.07
Chabot Las Positas Community College District 2004 Bond ⁽²⁾	0.0214%	258.09
San Ramon Valley Unified School District 1998 Bond ⁽²⁾	0.0223%	268.94
San Ramon Valley Unified School District 2002 Bond ⁽²⁾	0.0340%	410.05
San Ramon Valley Unified School District 2012 Bond ⁽²⁾	<u>0.0133%</u>	<u>160.40</u>
TOTAL AD VALOREM TAXES	1.1063%	\$13,342.31
Contra Costa County Mosquito & Vector Control District Assessment		\$4.74
Emergency Medical Services Agency		3.94
Contra Costa County Sewer District Sewer Charge		405.00
County Service Area Maintenance District 29 Dougherty Valley		1,209.54
Dublin San Ramon Services District Standby Charge		170.74
Federal Storm Water Fee		35.00
East Bay Regional Park District Landscaping & Lighting Assessment		5.44
San Ramon Geological Hazard Abatement District (GHAD)		135.58
San Ramon Valley Unified School District Parcel Tax		144.00
Windemere Ranch Special Tax ⁽³⁾		1,751.98
Windemere Ranch Assessment		<u>4,837.54</u>
TOTAL SPECIAL TAXES & ASSESSMENTS		\$8,703.50
TOTAL AD VALOREM AND SPECIAL TAXES & ASSESSMENTS		\$22,045.81
% of Fiscal Year 2013/14 Assessed Valuation	1.83%	

1) The information shown above reflects assessments, charges, and taxes shown on a Contra Costa County property tax bill for a developed property located within the boundaries of the Community Facilities District.

2) These charges are based upon the net assessed value of each property as determined by Contra Costa County.

3) The selected property reflects one of the larger annual Special Tax amounts within the Community Facilities District.

Source: Contra Costa County.

TABLE 10
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
Assessment District (Phases 1-5)
Taxes, Charges and Assessments for Representative Property
Fiscal Year 2013/14 ⁽¹⁾

Description	Rate	Estimated Amount
1% Countywide Tax ⁽²⁾	1.0000%	\$9,175.00
Bay Area Rapid Transit ⁽²⁾	0.0075%	68.81
East Bay Regional Park District Bond ⁽²⁾	0.0078%	71.57
Community College 2002 Bond ⁽²⁾	0.0043%	39.45
Community College 2006 Bond ⁽²⁾	0.0090%	82.58
San Ramon Valley Unified School District 1998 Bond ⁽²⁾	0.0223%	204.60
San Ramon Valley Unified School District 2002 Bond ⁽²⁾	0.0340%	311.95
San Ramon Valley Unified School District 2012 Bond ⁽²⁾	0.0133%	122.03
TOTAL AD VALOREM TAXES	1.0982%	\$10,075.99
Contra Costa County Mosquito & Vector Control District Assessment		\$4.74
Emergency Medical Services Agency		3.94
Contra Costa County Sewer District Sewer Charge		405.00
County Service Area Maintenance District 29 Dougherty Valley		1,209.54
Dublin San Ramon Services District Standby Charge		170.74
Federal Storm water Fee		35.00
East Bay Regional Park District Landscaping & Lighting Assessment		5.44
San Ramon Geological Hazard Abatement District (GHAD)		135.58
San Ramon Valley Unified School District Parcel Tax		144.00
Windemere Ranch Assessment ⁽³⁾		2,925.18
TOTAL SPECIAL TAXES & ASSESSMENTS		\$5,039.16
TOTAL AD VALOREM AND SPECIAL TAXES & ASSESSMENTS		\$15,115.15
% of Fiscal Year 2013/14 Assessed Valuation	1.65%	

1) Reflects assessments, charges, and taxes shown on a County property tax bill for a developed property located within the Assessment District.

2) Based upon the net assessed value of each property as determined by the County.

3) The selected property reflects one of the larger annual assessment amounts within Phase 1 of the Windemere Development.

Source: Contra Costa County.

Overlapping Public Debt. Contained within the boundaries of the Assessment District and the Community Facilities District are certain overlapping local agencies providing public services and assessing property taxes, assessments, special taxes and other charges. Many of these local agencies have outstanding debt.

The current and estimated direct and overlapping obligations affecting the property in the Assessment District and the Community Facilities District are shown in the following table. The table was prepared by California Municipal Statistics, Inc., and is included for general information purposes only. The Authority has not reviewed this report for completeness or accuracy and makes no representation in connection therewith.

TABLE 11
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
Assessment District (Phases 1-5) and Community Facilities District (Phases 2-5)
Direct and Overlapping Bonded Debt
As of July 2, 2014

ASSOCIATION OF BAY AREA GOVERNMENTS –
WINDEMERE RANCH REASSESSMENT AND COMMUNITY FACILITIES DISTRICT COMBINED

2013-14 Local Secured Assessed Valuation: \$3,007,442,312

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/14</u>
Bay Area Rapid Transit District General Obligation Bonds	0.572%	\$3,709,085
Chabot-Las Positas Community College District General Obligation Bonds	0.530	2,292,525
Contra Costa Community College District General Obligation Bonds	1.722	5,922,560
San Ramon Valley Unified School District General Obligation Bonds	8.323	26,111,594
East Bay Regional Park District General Obligation Bonds	0.883	1,785,994
Association of Bay Area Governments		
Windemere Ranch Assessment District	100.000%	86,546,522
Association of Bay Area Governments		
Windemere Ranch Community Facilities District No. 2004-2	100.000%	<u>39,203,864</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$165,572,144

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Contra Costa County General Fund Obligations	2.045%	\$5,615,262
Contra Costa County Pension Obligations	2.045%	5,286,029
Contra Costa Community College District General Fund Obligations	1.722%	12,054
San Ramon Valley Unified School District General Fund Obligations	8.323%	1,782,010
City of San Ramon Certificates of Participation	19.446%	2,206,190
City of San Ramon Pension Obligations	19.446%	3,303,937
San Ramon Valley Fire Protection District Certificates of Participation	8.368%	<u>1,012,574</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$19,218,056
Less: Contra Costa County obligations supported by revenue funds		<u>2,223,527</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$16,994,529

GROSS COMBINED TOTAL DEBT \$184,790,200 ⁽¹⁾
NET COMBINED TOTAL DEBT \$182,566,673

Ratios to 2013-14 Local Secured Assessed Valuation:

Direct Debt (\$125,750,386)	4.18%
Total Direct and Overlapping Tax and Assessment Debt	5.51
Gross Combined Total Debt	6.14
Net Combined Total Debt	6.07

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

Source: California Municipal Statistics, Inc.

GENERAL RISK FACTORS RELATING TO THE 2014 SENIOR BONDS

Factors Affecting Parcel Value and Aggregate Values

The facts and circumstances concerning the values of the parcels subject to special taxes in the Community Facilities District and of the Reassessment Parcels that are of importance are not confined to those relating to individual parcel values because the Local Obligations are not individually secured by particular parcels. The following are some of the factors which may affect the market for and value of particular parcels in the Districts, individually and in the aggregate.

Geologic, topographic and climatic conditions. Values of parcels can be adversely affected by a variety of natural events and conditions. These include, without limitation:

- geologic conditions such as earthquakes;
- topographic conditions such as earth movements and floods; and
- climatic conditions such as droughts.

The possibility of the occurrence of some of these conditions and events has been taken into account to a limited extent in the design of public improvements which have been or may be approved by various public agencies. Building codes require that some of these conditions be taken into account to a limited extent in the design of private improvements. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change from time to time leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria, at the time of their establishment, reflect a balance between the present costs of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Also reflecting that balance are decisions not to impose design criteria at all.

One or more of these conditions may occur from time to time, and, even if design criteria do exist, such conditions may result in damage to property improvements. That damage may entail significant repair or replacement costs, and repair or replacement may never occur. Under any of these circumstances, the value of the parcels in the Districts could depreciate substantially notwithstanding the establishment of design criteria.

Legal requirements. Other events which may affect the value of a parcel include changes in the law or application of the law. Such changes may include, without limitation, the following:

- local growth initiatives;
- local utility moratoriums;
- local application of statewide tax and governmental spending limitation measures.

Seismic Conditions. The master developer, and its predecessor, commissioned hydrologic and geotechnical studies for Windemere Ranch from Engeo Incorporated, San Ramon, California. With respect to seismic risk, Engeo Incorporated concluded that (i) no active faults are known to pass through the site, (ii) the nearest faults are the Calaveras Fault (located approximately 4 miles to the southwest) and the Greenville Fault (located approximately 8 miles to the northeast), (iii) the potential for ground rupture is low, (iv) the risk of sympathetic ground

movements due to an earthquake on a nearby fault is very minor, (v) the soils underlying Windemere Ranch have a low liquefaction potential and (vi) to mitigate the ground shaking effects of a moderate to high magnitude earthquake within the San Francisco Bay Region, all structures should be designed using sound engineering judgment and the latest Uniform Building Code requirements as a minimum, which, according to the master developer, has been done.

Flood Conditions. In connection with its approval of final maps and improvement plans for Windemere Ranch, the County imposed a number of conditions to mitigate the risk of damage from 2-, 10- and 100-year flood events. In connection with issuance of the 2007 Bonds, the master developer reported to the Authority that none of the residential units in the Districts would lie within 100-year flood plains.

Other Possible Claims Upon the Value of a Parcel

Other Governmental Obligations. While the Local Obligations are not secured by specific parcels, the security only extends to the value of the taxable parcels and the Reassessment Parcels in the Districts that is not subject to priority and parity liens and similar claims relative to the Local Obligations (i.e., special taxes or 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 Reassessment Parcels or taxable parcels in the Community Facilities District, and may be secured by liens on a parity with the liens of the Reassessments or the Special Taxes.

In general, as long as installments of the Reassessments and Special Taxes are collected on the County tax roll, the installments and all other taxes, assessments and charges also collected on the tax roll are on a parity. 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 of foreclosure for delinquency of installments of a Reassessment securing the Reassessment Bonds, the Reassessment will have priority over specific-amount special assessments levied subsequent to the levy of the Reassessments but will be subordinate to those levied prior to the Reassessments. Otherwise, in the event of such foreclosure proceedings the installments of the Reassessment will generally be on a parity with the other taxes, assessments and charges. The Reassessments and the lien of the Special Taxes will have priority over non-governmental liens. See the section entitled "Priority of Lien" in "SECURITY FOR THE REASSESSMENT BONDS" and "SECURITY FOR THE SPECIAL TAX BONDS."

Hazardous Substances. While governmental taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Reassessment installments and Special Taxes is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to released or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "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 of a property is obligated to remedy a hazardous substance condition 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 parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the current existence on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon delinquency. See "THE DISTRICTS IN THE AGGREGATE - Environmental Conditions."

Bankruptcy Delays

The payment of the Special Tax and the ability of the County to commence a superior court action to foreclose the lien of a delinquent unpaid Special Tax, as discussed in "SECURITY FOR THE 2014 SENIOR 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. Any legal opinion to be delivered concurrently with the delivery of the 2014 Senior 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 or Reassessments to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax and Reassessment 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 2014 Senior Bonds.

Proceeds of Foreclosure Sales

In the event of any delinquency in the payment of any Special Tax or Reassessment installment, the Authority may order that the Special Taxes and Reassessment installments be collected by a superior court action to foreclose the lien within specified time limits. The Authority has covenanted in the CFD Fiscal Agent Agreement and the Reassessment Fiscal Agent Agreement that it will, under certain circumstances, commence such a foreclosure action. See "SECURITY FOR THE 2014 SENIOR BONDS."

No assurances can be given that a taxable parcel in the Districts that would be subject to a judicial foreclosure sale for delinquent Special Taxes or Reassessment installments will be sold or, if sold, that the proceeds of such sale will be sufficient to pay the delinquent Special Tax installment. The Authority has no obligation to purchase 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 the delinquent Special Tax installment or Reassessment 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 2014 Senior Bonds pending prosecution of the foreclosure proceedings and receipt by the Authority 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 Districts could cause a delay, reduction or elimination in the flow of Special Tax Revenues or Reassessment installments to the Fiscal Agent. See “–Bankruptcy Delays.”

FDIC/Federal Government Interests in Properties

General. The ability of the Authority to foreclose the lien of delinquent unpaid Special Tax or Reassessment installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “**FDIC**”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest.

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.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes or Reassessments within the Districts but does not pay taxes and assessments levied on the parcel (including Special Taxes and Reassessment installments), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the Authority wishes to foreclose on the parcel as a result of delinquent Special Taxes or Reassessment installments, 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 the Reassessments and preserve the federal government's mortgage interest. In Rust v. Johnson (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage

Association (“**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 or Reassessments within the Districts, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2014 Senior Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the Districts 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 and ABAG to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes or Reassessments may be limited.

The FDIC’s policy statement regarding the payment of state and local real property taxes (the “**Policy Statement**”) provides that 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 property 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 Mello-Roos Act 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.

Following the County of Orange bankruptcy proceedings filed in December 1994, the FDIC filed claims against the County of Orange in the U.S. Bankruptcy Court and the Federal District Court which challenged special taxes that Orange County had levied on FDIC-owned property (and which the FDIC had paid) under the Act. The FDIC took a position similar to that outlined in the Policy Statement, to the effect that the FDIC, as a governmental entity, is exempt from special taxes under the Act. The Bankruptcy Court agreed, finding that the FDIC was not liable for post-receivership Mello-Roos taxes, and the Bankruptcy Appellate Panel affirmed. On appeal, the U.S. Court of Appeals for the Ninth Circuit, while not specifically asked to decide on the issue, stated in its decision filed on August 28, 2001, that “the FDIC, as a federal agency, is

exempt from the Mello-Roos tax,” and quoted Section 53340(c) of the Act in stating that “‘properties or entities’ of the federal government are exempt from the tax.” The County of Orange did not appeal the decision.

The Authority and ABAG are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes or Reassessment installments on a parcel within the Districts in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes or the Reassessments to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Accounts and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the 2014 Senior Bonds.

Proposition 218

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Over the past 18 years, the voters have exercised this power through the adoption of Proposition 13 and similar measures. On November 5, 1996, the voters approved Proposition 218.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as ABAG. 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 2014 Senior Bonds.

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Reassessments, 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. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. Special purpose districts, including assessment districts and community facilities districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (i) the ad valorem property tax imposed pursuant to Article XIII and Article XIII A of the California Constitution, (ii) any special tax receiving a two-thirds vote pursuant to the California Constitution, and (iii) assessments, fees and charges for property related services as provided in Proposition 218. Proposition 218 then goes on to add voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water, and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such new provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such reassessments, fees and charges.

Among other things, Section 3 of Article XIII C states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax.

On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

“Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

Therefore, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Special Taxes or Reassessments if such reduction would interfere with the timely retirement of the Local Obligations.

Reassessments. The Reassessments are being levied against Reassessment Parcels after the passage of Proposition 218. However, ABAG believes that the issuance of the Reassessment Bonds does not require the conduct of further proceedings under the Reassessment Act or Proposition 218 because Senate Bill 919 (effective July 1, 1997) amended the Reassessment Act to provide: “Any reassessment that is approved and confirmed pursuant to [the Reassessment Act] shall not be deemed to be an assessment within the meaning of, and may be ordered without compliance with the procedural requirements of, Article XIII D of the California Constitution.”

Special Taxes. The Special Taxes were authorized by not less than a two-thirds vote of the landowners within the Community Facilities District who constituted the qualified electors of the Community Facilities District at the time of such voted authorization. The Authority believes, therefore, that issuance of the Special Tax Bonds does not require the conduct of further proceedings under the Mello-Roos Act or Proposition 218.

Like its antecedents, Proposition 218 is likely to undergo both judicial and legislative scrutiny before its impact on the Authority and ABAG and their obligations can be determined. Certain provisions of Proposition 218 may be examined by the courts for their constitutionality under both State and federal constitutional law. Neither ABAG nor the Authority is able to predict the outcome of any such examination.

Ballot Initiatives

Articles XIII C and XIII D of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process, and the State Legislature has in the past enacted legislation that has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995 in the case of Rossi v. Brown, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be

adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the Authority, ABAG, or local districts to increase revenues or to increase appropriations.

Payment of the Reassessments and the Special Taxes is Not a Personal Obligation

The owners of Reassessment Parcels and owners of Taxable Property in the Community Facilities District are not personally liable for the payment of the Reassessments or the Special Taxes. Rather, the Reassessments and the Special Taxes are obligations only of the Reassessment Parcels and parcels subject to Special Taxes, as applicable. If the value of a Reassessment Parcel or a parcel subject to Special Taxes is not sufficient to fully secure the Reassessment or the Special Taxes on it, as applicable, neither ABAG nor the Authority has any recourse against the owner.

Limited Obligation to Pay Debt Service

Neither the Authority nor ABAG has any obligation to pay principal of and interest on the Local Obligations or the 2014 Senior Bonds if Special Tax or Reassessment collections are insufficient for that purpose, other than from amounts, if any, on deposit in the Reserve Accounts. Neither ABAG nor the Authority is obligated to advance its own funds to pay debt service on the Local Obligations or the 2014 Senior Bonds.

Depletion of Senior Reserve Account

The Senior Reserve Account is to be maintained at an amount equal to the Senior Reserve Requirement. See "SECURITY FOR THE 2014 SENIOR BONDS – Reserve Accounts." As and to the extent provided in the Indenture, funds in the Senior Reserve Account may be used to pay principal of and interest on the Senior Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Taxes or Reassessments. See "SECURITY FOR THE 2014 SENIOR BONDS - Reserve Accounts."

If funds in the Senior Reserve Account are depleted, the funds can be replenished from subsequent collections of the delinquent Reassessments or Special Taxes, as applicable, or from the debt service on the Local Obligations that is in excess of the amount required to pay all amounts to be paid to the Bond holders pursuant to the Indenture. However, no replenishment from the proceeds of Special Taxes or Reassessments can occur as long as the proceeds that are collected, together with other available funds, remain insufficient to pay all such amounts. Thus it is possible that the Senior Reserve Account will be depleted and not replenished.

In addition, the Indenture establishes the limitations on uses of moneys in the Senior Reserve Accounts as described under the heading "SECURITY FOR THE 2014 SENIOR BONDS - Reserve Accounts - Limitations on Uses of Moneys in the Reserve Accounts."

No Acceleration

The principal of the Local Obligations will not be subject to acceleration under the provisions of the Fiscal Agent Agreements under which they are being issued. The 2014 Senior Bonds are not subject to acceleration under the Indenture.

Limitations on Remedies

Remedies available to the owners of the 2014 Senior 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 2014 Senior Bonds or to preserve the tax-exempt status of interest on the 2014 Senior Bonds.

Bond Counsel has limited its opinion as to the enforceability of the 2014 Senior Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion and by limitations on remedies against public agencies in the State. 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 2014 Senior Bonds.

Loss of Tax Exemption

As discussed under the caption "LEGAL MATTERS – Tax Matters," interest on the 2014 Senior Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the 2014 Senior Bonds were issued as a result of future acts or omissions of the Authority or ABAG in violation of their covenants in the Indenture and the Fiscal Agent Agreements. The Indenture does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the 2014 Senior Bonds were to be includable in gross income for purposes of federal income taxation, the 2014 Senior Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2014 Senior Bonds, or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions 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. Additionally, prices of 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.

Disclosure to Future Purchasers

The Authority has recorded a Notice of Special Tax Lien with respect to the Special Tax Bonds and a Notice of Assessment with respect to the Reassessment Bonds in the Office of the Contra Costa 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 or Reassessment obligation in the purchase of a parcel of land or a home in the Districts or the lending of money thereon. California Civil Code Section 1102.6b requires that in the case of real property transfers, the seller must at least make a good faith effort to notify the prospective purchaser of any special tax liens or assessment installments in a format prescribed by statute. Failure by an owner of the property to comply with legal requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Taxes or Reassessments, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Taxes or Reassessments when due.

RISK FACTORS UNIQUELY RELATING TO THE REASSESSMENT BONDS

Foreclosure and Sale Proceedings

ABAG is obligated under certain conditions to institute foreclosure and sale proceedings against Reassessment Parcels which have delinquent Reassessment Installments, and may do so in other circumstances even if not so obligated. Foreclosure proceedings are instituted by the bringing of an action in the superior court of the county in which the Reassessment Parcel lies, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. Upon judgment of foreclosure the Reassessment Parcel may be offered for sale at a minimum price. The established minimum price will be sufficient to cover the amount of the delinquent installments and unpaid interest together with penalties, costs, fees and charges and the costs of execution and sale.

However, in the event a Reassessment Parcel does not sell for the minimum price the court may modify its judgment and reduce or eliminate the minimum price. In order to do so, however, written notice of a hearing on the matter of reducing or eliminating the minimum price is required to be given to the Authority, as owner of the Reassessment Bonds.

If, at the hearing, the court determines that such a sale will not result in an ultimate loss to the Authority, as owner of the Reassessment Bonds, or if the owners of 75% of the outstanding obligation by principal amount (in this case, the Authority) consent and the sale will not result in an ultimate loss to the nonconsenting owners, the court may reduce or eliminate the minimum price at which a Reassessment Parcel may be sold. Further, if the owners of 75% of the outstanding Reassessment Bonds by principal amount (in this case, the Authority) consent the court may reduce or eliminate the minimum price at which a Reassessment Parcel may be sold even if sale below the minimum price will result in an ultimate loss to nonconsenting owners, provided that the court makes certain additional determinations specified by statute, including the reasonable unavailability of any other remedy acceptable to the owners of 75% or more of the outstanding Reassessment Bonds by principal amount (in this case, the Authority). Upon sale of the Reassessment Parcel for less than the minimum price, the remaining unpaid balance of the Reassessment on the Reassessment Parcel will be reduced by the difference between the minimum price and the sale price. By such a reduction, the aggregate principal amount of the outstanding Reassessment Bonds will exceed the aggregate principal amount of the unpaid Reassessment.

Under such circumstances, proportionate payments are to be made, periodically, of the unpaid principal and interest of the 2014 Senior Bonds as funds become available from collection of the unpaid Reassessment Installments. The maturity dates of the Reassessment Bonds are to be disregarded and no redemption premiums are to be payable on payments of the principal of the Reassessment Bonds the maturity dates of which are subsequent to the date of any such payments.

RISK FACTORS UNIQUELY RELATING TO THE SPECIAL TAX BONDS

Levy and Collection of the Special Tax

The principal source of payment of principal of and interest on the Special Tax Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the Community Facilities District. The annual levy of the Special Taxes is subject to the maximum tax rates authorized. 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 Taxes, together with other available funds, will not be sufficient to pay debt service on the corresponding Special Tax Bonds. Other funds which might be available include funds derived from the payment of penalties on delinquent Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent.

