

**\$11,000,000**  
**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**  
**COMMUNITY FACILITIES DISTRICT NO. 2004-1**  
**(SEISMIC SAFETY IMPROVEMENTS – 690 AND 942 MARKET STREET PROJECT)**  
**SPECIAL TAX BONDS, SERIES 2007A (TAXABLE)**

**Dated: Date of Delivery****Due: September 1, as shown on page following inside cover**

The bonds captioned above (the “Bonds”) are being issued under the Mello-Roos Community Facilities Act of 1982 (the “Act”) and an Indenture, dated as of October 1, 2007 (the “Indenture”), by and between the ABAG Finance Authority for Nonprofit Corporations (the “Issuer”), for and on behalf of ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) (the “Community Facilities District”), and Union Bank of California, N.A., as Trustee (the “Trustee”). The Executive Committee (the “Executive Committee”) of the Board of Directors of the Issuer (the “Board”), acting as legislative body of the Community Facilities District, has authorized the issuance of the Bonds. See “THE BONDS — Authority for Issuance.”

The Bonds are payable solely from (i) Special Tax Revenues (as defined herein) derived from the levy of special taxes (the “Special Taxes”) on property within the Community Facilities District according to the rate and method of apportionment of special tax approved by the Executive Committee of the Board and the qualified electors of the Community Facilities District and (ii) moneys deposited in certain funds held by the Trustee under the Indenture. See “SECURITY FOR THE BONDS.”

The Bonds are being issued to (i) finance certain seismic improvements to a residential condominium building, (ii) fund a reserve fund for the Bonds, (iii) pay certain administrative expenses of the Community Facilities District, and (iv) pay the costs of issuing the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “FACILITIES TO BE FINANCED WITH PROCEEDS OF THE BONDS.”

Interest on the Bonds is payable on March 1, 2008 and semiannually thereafter on each March 1 and September 1. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. See “THE BONDS — General Bond Terms” and “APPENDIX C — DTC and the Book-Entry Only System.”

Prior to their maturity, the Bonds are subject to optional redemption and mandatory sinking fund redemption. See “THE BONDS — Redemption.”

**THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND THE PRINCIPAL THEREOF, AND PREMIUM, IF ANY, AND INTEREST THEREON, ARE PAYABLE SOLELY FROM, AND SECURED IN ACCORDANCE WITH THEIR TERMS AND THE PROVISIONS OF THE INDENTURE SOLELY BY, THE SPECIAL TAX REVENUES AND THE OTHER AMOUNTS SPECIFICALLY PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”), ANY OF THE MEMBERS OF THE ISSUER OR OF ABAG, THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, OR PREMIUM (IF ANY) OR INTEREST ON, THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER, AND NONE OF THE BONDS OR ANY OF THE ISSUER’S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF THE ISSUER, ABAG, OR THE MEMBERS OF THE ISSUER OR OF ABAG, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. NEITHER THE ISSUER NOR ABAG HAS ANY TAXING POWER.**

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**MATURITY SCHEDULE**  
 (see page following inside cover)

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

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the Issuer by Nixon Peabody LLP, special counsel to the Issuer. Hawkins Delafield & Wood LLP, San Francisco, California, is acting as Underwriters’ Counsel and Greenberg Traurig LLP, Denver, Colorado, is acting as special counsel to R.C. Chronicle Building L.P., a Delaware limited partnership, the owner of certain property in the Community Facilities District. It is anticipated that the Bonds, in book-entry form, will be available for delivery on or about October 31, 2007.

**STONE & YOUNGBERG**

Dated: October 26, 2007

# The Ritz-Carlton Club and Residences, San Francisco (690 Market Street)



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**\$11,000,000**  
**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**  
**COMMUNITY FACILITIES DISTRICT NO. 2004-1**  
**(SEISMIC SAFETY IMPROVEMENTS – 690 AND 942 MARKET STREET PROJECT)**  
**SPECIAL TAX BONDS, SERIES 2007A (TAXABLE)**

**MATURITY SCHEDULE**

**\$1,395,000 7.750% Term Bonds due September 1, 2018 – Price 100%; Yield 7.750% CUSIP<sup>†</sup> No. 000379 BD8**

**\$1,505,000 8.000% Term Bonds due September 1, 2024 – Price 100%; Yield 8.000% CUSIP<sup>†</sup> No. 000379 BE6**

**\$2,400,000 8.250% Term Bonds due September 1, 2030 – Price 98.717%; Yield 8.375% CUSIP<sup>†</sup> No. 000379 BF3**

**\$5,700,000 8.625% Term Bonds due September 1, 2038 – Price 98.652%; Yield 8.750% CUSIP<sup>†</sup> No. 000379 BG1**

<sup>†</sup> Copyright, American Bankers Association. CUSIP numbers are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the Issuer nor the Underwriter assume any responsibility for the accuracy of any CUSIP data.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