The levy of the Special Taxes will rarely, if ever, result in a uniform relationship between the value of particular taxed parcels and the amount of the levy of the Special Tax against such parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of such parcels and the proportionate share of debt service on the Special Tax Bonds, and certainly not a direct relationship.

The Special Tax levied in any particular tax year on a taxed parcel is based upon the revenue needs and application of the Rate and Method. Application of the Rate and Method will, in turn, be dependent upon certain development factors with respect to each taxed parcel by comparison with similar development factors with respect to the other taxed parcels within the Community Facilities District. Thus, in addition to annual variations of the revenue needs from the Special Taxes, the following are some of the factors which might cause the levy of a Special Tax on any particular taxed parcel to vary from the Special Tax that might otherwise be expected:

(1) Reduction in the number of taxed parcels, for such reasons as acquisition of taxed parcels by a government and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.

(2) Failure of the owners of taxed parcels to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels.

The CFD Fiscal Agent Agreement provides that the Special Taxes are 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 SPECIAL TAX BONDS – Covenants of the Authority Relating to the Community Facilities District” and in the Mello-Roos Act, is 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; provided that the Special Taxes may be collected by means of direct billing of the property owners within the Community Facilities District, if the Authority makes certain determinations, in which event the Special Taxes shall become delinquent if not paid when due pursuant to such billing. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of a Series of Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the Community Facilities District of the proceeds of sale if the Reserve Account for such Series is depleted.

Exempt Properties

Certain properties are exempt from the Special Taxes in accordance with the Rate and Method. In addition, the Mello-Roos Act provides that properties or entities of the state, federal or local government are exempt from Special Taxes; provided, however, that property within the Community Facilities District is acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from a Special Tax, will continue to be subject to the Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Special Tax. In addition, although the Mello-Roos 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 Mello-Roos Act have not been tested, meaning that such property could become exempt from the Special Tax. In the event that additional property is dedicated to public entities, this additional property might become exempt from the Special Tax.

The Mello-Roos Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

Recent Case Law Related to the Mello-Roos Act

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, issued its opinion in City of San Diego v. Melvin Shapiro, et al. (D063997). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego (the “City”). The CCFD is a financing district established under the City’s charter (the “Charter”) and was intended to function much like a community facilities district established under the Mello-Roos Act. The CCFD was comprised of all of the real property in the entire City. However, the CCFD special tax was to be levied only on properties in the CCFD that were improved with a hotel.

At the election to authorize the CCFD special tax, the CCFD proceedings limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel was located. Registered voters in the City were not permitted to vote.

This definition of the qualified electors of the CCFD was based on Section 53326(c) of the Mello-Roos Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed community facilities district whose property would be subject to the special tax.

The San Diego Court held that the CCFD special tax election did not comply with the City's Charter and with applicable provisions of the California Constitution -- specifically Article XIII A, section 4 ("Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district...") and Article XIII C, section 2(d) ("No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote.") -- because the electors in the CCFD election should have been the registered voters residing within the CCFD (the boundaries of which were coterminous with the boundaries of the City).

In the case of the Community Facilities District, there were no registered voters within the Community Facilities District at the time of the election to authorize the Special Taxes. Significantly, the San Diego Court expressly stated that it was not addressing the validity of a landowner election to impose special taxes on residential property pursuant to the Mello-Roos Act in situations where there are fewer than 12 registered voters. Therefore, by its terms, the San Diego Court's holding does not apply to the special tax election in the Community Facilities District.

Moreover, Sections 53341 and 53359 of the Act establish a limited period of time in which special taxes levied under the Mello-Roos Act may be challenged by a third party:

53341. Any action or proceeding to attack, review, set aside, void, or annul the levy of a special tax or an increase in a special tax pursuant to [the Mello-Roos Act] shall be commenced within 30 days after the special tax is approved by the voters....³

53359. An action to determine the validity of bonds issued pursuant to [the Mello-Roos Act] or the validity of any special taxes levied pursuant to [the Mello-Roos Act] ... shall be commenced within 30 days after the voters approve the issuance of the bonds or the special tax ...

Landowner voters approved the Special Taxes and the issuance of bonds for the Community Facilities District in compliance with all applicable requirements of the Mello-Roos Act on May 24, 2004. Therefore, pursuant to Sections 53341 and 53359 of the Mello-Roos Act, the statute of limitations period to challenge the validity of the special tax has expired.

Because the San Diego Court expressly stated that it did not consider the facts presented by the Community Facilities District and because the period for challenging the Special Taxes

³ Section 53326(b) of the Mello-Roos Act defines the authorized voters for an election in which the special taxes will be levied on residential property: "Except as otherwise provided in subdivision (c), if at least 12 persons, who need not necessarily be the same 12 persons, have been registered to vote within the territory of the proposed community facilities district for each of the 90 days preceding the close of the protest hearing, the vote shall be by the registered voters of the proposed district, with each voter having one vote. Otherwise, the vote shall be by the landowners of the proposed district and each person who is the owner of land at the close of the protest hearing, or the authorized representative thereof, shall have one vote for each acre or portion of an acre of land that he or she owns within the proposed community facilities district not exempt from the special tax...."

passed more than 10 years ago, the Authority believes the Special Taxes are valid and cannot be challenged.

THE AUTHORITY AND ABAG

The following information relating to the Authority and ABAG is included only for the purpose of supplying general information regarding those entities. See "Limited Obligation of the Authority" below.

ABAG. ABAG is a joint exercise of powers authority organized and operating under Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and under an agreement which became effective January 24, 1961, among various cities and counties in the State. ABAG is operated by its Members and was established to protect local control, plan for the future and promote cooperation on issues in the San Francisco Area. ABAG has been designated by the State of California and federal governments as the official comprehensive planning agency for the San Francisco Bay Area. ABAG's enabling legislation provides it with the power to issue the Reassessment Bonds. ABAG has no taxing power.

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 the Authority. The 2014 Senior Bonds are special obligations of the Authority payable solely from and secured solely by the Revenues and moneys in certain funds pledged therefor in the Indenture. The 2014 Senior Bonds are not a debt or liability of ABAG, the State of California or any political subdivisions thereof other than the Authority to the limited extent described in this Official Statement, and neither the faith nor the credit of the Authority, ABAG, the State or any of its political subdivisions are pledged to the payment of principal of, premium, if any, or interest on the 2014 Senior Bonds and neither the Authority, ABAG, the State nor any of its political subdivisions is liable therefor (except the Authority to the limited extent set forth in the Indenture), nor in any event shall the 2014 Senior Bonds or any interest or redemption premium be payable out of any funds or properties other than those pledged pursuant to the Indenture. Neither the 2014 Senior Bonds nor the obligation to make payments under the Local Obligations constitute an indebtedness of the Authority, ABAG, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. Neither the Authority nor ABAG has the taxing power.

LEGAL MATTERS

Tax Matters

Federal Tax Law. Federal tax law contains a number of requirements and restrictions which apply to the 2014 Senior Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Authority has covenanted in the Indenture to comply with all requirements that must be satisfied in order for the interest on the 2014 Senior Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the 2014 Senior Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the 2014 Senior Bonds.

Subject to the Authority's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Bond Counsel, interest on the 2014 Senior Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the 2014 Senior Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Authority and ABAG with respect to certain material facts. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "**Code**"), includes provisions for an alternative minimum tax ("**AMT**") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("**AMTI**"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "**Adjusted current earnings**" would include certain tax-exempt interest, including interest on the 2014 Senior Bonds.

Ownership of the 2014 Senior Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the 2014 Senior Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "**Issue Price**") for each maturity of the 2014 Senior Bonds is the price at which a substantial amount of such maturity of the 2014 Senior Bonds is first sold to the public. The Issue Price of a maturity of the 2014 Senior Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page of this Official Statement.

If the Issue Price of a maturity of the 2014 Senior Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the 2014 Senior Bonds (the “**OID 2014 Senior Bonds**”) and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID 2014 Senior Bond in the initial public offering at the Issue Price for such maturity and who holds such OID 2014 Senior Bond to its stated maturity, subject to the condition that the Authority comply with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID 2014 Senior Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID 2014 Senior Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID 2014 Senior Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID 2014 Senior Bonds.

Owners of 2014 Senior Bonds who dispose of 2014 Senior Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase 2014 Senior Bonds in the initial public offering, but at a price different from the Issue Price or purchase 2014 Senior Bonds subsequent to the initial public offering should consult their own tax advisors.

If a 2014 Senior Bond is purchased at any time for a price that is less than the 2014 Senior Bond's stated redemption price at maturity or, in the case of an OID 2014 Senior Bond, its Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the “**Revised Issue Price**”), the purchaser will be treated as having purchased a 2014 Senior Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a 2014 Senior Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID 2014 Senior Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such 2014 Senior Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 2014 Senior Bonds.

An investor may purchase a 2014 Senior Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “**bond premium**” and must be amortized by an investor on a constant yield basis over the remaining term of the 2014 Senior Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the 2014 Senior Bond. Investors who purchase a 2014 Senior Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the 2014 Senior Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the 2014 Senior Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the 2014 Senior Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the 2014 Senior Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the “**Service**”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the 2014 Senior Bonds. If an audit is commenced, under current procedures the Service may treat the Authority as a taxpayer and the 2014 Senior Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the 2014 Senior Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the 2014 Senior Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any 2014 Senior Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2014 Senior Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

State of California. In the further opinion of Bond Counsel, interest on the 2014 Senior Bonds is exempt from California personal income taxes.

Other Tax Consequences. Ownership of the 2014 Senior 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 2014 Senior Bonds. Prospective purchasers of the 2014 Senior Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

See “APPENDIX D – Form of Bond Counsel Opinion” for a form of the opinion to be provided by Bond Counsel on the date of issuance of the 2014 Senior Bonds.

Absence of Litigation

The Authority and ABAG will certify at the time the Bonds are issued that no litigation is pending with respect to which they have been served with process, or, to their knowledge, threatened concerning the validity of the 2014 Senior Bonds or the Local Obligations and that no action, suit or proceeding is known by the Authority or ABAG to be pending that would restrain or enjoin the delivery of the 2014 Senior Bonds, or contest or affect the validity of the Bonds or the Local Obligations or any proceedings of the Authority or ABAG taken with respect to the Bonds or the Local Obligations.

Legal Opinion

Certain proceedings in connection with the issuance of the 2014 Senior Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, Larkspur, California, Bond Counsel for the Authority in connection with the issuance of the 2014 Senior Bonds. Rosales Law Partners LLP is acting as general counsel to the Authority and ABAG. Jones Hall, A Professional Law Corporation, San Francisco, California is acting as Underwriter's Counsel.

Payment of the fees of Bond Counsel and Underwriter's Counsel is contingent upon issuance of the 2014 Senior Bonds.

MISCELLANEOUS

Rating

Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("S&P") has assigned its rating of "A-" to the 2014 Senior Bonds. Such rating reflects only the view of S&P and an explanation of the significance of such rating may be obtained only from S&P. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2014 Senior Bonds.

Verification of Mathematical Accuracy

Causey Demgen & Moore Inc., independent accountants, upon delivery of the 2014 Senior Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them which were prepared by Stifel, Nicolaus & Company, Incorporated, relating to the sufficiency of moneys and securities deposited into the Escrow Fund to pay, when due, the principal, whether at maturity or upon prior prepayment, interest and prepayment premium requirements of the Refunded 2007 Subordinate Bonds.

The report of Causey Demgen & Moore Inc. will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report.

Underwriting

The 2014 Senior Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"), at a purchase price of \$36,115,711.30 (representing the par amount of the 2014 Senior Bonds, *less* Underwriter's discount of \$291,301.85 and *plus* an original issue premium of \$4,602,013.15).

The purchase contract relating to the 2014 Senior Bonds between the Authority and the Underwriter provides that all Bonds will be purchased if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in said purchase contract, including, but not limited to, the approval of certain legal matters by counsel.

Additional Information

References are made in this Official Statement to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such documents and reports 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 ABAG and the purchasers or Owners of any of the 2014 Senior Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS

By: /s/ Herbert Pike
Chief Financial Officer

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APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The Indenture of Trust and the First Supplemental Indenture of Trust

The following is a summary of certain provisions of the Indenture of Trust, as amended and supplemented by the First Supplemental Indenture of Trust, not otherwise described in the text of the Official Statement. Such summary is not intended to be definitive, and reference is made to the complete Indenture of Trust and First Supplemental Indenture of Trust for the definitive terms of each thereof.

Definitions

“ABAG” means the Association of Bay Area Governments, a joint exercise of powers authority duly organized and existing under the laws of the State.

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as it may hereafter be amended from time to time.

“Administrative Expenses” means the fees and expenses of the Trustee, including legal fees and expenses (including fees and expenses of outside counsel and the allocated costs of internal attorneys) and the out-of-pocket expenses incurred by the Trustee, ABAG and the Authority in carrying out their duties under the Indenture including payment of amounts payable to the United States pursuant to the Indenture, in carrying out their duties with respect to the Local Obligations (including, with respect to the Trustee, its duties as Fiscal Agent for the Local Obligations), and in carrying out the purposes of the Districts.

“Annual Debt Service” means, for each Bond Year, (a) with respect to the Bonds, the sum of (i) the interest payable on the Outstanding Bonds in such Bond Year, and (ii) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year, including any principal due by reason of mandatory sinking payments on the Bonds; (b) with respect to the Senior Bonds, the sum of (i) the interest payable on the Outstanding Senior Bonds in such Bond Year, and (ii) the principal amount of the Outstanding Senior Bonds scheduled to be paid in such Bond Year, including any principal due by reason of mandatory sinking payments on the Senior Bonds; and (c) with respect to the Subordinate Bonds, the sum of (i) the interest payable on the Outstanding Subordinate Bonds in such Bond Year, and (ii) the principal amount of the Outstanding Subordinate Bonds scheduled to be paid in such Bond Year, including any principal due by reason of mandatory sinking payments on the Subordinate Bonds.

“Assessment District” means the Association of Bay Area Governments Windemere Ranch Reassessment District.

“Beneficial Owners” means the actual purchasers of the Bonds whose ownership interests are recorded on the books of the DTC Participants.

“Board” means the Executive Committee of the Board of Directors of the Authority.

“Bond Counsel” means (i) Quint & Thimmig LLP, or (ii) any attorney at law or other firm of attorneys selected by the Authority of nationally-recognized standing in matters

pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as it may hereafter be amended from time to time.

“Bond Register” means the registration books for the Bonds maintained by the Trustee in accordance with the provisions of the Indenture.

“Bond Year” means each twelve-month period extending from September 3 in one calendar year to September 30 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Closing Date to September 2, 2007, both dates inclusive.

“Bonds” means, collectively, the Senior Bonds and the Subordinate Bonds.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which the New York Stock Exchange or banks in New York, New York or San Francisco, California, or where the Trust Office is located, are not required or authorized to remain closed.

“Certificate of the Authority” means a certificate in writing signed by an Authorized Officer of the Authority, or by any other officer of the Authority duly authorized in writing by the Board for that purpose.

“Closing Date” means, with respect to the Series 2014-A Bonds, the date upon which there was a physical delivery of the Series 2014-A Bonds in exchange for the amount representing the purchase price of the Series 2014-A Bonds by the Original Purchaser of the Series 2014-A Bonds.

“Code” means, with respect to the Series 2007 Bonds, the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations in effect with respect thereto.

“Code” means, with respect to the Series 2014-A Bonds, the Internal Revenue Code of 1986 as in effect on the date of issuance of the Series 2014-A Bonds or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the date of issuance of the Series 2014-A Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Disclosure Certificate” means, with respect to the Series 2007 Bonds, that certain Continuing Disclosure Certificate executed by the Authority and ABAG and dated the date of delivery of the Series 2007 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Continuing Disclosure Certificate” means, with respect to the Series 2014-A Bonds, that certain Continuing Disclosure Certificate of the Authority with respect to the Series 2014-A Bonds, dated as of the Closing Date for the Series 2014-A Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or ABAG relating to the authorization, issuance, sale and delivery of the Series 2007 Bonds and the Local Obligations and the refunding of the Prior

Bonds, including but not limited to, printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Trustee, the Fiscal Agent and of the Escrow Bank and their respective counsel, including the Trustee's and the Fiscal Agent's first annual administrative fee, fees, charges and disbursements of attorneys, financing advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and of Local Obligations, the premium for the Senior Bond Insurance Policy, and any cost, charge or fee in connection with the original issuance of the Bonds and of the Local Obligations, and of the refunding of the Prior Bonds.

"Costs of Issuance Fund" means the fund by that name established in the Indenture.

"Developed Property" means property within a District that is both subject to the levy of the Reassessments and/or the Special Taxes, and for which a building permit for new construction was issued by the County of Contra Costa (or other governmental body having land use jurisdiction over the respective property) prior to June 1 of the preceding Fiscal Year.

"District" means the ABAG Finance Authority For Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch).

"Districts" means, collectively, the District and the Assessment District.

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

"DTC Participants" means securities brokers and dealers, banks, trust companies, clearing corporations and other organizations maintaining accounts with DTC.

"Escrow Agreement" means the Escrow Agreement, dated as of August 1, 2014, by and between the Authority and the Escrow Bank, relating to the refunding of a portion of the Series 2007-B Bonds.

"Escrow Bank" means, with respect to the Escrow Agreement, MUFG Union Bank, N.A., in its capacity as escrow bank under the Escrow Agreement.

"Escrow Bank" means, with respect to the Escrow Agreements entered into on the Closing Date for the Series 2007 Bonds, The Bank of New York Trust Company, N.A., acting in its capacity as escrow bank under the four escrow agreements relating to the Prior Bonds.

"Event of Default" means any of the events described in the Indenture.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "fair market value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the code, (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California but only if at all times during which the investment is held its

yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

“Federal Securities” means any of the following: (a) cash; (b) State and Local Government Series issued by the United States Treasury (“SLGS”); (c) United States Treasury bills, notes and bonds, as traded on the open market; and, (d) zero coupon United States Treasury Bonds.

“Fiscal Agent” means the entity acting in that capacity with respect to the Local Obligations.

“Fiscal Agent Agreements” means, collectively, the Fiscal Agent Agreement between the Authority and the Fiscal Agent, dated as of June 1, 2007, pursuant to which the Special Tax Bonds were issued, and the Fiscal Agent Agreement between ABAG and the Fiscal Agent, dated as of June 1, 2007, pursuant to which the Improvement Bonds were issued.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Improvement Bonds” means the Limited Obligation Improvement Refunding Bonds, Series 2007-A, Association of Bay Area Governments Windemere Ranch Reassessment District, issued by ABAG under and pursuant to the Refunding Bond Act.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the Authority, and who, or each of whom: (a) is in fact independent and not under domination of the Authority or ABAG; (b) does not have any substantial interest, direct or indirect, in the Authority or ABAG; and (c) is not an officer or employee of the Authority or ABAG, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or ABAG, or who may be ABAG’s or the Authority’s administrator for one or both of the Districts.

“Independent Financial Consultant” means any financial consultant or firm of such consultants appointed and paid by the Authority, and who, or each of whom: (a) is in fact independent and not under domination of the Authority or ABAG; (b) does not have any substantial interest, direct or indirect, in the Authority or ABAG; and (c) is not an officer or employee of the Authority or ABAG, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or ABAG, or who may be the Authority’s or ABAG’s administrator for one or both of the Districts.

“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 other information services providing information with respect to called bonds as the Authority may designate in a Request of the Authority delivered to the Trustee.

“Insurance Policy” means the financial guaranty insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2007-A Bonds when due.

“Insurer” means CIFG Assurance North America, Inc., the provider of the Insurance Policy.

“Interest Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Interest Payment Date” means March 2 and September 2 in each year, beginning September 2, 2007, and continuing thereafter so long as any Bonds remain Outstanding.

“Local Obligations” means, collectively, the Special Tax Bonds and the Improvement Bonds.

“Maximum Annual Debt Service” means, as of the date of any calculation, (a) with respect to the Bonds, the largest Annual Debt Service on the Bonds during the current or any future Bond Year, (b) with respect to the Senior Bonds, the largest Annual Debt Service on the Senior Bonds during the current or any future Bond Year, and (c) with respect to the Subordinate Bonds, the largest Annual Debt Service on the Subordinate Bonds during the current or any future Bond Year.

“Maximum Reserve Fund Amount” means an amount equal to the lesser of (i) 10% of the initial principal amount of the Outstanding Bonds, (ii) Maximum Annual Debt Service on the Outstanding Bonds, or (iii) 125% of average Annual Debt Service on the Outstanding Bonds.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Original Amount” means the initial principal amount of the Series 2014-A Bonds as of the Closing Date for the Series 2014-A Bonds.

“Original Purchaser” means, with respect to the Series 2007 Bonds, collectively, Stone & Youngberg LLC, Henderson Capital Partners, LLC and M.L. Stern & Co., LLC, the first purchasers of the Series 2007 Bonds from the Authority.

“Original Purchaser” means, with respect to the Series 2014-A Bonds, Stifel, Nicolaus & Company, Incorporated, the first purchaser of the Series 2014-A Bonds upon their delivery by the Trustee on the Closing Date for the Series 2014-A Bonds.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore executed and issued by the Authority and authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation pursuant to the Indenture; (b) Bonds paid or deemed to have been paid within the meaning of the Indenture or Bonds called for redemption for which funds have been provided as described in the Indenture; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

“Owner” or “Bond Owner,” when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Bond Register.

“Parity Senior Bonds” means Bonds issued by the Authority pursuant to the Indenture.

“Parity Subordinate Bonds” means the Bonds issued by the Authority pursuant to the Indenture.

“Permitted Investments” means any of the following which at the time of investment are determined by the Authority (any investment direction to the Trustee shall be deemed to be a representation by the Authority that such determination has been made as to such

investment by the Authority) to be legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(a) Federal Securities.

(b) Obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration.

(c) Senior debt obligations rated AAA by S&P and Aaa by Moody's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation (or any other U.S.-sponsored agency) with remaining maturities not exceeding three (3) years.

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks, including the Trustee, its parent, if any, and its affiliates which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by S&P and P-1 by Moody's, and maturing no more than 360 days after the date of purchase.

(e) Registered state warrants or treasury notes or bonds of the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State, in each case, rated at least A by Moody's or S&P.

(f) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the City, or by a department, board, agency, or authority of the City, in each case, rated at least A by Moody's or S&P.

(g) Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, or in obligations, participations, or other instruments of, or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration notes; or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise.

(h) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System. Purchases of bankers acceptances may not exceed 270 days' maturity.

(i) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's or S&P. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an A or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by Moody's or S&P. Purchases of eligible

commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation.

(j) Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal association (as defined by Section 5102 of the Financial Code of the State) or by a state-licensed branch of a foreign bank.

(k) Investments in fully collateralized repurchase agreements or reverse repurchase agreements of any securities authorized by this definition, so long as the proceeds of the reverse repurchase agreement are invested solely to supplement the income normally received from these securities. The term "counterparty" for the purposes of this paragraph, means the other party to the transaction whose general obligations are rated "A" or better by Moody's or S&P. A counterparty bank's trust department or safekeeping department may be used for physical delivery of the underlying security. The term of repurchase agreements shall be for one year or less. The term "securities," for purpose of repurchase under this paragraph, means securities of the same issuer, description, issue date, and maturity.

(l) Medium-term notes of a maximum of five years' maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this paragraph shall be rated in a rating category of AA or better by S&P and Aa or better by Moody's.

(m) Notes, bonds, or other obligations which are at all times secured by a valid first priority security interest in securities of the types listed by Section 53601 of the Government Code of the State as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by said Section 53601 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

(n) The Local Agency Investment Fund maintained by the Treasurer of the State.

(o) Guaranteed investment contracts with financial institutions whose (or whose holding company's) long-term unsecured debt is rated at least A by Moody's or S&P, for all or any portion of the moneys on deposit in the funds and accounts established under the Indenture, the provisions of which guaranteed investment contracts shall include the right of the Trustee or the Authority to draw in full under the Indenture in the event of the reduction or loss of the long-term debt rating of the issuer thereof and the maximum term for which guaranteed investment contracts shall be the payment date of the final Bond Outstanding under the Indenture.

(p) money market mutual funds (including those of the Trustee and its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated AA-Am-G or AA-Am by S&P or Aaa by Moody's; provided that the portfolio of such money market mutual fund is limited to obligations described in subparagraph (a) above and to agreements to repurchase such obligations.

“Principal Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Prior Bonds” means, collectively, the “Prior Bonds” as such term is defined in the respective fiscal agent agreements pursuant to which the Local Obligations are being issued.

“Purchase Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Reassessments” means the unpaid reassessments levied by ABAG on parcels in the Assessment Districts which have been pledged to repay the Improvement Bonds pursuant to the Refunding Bond Act.

“Rebate Fund” means the fund by that name established pursuant to the Indenture.

“Rebate Regulations” means the Treasury Regulations issued under Section 148(f) of the Code.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs, whether or not such day is a Business Day.

“Redemption Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Redemption Price” means the aggregate amount of principal of and premium (if any) on the applicable Bonds upon the redemption thereof pursuant to the Indenture.

“Redemption Fund” means the redemption fund or the bond fund, as applicable, established with respect to any Local Obligation.

“Refunding Bond Act” means the Refunding Law of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code).

“Refunding Law” means Article 11, commencing with Section 53580, of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

“Refunding Senior Bonds” means bonds (i) the net proceeds of which are used to refund, in whole or in part, any Outstanding Senior Bonds; (ii) the debt service on which Refunding Senior Bonds in any Bond Year is not in excess of the debt service on the Senior Bonds being refunded; and (iii) the final maturity of the Refunding Senior Bonds is not later than the final maturity of the Senior Bonds being refunded.

“Refunding Subordinate Bonds” means bonds (i) the net proceeds of which are used to refund, in whole or in part, any Outstanding Subordinate Bonds; (ii) the debt service on which Refunding Subordinate Bonds in any Bond Year is not in excess of the debt service on the Subordinate Bonds being refunded; and (iii) the final maturity of the Refunding Subordinate Bonds is not later than the final maturity of the Subordinate Bonds being refunded.

“Request of the Authority” means a request in writing signed by and Authorized Representative of the Authority, or by any other officer of the Authority duly authorized in writing by the Board for that purpose.

“Reserve Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Revenue Fund” means the fund by that name established by the Trustee pursuant to the Indenture.

“Revenues” means: (a) all payments on the Local Obligations received by the Trustee; (b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture with respect to the Bonds (other than the Reserve Fund including the Senior Reserve Account and the Subordinate Reserve Account, the Rebate Fund and the Surplus Fund); and (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture with respect to the Bonds (other than investment income on moneys held in the Reserve Fund including the Senior Reserve Account and the Subordinate Reserve Account, the Rebate Fund or the Surplus Fund).

“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 a Certificate of the Authority delivered to the Trustee.

“S & P” means Standard & Poor’s Ratings Group, its successors and assigns.

“Senior Bonds” means, collectively (i) the Series 2007-A Bonds, and (ii) any Parity Senior Bonds issued pursuant to the Indenture authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

“Senior Reserve Account” means the account by that name within the Reserve Fund established and held by the Trustee pursuant to the Indenture.

“Senior Reserve Requirement” means an amount equal to the lesser of (i) 10% of the initial principal amount of the Senior Bonds, (ii) Maximum Annual Debt Service on the Outstanding Senior Bonds, or (iii) 125% of average Annual Debt Service on the Outstanding Senior Bonds.

“Series 2007 Bonds” means, collectively, the Series 2007-A Bonds and the Series 2007-B Bonds.

“Series 2007-A Bonds” means the ABAG Finance Authority For Nonprofit Corporations Revenue Bonds, Senior Series 2007-A (Windemere Ranch Infrastructure Financing Program), authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

“Series 2007-B Bonds” means the ABAG Finance Authority For Nonprofit Corporations Revenue Bonds, Subordinate Series 2007-B (Windemere Ranch Infrastructure Financing Program), authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

“Series 2014-A Bonds” means the Authority’s ABAG Finance Authority For Nonprofit Corporations Refunding Revenue Bonds, Senior Series 2014-A (Windemere Ranch Infrastructure Financing Program), authorized by and at any time Outstanding pursuant to the Indenture.

“Special Tax Bonds” means, collectively, the ABAG Finance Authority For Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch) Special Tax Refunding Bonds, Series 2007-A, and the ABAG Finance Authority For Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch) Special Tax Bonds, Series 2007B, each issued by the Authority under and pursuant to the Mello-Roos Community Facilities Act of 1982, constituting Chapter 2.5 (commencing with Section 53311) of Article 1 of Division 2 of Title 5 of the Government Code of the State.

“Special Taxes” means the taxes authorized to be levied by the Authority in the District which have been pledged to repay the Special Tax Bonds.

“State” means the State of California.

“Subordinate Bonds” means, collectively (i) the Series 2007-B Bonds, and (ii) any Parity Subordinate Bonds issued pursuant to the Indenture authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

“Subordinate Reserve Account” means the account by that name within the Reserve Fund established and held by the Trustee pursuant to the Indenture.

“Subordinate Reserve Requirement” means an amount equal to the then Maximum Reserve Fund Amount, less the amount of the then Senior Reserve Requirement.

“Supplemental Indenture” means any indenture, agreement or other instrument hereafter duly executed by the Authority in accordance with the provisions of Article VII of the Indenture.

“Surplus Fund” means the fund by that name established pursuant to the Indenture.

“Tax Certificate” means the arbitrage certificate or certificate as to arbitrage executed by the Authority on the Closing Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Trust Office” means the principal corporate trust office of the Trustee in San Francisco, California; except that, with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which it conducts such activities.

“2014 Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority relating to the authorization, issuance, sale and delivery of the Series 2014-A Bonds and the refunding of Series 2007-B Bonds with proceeds of the Series 2014-A Bonds, including but not limited to printing expenses, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel (including the Trustee’s first annual administrative fee), fees, expenses and charges of the Escrow Bank and its counsel, fees, charges and disbursements of attorneys, including bond counsel, Authority counsel and disclosure counsel, financial advisors, accounting firms, fiscal consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Series 2014-A Bonds and any other cost, charge or fee in connection with the issuance of the Series 2014-A Bonds and the refunding of Series 2007-B Bonds.

“2014 Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

Establishment of Funds and Accounts; Flow of Funds

Revenue Fund. There will be established and maintained by the Trustee under the Indenture a separate fund to be known as the "Revenue Fund" and a separate Interest Account, Principal Account and Redemption Account therein. All Revenues described in clause (a) of the definition thereof shall be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund; provided that any Revenues which represent the payment of delinquent principal of or interest on a Local Obligation, as identified by ABAG or the Authority in writing to the Trustee or otherwise known by the Trustee as such (because such amounts are received by the Trustee on other than interest payment dates on the Local Obligations), shall immediately be deposited by the Trustee first to the applicable subaccount (being the subaccount from which amounts were drawn pursuant to the Indenture to satisfy a shortfall due to a prior delinquency in payment of the respective Local Obligation) within the Senior Reserve Account to the extent necessary to replenish the amount in the Senior Reserve Account to the amount of the Senior Reserve Requirement, second to the applicable subaccount (being the subaccount from which amounts were drawn pursuant to the Indenture to satisfy a shortfall due to a prior delinquency in payment of the respective Local Obligation) within the Subordinate Reserve Account to the extent necessary to replenish the amount in the Subordinate Reserve Account to the amount of the Subordinate Reserve Account, with any remaining amount to be transferred to the Surplus Fund.

On each Interest Payment Date and date for redemption of the Bonds, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain in trust separate and distinct from the other funds and accounts established under the Indenture), the following amounts in the following order of priority, the requirements of each such account at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(i) On each Interest Payment Date or redemption date for the Senior Bonds, the Trustee shall deposit in the Interest Account an amount which, together with the amounts then on deposit therein, is required to cause the aggregate amount on deposit in the Interest Account to equal the amount then required to make any payment on the Senior Bonds pursuant to the Indenture.

(ii) On September 2 of each year, commencing with the September 2 when principal is first payable on the Senior Bonds, the Trustee shall deposit in the Principal Account an amount which, together with the amounts then on deposit therein, is required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal then coming due and payable on the Senior Bonds.

(iii) On each redemption date for the Senior Bonds, the Trustee shall deposit in the Redemption Account an amount equal to the principal and any premium due on any Senior Bonds to be redeemed pursuant to the Indenture on such date.

(iv) On each Interest Payment Date, the Trustee shall deposit in the Senior Reserve Account the amount, if any, necessary to bring the amount then on deposit in the Senior Reserve Account up to an amount equal to the then Senior Reserve Requirement, with the amount so to be deposited to be allocated to the subaccounts within the Senior Reserve Account as necessary to replace any funds previously withdrawn therefrom or otherwise on a pro rata basis based upon the then outstanding principal amounts of the respective Local Obligations.

(v) On each Interest Payment Date or redemption date for the Subordinate Bonds, the Trustee shall deposit in the Interest Account an amount which, together

with the amounts then on deposit therein, is required to cause the aggregate amount on deposit in the Interest Account to equal the amount then required to make any payment on the Senior Bonds and the Subordinate Bonds pursuant to the Indenture.

(vi) On September 2 of each year, commencing with the September 2 when principal is first due on the Subordinate Bonds, the Trustee shall deposit in the Principal Account an amount which, together with the amounts then on deposit therein, is required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal then coming due and payable on the Senior Bonds and the Subordinate Bonds pursuant to the Indenture.

(vii) On each redemption date for the Subordinate Bonds, the Trustee shall deposit in the Redemption Account an amount equal to the principal and any premium due on any Senior Bonds and any Subordinate Bonds to be redeemed pursuant to the Indenture on such date.

(viii) On each Interest Payment Date, the Trustee shall deposit in the Subordinate Reserve Account the amount, if any, necessary to bring the amount then on deposit in the Subordinate Reserve Account up to an amount equal to the then Subordinate Reserve Requirement, with the amount so to be deposited to be allocated to the subaccounts within the Subordinate Reserve Account as necessary to replace any funds previously withdrawn therefrom or otherwise on a pro rata basis based upon the then outstanding principal amounts of the respective Local Obligations.

(ix) Following the foregoing transfers on each September 2, the Trustee shall deposit in the Surplus Fund all remaining amounts then on deposit in the Revenue Fund.

Interest Account. Subject to the provisions of the Indenture, all amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable, including upon the redemption of any Bonds; provided that any amounts deposited to the Interest Account pursuant to clause (i) of the second paragraph under "Revenue Fund" above and any investment earnings thereon shall only be used to pay interest on the Senior Bonds. In the event that, on any date on which interest on the Bonds is due, amounts in the Interest Account are insufficient for the foregoing purpose, amounts shall be used to pay interest due on the Senior Bonds prior to the use of monies in the Interest Account to pay interest due on the Subordinate Bonds. Any amounts on deposit in the Interest Account on any Interest Payment Date and not required to pay interest then due and payable on the Bonds shall be retained in the Interest Account and credited towards the payment of interest on the Bonds next coming due.

Principal Account. Subject to the provisions of the Indenture, all amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal of the Bonds upon the stated maturity thereof; provided that any amounts deposited to the Principal Account pursuant to clause (ii) of the second paragraph under "Revenue Fund" above and any investment earnings thereon shall only be used to pay principal of the Senior Bonds. In the event that, on any date on which principal on the Bonds is due, amounts in the Principal Account are insufficient for the foregoing purpose, amounts shall be used to pay principal due on the Senior Bonds prior to the use of monies in the Principal Account to pay principal on the Subordinate Bonds. Any amounts on deposit in the Principal Account on any Interest Payment Date and not required to pay principal then due and payable on the Bonds shall be retained in the Principal Account and credited towards the payment of principal of the Bonds next coming due.

Redemption Account. Subject to the provisions of the Indenture, all amounts deposited in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of Bonds called for redemption in the manner and upon the terms and conditions set forth in the respective provisions of the Indenture; provided that any amounts deposited to the Redemption Account pursuant to clause (iii) of the second paragraph under "Revenue Fund" above and any investment earnings thereon shall only be used to pay the Redemption Price of the Senior Bonds. In the event that, on any date for redemption of the Bonds, amounts in the Redemption Account are insufficient for the foregoing purpose, amounts shall be used to pay any Redemption Price due on such date on the Senior Bonds prior to the use of moneys in the Redemption Account to pay the Redemption Price due on such date on the Subordinate Bonds. Any amounts on deposit in the Redemption Account on any date of redemption of Bonds and not required to pay the Redemption Price then due and payable on the applicable Bonds being redeemed shall be retained in the Redemption Account and credited towards the payment of the Redemption Price of the Bonds next coming due.

Reserve Fund. There will be established and maintained by the Trustee under the Indenture a separate fund to be known as the "Reserve Fund" and within such Fund, accounts to be known as the "Senior Reserve Account" and the "Subordinate Reserve Account," and, within such account, subaccounts to be known as the "Reassessment Bonds Subaccount" and the "Special Tax Bonds Subaccount," all of which shall be administered as provided in the Indenture. In addition to the establishment of the Senior Reserve Account and the Reassessment Bonds Subaccount and Special Tax Bonds Subaccount therein, there is established within the Reassessment Bonds Subaccount of the Senior Reserve Account a separate sub-subaccount designated as the "2014 Sub-Subaccount of the Reassessment Bonds Subaccount," and there is established within the Special Tax Bonds Subaccount of the Senior Reserve Account a separate sub-subaccount designated as the "2014 Sub-Subaccount of the Special Tax Bonds Subaccount," which sub-subaccounts were established for purposes of accounting for the use and disposition of a portion of the proceeds of the Series 2014-A Bonds which will be deposited to such sub-subaccounts pursuant to the First Supplemental Indenture of Trust, and amounts in such sub-subaccounts shall for all purposes of the Indenture be deemed to be part of the amounts on deposit in the Reassessment Bonds Subaccount and the Special Tax Bonds Subaccount, respectively, of the Senior Reserve Account and amounts in such sub-subaccounts and any earnings on amounts in such sub-subaccounts shall be drawn upon and or transferred, as the case may be, pro rata with all other amounts in the Reassessment Bonds Subaccount and the Special Tax Bonds Subaccount, respectively, of the Senior Reserve Account whenever a draw is made on or a transfer is made from the Reassessment Bonds Subaccount and the Special Tax Bonds Subaccount, respectively, of the Senior Reserve Account under the Indenture.

There shall be maintained in the Senior Account of the Reserve Fund an amount equal to the Senior Reserve Requirement, of which the amounts specified in the Indenture shall be initially deposited in the Special Tax Bonds Subaccount and the Reassessment Bonds Subaccount of the Senior Reserve Account, such amounts being equal to, in the aggregate, the initial Senior Reserve Requirement. If the amount of the Senior Reserve Requirement is reduced because of the payment at final maturity of Local Obligations or prepayment of Reassessments or Special Taxes, the Trustee shall, upon receipt of a Request of the Authority, reduce the balance in the subaccounts in the Senior Reserve Account provided that the total amount in subaccounts within the Senior Reserve Account equals the Senior Reserve Requirement, and use the amount of the reduction as described in the Indenture.

There shall be maintained in the Subordinate Reserve Account an amount equal to the Subordinate Reserve Requirement, of which the amounts specified in the Indenture shall be initially deposited in the Special Tax Bonds Subaccount and the Reassessment Bonds

Subaccount of the Subordinate Reserve Account, such amounts being equal to, in the aggregate, the initial Subordinate Reserve Requirement. If the amount of the Subordinate Reserve Requirement is reduced because of the payment at final maturity of Local Obligations or prepayment of Reassessments or Special Taxes, the Trustee shall, upon receipt of a Request of the Authority, reduce the balance in the subaccounts in the Subordinate Reserve Account provided that the total amount in subaccounts within the Subordinate Reserve Account equals the Subordinate Reserve Requirement, and use the amount of the reduction as described in the Indenture.

Subject to the limitations set forth in the Indenture, amounts in the Senior Reserve Account may be applied to pay the principal or Redemption Price of and interest on the Senior Bonds: (a) when the moneys in the Interest Account, the Principal Account or the Redemption Account of the Revenue Fund are insufficient therefor, (b) in connection with prepayments of Reassessments or Special Taxes pursuant to the Indenture, (c) when the balance therein equals the principal and interest due on the Senior Bonds to and including maturity, or (d) when amounts in the Senior Reserve Account are transferred to the Interest Account and the Principal Account as a credit against the payments due on the Local Obligations on the transfer dates specified in the Indenture.

Subject to the limitations set forth in the Indenture, amounts in the Subordinate Reserve Account may be applied to pay the principal or Redemption Price of and interest on the Subordinate Bonds: (a) when the moneys in the Interest Account, the Principal Account or the Redemption Account of the Revenue Fund are insufficient therefor, (b) in connection with prepayments of Reassessments or Special Taxes pursuant to the Indenture, (c) when the balance therein equals the principal and interest due on the Subordinate Bonds to and including maturity, or (d) when amounts in the Subordinate Reserve Account are transferred to the Interest Account and the Principal Account as a credit against the payments due on the Local Obligations on the transfer dates specified in the Indenture.

If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Revenue Fund are insufficient to pay the principal or Redemption Price of or interest on the Senior Bonds when due, the Trustee shall withdraw from the Senior Reserve Account for deposit in the Interest Account, the Principal Account and the Redemption Account, as applicable and in that order, moneys necessary for such purposes; provided that the Trustee shall (a) first draw amounts from the respective subaccount for the Local Obligation that failed to make timely payment of debt service due on the respective Local Obligation on the applicable payment date for the Bonds to the amount of the delinquency in payment of such Local Obligation (not to exceed, in any event, the amount then on deposit in such subaccount); and (b) then draw any remaining amount needed to be drawn from the other subaccount of the Senior Reserve Account; provided that the amount so drawn from the other subaccount of the Senior Reserve Account shall not exceed the amount deposited therein on the date of issuance of the Series 2007 Bonds, less the amount of any previous draws described in this clause (b) not previously replenished from Revenues constituting collections of delinquent amounts on the Local Obligation that is unrelated to such subaccount. In any event, amounts transferred from the Senior Reserve Account as described in this paragraph may only be used to make payments on the Senior Bonds.

If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Revenue Fund are insufficient to pay the principal or Redemption Price of or interest on the Subordinate Bonds when due, the Trustee shall withdraw from the Subordinate Reserve Account for deposit in the Interest Account, the Principal Account and the Redemption Account, as applicable and in that order, moneys necessary for such purposes; provided that the Trustee shall (a) first draw amounts from the respective subaccount for the Local Obligation that failed to make timely payment of debt service due on the respective

Local Obligation on the applicable payment date for the Bonds to the amount of the delinquency in payment of such Local Obligation (not to exceed, in any event, the amount then on deposit in such subaccount); and (b) then draw any remaining amount needed to be drawn from the other subaccount of the Subordinate Reserve Account; provided that the amount so drawn from the other subaccount of the Subordinate Reserve Account shall not exceed (i) the amount deposited therein on the date of issuance of the Series 2007 Bonds, less the amount of any previous draws described in this clause (b) not previously replenished from Revenues constituting collections of delinquent amounts on the Local Obligation that is unrelated to such subaccount. In any event, amounts transferred from the Subordinate Reserve Account as described in this paragraph may only be used to make payments on the Subordinate Bonds.

In the event Reassessments or Special Taxes are paid in cash in advance of the applicable Local Obligation final maturity date, the Authority is required to credit such prepaid Reassessment or Special Tax obligation with a proportionate share of the reserve subaccounts of the Senior Reserve Account and the Subordinate Reserve Account for the applicable District or Assessment District thus reducing the total amount of the Senior Reserve Account and the Subordinate Reserve Account. The amount to be so credited is the pro-rata share of the amount then on deposit in the respective reserve account subaccount, based upon the principal amount of the Local Obligation to be redeemed with the Reassessment or Special Tax being prepaid as a fraction of the then aggregate unpaid principal of the respective Local Obligation. The Authority shall direct the Trustee in writing to transfer the amount representing such credit from the respective subaccount in the Senior Reserve Account and the respective subaccount in the Subordinate Reserve Account to the bond fund or redemption fund, as applicable, for the respective District or Assessment District.

Pursuant to the Indenture, any interest earned on the investment of monies on deposit in the Senior Reserve Account which would cause the amount therein to exceed the Senior Reserve Requirement shall be transferred by the Trustee on a pro rata basis by subaccount, based on amounts then on deposit in each subaccount, to the applicable Fiscal Agent for deposit by the Fiscal Agent to the special tax fund or redemption fund, as applicable, of the Local Obligation for which such subaccount was established.

Pursuant to the Indenture, any interest earned on the investment of monies on deposit in the Subordinate Reserve Account which would cause the amount therein to exceed the Subordinate Reserve Requirement shall be transferred by the Trustee on a pro rata basis by subaccount, based on amounts then on deposit in each subaccount, to the Fiscal Agent for deposit by the Fiscal Agent to the special tax fund or redemption fund, as applicable, of the Local Obligation for which such subaccount was established.

On the dates specified in the Indenture all remaining amounts in the respective subaccounts of the Senior Reserve Account and the Subordinate Reserve Account for a Local Obligation will be transferred to the Interest Account and the Principal Account as a credit against the payments due on the Local Obligations of the District or the Assessment District on such date with the amount transferred from the District's or an Assessment District's Subaccounts being deposited first to the Interest Account as a credit on the interest due on the Local Obligations of the District or such Assessment District on such date and the balance being deposited to the Principal Account as a credit on the principal due on the Local Obligations after such date.

In the event that the Authority irrevocably deposits with the Trustee, acting as escrow bank, in an escrow fund established for such purpose monies to redeem all of the outstanding Subordinate Bonds maturing on and after September 2, 2016 pursuant to the optional redemption provisions of the Indenture, including the payment of all principal, interest and any redemption premium thereon, and the Authority irrevocably directs the Trustee to so

redeem the Subordinate Bonds, all amounts on deposit in the Subordinate Reserve Account, including any subaccounts therein, in excess of the Subordinate Reserve Requirement determined taking into account such redemption shall be transferred by the Trustee to the escrow fund to be used for the purposes of such escrow fund. In determining the sufficiency of the monies available to so redeem the Subordinate Bonds, the Authority may include the funds to be so transferred from the Subordinate Reserve Account to the escrow fund pursuant to the preceding sentence.

Surplus Fund. There will be established and maintained under the Indenture a fund known as the "Surplus Fund." Any amounts transferred to the Surplus Fund will no longer be considered Revenues and are not pledged to repay the Bonds. Any amounts in the Surplus Fund may be used by the Authority for any lawful purpose, including, but not limited to (i) the payment of expenses of ABAG and the Authority relating to the Bonds, the Local Obligations, the District or the Assessment District, (ii) transfers to the fiscal agent for the Improvement Bonds to be applied to debt service payments on Improvement Bonds, and otherwise credited against the Reassessments pursuant to the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code), (iii) transfers to the fiscal agent for the Special Tax Bonds to be applied to debt service payments on the Special Tax Bonds, and otherwise credited against the Special Taxes pursuant to the rate and method of apportionment of special taxes for the District, and (iv) accumulation in and expenditure from the Surplus Fund for any lawful purpose of the Authority; all as directed from time to time by the Authority to the Trustee in writing. In addition to the foregoing, on any date, upon the Request of the Authority, any amounts on deposit in the Surplus Fund attributable to transfers described in clause (ii) of the preceding paragraph and identified in such request shall be remitted by the Trustee to ABAG to be applied by ABAG to pay the principal of and interest on the Improvement Bonds.

Costs of Issuance Fund. There will be established and maintained under the Indenture a fund known as the "Costs of Issuance Fund" into which shall be deposited proceeds of the Series 2007 Bonds in the amount set forth in the Indenture. The moneys in the Costs of Issuance Fund are not pledged to the payment of the Bonds, and shall be used to pay Costs of Issuance from time to time upon receipt by the Trustee of a Request of the Authority. On the date which is one hundred eighty (180) days following the Closing Date, or upon the earlier receipt by the Trustee of a Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund to the Surplus Fund. Upon such transfer, the Costs of Issuance Fund shall be closed and the Trustee shall no longer be obligated to make payments for Costs of Issuance. The Authority may at any time file a Request of the Authority requesting that the Trustee retain a specified amount in the Costs of Issuance Fund and transfer to the Revenue Fund all remaining amounts, and upon receipt of such request by the Trustee, the Trustee shall comply with such request.

2014 Costs of Issuance Fund. There is established under the Indenture, pursuant to the First Supplemental Indenture of Trust, a fund known as the "2014 Costs of Issuance Fund" into which shall be deposited proceeds of the Series 2014-A Bonds in the amount set forth in the First Supplemental Indenture of Trust. The moneys in the 2014 Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the 2014 Costs of Issuance, as set forth in one or more Requests of the Authority containing respective amounts to be paid to the designated payees and delivered to the Trustee concurrently with the delivery of the Series 2014-A Bonds or at any time thereafter. The Trustee shall pay all 2014 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 a Request of the Authority requesting payment of 2014 Costs of Issuance. On the earlier of (x) the date which is six (6) months following the Closing Date, or (y) the date of receipt by the

Trustee of a Request of the Authority therefor, all amounts (if any) remaining in the 2014 Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Surplus Fund for use for purposes of the Surplus Fund and the 2014 Costs of Issuance Fund shall be closed.

Purchase Fund. There will be established and maintained under the Indenture a separate fund to be known as the "Purchase Fund" into which shall be deposited proceeds of sale of the Bonds of pursuant to the Indenture. The Trustee shall use the amounts on deposit in the Purchase Fund to purchase Local Obligations on the Closing Date; provided, however, that the Local Obligations may be purchased only if the Trustee has received a certificate of the Original Purchaser or an Independent Financial Consultant stating that the Revenues to be available to the Trustee, assuming timely payment of the Local Obligations, will be sufficient in time and amount to permit the timely payment of the scheduled principal of and interest on the Series 2007 Bonds.

Rebate Fund. The Trustee shall establish and maintain under the Indenture a separate fund to be known as the "Rebate Fund." The Rebate Fund shall be administered as described in the Indenture, and amounts therein are not pledged to the repayment of the Bonds. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Authority shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Indenture and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by the Indenture and the Tax Certificate, unless and to the extent that the Authority delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding any other provision of the Indenture, the Trustee shall be deemed conclusively to have complied with the Indenture and the Tax Certificate if it follows the directions set forth in any Request of the Authority or Certificate of the Authority and shall be fully protected in so doing. The Trustee shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Authority with the terms of the Indenture or the Tax Certificate.

Investment of Funds

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed pursuant to the Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments. The Trustee shall be entitled to conclusively rely on any such Request of the Authority and shall be fully protected in relying thereon. In the absence of any such Request of the Authority the Trustee shall invest any such moneys in Permitted Investments described in clause (p) of the definition thereof. Permitted Investments purchased as an investment of moneys in any fund or account established pursuant to the Indenture shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the fund or account from which such investment was made; *provided, however*, that all interest or gain derived from the investment of amounts in the subaccounts of the accounts within the Reserve Fund shall, to the extent that on September 3 of each year the balance then in the Senior Reserve Account exceeds the Senior Reserve Requirement and/or the balance then in the Subordinate Reserve Account exceeds the Subordinate Reserve Requirement as set forth in the Indenture, be withdrawn by the Trustee on such September 3, and deposited to the special tax fund or redemption fund, as

applicable, of the corresponding District or Assessment District to be applied to the payment of debt service on the applicable Local Obligations on the next Interest Payment Date.

For purposes of acquiring any investments under the Indenture, the Trustee may commingle moneys held by it in any of the funds and accounts held by it under the Indenture. The Trustee and its affiliates may act as advisor, sponsor, principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee and its affiliates may make any and all investments permitted in the Indenture through its own investment department. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture.

The Authority covenants that all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code), shall be acquired and disposed of and valued at Fair Market Value; provided, however, that investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code), shall be valued at their present value (within the meaning of Section 148 of the Code).

Certain Covenants

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal and interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the 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 thereon which shall have been so extended. Nothing in this paragraph shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Local Obligations and other assets purported to be pledged and assigned, respectively, under the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding, special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of the Revenues, the Local Obligations and other assets and all the rights of

the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards in which complete and accurate entries shall be made of transactions made by it relating to the proceeds of Bonds, the Revenues, the Local Obligations and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority upon reasonable prior notice during regular business hours and under reasonable circumstances, in each case as agreed to by the Trustee.

Not later than 45 days following each Interest Payment Date, the Trustee shall prepare and file with the Authority a report setting forth: (i) amounts withdrawn from and deposited into each fund and account maintained by the Trustee under this Indenture; (ii) the balance on deposit in each fund and account as of the date for which such report is prepared; and (iii) a brief description of all obligations held as investments in each fund and account.

Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes, the Authority covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Authority will not take or omit to take any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) Arbitrage. The Authority will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The Authority will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The Authority will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(e) Miscellaneous. The Authority will take no action inconsistent with its expectations stated in any Tax Certificate executed with respect to the Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

Local Obligations. Subject to the provisions of the Indenture, the Trustee shall use reasonable efforts to collect all amounts due pursuant to the Local Obligations and shall diligently enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of the rights of the owner of the respective Local Obligations and for the enforcement of all of the obligations and covenants of the issuer of such Local Obligations thereunder. The Authority shall instruct the fiscal agents for the Local Obligations to authenticate and deliver to the Trustee the Local Obligations registered in the name of the Trustee.

The Authority, the Trustee and ABAG may at any time consent to, amend or modify any of the Local Obligations pursuant to the terms thereof, (a) with the prior consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, or (b) without the consent of any of the Owners, if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of ABAG or the Authority, as applicable, contained in such Local Obligations, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the Authority or ABAG, as applicable; or

- (ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in such Local Obligations, or in any other respect whatsoever as ABAG or the Authority, as applicable, may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds in the opinion of Bond Counsel filed with the Trustee; or

- (iii) to amend any provision thereof to the extent necessary to comply with the Code in the opinion of Bond Counsel filed with the Trustee.

Upon receiving actual knowledge of either (i) the failure to pay when due any installment of principal or interest or premium (if any) on, any of the Local Obligations, or (ii) the occurrence of any other default under either of the fiscal agent agreements for the Local Obligations, the Trustee shall promptly notify the Authority of such failure or event of default by telephone, telefax or other form of telecommunication, promptly confirmed in writing. Such notice shall identify the nature of the default.

The Authority shall not consent to the optional redemption of any of the Local Obligations under the provisions of a Fiscal Agent Agreement for a Local Obligation, unless it shall first have obtained a certificate of an Independent Financial Consultant which:

- (i) specifies (A) the premium, if any, to be paid by the Authority or ABAG, as applicable, under the applicable Fiscal Agent Agreement for the Local Obligations in connection with such optional redemption, (B) the principal amount and redemption date and price of any Bonds to be redeemed pursuant to the Indenture and/or (ii) as a result of the optional redemption of the Local Obligations, (C) the date and principal amount of any sinking fund redemption payments specified in the Indenture to be reduced as a consequence of any such optional redemption, and (D) the maturity dates and principal amounts of the respective Local Obligations to be redeemed as a consequence of the proposed optional redemption of the Local Obligations; and

- (ii) concludes that, based upon the information supplied in clauses (i)(A) through (D) above, and in reliance upon the Trustee, the Fiscal Agent, ABAG and the Authority implementing the redemption of the Local Obligations and the Bonds in a manner consistent with such information, following the redemption of the Bonds and the Local Obligations, the Revenues to be paid to the Authority (assuming the timely payment of amounts due thereon with respect to any Local Obligations not then in default), together with interest and principal due on any noncallable Federal Securities pledged to the repayment of the Bonds and the Revenues then on deposit in the funds and accounts established under the Indenture (valuing any Permitted Investments held hereunder at the then fair market value thereof), will be sufficient in time and amount to pay the scheduled principal of and interest on the Bonds when due;

The consent of the Authority to any such optional redemption of the Local Obligations may be executed and delivered by the Chief Financial Officer of the Authority, who each are hereby authorized to so execute and deliver any such consent following receipt of the certificate of an Independent Financial Consultant described in the preceding paragraph, without the need for any further action by the Board of Directors of the Authority. No officer of the Authority shall be subject to any personal liability by reason of his execution and delivery of any such consent.

Sale of Local Obligations. Notwithstanding anything in the Indenture to the contrary, the Authority may cause the Trustee to sell, from time to time, all or a portion of an issue of Local Obligations, provided that the Authority shall deliver to the Trustee:

(a) a certificate of an Independent Accountant or an Independent Financial Advisor certifying that, following the sale of such Local Obligations, the Revenues to be paid to the Authority (assuming the timely payment of amounts due thereon with respect to any Local Obligations not then in default), together with interest and principal due on any noncallable Federal Securities pledged to the repayment of the Bonds and the Revenues then on deposit in the funds and accounts established hereunder (valuing any Permitted Investments held hereunder at the then fair market value thereof), will be sufficient in time and amount to pay the scheduled principal of and interest on the Bonds when due; and

(b) an opinion of Bond Counsel that such sale of Local Obligations is authorized under the provisions of the Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

Upon compliance with the foregoing conditions by the Authority, the Trustee shall sell such Local Obligations in accordance with the Request of the Authority and disburse the proceeds of the sale of such Local Obligations to the Authority or its order.

Continuing Disclosure. The Authority 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 an Event of Default; however, the Trustee may (and, at the request of the Participating Underwriter or the owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Bondholder may, take such actions as may be necessary and appropriate to compel performance by the Authority of its obligations under the Continuing Disclosure Agreement, including seeking mandate or specific performance by court order.

Not later than October 30 of each year, commencing October 30, 2007 and until the October 30 following the final maturity of the Bonds, the Treasurer of the Authority shall supply the following information to the California Debt and Investment Advisory Commission ("CDIAC") by mail, postage prepaid, but only to the extent required to be so supplied by CDIAC: (i) the principal amounts of the Bonds and the principal amount of the Local Obligations then outstanding, (ii) that there is no separate reserve fund for the Local Obligations, and the balances in the accounts within the Reserve Fund, (iii) the costs of issuance, including any ongoing fees, (iv) the total amount of administrative fees collected, (v) the amount of administrative fees charged to the Local Obligations, (vi) the interest earnings and terms of all guaranteed investment contracts, (vii) commissions and fees paid on guaranteed investment contracts, (viii) delinquency rates on the Local Obligations, and (ix) that there is no balance in any capitalized interest account.

The failure by the Authority to comply with the provisions of the Indenture set out above shall not be an Event of Default under the Indenture. The provisions of the Indenture shall be amended to reflect any applicable change in Section 6599.1(b) or (c) of the California Government Code, without any action by the Authority or the Trustee.

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 the Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in the Indenture.

Amendment of Indenture

The 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 which shall become binding when the prior written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without written consent of the Trustee, modify any of the rights or obligations of the Trustee.

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers in the Indenture reserved to or conferred upon the Authority so long as such addition, limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds; or

(c) to amend any provision hereof relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds; or

(d) to amend the certain provisions of the Indenture related to the Surplus Fund and the use of amounts on deposit therein.

The Trustee may, as it deems appropriate in its sole discretion, obtain an opinion of Bond Counsel that any such Supplemental Indenture entered into by the Authority and the Trustee complies with the provisions of the Indenture and the Trustee may conclusively rely upon such opinion and shall be fully protected in relying thereon.

From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Outstanding Bonds, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of this Indenture for any and all purposes.

Events of Default; Remedies

The following events shall be Events of Default under the Indenture.

(a) Default in the due and punctual payment of 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) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued 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 Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; provided that such default (other than a default arising from nonpayment of the Trustee's fees and expenses, which must be cured within such 60-day period unless waived by the Trustee) shall not constitute a Event of Default under the Indenture if the Authority shall commence to cure such default within said sixty (60) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; or

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

Remedies; Rights of Bond Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture. In the event of an Event of Default arising out of a nonpayment of Trustee's fees and expenses, the Trustee may sue the Authority to seek recovery of its fees and expenses; provided, however, that such recovery may be made only from funds of the Authority and not from Revenues.

If an Event of Default shall have occurred and be continuing, if requested to do so by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds, and, in each case, if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture and, as applicable, under the Local Obligations, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners under the Indenture or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Application of Revenues and Other Funds After Event of Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid -

First, to the payment of the costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel (including outside counsel and the allocated costs of internal attorneys), and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Senior Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Senior Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority.

(a) first to the payment of all installments of interest on the Senior Bonds then due and unpaid,

(b) second, to the payment of all installments of principal of the Senior Bonds then due and unpaid, and

(c) third, to the payment of interest on overdue installments of principal and interest on Senior Bonds.

Third, to the payment of the whole amount of interest on and principal of the Subordinate Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Subordinate Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) first to the payment of all installments of interest on the Subordinate Bonds then due and unpaid,

(b) second, to the payment of all installments of principal of the Subordinate Bonds then due and unpaid, and

(c) third, to the payment of interest on overdue installments of principal and interest on Subordinate Bonds.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of a Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it may, in the exercise of its discretion for the best interests of the Owners 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, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds opposing such discontinuance, withdrawal, compromise, settlement or other such litigation and provided further that the Trustee shall have the right to decline to comply with such written request unless indemnification satisfactory to it has been provided. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued under the Indenture, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment shall confer.

Non-Waiver. Nothing in any provision of the Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as provided in the Indenture, out of the Revenues and other moneys pledged under the Indenture for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners, as the case may be.

Rights and Remedies of Bond Owners. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee 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 sixty (60) 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 declared in the Indenture, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of the Indenture or any other provision of the Indenture.

Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Bond Owners shall be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Limited Liability of Authority

Notwithstanding anything in the Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants contained in the Indenture.

The Bonds shall be revenue bonds, payable exclusively from the Revenues and other funds as in the Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Bonds and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as in the Indenture provided.

Discharge of Indenture

If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

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

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and available for such purpose, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as Bond Counsel or an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and available for such purpose, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to such Bonds, shall cease and terminate, except only the obligation of the Authority to comply with certain specified covenants contained in the Indenture, to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and to pay all expenses and costs of the Trustee. Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the Authority.

Provisions Related to the Insurance Policy for the Series 2007-A Bonds

As long as the Insurance Policy with respect to the Series 2007-A Bonds shall be in full force and effect, the Authority and the Trustee agree to comply with the following provisions:

(a) In the event that, on the second Business Day prior to each payment date for the Series 2007-A Bonds, the Trustee has not received sufficient moneys to pay all principal and interest due on the Series 2007-A Bonds on the second following Business Day, the Trustee shall immediately notify the Insurer or its designee on the same Business Day by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(b) If any deficiency is made up in whole or in part prior to or on the payment date for the Series 2007-A Bonds, the Trustee shall so notify the Insurer or its designee.

(c) In addition, if the Trustee has notice that any Owner of a Series 2007-A Bond has been required to disgorge payments of principal or interest on the Series 2007-A Bonds pursuant to a final non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Insurer or its designee of such fact by telephone or electronic mail, confirmed in writing by registered or certified mail.

(d) The Trustee is in the Indenture irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for the Owners of the Series 2007-A Bonds as follows:

(i) if there is a deficiency in amounts required to pay interest on the Series 2007-A Bonds, the Trustee shall (A) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent for such Owners in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (B) receive, as designee of the respective Owners of the Bonds (and not as Trustee) in accordance with the tenor of the Insurance Policy, payment from the Insurer with respect to the claims for interest so assigned, and (C) disburse the same to such respective Owners of the Series 2007-A Bonds, and

(ii) if there is a deficiency in amounts required to pay principal of the Series 2007-A Bonds, the Trustee shall (A) execute and deliver to the Insurer in form satisfactory to the Insurer an instrument appointing the Insurer as agent for such Owners in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the Series 2007-A Bonds surrendered to the Insurer (but such assignment shall be delivered only if payment from the Insurer is received), (B) receive, as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Insurance Policy, payment therefor from the Insurer, and (C) disburse the same to such Owners of the Series 2007-A Bonds.

(e) Payments with respect to claims for interest on and principal of the Series 2007-A Bonds disbursed by the Trustee from proceeds of the Insurance Policy shall not be considered to discharge the obligation of the Authority with respect to such Series 2007-A Bonds, and the Insurer shall become the owner of such unpaid Series 2007-A Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions described above or otherwise.

(f) Irrespective of whether any such assignment is executed and delivered, the Authority and the Trustee hereby agree for the benefit of the Insurer that:

(i) they recognize that to the extent the Insurer makes payments, directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Series 2007-A Bonds, the Insurer will be subrogated to the rights of such Owners of the Series 2007-A Bonds to receive the amount of such principal and interest from the Authority, with interest thereon as provided and solely from the sources stated in this Indenture and the Series 2007-A Bonds; and

(ii) they will accordingly pay to the Insurer the amount of such principal and interest as provided in this Indenture and the Series 2007-A Bonds, but only from the sources and in the manner provided in the Indenture for the payment of principal of and interest on the Series 2007-A Bonds to Owners of the Series 2007-A Bonds, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

Rights of the Insurer

Defeasance. In the event that the principal and/or interest due on the Series 2007-A Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the Series 2007-A Bonds shall remain outstanding under this Indenture for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Authority, and the pledge in the

Indenture and all covenants, agreements and other obligations of the Authority to the registered Owners of the Series 2007-A Bonds shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered Owners including, without limitation, any rights that such Owners may have in respect of securities law violations arising from the offer and sale of the Series 2007-A Bonds.

Trustee. No removal, resignation or termination of the Trustee shall take effect until a successor, reasonably acceptable to the Insurer, shall be appointed; provided however, that the Authority may appoint a temporary Trustee without such prior consent if the Trustee is removed for cause.

Amendments and Supplements. With respect to amendments or supplements to the Indenture or either of the Fiscal Agent Agreements which do not require the consent of the Series 2007-A Bondholders, the Insurer must be given notice of any such amendments or supplements. With respect to amendments or supplements to this Indenture or either of the Fiscal Agent Agreements which require the consent of the Series 2007-A Bondholders, the Insurer's prior written consent is required.

Notwithstanding any other provision of the Indenture or the Fiscal Agent Agreements, in determining whether the rights of Series 2007-A Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture or the Fiscal Agent Agreements, the Trustee shall consider the effect on the Series 2007-A Bondholders as if there were no Insurance Policy.

The Insurer as Third Party Beneficiary. To the extent that the Indenture or the Fiscal Agent Agreements confer upon or give or grant to the Insurer any right, remedy or claim under or by reason of this Indenture or the Fiscal Agent Agreements, the Insurer is explicitly recognized as a third party beneficiary hereunder or thereunder, as applicable, and may enforce any such right, remedy or claim conferred, given or granted hereunder or thereunder.

Consent Rights of the Insurer.

(i) Any provision of the Indenture expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer under the Indenture without the prior written consent of the Insurer.

(ii) Wherever the Indenture requires the consent of Series 2007-A Bondholders, the Insurer's consent shall also be required.

(iii) In the event of any reorganization or liquidation of the Authority, the Insurer shall have the right to vote on behalf of all Series 2007-A Bondholders absent a default by the Insurer under the Insurance Policy.

(iv) **Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Series 2007-A Bondholders or the Trustee for the benefit of the Series 2007-A Bondholders under the Indenture.**

The Fiscal Agent Agreements

The two Fiscal Agent Agreements are substantially similar, except for the name of the respective Local Obligations and the respective Assessment District or the District to which each Fiscal Agent Agreement pertains. The following is a brief summary of certain provisions of the Fiscal Agent Agreements, as each has been amended and supplemented by a respective Supplemental Agreement No. 1 to Fiscal Agent Agreement, not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the text of the two Fiscal Agent Agreements, as so amended and supplemented, for the complete terms thereof. Each Fiscal Agent Agreement is independent of each other Fiscal Agent Agreement, and funds held under one Fiscal Agent Agreement may not be used to pay the Local Obligation issued under the other Fiscal Agent Agreement.

When used in the following pages, the term “Bonds” means the respective Local Obligation issued under the applicable Fiscal Agent Agreement, and “Authority Bonds” means the outstanding Series 2007 Bonds and Series 2014-A Bonds issued under the Indenture.

Definitions

“Act” means, with respect to the Improvement Bonds, the Refunding Act of 1984 for 1915 Improvement Act Bonds, as amended, being Division 11.5 of the California Streets and Highways Code, and, with respect to the Special Tax Bonds, the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 et seq. of the California Government Code.

“Agency” means the Association of Bay Area Governments.

“Agreement” means the respective Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement executed pursuant to the provisions hereof.

“Auditor” means the auditor/controller or tax collector of the County, or such other official of the County who is responsible for preparing real property tax bills.

“Authority Bonds Indenture” means the Indenture of Trust pursuant to which the Authority Bonds were issued.

“Authorized Investments” has the meaning given to the term “Permitted Investments” in the Indenture.

“Bond Law” means, for purposes of the Improvement Bonds Fiscal Agent Agreements, the Improvement Bond Act of 1915, as amended, being Division 10 of the California Streets and Highways Code.

“Bond Register” means the books maintained by the Fiscal Agent the registration and transfer of ownership of the Bonds.

“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 Fiscal Agent has its Principal Office are authorized or obligated by law or executive order to be closed.

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

“District” means the ABAG Finance Authority For Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch) formed pursuant to the Resolution of Formation.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “fair market value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the code, (iii) the investment is a United States Treasury Security-State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

“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 Fiscal Agent: (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.

“Fiscal Agent” means the Fiscal Agent appointed by the Authority or the Agency, as applicable, and acting as an independent fiscal agent with the duties and powers provided in the respective Fiscal Agent Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the respective Fiscal Agent Agreement.

“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.

“Formation Act” means the Municipal Improvement Act of 1913, as amended, being Division 12 of the California Streets and Highways Code.

“List of Unpaid Reassessments” means the list on file with the Finance Director showing the amounts of the Reassessments upon each of the parcels in the Assessment District.

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

“Original Purchaser” means the Trustee, as the first purchaser of the Bonds from the Authority or the Agency, respectively.

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

“Owner” or “Bond Owner” means the registered owner of any Outstanding Bond as shown on the Bond Register of the Fiscal Agent.

“Permitted Investments” has the meaning given to such term in the Authority Bonds Indenture.

“Reassessments” means the unpaid reassessments levied within the respective Assessment District by the Authority under the proceedings taken pursuant to the Act and the Resolution of Intention.

“Special Taxes” means the special taxes levied within the District pursuant to the Act, the Ordinance and the respective Fiscal Agent Agreement.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the Authority, including any scheduled payments and any prepayments thereof, interest and penalties 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 interest, but shall not include any penalties collected in connection with any such foreclosure.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Council of the City under the Bond Law and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

“Trustee” means the trustee for the Authority Bonds.

Funds and Accounts

Redemption Fund. There is established under the Fiscal Agent Agreement for the Improvement Bonds, as a separate fund to be held by the Fiscal Agent, to the credit of which deposits shall be made as required by the applicable Fiscal Agent Agreement and the Indenture, and any other amounts required to be deposited therein by the applicable Fiscal Agent Agreement or the Bond Law. Moneys in the Redemption Fund will be held by the Fiscal Agent for the benefit of the Agency and the Owners of the respective Improvement Bonds, will be disbursed for the payment of the principal of, and interest and any premium on, the respective Improvement Bonds and as otherwise provided below.

Within the Redemption Fund the Treasurer will establish a Prepayment Subaccount into which shall be placed the proceeds of the prepayment of any Reassessment and which Prepayment Account shall be administered in accordance with the provisions of Section 8767 of the Bond Law.

On or before each Interest Payment Date, the Fiscal Agent shall withdraw from the Redemption Fund and pay to the Owners of the Improvement Bonds an amount equal to the principal of, and interest and any premium, then due and payable on the Improvement Bonds. Five (5) Business Days prior to each Interest Payment Date, the Treasurer shall determine if the amounts then on deposit in the Redemption Fund are sufficient to pay the debt service due on the Improvement Bonds on such Interest Payment Date. If there are insufficient funds in the Redemption Fund to make the payments provided for in the preceding sentence, the Fiscal Agent shall apply the available funds in the manner provided in the Bond Law, as directed by the Agency in writing. Past due payments of principal and interest shall continue to bear interest at the rate of interest on the Improvement Bonds. In the event of any delinquency in payment of the Improvement Bonds, such delinquency shall be paid from the first available moneys in the Redemption Fund arising from the collection of delinquent Reassessments.

Funds placed in the Prepayment Account of the Redemption Fund shall be disbursed therefrom by the Fiscal Agent for the call and redemption of the Improvement Bonds on the redemption date, and in the amounts as set forth in the Fiscal Agent Agreement.

Any earnings on investments not required to be disbursed under Fiscal Agent Agreement, shall be credited against Debt Service or, in the sole discretion of the Agency, applied to the call and redemption or defeasance of Bonds; provided, however, that before any such credit shall be made, such earnings shall be available for the payment of any rebate to the Federal government that may be owed under the Fiscal Agent Agreement.

Moneys in the Redemption Fund shall be invested and deposited in accordance with the respective Fiscal Agent Agreement. Interest earnings and profits resulting from such investment and deposit shall be retained in the Redemption Fund to be used for the purposes of such fund.

Special Tax Fund. There is established under the Fiscal Agent Agreement for the Special Tax Bonds as a separate fund to be held by the Fiscal Agent, the Special Tax Fund, to the credit of which the Fiscal Agent shall deposit all Special Tax Revenue received from the Agency and any amounts required by the Special Tax Bonds Fiscal Agent Agreement to be deposited therein.

Notwithstanding the foregoing, (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 to the Fiscal Agent, may be retained by the Authority and used by the Authority to pay Administrative Expenses, or may be transmitted by the Authority to the Fiscal Agent for deposit by the Fiscal Agent in the Administrative Expense Fund (provided, however, that the amount so retained or transferred shall not exceed the amount of Special Tax Revenues derived from the portion of the Special Tax levied for Administrative Expenses), and (ii) any proceeds of Special Tax Prepayments, as identified by the Chief Financial Officer to the Fiscal Agent, shall be transferred by the Chief Financial Officer to the Fiscal Agent for deposit by the Fiscal Agent directly in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement for the Special Tax Bonds.

Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the Authority and the Owners of the Special Tax Bonds, shall be disbursed as provided below

and, pending and disbursement, shall be subject to a lien in favor of the Owners of the Special Tax Bonds.

Disbursements. From time to time as needed to pay the obligations of the District, but no later than each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund such that the amount in the Bond Fund equals the principal, premium, if any, and interest then due on the Bonds; provided that no such transfers shall exceed the amount then available to be transferred from the Special Tax Fund. Amounts then in the Special Tax Fund shall also be transferred from time to time by the Fiscal Agent to the Administrative Expense Fund as directed by the Chief Financial Officer in order to pay Administrative Expenses, but any such transfers shall not exceed (together with any Special Tax Revenues deposited directly to the Administrative Expense Fund), in any Fiscal Year, the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses.

Moneys in the Special Tax Fund shall be invested and deposited in accordance with the Special Tax Bonds Fiscal Agent Agreement. 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.

Bond Fund. There is established under the Fiscal Agent Agreement for the Special Tax Bonds as a separate account to be held by the Fiscal Agent the Bond Fund, to the credit of which deposits shall be made as required by the Special Tax Bonds Fiscal Agent Agreement, and any other amounts required to be deposited therein by such Agreement. There is also created in the Bond Fund, a separate account held by the Fiscal Agent, the Special Tax Prepayments Account, to the credit of which deposits shall be made as provided in the Special Tax Bonds Fiscal Agent Agreement. Moneys in the Bond Fund and such account shall be held by the Fiscal Agent for the benefit of the Owners of the Special Tax Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Special Tax Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Special Tax Bonds.

On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of a redemption of the Bonds required by the Special Tax Bonds Fiscal Agent Agreement. In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding sentence, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds.

Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Special Tax Bonds Fiscal Agent Agreement, and notice to the Fiscal Agent can timely be given under the Special Tax Bonds Fiscal Agent Agreement, and shall be used to redeem Bonds on the redemption date selected in accordance with the Special Tax Bonds Fiscal Agent Agreement.

Moneys in the Bond Fund shall be invested and deposited in accordance with the Special Tax Bonds Fiscal Agent Agreement. Interest earnings and profits resulting from such investment and deposit shall be retained in the Bond Fund.

Improvement Fund. There is an Improvement Fund established as a separate fund to be held by the Fiscal Agent under the Fiscal Agent Agreement for the Special Tax Bonds. The Authority shall transfer to the Fiscal Agent for deposit by the Fiscal Agent in the Improvement

Fund the amounts described in the Fiscal Agent Agreement for the Special Tax Bonds. Moneys in the Improvement Fund shall be held by the Fiscal Agent for the benefit of the Authority, and shall be disbursed for the payment or reimbursement of costs of the Project (as defined in the Fiscal Agent Agreement for the Special Tax Bonds), and are not pledged to the payment of the Special Tax Bonds.

Disbursements from the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate which shall: (i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made, the person to which the disbursement is to be paid and state that such disbursement is for a Project cost; and (ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement. Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Bond Fund and the Improvement Fund shall be closed.

Administrative Expense Fund. There is established under the Fiscal Agent Agreement for the Special Tax Bonds as a separate fund to be held by the Fiscal Agent, the Administrative Expense Fund, to the credit of which a deposit shall be made as provided in the Special Tax Bonds Fiscal Agent Agreement. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the Authority, shall be disbursed as provided below, and is not pledged to the payment of the Special Tax Bonds.

Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the Authority or its order upon receipt by the Fiscal Agent of an Officer's Certificate stating the amount to be withdraw, that such amount is to be used to pay an Administrative Expense and the nature of such Administrative Expense. Annually, on the last day of each Fiscal Year, the Fiscal Agent shall withdraw any amounts then remaining in the Administrative Expense Fund in excess of \$30,000 that have not been allocated to pay Administrative Expenses incurred but not yet paid, and transfer such amounts to the Special Tax Fund.

Moneys in the Administrative Expense Fund shall be invested and deposited in accordance with the Special Tax Bonds Fiscal Agent Agreement. Interest earnings and profits resulting from said investment shall be retained by the Treasurer in the Administrative Expense Fund to be used for the purposes of such fund.

Refunding of Improvement Bonds

The Improvement Bonds may be refunded by the Agency pursuant to Divisions 11 or 11.5 of the Bond Law upon the conditions as set forth in appropriate proceedings therefor; provided, however, that so long as the Trustee is the Owner of the Improvement Bonds, the Improvement Bonds may be refunded only with the prior written consent of the Authority. The foregoing shall not apply to or in any manner limit advancement of the maturity of any of the Improvement Bonds as provided in Parts 8, 9, 11, or 11.1 of the Bond Law, nor shall the foregoing apply to or in any manner limit the redemption and payment of any Improvement Bond pursuant to subsequent proceedings providing for the payment of amounts to eliminate previously imposed fixed lien assessments, including the Reassessments.

Covenants of the Agency and the Authority

Collection of Reassessments. In the Fiscal Agent Agreements for the Improvement Bonds, the Agency has agreed to comply with all requirements of the Act, the Bond Law and

the Fiscal Agent Agreement to assure the timely collection of the Reassessments, including, without limitation, the enforcement of delinquent Reassessments. Any funds received by the Agency in and for the Assessment District, including, but not limited to, collections of Reassessments upon the secured tax rolls, collections of delinquent Reassessments and penalties thereon, through foreclosure proceedings and the prepayment of Reassessments or portions thereof, shall be held by the Agency, which shall (i) place the portion thereof levied for and to be used by the Agency to pay administrative expenses of the Agency and the Fiscal Agent related to the Bonds, this Agreement and the Reassessments in an account to be used for such purpose; and (ii) remit, five Business Days prior to each Interest Payment Date for the Improvement Bonds, the amount due on the Improvement Bonds on the next Interest Payment Date to the Fiscal Agent for deposit by the Fiscal Agent into the Redemption Fund. To that end, the following shall apply:

(a) The Reassessments as set forth on the list thereof on file with the Finance Director together with the interest thereto, shall be payable in annual series corresponding in number to the number of serial maturities of the Improvement Bonds issued. An annual proportion of each Reassessment shall be payable in each year preceding the respective dates of maturity of each of the Improvement Bonds issued sufficient to pay the Improvement Bonds when due and such proportion of each Reassessment coming due in any year, together with the annual interest thereon, shall be payable in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interests after delinquency as do the general taxes on real property. All sums received from the collection of the Reassessments and of the interest and penalties thereon shall be transmitted by or at the direction of the Agency as described above. Any prepayments of Reassessments shall be remitted to the Fiscal Agent, five Business Days prior to the next redemption date for the Improvement Bonds for deposit in the Prepayment Subaccount, and the Fiscal Agent shall notify the Trustee of the redemption of the Improvement Bonds (and the need for a redemption of the Authority Bonds) as a consequence of such deposit.

(b) The Finance Director shall, before the final date on which the Auditor will accept the transmission of the Reassessments for the parcels within the Assessment District for inclusion on the next tax roll, prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the installments of the Reassessments on the next secured tax roll. The Finance Director is authorized to employ consultants to assist in computing the installments of the Reassessments under the Fiscal Agent Agreement and in reconciling Reassessments billed to amounts received.

(c) In addition to any amounts authorized pursuant to Section 8682 of the Bond Law to be included with the annual amounts of installments as aforesaid, the Agency, pursuant to Section 8682.1 of the Bond Law, may cause to be entered on the Reassessment roll on which taxes will next become due, opposite each lot or parcel of land within the Assessment District in the manner set forth in said Section 8682, each lot's pro rata share of the estimated annual expenses of the Agency in connection with the administrative duties thereof for the Improvement Bonds, including, but not limited to, the costs of registration, authentication, transfer and compliance with the provisions of the Fiscal Agent Agreement, which amounts shall be retained by the Agency to be used for such purposes. Delinquent Reassessments shall be subject to foreclosure pursuant to the Fiscal Agent Agreement.

Collection of Special Tax Revenues. In the Fiscal Agent Agreement for the Special Tax Bonds, the Authority has agreed 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. On or about each June 1, 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 the Special Taxes each Fiscal Year in accordance with the Ordinance 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 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 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 Special Tax Bonds of the District becoming due and payable during the ensuing year, including an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the rate and method of apportionment of special taxes for the District. 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 ad valorem taxes on real property are payable, and have the same priority, become delinquent at the same times 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.

Foreclosure. The Authority (with respect to the Special Tax Bonds) and the Agency (with respect to the Improvement Bonds), covenants that it will order, and cause to be commenced as described below, 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 Reassessment, as applicable, or installment thereof not paid when due as provided in the following paragraph. The Chief Financial Officer or Finance Director, as applicable, shall notify the applicable Attorney of any such delinquency of which it is aware, and the applicable 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 or Finance Director, as applicable, shall compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the Authority, or, as applicable, the amount of Reassessments levied and theretofore received by the Agency, and:

(a) Individual Delinquencies. If the Chief Financial Officer or Finance Director, as applicable, determines that any single parcel subject to the Special Tax in the District or subject to a Reassessment is delinquent in the payment of Special Taxes or Reassessments in the aggregate amount of \$5,000 or more, then the Chief Financial Officer or Finance Director, as applicable, shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured)

foreclosure proceedings shall be commenced by the Authority or the Agency, as applicable, within 90 days of such determination.

(b) Aggregate Delinquencies. If the Chief Financial Officer or Finance Director, as applicable, determines that the total amount of delinquent Special Tax or Reassessment, as applicable, 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 or Reassessments, as applicable, due and payable for the prior Fiscal Year, the Chief Financial Officer or Finance Director, as applicable, shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes or Reassessments, as applicable (and demand immediate payment of the delinquency), within 45 days of such determination, and the Authority or Agency, as applicable, shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the District with a Special Tax delinquency or of land in the Assessment District with a Reassessment delinquency, as applicable.

Punctual Payment. The Agency or the Authority, as applicable, will punctually pay or cause to be paid the principal of, and interest and any premium on, the applicable Bonds when and as due in strict conformity with the terms of the applicable Fiscal Agent Agreement, and will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and of the applicable Bonds.

No Encumbrances. The Agency or the Authority, as applicable, will not encumber, pledge or place any charge or lien upon any of the unpaid Special Taxes or Reassessments, as applicable, or other amounts pledged to the applicable Bonds superior to or on a parity with the pledge and lien created for the benefit of the applicable Bonds, except as permitted by the Fiscal Agent Agreement, the Act or the Bond Law.

Protection of Security. The Agency or the Authority, as applicable, will preserve and protect the security of the applicable Bonds and the rights of the Owners thereto, and will warrant and defend their rights to such security against all claims and demands of all persons.

Further Assurances. The Agency or the Authority, as applicable, 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 the applicable Fiscal Agent Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the applicable Fiscal Agent Agreement.

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 Maximum Annual Debt Service. It is hereby acknowledged that Trustee is purchasing the Special Tax Bonds in reliance on the foregoing covenant, and that said covenant is necessary to assure the full and timely payment of the Bonds.

Investments

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Authorized Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. 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 the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

The Fiscal Agent may act as principal or agent in the acquisition or disposition of any investment. The Fiscal Agent shall incur no liability for losses arising from any investments made pursuant to the Fiscal Agent Agreement. For purposes of determining the amount on deposit in any fund or account held under the Fiscal Agent Agreement, all Authorized Investments or investments credited to such fund or account shall be valued at the lesser of the cost thereof (excluding accrued interest and brokerage commissions, if any) or fair market value.

Investments in any and all funds and accounts may at the discretion of the Fiscal Agent be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent under the Fiscal Agent Agreement, provided that the Fiscal Agent shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement.

Limited Liability of Authority

The Authority shall not incur any responsibility in respect of the Special Tax Bonds or the Special Tax Bonds Fiscal Agent Agreement other than in connection with the duties or obligations explicitly in the Special Tax Bonds Fiscal Agent Agreement or in the Special Tax Bonds assigned to or imposed upon it. The Authority shall not be liable in connection with the performance of its duties under the Special Tax Bonds Fiscal Agent Agreement, 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 Fiscal Agent or of any of the documents executed by the Fiscal Agent in connection with the Special Tax 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 the Special Tax Bonds Fiscal Agent Agreement. 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 the Special Tax Bonds Fiscal Agent Agreement shall require the Authority to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations under the Special Tax Bonds Fiscal Agent Agreement, 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 under the Special Tax Bonds Fiscal Agent Agreement in good faith and in accordance therewith.

In order to perform its duties and obligations under the Special Tax Bonds Fiscal Agent Agreement, 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 under the Special Tax Bonds Fiscal Agent Agreement, 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.

Limited Liability of Agency

The Agency shall not incur any responsibility in respect of the Improvement Bonds or the Improvement Bonds Fiscal Agent Agreement other than in connection with the duties or obligations explicitly provided in the Improvement Bonds Fiscal Agent Agreement or in the Improvement Bonds. The Agency shall not be liable to any Owner in connection with the performance of its duties under the Improvement Bonds Fiscal Agent Agreement, except for its own gross negligence or willful misconduct. The Agency 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 Fiscal Agent in the Improvement Bonds Fiscal Agent Agreement or of any of the documents executed by the Fiscal Agent in connection with the Improvement Bonds, or as to the existence of a default thereunder. Under the Improvement Bonds Fiscal Agent Agreement, the following shall apply to the Agency:

(a) in the absence of bad faith, the Agency, including the Treasurer, 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 Agency and conforming to the requirements of the Improvement Bonds Fiscal Agent Agreement. The Agency, including the Finance Director, 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 other than to the extent of money improperly obtained or retained by the Agency;

(b) no provision of the Improvement Bonds Fiscal Agent Agreement shall require the Agency to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to (i) imposing and collecting the Reassessments and transferring the same to the Fiscal Agent; (ii) defending the validity of the Reassessments and the Improvement Bonds and the proceedings related thereto and (iii) the foreclosure proceedings for delinquent Reassessments and the payment of fees and costs of the Fiscal Agent) in the performance of any of its obligations under the Improvement Bonds Fiscal Agent Agreement 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;

(c) the Agency 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 Agency may consult with counsel, who may be the Agency 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 under the Improvement Bonds Fiscal Agent Agreement in good faith and in accordance therewith;

(d) the Agency shall not be bound to recognize any person as the Owner of an Improvement Bond unless duly registered and until such Improvement Bond is submitted for inspection, if required, and his title thereto satisfactory established, if disputed; and

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

In order to perform its duties and obligations under the Improvement Bonds Fiscal Agent Agreement, the Agency may employ such persons or entities as it deems necessary or advisable. The Agency shall not be liable for any of the acts or omissions of such persons or entities employed by it with reasonable care and in good faith under the Improvement Bonds Fiscal Agent Agreement, 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.

Amendment of a Fiscal Agent Agreement

A Fiscal Agent Agreement and the rights and obligations of the Agency or the Authority, as applicable, and of the Owners of the respective Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of respective Owners, or with the written consent without a meeting, of the respective Owners of at least sixty percent (60%) in aggregate principal amount of the respective Bonds then Outstanding, exclusive of respective Bonds disqualified as provided in the applicable Fiscal Agent Agreement. 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 Agency or the Authority, as applicable, to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the Agency or the Authority, as applicable, of any pledge or lien upon the Reassessments or Special Taxes, as applicable, superior to or on a parity with the pledge and lien created for the benefit of the Bonds, or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. No such amendment may modify any of the rights or increase any of the obligations of the Fiscal Agent (except as otherwise specifically provided therein) without its written consent.

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

(a) to add to the covenants and agreements of the Agency or the Authority, as applicable, in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the Agency or the Authority, as applicable;

(b) to make modifications not adversely affecting any outstanding series of Bonds 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 the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the Agency or the Authority, as applicable, may deem necessary or desirable and not inconsistent with the Fiscal Agent Agreement, and which shall not adversely affect the rights of the Owners of the Bonds; or

(d) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Authority Bonds.

Discharge of a Fiscal Agent Agreement

Subject to the provisions of a Fiscal Agent Agreement, if the Agency or the Authority, as applicable, shall pay and discharge the entire indebtedness on applicable 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 and any premium on, the applicable Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the fund provided for in the respective Fiscal Agent Agreement is fully sufficient to pay the applicable Bonds Outstanding, including all principal, interest and redemption premiums; or

(c) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the Agency or the Authority, as applicable, shall determine, as confirmed by Bond Counsel or an independent certified public accountant, which will, together with the interest to accrue thereon and moneys then on deposit in the fund provided for in the Fiscal Agent Agreement, be fully sufficient to pay and discharge the indebtedness on the applicable Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in the respective Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the Agency or the Authority, as applicable, and notwithstanding that any applicable Bonds shall not have been surrendered for payment, the pledge of the Reassessments or Special Taxes, as applicable, and other funds provided for in the respective Fiscal Agent Agreement and all other obligations of the Agency or the Authority, as applicable, under the respective Fiscal Agent Agreement with respect to all applicable Bonds shall cease and terminate, except only the obligation of the Agency or the Authority, as applicable, to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent.

APPENDIX B

SELECTED DEMOGRAPHIC DATA REGARDING THE CITY OF SAN RAMON, CONTRA COSTA COUNTY AND THE TRI-VALLEY AREA

The following information regarding the City of San Ramon, Contra Costa County and the Tri-Valley Area is presented as general background data. The 2014 Senior Bonds are payable solely from the sources described in this Official Statement (see "SECURITY FOR THE 2014 SENIOR BONDS").

The Community Facilities District is located in the City of San Ramon (the "**City**"), which is in Contra Costa County (the "**County**"), approximately 35 miles southeast of San Francisco. It is expected that this area will annex into the City at some point in the future. The City and its sphere of influence are bounded by Alameda County and open space to the west, the Town of Danville to the north, and the Alameda County line and City of Dublin to the south. The City has agreed that each parcel of property in the Community Facilities District will be eligible for annexation after approval of final maps for development.

Much of the land within the City was granted in 1835 to Jose Maria Amador, an early settler. Neighboring Danville was first established as a rural village in the 1850's, with both areas being served by the Southern Pacific Railroad in the late 1800's. With construction of the Bay Bridge in 1936 and the Caldecott Tunnel in 1937, central Contra Costa County became accessible to the large, growing employment centers in the San Francisco Bay Area. During the 1950's and 1960's San Ramon evolved into a desirable residential community in the unincorporated area of Contra Costa County. The completion of Interstate 680 in 1968, which extends from San Jose through Alameda and Contra Costa Counties and into Solano County, contributed to increased residential and economic development throughout the San Ramon Valley. As a result of development pressures along the Interstate 680 Corridor during the early 1980's, an effort to incorporate the City was made to gain additional local control over growth and planning issues. The City was incorporated in 1983 and presently covers an area of 21.1 square miles with an additional 4.4 square miles included within the boundaries of the City's General Plan.

By the early 1990's, the City was experiencing dramatic change with the construction of the Bishop Ranch Office Park within the City. Formerly a bedroom community, San Ramon was in transition to a regional employment center. Bishop Ranch created a much higher rate of job growth than the rate of population increase. Bishop Ranch was able to offer adequate parking, lower rental rates, and access to an educated work force living in close proximity. These and other factors have combined to attract large tenants and owner-users. Large employers located in San Ramon include Chevron (2.0 million square feet of office space) and Pacific Bell (2.2 million square feet of office space).

In 1997 new Bay Area Rapid Transit stations were opened in the neighboring communities of Pleasanton and Dublin, thus providing residents with an additional means of transportation both to and from San Francisco Bay Area major city centers.

Over the past decades the San Ramon/Danville area has experienced rapid and steady growth. While Danville has remained residential and rural in character, San Ramon and other neighboring cities, such as Concord, Pleasanton and Walnut Creek, have developed significant job centers including major commercial and light industry business parks, all within easy commuting distance.

Population

The following table lists population figures for the City of Dublin ("Dublin"), the Town of Danville ("Danville"), the City of San Ramon ("San Ramon"), the County and the State for the last five calendar years.

**DUBLIN, DANVILLE AND SAN RAMON;
CONTRA COSTA COUNTY
AND STATE OF CALIFORNIA
Population Estimates as of January 1
Calendar Years 2010 through 2014**

<u>Year</u>	<u>City of Dublin</u>	<u>City of Danville</u>	<u>City of San Ramon</u>	<u>Contra Costa County</u>	<u>State of California</u>
2010	45,681	42,067	71,788	1,047,948	37,223,900
2011	46,207	42,217	73,111	1,056,306	37,427,946
2012	46,785	42,450	74,378	1,065,117	37,678,563
2013	49,932	42,783	76,429	1,076,429	37,984,138
2014	53,462	43,146	77,270	1,087,008	38,340,074

Source: State of California, Department of Finance.

Building Activity

The following chart shows the total number of residential building permits issued by Dublin, Danville and San Ramon, as well as Contra Costa County, and the value of those permits for calendar years 2008 through 2012. Figures are not yet available for calendar year 2013.

**CITY OF DUBLIN
Total Building Permit Valuations
(valuations in thousands)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$59,133.2	\$53,438.2	\$89,974.8	\$124,160.6	\$214,736.6
New Multi-family	332.7	5,900.8	39,950.1	143,327.4	108,683.9
Res. Alterations/Additions	<u>3,024.1</u>	<u>3,328.1</u>	<u>13,364.6</u>	<u>10,785.8</u>	<u>2,414.4</u>
Total Residential	62,489.9	61,911.6	143,291.8	278,273.8	325,834.9
 New Commercial	0.0	0.0	3,050.0	15,377.6	3,986.7
New Industrial	0.0	0.0	0.0	0.0	134.0
New Other	2,428.2	2,162.6	4,455.2	1,834.7	416.7
Com. Alterations/Additions	<u>11,447.6</u>	<u>11,040.3</u>	<u>29,775.5</u>	<u>13,223.9</u>	<u>2,721.1</u>
Total Nonresidential	13,875.8	13,202.9	31,165.8	30,436.2	7,258.5
 <u>New Dwelling Units</u>					
Single Family	139	122	228	276	586
Multiple Family	<u>2</u>	<u>19</u>	<u>116</u>	<u>543</u>	<u>368</u>
TOTAL	141	141	344	819	954

TOWN OF DANVILLE
Total Building Permit Valuations
(valuations in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$7,298.4	\$4,410.9	\$15,126.3	\$8,156.8	\$30,928.2
New Multi-family	0.0	6,392.7	1,570.6	1,585.2	0.0
Res. Alterations/Additions	<u>22,012.5</u>	<u>15,314.4</u>	<u>20,922.8</u>	<u>27,986.0</u>	<u>19,046.2</u>
Total Residential	29,310.9	26,118.0	37,689.8	37,728.0	\$49,974.4
New Commercial	1,100.0	0.0	0.0	674.6	2,605.8
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	654.1	1,768.1	1,987.0	0.0	0.0
Com. Alterations/Additions	<u>12,670.2</u>	<u>5,753.9</u>	<u>8,943.8</u>	<u>9,222.0</u>	<u>4,233.0</u>
Total Nonresidential	14,424.3	7,522.1	10,930.8	9,896.6	6,838.8
<u>New Dwelling Units</u>					
Single Family	35	6	19	13	43
Multiple Family	<u>0</u>	<u>34</u>	<u>4</u>	<u>4</u>	<u>0</u>
TOTAL	35	40	23	17	43

CITY OF SAN RAMON
Building Permit Valuation
(Valuation in Thousands of Dollars)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$ 652.1	\$ 0.0	\$ 0.0	\$ 0.0	\$ 901.7
New Multi-family	0.0	0.0	5,223.3	0.0	0.0
Res. Alterations/Additions	<u>14,550.4</u>	<u>6,993.8</u>	<u>9,440.6</u>	<u>15,417.1</u>	<u>10,224.6</u>
Total Residential	15,202.5	6,993.8	15,663.9	14,417.1	11,126.3
New Commercial	2,571.0	1,972.0	1,340.0	693.1	11,729.3
New Industrial	0.0	0.0	0.0	0.0	84.8
New Other	4,023.5	2,976.6	3,663.6	171.0	30.0
Com. Alterations/Additions	<u>32,436.2</u>	<u>32,024.4</u>	<u>23,554.1</u>	<u>25,495.2</u>	<u>36,576.8</u>
Total Nonresidential	39,030.7	36,973.0	35,906.1	26,359.3	48,420.9
<u>New Dwelling Units</u>					
Single Family	3	0	3	0	2
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	3	0	3	0	2

Source: Construction Industry Research Board, Building Permit Summary.

CONTRA COSTA COUNTY
Total Building Permit Valuations
(Valuation in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$300,088.7	\$300,363.3	\$237,458.0	\$211,417.9	\$340,255.7
New Multi-family	132,824.8	34,119.3	106,555.4	47,304.2	54,884.8
Res. Alterations/Additions	<u>229,023.3</u>	<u>170,149.7</u>	<u>209,044.4</u>	<u>233,174.2</u>	<u>179,471.7</u>
Total Residential	661,936.8	504,632.3	553,057.8	491,896.3	574,612.2
New Commercial	108,228.4	49,992.0	38,093.5	17,587.4	97,077.8
New Industrial	60,376.2	11,530.0	29,619.4	7,188.0	7,000.8
New Other	66,511.1	39,878.8	47,510.7	15,542.3	13,999.9
Com. Alterations/Additions	<u>224,816.8</u>	<u>212,900.7</u>	<u>170,193.8</u>	<u>214,585.0</u>	<u>124,147.5</u>
Total Nonresidential	459,932.5	314,301.4	285,417.4	254,902.7	242,226.0
<u>New Dwelling Units</u>					
Single Family	985	1,038	809	718	1,188
Multiple Family	<u>909</u>	<u>163</u>	<u>890</u>	<u>355</u>	<u>949</u>
TOTAL	1,894	1,201	1,699	1,073	2,137

Source: Construction Industry Research Board, Building Permit Summary.

Retail Sales

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 and after is not comparable to that of prior years. The following charts show retail sales within Dublin, Danville, San Ramon and the County by type of business for the years indicated.

A summary of historic taxable sales within the City of Dublin during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2013 in the City of Dublin were reported to be \$338,813,000, a 4.20% increase over the total taxable sales of \$325,171,000 reported during the first quarter of calendar year 2012. Data for calendar year 2013 is not yet available.

CITY OF DUBLIN
Taxable Transactions
(In Thousands)

	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	592	\$ 995,482	1,070	\$1,164,352
2009 ⁽¹⁾	653	880,638	994	1,020,068
2010 ⁽¹⁾	682	932,814	1,031	1,121,559
2011 ⁽¹⁾	678	1,042,872	1,033	1,241,228
2012 ⁽¹⁾	716	1,213,278	1,071	1,436,142

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: California State Board of Equalization

A summary of historic taxable sales within the Town of Danville during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2013 in the Town of Danville were reported to be \$101,992,000, a 4.87% decrease under the total taxable sales of \$107,210,000 reported during the first quarter of calendar year 2012. Data for calendar year 2013 is not yet available.

**TOWN OF DANVILLE
Taxable Transactions
(In Thousands)**

	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	650	367,970	1,268	413,910
2009 ⁽¹⁾	824	349,039	1,199	381,707
2010 ⁽¹⁾	857	361,587	1,253	394,783
2011 ⁽¹⁾	828	395,934	1,235	430,542
2012 ⁽¹⁾	874	415,423	1,266	456,620

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: California State Board of Equalization

A summary of historic taxable sales within the City of San Ramon during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2013 in the City of San Ramon were reported to be \$190,851,000, a 4.31% increase over the total taxable sales of \$182,960,000 reported during the first quarter of calendar year 2012. Data for calendar year 2013 is not yet available.

**CITY OF SAN RAMON
Taxable Transactions
(In Thousands)**

	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	724	\$ 520,749	1,55	\$756,493
2009 ⁽¹⁾	877	463,396	1,442	637,884
2010 ⁽¹⁾	921	481,381	1,486	663,164
2011 ⁽¹⁾	881	507,090	1,444	725,094
2012 ⁽¹⁾	901	538,555	1,468	754,934

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: California State Board of Equalization

A summary of historic taxable sales within the County of Contra Costa during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2013 in the City of Dublin were reported to be \$3,308,880,000, a 3.64% increase over the total taxable sales of \$3,192,698,000 reported during the first quarter of calendar year 2012. Data for calendar year 2013 is not yet available.

CONTRA COSTA COUNTY
Taxable Transactions
(In Thousands)

	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	11,577	\$9,484,307	23,149	\$13,307,681
2009 ⁽¹⁾	14,045	8,473,578	21,395	11,883,049
2010 ⁽¹⁾	14,423	8,716,393	21,784	11,953,846
2011 ⁽¹⁾	13,930	9,300,418	21,153	12,799,857
2012 ⁽¹⁾	14,343	10,062,437	21,504	13,997,249

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: *California State Board of Equalization*

Employment

The following table lists the largest employers within the County.

COUNTY OF CONTRA COSTA Largest Employers As of June 2014

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Aaa Northern Ca Nevada & Utah	Walnut Creek	Automobile Clubs
Bart	Richmond	Transit Lines
Bayer Health Care Phrmctcls	Richmond	Laboratories-Pharmaceutical (Mfrs)
Bio-Rad Laboratories Inc	Hercules	Biological Products (Mfrs)
Chevron Corp	San Ramon	Oil Refiners (Mfrs)
Chevron Global Downstream Llc	San Ramon	Marketing Programs & Services
Concord Naval Weapons Station	Concord	Federal Government-National Security
Contra-Costa Regional Med Ctr	Martinez	Hospitals
Department of Veterans Affairs	Martinez	Clinics
Doctors Medical Ctr	San Pablo	Hospitals
John Muir Health Physical Rhb	Concord	Physical Therapists
John Muir Medical Ctr	Concord	Hospitals
John Muir Medical Ctr	Walnut Creek	Hospitals
Kaiser	Martinez	Clinics
Kaiser Permanente	Antioch	Hospitals
Kaiser Permanente	Walnut Creek	Hospitals
La Raza Market	Richmond	Grocers-Retail
Muirlab	Walnut Creek	Laboratories-Medical
Richmond City Offices	Richmond	Government Offices-City, Village & Twp
San Ramon Regional Medical Ctr	San Ramon	Hospitals
Shell Oil Products	Martinez	Oil & Gas Producers
St Marys College	Moraga	Schools-Universities & Colleges Academic
Sutter Delta Medical Ctr	Antioch	Hospitals
Tesoro Golden Eagle Refinery	Pacheco	Oil Refiners (Mfrs)
Va Outpatient Clinic	Martinez	Surgical Centers

Source: State of California Employment Development Department. America's Labor Market Information System (ALMIS) Employer Database, 2014 2nd Edition.

Employment and Industry

The County is part of the Oakland-Fremont-Hayward Metropolitan Division. The unemployment rate in the Metropolitan Division was 5.6% in May 2014, down from a revised 5.9% in April 2014, and below the year-ago estimate of 7.2%. This compares with an unadjusted unemployment rate of 7.1% for California and 6.1% for the nation during the same period. The unemployment rate was 5.6% in Alameda County, and 5.8% in Contra Costa County.

The following table summarizes the annual average civilian labor force, employment and unemployment in the County for the calendar years 2009 through 2013.

CONTRA COSTA COUNTY Civilian Labor Force, Employment and Unemployment (Annual Averages)

	2009	2010	2011	2012	2013
Civilian Labor Force ⁽¹⁾	525,100	524,200	529,200	535,700	538,900
Employment	471,700	465,900	474,300	487,800	499,100
Unemployment	53,400	58,300	54,800	48,000	39,800
Unemployment Rate	10.2%	11.1%	10.4%	9.0%	7.4%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	800	700	800	800	1,000
Mining, Logging and Construction	21,200	18,300	17,800	19,700	21,600
Manufacturing	18,700	18,300	17,400	17,400	15,800
Wholesale Trade	7,700	7,600	7,900	8,200	8,600
Retail Trade	41,200	40,400	40,500	41,200	41,000
Transportation, Warehousing, Utilities	8,300	8,000	8,100	8,100	8,500
Information	10,400	9,600	9,000	8,400	8,500
Finance and Insurance	19,400	19,200	18,700	19,000	18,700
Real Estate and Rental and Leasing	6,200	6,200	6,100	6,300	6,600
Professional and Business Services	45,900	43,800	45,900	48,000	51,300
Educational and Health Services	52,900	53,000	53,500	55,700	58,700
Leisure and Hospitality	31,200	31,300	32,300	33,500	35,700
Other Services	11,700	11,800	12,400	12,400	12,100
Federal Government	6,600	5,300	4,800	4,600	4,400
State Government	1,100	1,200	1,200	1,200	1,300
Local Government	43,700	42,800	41,800	42,100	42,400
Total, All Industries ⁽³⁾	326,600	317,200	318,100	326,600	336,100

(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) Totals may not add due to rounding.

Source: Labor Division of the California State Employment Development Department.

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 County, the State and the United States for the period 2008 through 2012.

COUNTY OF CONTRA COSTA
Effective Buying Income
As of January 1, 2008 through 2012

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2008	City of Dublin	\$ 1,328,505	\$73,169
	Town of Danville	2,282,338	103,035
	City of San Ramon	2,143,678	88,773
	Contra Costa County	30,737,690	61,903
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Dublin	\$ 1,367,535	\$77,181
	Town of Danville	2,328,535	104,530
	City of San Ramon	2,120,800	90,894
	Contra Costa County	31,197,703	64,213
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Dublin	\$ 1,490,823	\$76,300
	Town of Danville	1,841,745	97,508
	City of San Ramon	1,911,123	85,960
	Contra Costa County	30,049,698	61,031
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Dublin	\$ 1,470,853	\$79,098
	Town of Danville	2,066,078	96,157
	City of San Ramon	1,841,638	84,853
	Contra Costa County	30,416,350	60,777
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Dublin	\$ 1,669,493	\$82,308
	Town of Danville	2,280,373	94,416
	City of San Ramon	3,334,168	91,429
	Contra Costa County	33,604,875	61,167
	California	864,088,828	47,307
	United States	6,737,867,730	41,358

Source: Source: The Nielsen Company (US), Inc.

Education

The San Ramon Valley Unified School District serves the City of San Ramon. The San Ramon Valley Unified School District operates 19 elementary schools (grades K-5), 7 middle schools (grades 6-8), 3 high schools, 1 independent study program and 1 continuation high school program.

Fire and Police Services

Police Services are provided to land within the Community Facilities District by the Contra Costa County Sheriff's Department, which also provides Danville and the City of San Ramon with services pursuant to a contract.

The San Ramon Valley Fire Protection District provides for fire protection facilities and services to the City, Danville and other communities within the San Ramon Valley.

Housing

Housing in the City is mixed in price, style, age and location influences. San Ramon has characteristically been a suburban bedroom community for the major metropolitan areas of Oakland and San Francisco. Subsequent to the start of the Bishop Ranch Office Park development in the early 1980's, San Ramon provided a housing alternative for local residents employed along the I-680 Corridor.

The City's large existing job base and convenient location with respect to employment centers along I-680 has resulted in a steady demand for housing. Home prices in San Ramon compare favorably to other communities in central Contra Costa County.

Detached single-family homes are the most common housing product, although condominium and apartment complexes are also available in San Ramon. Duplexes and four-plexes are found in the Twin Creeks neighborhood. Some neighborhoods have locations with lower density luxury housing and view amenities. The City's General Plan reflects an anticipated eventual build-out of 23,030 housing units with about 40% of these multi-family dwellings.

Within the existing City limits there is some land available for development including higher density residential land north of Crow Canyon Road, low- and medium-density residential uses in the area west of San Ramon Valley Boulevard and at the extreme southeast section of the city at Old Ranch Road and Dougherty Road. There is also substantial residential development planned for the Dougherty Valley, east of the existing city limits, which includes land within the Community Facilities District.

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APPENDIX C

RATE AND METHOD OF APPORTIONMENT FOR THE COMMUNITY FACILITIES DISTRICT

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EXHIBIT B

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS COMMUNITY FACILITIES DISTRICT No. 2004-2 (WINDEMERE RANCH)

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. 2004-2 (Windemere Ranch) 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. 2004-2, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to the CFD unless a separate Rate and Method of Apportionment is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“Acre” or “Acreage” means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded with the County.

“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 California Government Code.

“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. 2004-2 and the Bonds, including, but not limited to, management of funds, expenditures, and investments of the CFD, 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. 2004-2.

“Administrator” means the person or firm designated by the Authority to administer the Special Tax according to the Rate and Method of Apportionment of Special Tax.

“Apartment Property” means, in any Fiscal Year, all Parcels within CFD No. 2004-2 for which a building permit was issued for construction of a residential structure with multiple residential units, all of which are offered for rent to the general public and are not available for sale to individual owners.

“Assessor’s Parcel” or **“Parcel”** means a lot or 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.

“Association Property” means any property within the CFD that is owned by a homeowners association or property owners association, excluding Association Property under the pad or footprint of a Unit.

“Authority” means the ABAG Finance Authority for Nonprofit Corporations.

“Board” means the Executive Committee of the Board of Directors of the Authority, acting as the legislative body of CFD No. 2004-2.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, issued, insured or assumed by CFD No. 2004-2, including debt issued by agencies other than the Authority (as referenced in Section 53313.5(g) of the Act), to pay for public infrastructure and/or improvements eligible to be financed under the Act.

“Buildable Lot” means an individual lot within a Final Map for which a building permit may be issued without further subdivision of such lot.

“Capitalized Interest” means funds in any capitalized interest account available to pay debt service on Bonds.

“CFD” or **“CFD No. 2004-2”** means the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch).

“CFD Formation” means the date on which the Resolution of Formation to form CFD No. 2004-2 was adopted by the Board.

“Condominium” means an individual residential unit constructed on the Condominium Property.

“Condominium Property” means that property included within the geographic area identified as “Village 27” on the Tentative Map, or such other area as approved by the County.

“County” means the County of Contra Costa.

“Development Plan” means a condominium plan, site plan or other development plan that identifies information regarding the type of structure, acreage, square footage, and/or number of Units that are approved to be developed on Condominium Property and Townhome Property.

“Developed Property” means, in any Fiscal Year, all Taxable Property in CFD No. 2004-2 for which a building permit for new construction was issued by the County prior to June 1 of the preceding Fiscal Year.

“Excess Public Property” means the acres of Public Property that exceed the acreage exempted in Section G below. In any Fiscal Year in which a Special Tax must be levied on Excess Public Property pursuant to Step 4 in Section E below, Excess Public Property shall be those Assessor’s Parcel(s) that most recently became Public Property based on the dates on which recorded Final Maps created such Public Property.

“Expected Land Uses” means the total number of Units expected within the CFD. At CFD Formation, the Expected Land Uses were determined based on the Final Map and Tentative Map. The Expected Land Uses may be updated over time, but not before the Administrator has tested changes to the Expected Land Uses by applying the steps in Section D below. The Expected Land Uses at CFD Formation are summarized in Attachment 1 hereto; the Administrator shall update the table in Attachment 1 each time a change occurs to the land use plans for property in the CFD.

“Expected Maximum Special Tax Revenues” means the amount of annual revenue that would be available if the Maximum Special Tax was levied on the Expected Land Uses. The Expected Maximum Special Tax Revenues as of CFD Formation are shown in Attachment 1 of this Rate and Method of Apportionment of Special Tax and may be reduced due to prepayments in future Fiscal Years.

“Final Map” means the final maps, recorded by the County, based on the final Development Plan and vesting tentative map for “Subdivision 8507 – Phase 2” for the Windemere Ranch project, or a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates Buildable Lots and for which no further subdivision is anticipated pursuant to the Tentative Map. The Final Maps recorded by the County as of CFD Formation include the following:

Village	Subdivision	Book and Page	Recording Date
20	8712	459 M 1	12/11/2003
21	8713	459 M 7	12/11/2003
22	8714	459 M 33	12/15/2003
23	8715	459 M 39	12/15/2003
24	8716	459 M 14	12/11/2003
25	8717	459 M 46	12/15/2003

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

“Maximum Special Tax” means the greatest amount of Special Tax that can be levied in any Fiscal Year determined in accordance with Section C below.

“Non-Residential Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit was issued for construction of a structure that will be used for any non-residential purpose.

“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, and for Undeveloped Property that the ratio of the actual Special Tax to the Maximum Special Tax is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of CFD No. 2004-2 that is owned by or irrevocably offered for dedication to the federal government, State of California, County, or other local government or public agency.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a Unit that does not share a common wall with another 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 to: (i) pay principal and interest on Bonds which is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish reserve funds for the Bonds; (iii) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or, based on existing delinquencies in the payment of Special Taxes, are expected to occur in the Fiscal Year in which the tax will be collected; and (iv) pay Administrative Expenses. The amounts referred to in clauses (i) and (ii) 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 a Bond indenture, Bond resolution, or other legal document that sets 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.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2004-2 which are not exempt from the Special Tax pursuant to law or Section G below.

“Tentative Map” means the final Development Plans and vesting tentative maps for “Subdivision 8508,” “Subdivision 8509,” and “Subdivision 8510” for the Windemere Ranch project that were approved by the County Board of Supervisors on April 27, 2004, or any tentative subdivision map approved for Windemere Ranch after CFD Formation. If a new tentative map is approved after CFD Formation and the

Administrator has updated the Expected Land Uses and Attachment 1 of this RMA, the new tentative map shall function as the Tentative Map for purposes of this RMA.

“Townhome” means an individual residential unit constructed on the Townhome Property.

“Townhome Property” means that property included within the geographic area identified as “Village 38” on the Tentative Map, or such other area as approved by the County.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property within the CFD that are not Developed Property.

“Unit” means (i) for Single Family Detached Property, an individual single family detached residential unit, (ii) for Condominium Property, an individual Condominium, and (iii) for Townhome Property, an individual Townhome.

“Village” means a specific geographic area within CFD No. 2004-2 that (i) is created upon recordation of a Final Map, and (ii) is expected to have Buildable Lots of a similar size or (iii) consists entirely of Apartment Property, Condominium Property, or Townhome Property. Villages that exist at CFD Formation are shown in Attachment 2 of this RMA, and Villages expected at CFD Formation are shown in Attachments 3 through 5 of this RMA. When a Final Map within CFD No. 2004-2 is recorded after CFD Formation, the actual boundary of each Village may change slightly from that shown in Attachments 3 through 5. Such change shall have no impact on the Expected Maximum Special Tax Revenues unless the total number of expected Units is changed. If such a change occurs, the Administrator shall follow the procedures set forth in Section D below to recalculate the Expected Maximum Special Tax Revenues.

B. DATA FOR ANNUAL ADMINISTRATION

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for all Taxable Property. The Administrator shall also determine: (i) whether each Assessor’s Parcel is Developed Property or Undeveloped Property, (ii) for Developed Property, which Parcels are Single Family Detached Property, Condominium Property, Townhome Property and Non-Residential Property, (iii) for Single Family Detached Property, the Village that each residential lot is located in, and (iv) the Special Tax Requirement. To determine the Village for each Parcel of Single Family Detached Property, the Administrator shall rely on the Final Map recorded to create the individual lots. For Condominium Property and Townhome Property, the number of Units shall be determined by referencing the Development Plan for the property.

In any Fiscal Year, if it is determined that (i) a parcel map for a portion of property in CFD No. 2004-2 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) one or more of the newly-created parcels meets the definition of Developed Property, the Administrator shall

calculate the Special Tax for the property affected by recordation of the parcel map by determining the Special Tax that applies separately to each newly-created parcel, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

In addition, the Administrator shall, at least twice each Fiscal Year, determine: (i) whether changes to the Tentative Map have been proposed or approved; and (ii) whether Final Maps that have been proposed for approval or approved by the County after CFD Formation are consistent with the Tentative Map. If changes to the Tentative Map have occurred, or if Final Maps are inconsistent with the Tentative Map, the Administrator shall apply the steps set forth in Section D below.

C. MAXIMUM SPECIAL TAX

Table 1 below identifies the Maximum Special Tax for Taxable Property within CFD No. 2004-2:

TABLE 1
MAXIMUM SPECIAL TAXES

<i>Type of Property</i>	<i>Village</i>	<i>Maximum Special Tax</i>
Single Family Detached Property	37, 49	\$1,970 per Unit
Single Family Detached Property	25, 31, 45, 48	\$1,710 per Unit
Single Family Detached Property	24, 35, 40, 46	\$1,660 per Unit
Single Family Detached Property	23, 30, 36, 47	\$1,440 per Unit
Single Family Detached Property	22, 29, 34, 42	\$1,370 per Unit
Single Family Detached Property	20, 21, 32, 33, 43, 44	\$1,210 per Unit
Single Family Detached Property	28	\$1,130 per Unit
Single Family Detached Property	39, 41	\$890 per Unit
Condominium Property	27	\$530 per Unit
Townhome Property	38	\$1,210 per Unit
Non-Residential Property	All Applicable	\$8,780 per Acre
Undeveloped Property	All Applicable	\$8,780 per Acre

D. BACK-UP FORMULA

The Maximum Special Taxes set forth in Table 1 above are calculated based on the Expected Land Uses. Tentative Map revisions must be reviewed and compared to the Expected Land Uses to evaluate the impact on the Expected Maximum Special Tax Revenues. In addition, Final Maps must be reviewed to ensure they reflect the number of residential lots that was anticipated in the approved Tentative Map. The following steps shall be applied each time a change to the Tentative Map is proposed, and each time a Final Map is proposed for approval by the County ("Land Use/Entitlement Change"):

- Step 1:** The Administrator shall calculate the Expected Maximum Special Tax Revenues for the area in which the Land Use/Entitlement Change is proposed (the "Affected Area");
- Step 2:** The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in the Affected Area if the Land Use/Entitlement Change is approved;
- Step 3:** If the amount determined in Step 2 is not more than five percent (5%) less than that calculated in Step 1, the Land Use/Entitlement Change may be approved without further action. If the revenues calculated in Step 2 are *more than five percent (5%) less* than those calculated in Step 1, and **if**:
- (a) The landowner does not withdraw the request for the Land Use/Entitlement Change that was submitted to the County; **or**
 - (b) The Board does not complete proceedings under the Act to increase the Maximum Special Tax to an amount sufficient to maintain the total Maximum Special Tax revenues that could be generated within the CFD before the Land Use/Entitlement Change was approved; **or**
 - (c) Before approval of the Land Use/Entitlement Change, the landowner requesting the Land Use/Entitlement Change does not prepay a portion of the Special Tax for the CFD in an amount that corresponds to the lost Maximum Special Tax revenue (the "Back-Up Prepayment"), as determined by applying the steps set forth in Section H below;

then, the amount of the Back-Up Prepayment determined in Step 3.c of this Section D shall be allocated on a per-acre basis and included on the next property tax bill for all Assessor's Parcels within the property affected by the Land Use/Entitlement Change. The amount allocated to each Assessor's Parcel shall be added to and, until paid, shall be a part of, the Maximum Special Tax for the

Assessor's Parcel. This back-up formula shall not apply to Parcels already designated as Developed Property.

If multiple Land Use/Entitlement Changes are proposed at one time (which may include approval of multiple Final Maps at one time), the Administrator may consider the combined effect of all the Land Use/Entitlement Changes to determine if there is a reduction in Expected Maximum Special Tax Revenues that necessitates implementation of Step 3.b or 3.c. If, based on this comprehensive analysis, the Administrator determines that there is a greater than 5% reduction in Expected Maximum Special Tax Revenue, ***and all of the Land Use/Entitlement Changes are being proposed by the same land owner***, the Administrator shall determine the required increase in the Maximum Special Tax for the Affected Area (pursuant to Step 3.b) or the required prepayment (pursuant to Step 3.c). If, based on the comprehensive analysis, the Administrator determines that there is a greater than 5% reduction in Expected Maximum Special Tax Revenue, ***and not all of the Land Use/Entitlement Changes are being proposed by the same land owner***, the Administrator shall separately consider the impact of the proposed Land Use/Entitlement Changes on each land owner to determine the specific impact of each owner's Land Use/Entitlement Changes.

E. METHOD OF LEVY OF THE SPECIAL TAX

Each Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year, and the Special Tax shall be levied according to the steps outlined below.

- Step 1:*** The Special Tax shall be levied Proportionately on each Parcel of Developed Property within the CFD up to 100% of the Maximum Special Tax determined pursuant to Section C until the amount levied on Developed Property is equal to the Special Tax Requirement prior to applying any Capitalized Interest that is available in the CFD accounts;
- Step 2:*** If additional revenue is needed after Step 1, and after applying Capitalized Interest to the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property within the CFD, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C;
- Step 3:*** If additional revenue is needed after applying the first two steps, the Special Tax shall be levied Proportionately on each Parcel of Association Property within the CFD, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C;

Step 4: If additional revenue is needed after applying the first three steps, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Excess Public Property, exclusive of property exempt from the Special Tax pursuant to Section G below, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C.

F. COLLECTION OF SPECIAL TAX

The Special Taxes for CFD No. 2004-2 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section H below and provided further 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 shall be levied and collected until principal and interest on Bonds have been repaid and authorized facilities to be constructed from Special Tax proceeds have been completed. However, in no event shall a Special Tax be levied after Fiscal Year 2040-2041. 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.

G. EXEMPTIONS

Notwithstanding any other provision of this Rate and Method of Apportionment of Special Tax, no Special Tax shall be levied on up to 1,250 acres of Public Property, except as otherwise provided in the Act. A separate amount of public acreage may be exempted each time property annexes into CFD No. 2004-2, and such additional exemption shall only apply to property within the annexation area. A Special Tax may be levied on Excess Public Property pursuant to Step 4 of Section E; however, a public agency may require that the special tax obligation on land conveyed to it that would be classified as Excess Public Property be prepaid pursuant to Section H below.

In addition to Public Property, no Special Tax shall be levied on (i) Apartment Property, (ii) property designated as permanent open space or common space on which no structure is permitted to be built, (iii) property owned by a public utility for use as an unmanned facility, or (iv) property subject to an easement that precludes any other use on the Parcel.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

“Outstanding Bonds” means all Previously Issued Bonds which remain outstanding, with the following exception: if a Special Tax has been levied against, or already paid by, an Assessor’s Parcel making a prepayment, and a portion of the Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

“Previously Issued Bonds” means all Bonds that have been issued on behalf of the CFD prior to the date of prepayment.

“Public Facilities Requirements” means either \$32,800,000 in 2004 dollars, which shall increase on January 1, 2005, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News Record or other comparable source if the Engineering News Record is discontinued or otherwise not available, or such other number as shall be determined by the County to be an appropriate estimate of the net construction proceeds that will be generated from all Bonds that have been or are expected to be issued on behalf of CFD No. 2004-2. The Public Facilities Requirements shown above may be adjusted or a separate Public Facilities Requirements identified each time property annexes into CFD No. 2004-2; at no time shall the added Public Facilities Requirement for that annexation area exceed the amount of public improvement costs that are expected to be supportable by the Maximum Special Tax revenues generated within that annexation area.

“Remaining Facilities Costs” means the Public Facilities Requirements (as defined above), minus public facility costs funded by Outstanding Bonds (as defined above), developer equity, and/or any other source of funding.

1. Full Prepayment

The Special Tax obligation applicable to an Assessor’s Parcel in the CFD may be prepaid and the obligation of the Assessor’s Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Special Tax obligation shall provide the Authority with written notice of intent to prepay. Within 30 days of receipt of such written notice, the Authority or its designee shall notify such owner of the prepayment amount for such Assessor’s Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. The Prepayment Amount shall be calculated as follows (capitalized terms as defined below):

	Bond Redemption Amount
plus	Remaining Facilities Amount
plus	Redemption Premium
plus	Defeasance Requirement
plus	Administrative Fees and Expenses
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

- Step 1.** Compute the total Maximum Special Tax that could be collected from the Assessor's Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the Authority or, in the event of a prepayment pursuant to Step 3.c in Section D, compute the amount by which the Maximum Special Tax revenues would be reduced by the Land Use/Entitlement Change and use the amount of this reduction as the figure for purposes of this Step 1.
- Step 2.** Divide the Maximum Special Tax from Step 1 by the then-current Expected Maximum Special Tax Revenues.
- Step 3.** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).
- Step 4.** Compute the current Remaining Facilities Costs (if any).
- Step 5.** Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Remaining Facilities Costs to be prepaid (*the "Remaining Facilities Amount"*).
- Step 6.** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 7.** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment has been received until the earliest redemption date for the Outstanding Bonds. However, if Bonds are callable at the first interest payment date after the prepayment has been received, Steps 7, 8 and 9 of this prepayment formula will not apply.

- Step 8:** Compute the amount of interest the Authority reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 9:** Take the amount computed pursuant to Step 7 and subtract the amount computed pursuant to Step 8 (the “*Defeasance Requirement*”).
- Step 10.** Determine the costs of computing the prepayment amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the “*Administrative Fees and Expenses*”).
- Step 11.** If and to the extent so provided in the indenture pursuant to which the Outstanding Bonds to be redeemed were issued, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).
- Step 12.** The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the “*Prepayment Amount*”).

2. *Partial Prepayment*

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made is equal to the Maximum Special Tax that could have been levied prior to the prepayment, reduced by the percentage of the full prepayment that the partial prepayment represents, all as determined by or at the direction of the Administrator.

I. 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 RMA.

J. APPEAL OF SPECIAL TAX LEVY

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Administrator not later than one calendar year after having paid the Special Tax that is disputed. The Administrator shall promptly review the appeal and, if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and decide the appeal. If the property owner disagrees with the Administrator's decision relative to the appeal, the owner may then file a written appeal with the Board whose subsequent decision shall be binding. If the decision of the Administrator (if the appeal is not filed with the Board) or the Board (if the appeal is filed with the Board) requires the Special Tax to be modified or changed in favor of the property owner, no cash refund shall be made for prior years' Special Tax levies, but an adjustment shall be made to the next Special Tax levy(ies). This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to filing any legal action by such owner.

ATTACHMENT 1

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT No. 2004-2
(WINDEMERE RANCH)**

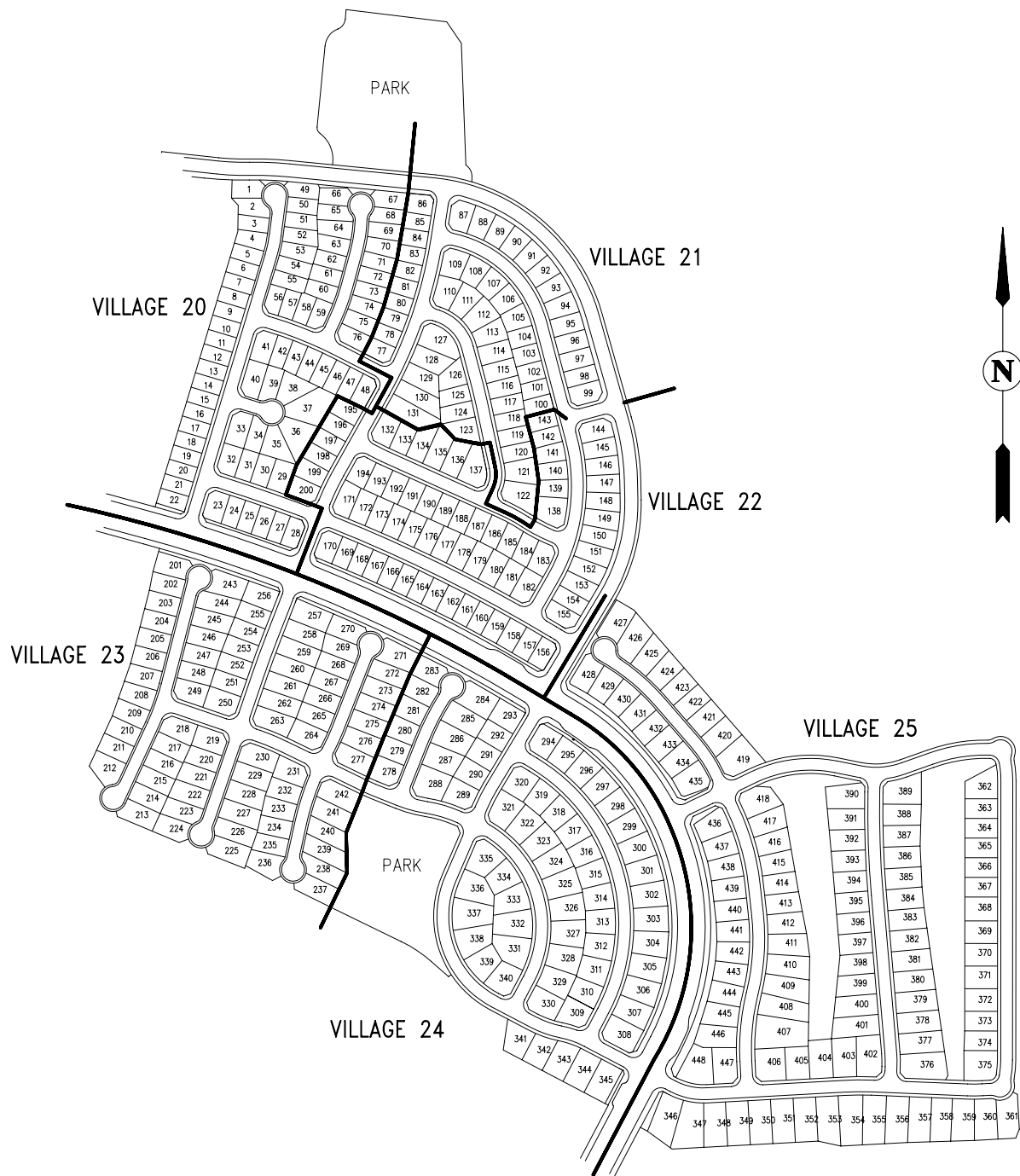
**EXPECTED LAND USES AND
EXPECTED MAXIMUM SPECIAL TAX REVENUES
AT CFD FORMATION**

Village Numbers	Expected Land Use	Expected Number of Residential Units	Maximum Special Tax Per Unit	Total Expected Maximum Special Tax Revenues
37, 49	Single Family Detached Lots	181	\$1,970	\$356,570
25, 31, 45, 48	Single Family Detached Lots	374	\$1,710	\$639,540
24, 35, 40, 46	Single Family Detached Lots	282	\$1,660	\$468,120
23, 30, 36, 47	Single Family Detached Lots	336	\$1,440	\$483,840
22, 29, 34, 42	Single Family Detached Lots	360	\$1,370	\$493,200
20, 21, 32, 33, 43, 44	Single Family Detached Lots	504	\$1,210	\$609,840
28	Single Family Detached Lots	83	\$1,130	\$93,790
39, 41	Single Family Detached Lots	205	\$890	\$182,450
27	Condominiums	179	\$530	\$94,870
38	Townhomes	141	\$1,210	\$170,610
Total Expected Maximum Special Tax Revenues				\$3,592,830

ATTACHMENT 2

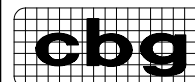
**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT No. 2004-2
(WINDEMERE RANCH)**

**IDENTIFICATION OF VILLAGES AND
FUTURE DEVELOPMENT AREAS
WINDEMERE PHASE 2**



WINDEMERE PHASE 2

PHASE 2 - SUBDIVISION 8507			
20	Single Family	45' x 90'	76
21	Single Family	50' x 80'	55
22	Single Family	50' x 90'	69
23	Single Family	55' x 100'	77
24	Single Family	65' x 90'	68
25	Single Family	60' x 100'	103
Total Phase 2			448



**Carlson, Barbee
& Gibson, Inc.**

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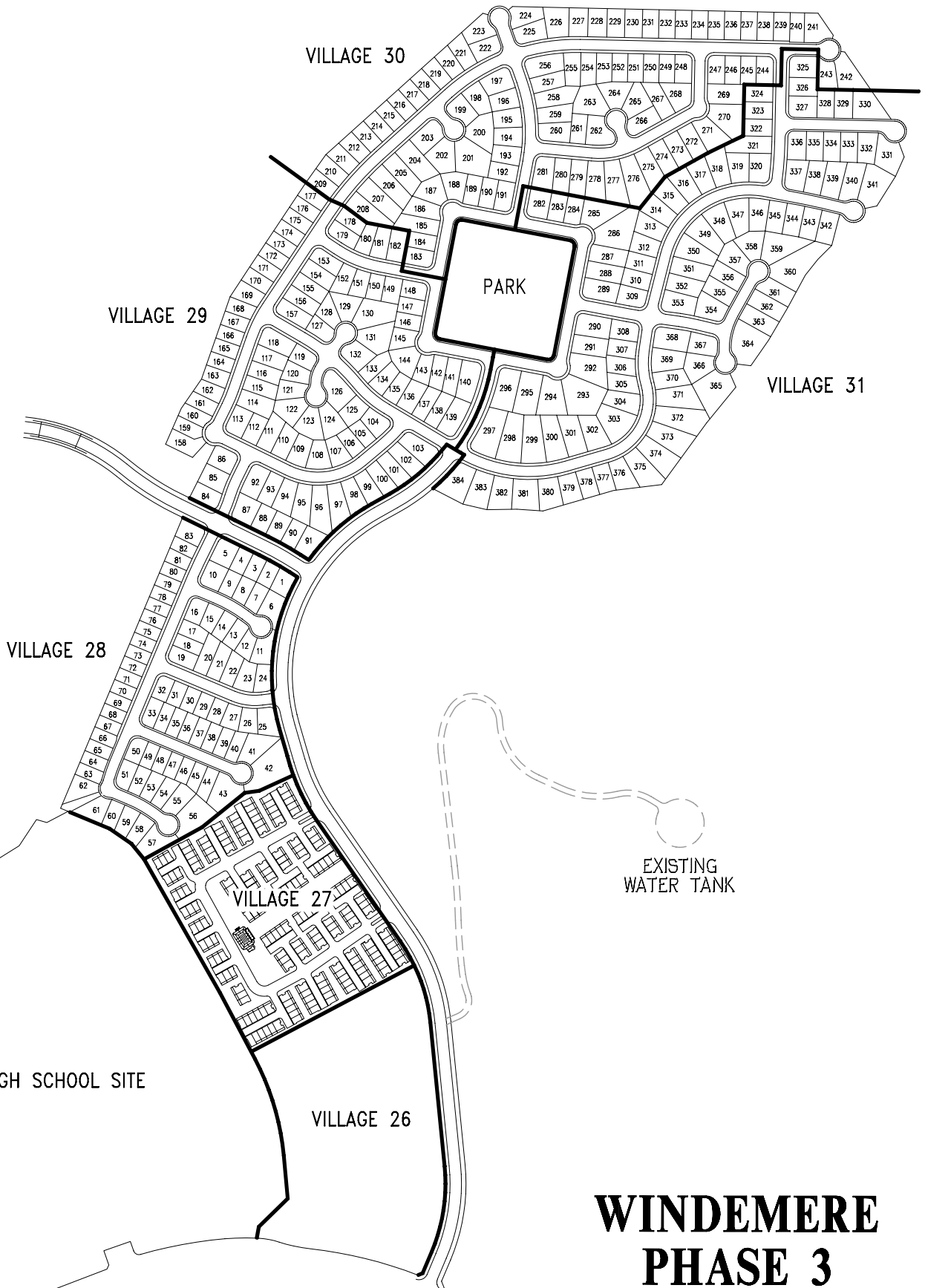
2603 CAMINO RAMON, SUITE 100
SAN RAMON, CALIFORNIA 94583

TEL (925) 866-0322
FAX (925) 866-8575

ATTACHMENT 3

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT No. 2004-2
(WINDEMERE RANCH)**

**IDENTIFICATION OF VILLAGES AND
FUTURE DEVELOPMENT AREAS
WINDEMERE PHASE 3**



WINDEMERE PHASE 3

PHASE 3 - SUBDIVISION 8508			
26	Multi Family	Apartments	293
27	Multi Family	Condominiums	179
28	Single Family	45' x 85'	83
29	Single Family	50' x 90'	99
30	Single Family	55' x 100'	99
31	Single Family	60' x 100'	103
Total Phase 3			856



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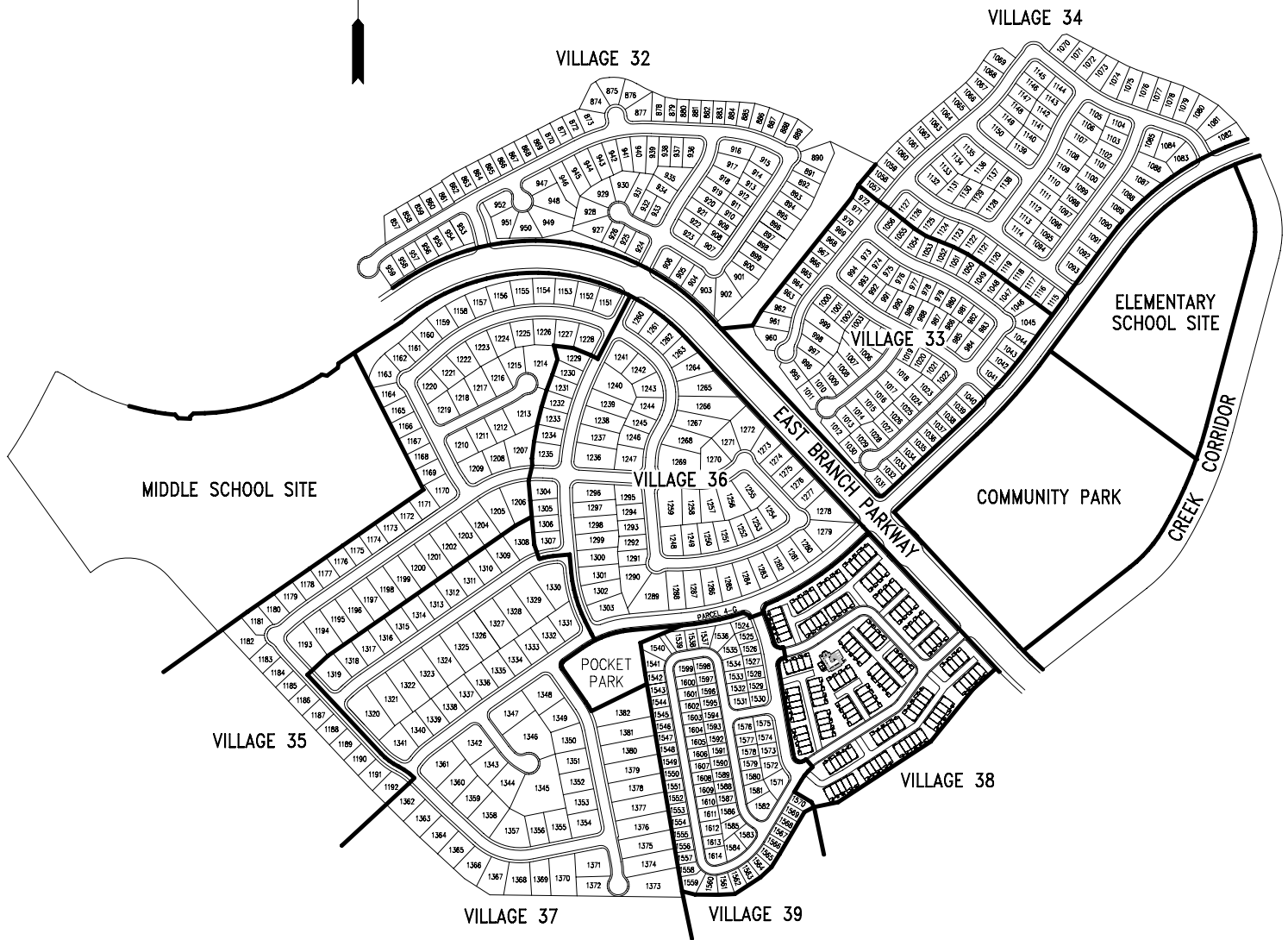
2603 CAMINO RAMON, SUITE 100
SAN RAMON, CALIFORNIA 94583

TEL (925) 866-0322
FAX (925) 866-8575

ATTACHMENT 4

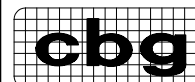
**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT No. 2004-2
(WINDEMERE RANCH)**

**IDENTIFICATION OF VILLAGES AND
FUTURE DEVELOPMENT AREAS
WINDEMERE PHASE 4**



PHASE 4 - SUBDIVISION 8509			
32	Single Family	46' x 90'	103
33	Single Family	50' x 80'	97
34	Single Family	50' x 90'	94
35	Single Family	65' x 90'	78
36	Single Family	55' x 100'	79
37	Single Family	70' x 115'	75
38	Multi Family	Townhomes	141
39	Single Family	45' x 70'	91
Total Phase 4			758

WINDEMERE PHASE 4



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& Gibson, Inc.**

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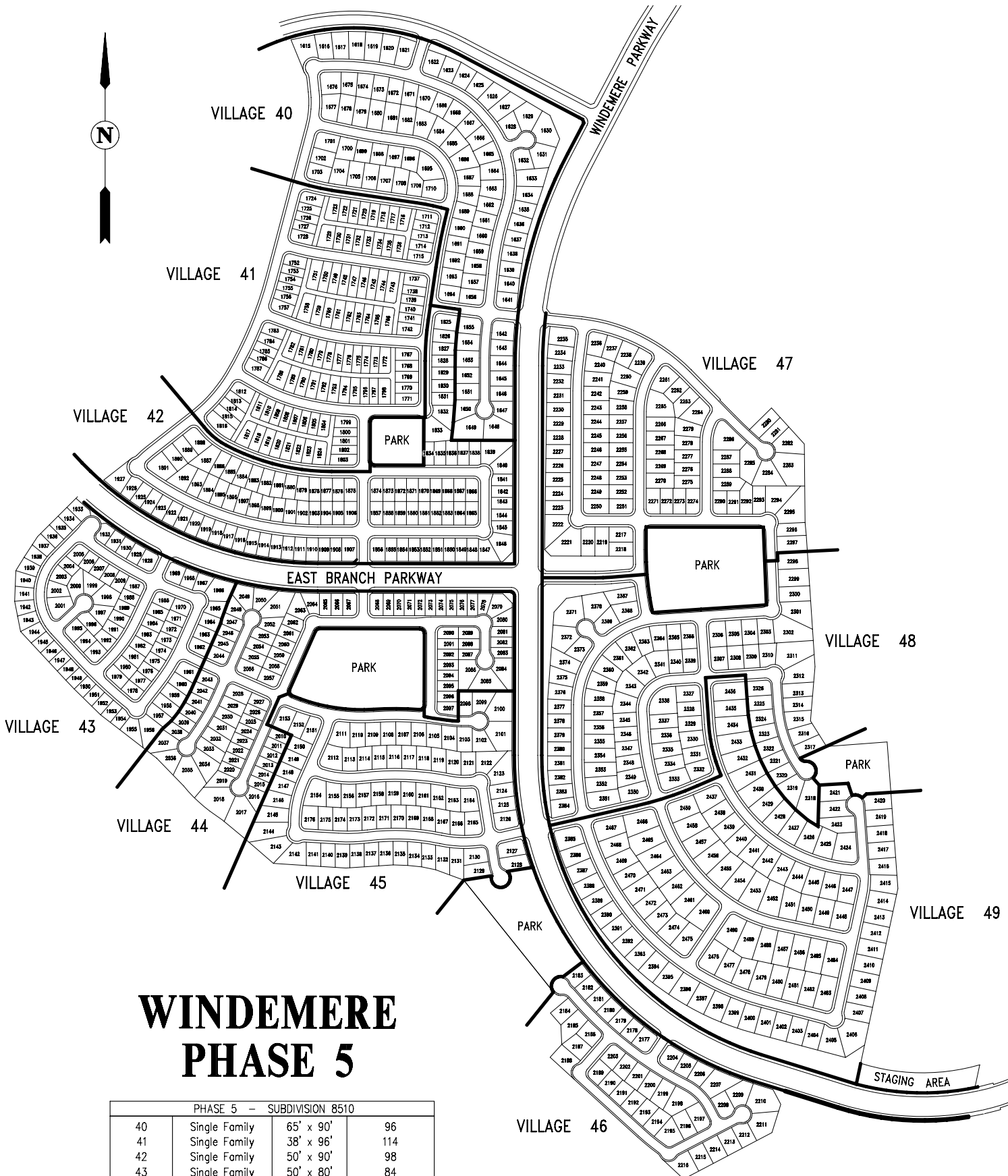
2603 CAMINO RAMON, SUITE 100
SAN RAMON, CALIFORNIA 94583

TEL (925) 866-0322
FAX (925) 866-8575

ATTACHMENT 5

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT No. 2004-2
(WINDEMERE RANCH)**

**IDENTIFICATION OF VILLAGES AND
FUTURE DEVELOPMENT AREAS
WINDEMERE PHASE 5**



WINDEMERE PHASE 5

PHASE 5 - SUBDIVISION 8510			
40	Single Family	65' x 90'	96
41	Single Family	38' x 96'	114
42	Single Family	50' x 90'	98
43	Single Family	50' x 80'	84
44	Single Family	45' x 90'	89
45	Single Family	60' x 100'	80
46	Single Family	65' x 90'	40
47	Single Family	55' x 100'	81
48	Single Family	60' x 100'	88
49	Single Family	70' x 115'	106
Total Phase 5			876



**Carlson, Barbee
& Gibson, Inc.**
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2603 CAMINO RAMON, SUITE 100
SAN RAMON, CALIFORNIA 94583

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FAX (925) 866-8575

APPENDIX D
FORM OF BOND COUNSEL OPINION

August 28, 2014

ABAG Finance Authority For Nonprofit Corporations
101 Eighth Street
Oakland, California 94607-4756

OPINION: \$31,805,000 ABAG Finance Authority For Nonprofit Corporations Refunding Revenue Bonds, Senior Series 2014-A (Windemere Ranch Infrastructure Financing Program)

Members of the Authority:

We have acted as bond counsel in connection with the issuance by the ABAG Finance Authority For Nonprofit Corporations (the "Authority") of its \$31,805,000 ABAG Finance Authority For Nonprofit Corporations Refunding Revenue Bonds, Senior Series 2014-A (Windemere Ranch Infrastructure Financing Program) (the "Bonds") pursuant to the provisions of Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Refunding Law"), Resolution No. 14-17 adopted by the Executive Committee of the Board of Directors of the Authority on August 6, 2014, and an Indenture of Trust, dated as of June 1, 2012 (the "Original Indenture"), by and between the Authority and MUFG Union Bank, N.A. (formerly known as Union Bank of California, N.A.), as trustee (the "Trustee"), as amended and supplemented by a First Supplemental Indenture of Trust, dated as of August 1, 2014 (the "First Supplement"), between the Authority and the Trustee. The Original Indenture, as amended and supplemented by the First Supplement, is referred to below as the "Indenture."

The Bonds are payable from Revenues, as such term is defined in the Indenture, consisting primarily of payments on three series of bonds (collectively, the "Local Obligations") received by the Trustee. The Local Obligations include one series of bonds issued by the Association of Bay Area Governments ("ABAG") pursuant to a Fiscal Agent Agreement, dated as of June 1, 2007, between ABAG and MUFG Union Bank, N.A., as fiscal agent (as amended by a Supplemental Agreement No. 1 to Fiscal Agent Agreement, dated as of August 1, 2014, between ABAG and such fiscal agent, the "ABAG Fiscal Agent Agreement"), and two series of bonds issued by the Authority pursuant to a Fiscal Agent Agreement, dated as of June 1, 2007, between the Authority and MUFG Union Bank, N.A., as fiscal agent (as amended by a Supplemental Agreement No. 1 to Fiscal Agent Agreement, dated as of August 1, 2014, between the Authority and such fiscal agent, the "Authority Fiscal Agent Agreement"). The ABAG Fiscal Agent Agreement and the Authority Fiscal Agent Agreement are referred to below collectively as the "Fiscal Agent Agreements."

In connection with this opinion, we have examined the Refunding Law, the Indenture, the Fiscal Agent Agreements and such certified proceedings and other papers 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, of ABAG and the Authority contained in the Fiscal Agent Agreements, and in the certified proceedings and other

certifications of public officials 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 a joint exercise of powers authority duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the Authority and are legal, valid and binding obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

4. Pursuant to the Refunding Law, the Indenture establishes a valid lien on and pledge of the Revenues for the security of the Bonds, on a parity with the Series 2007-A Bonds and any future Parity Senior Bonds (as such capitalized terms are defined in the Indenture) that may be issued by the Authority.

5. Subject to the Authority's and ABAG's compliance with certain covenants, interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the Authority or ABAG to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Fiscal Agent Agreements may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the Authority, ABAG and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. 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.

Respectfully submitted,

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APPENDIX E

FORM OF ISSUER CONTINUING DISCLOSURE CERTIFICATE

\$31,805,000

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
REFUNDING REVENUE BONDS,
SENIOR SERIES 2014-A
(WINDEMERE RANCH INFRASTRUCTURE FINANCING PROGRAM)**

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the ABAG Finance Authority for Nonprofit Corporations (the “**Issuer**”) in connection with the execution and delivery of the bonds captioned above (the “**Bonds**”). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of June 1, 2007, by and between the Issuer and MUFG Union Bank, N.A., as trustee (the “**Trustee**”), as supplemented by a First Supplemental Indenture of Trust, dated as of August 1, 2014 (together, the “**Indenture**”), by and between the Issuer and the Trustee.

The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer 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 above and 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*” means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the Issuer’s fiscal year (currently no later than April 1 based on the Issuer’s fiscal year end of June 30).

“*Dissemination Agent*” means NBS Government Finance Group, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“*Issuer*” means ABAG Finance Authority for Nonprofit Corporations.

“*Listed Events*” means any of the events listed in Section 5(a) 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 that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the Issuer in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2015, with the report for the 2013-14 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Issuer) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Issuer’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Issuer hereunder.

(b) If the Issuer does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Issuer shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or incorporate by reference the following:

(a) The Issuer’s audited financial statements for the most recently completed fiscal year, together with the following statement:

THE ISSUER’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 ISSUER ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND THE ISSUER IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE ISSUER IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) Additional Items relating to the Authority, the Community Facilities District and the Reassessment District in the aggregate.

(i) Outstanding principal amount of the Bonds (including all parity bonds) as of the end of the most recent fiscal year; and

(ii) Balance of the Reserve Account and the subaccounts therein (and a statement of the applicable Reserve Requirements for such Account) as of September 2 of the current fiscal year.

(iii) Aggregate assessed value (as shown on the Contra Costa County Assessor's equalized tax roll for the current fiscal year) of all parcels currently subject to the Reassessment within the Reassessment District or subject to the Special Taxes in the Community Facilities District, showing the total assessed valuation for all land and the total assessed valuation for all improvements.

(iv) Updated aggregate value-to-lien calculation as of September 2 of the current fiscal year for the parcels in the Reassessment District subject to the Reassessments and the parcels in the Community Facilities District subject to Special Taxes in the form of Table 4 in the Official Statement, based upon (A) the assessed value described in the preceding clause (iii) and (B) the burden of that property's share of the Local Obligations.

(v) A statement about any changes in the applicability of the Teeter Plan to the Reassessment District and the Community Facilities District.

(c) Additional Items relating to the Reassessment District.

(i) Principal amount outstanding of the Reassessment Bonds as of September 2 of the current fiscal year.

(ii) Balance in all of the funds and accounts created pursuant to the Fiscal Agent Agreement for the Reassessment Bonds as of September 2 of the current fiscal year.

(iii) Total assessed value for the current fiscal year (per the Contra Costa County records) of all parcels currently subject to the Reassessment within the Reassessment District, showing the total assessed valuation for all land and the total assessed valuation for all improvements within the Reassessment District.

(iv) With respect to delinquent Reassessments, the total amount of delinquent Reassessments as of June 30 of the preceding fiscal year in the Reassessment District, and status of any foreclosure actions.

(v) The amount of prepayments of the Reassessments for the most recently completed fiscal year.

(d) Additional Items relating to the Community Facilities District.

(i) Total assessed value (per the Contra Costa County Assessor's records) for the current fiscal year of all parcels currently subject to the Special Tax within the Community Facilities District, showing the total assessed valuation for all land and the total assessed valuation for all improvements within the Community Facilities District and distinguishing between the assessed value of improved (i.e., having an assessed value for improvements in the Assessor's records) and unimproved (i.e., having no assessed value for improvements in the Assessor's records) parcels.

(ii) With respect to delinquent Special Taxes in the Community Facilities District, the total amount of delinquent Special Taxes as of June 30 of the preceding fiscal year, and the status of any foreclosure actions.

(iii) The amount of prepayments of the Special Tax with respect to the Community Facilities District for the most recently completed Fiscal Year.

(iv) The principal amount of the Special Tax Bonds outstanding as of September 2 of the current fiscal year.

(v) Any changes to the Rate and Method of Apportionment of Special Tax for a CFD as of June 30 of the preceding fiscal year.

(viii) Annual information required to be filed by the District with the California Debt and Investment Advisory Commission pursuant to the Mello-Roos Act and relating generally to outstanding Special Tax Bond amounts, fund balances, assessed values, special tax delinquencies and foreclosure information.

(e) In addition to any of the information expressly required to be provided under paragraphs (a) through (d) of this Section, the Issuer 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.

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 Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) 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.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Issuer or an obligated person, or the sale of all or substantially all of the assets of the Issuer or an 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, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall, or shall cause the Dissemination Agent (if not the Issuer) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The Issuer acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The Issuer shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the Issuer obtains knowledge of the occurrence of any of these Listed Events, the Issuer will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Issuer will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States 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 Issuer, or if such jurisdiction has been assumed by leaving the existing governing 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 Issuer.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Issuer'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 Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be NBS Government Finance Group. Any Dissemination Agent may resign by providing 30 days' written notice to the Issuer.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer 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), 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 Indenture 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 of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer 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 Issuer 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 Issuer 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. If the Issuer fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer 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 Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers,

directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Issuer hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bond holders or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	ABAG Finance Authority for Nonprofit Corporations Metro Center 101 Eighth Street Oakland, CA 94607-4756 Attention: Secretary Fax: (510) 464-7932
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To the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, Suite 3700 San Francisco, California 94104 Attention: Municipal Research Department Fax: (415) 364-7765
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Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: August 28, 2014

ABAG FINANCE AUTHORITY FOR NON
PROFIT CORPORATIONS

By: _____
Herbert Pike
Chief Financial Officer

AGREED AND ACCEPTED:
NBS Government Finance Group,
as Dissemination Agent

By: _____
Name: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: ABAG Finance Authority for Nonprofit Corporations

Name of Issue: ABAG Finance Authority for Nonprofit Corporations Refunding
Revenue Bonds, Senior Series 2014-A (Windemere Ranch Infrastructure
Financing Program)

Date of Issuance: August 28, 2014

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust, dated as of June 1, 2007, between the Issuer and MUFG Union Bank, N.A., as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture of Trust, dated as of August 1, 2014 (together, the "Indenture"), by and between the Issuer and the Trustee. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____

Its: _____

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 "Issuer") nor the trustee, fiscal agent or paying agent 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 "Securities"). The Securities 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 Security certificate will be issued for each issue of the Securities, each 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 securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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 any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer 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, Agent, or Issuer, 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 Issuer 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 depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security 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 Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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