**Preparation of this Official Statement.** The information set forth herein under the caption “THE ISSUER”, “CONTINUING DISCLOSURE — The Issuer” and “LEGAL MATTERS — Absence of Material Litigation — The Issuer” has been obtained from the Issuer. All other information set forth herein has been obtained from the owners of property in the District, 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 Issuer or the Underwriter. The accuracy or completeness of any information other than that contained under the captions “THE ISSUER”, “CONTINUING DISCLOSURE — The Issuer” and “LEGAL MATTERS — Absence of Material Litigation — The Issuer” is not guaranteed by, and is not to be construed as a representation by, the Issuer.

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.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the Issuer, in any press release and in any oral statement made with the approval of an authorized officer of the Issuer, the words or phrases “will likely result”, “are expected to”, “will continue”, “is anticipated”, “estimate”, “project”, “forecast”, “expect”, “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Issuer or the District since the date hereof.

**Stabilization of Prices.** In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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## OFFICIAL STATEMENT

**\$11,000,000**

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS  
COMMUNITY FACILITIES DISTRICT NO. 2004-1  
(SEISMIC SAFETY IMPROVEMENTS – 690 AND 942 MARKET STREET PROJECT)  
SPECIAL TAX BONDS, SERIES 2007A (TAXABLE)**

### INTRODUCTION

*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 attached 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 Bonds to potential investors is made only by means of the entire Official Statement.*

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

#### **Authority for Issuance of the Bonds**

The Bonds are being issued by the ABAG Finance Authority for Nonprofit Corporations for and on behalf of the Community Facilities District. See “THE ISSUER.”

The Bonds are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the “Act”), certain resolutions adopted by the Executive Committee (the “Executive Committee”) of the Board of Directors (the “Board”) of the Issuer, acting as legislative body for the Community Facilities District, and an Indenture, dated as of October 1, 2007 (the “Indenture”), by and between the Issuer, for and on behalf of the Community Facilities District, and Union Bank of California, N.A., as Trustee (the “Trustee”). See “THE BONDS — Authority for Issuance.”

#### **The Community Facilities District, Property Ownership and Proposed Development**

The Community Facilities District was established by the Issuer under the Act, pursuant to (i) a resolution adopted by the Executive Committee of the Board on December 17, 2004 by the Board following a public hearing and (ii) a landowner election held on December 17, 2004 at which the then-qualified electors of the Community Facilities District authorized the Community Facilities District to incur bonded indebtedness and approved the levy of special taxes. See “THE BONDS — Authority for Issuance.”

The property within the Community Facilities District consists of two lots, one located at 690 Market Street in San Francisco, California (Block 0311, Lots 016-0119), designated for development by R.C. Chronicle Building L.P., a Delaware limited partnership (the “Property Owner”), and one located at 942 Market Street, San Francisco, California (Block 0341, Lot 005), which is owned by 942 HCT LLC, a California limited partnership not affiliated with the Property Owner (“942 HCT LLP”). The lot at 690 Market Street is Tax Zone #1 in the District (“Tax Zone #1”), and contains a 24-story, high rise building, which the Property Owner is converting from office space to 101 dwelling units (consisting of both residential condominium units and fractional time-share units), three retail units and common space. The lot at 942 Market Street, located in Tax Zone #2 in the Community Facilities District (“Tax Zone #2”) contains a 7-story

building, which is expected by 942 HCT LLC to be developed to include 15 market rate units and 13 below market rate units when the project is complete. The Bonds are secured by Special Taxes (defined below) generated from Tax Zone #1. The property in Tax Zone #2 of the District is exempt from the levy of Special Taxes. **Since there will be no levy of Special Taxes on property in Tax Zone #2, there is no information herein regarding property and ownership of property in Tax Zone #2.** See “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT” herein.

The building in Tax Zone #1 is located at 690 Market Street in San Francisco, California, and is commonly referred to as the Ritz-Carlton Club and Residences, San Francisco (the “Development”). Phase 1 of the Development (“Phase 1”) consists of completing floors 3, 4, and 11 through 24, the mezzanine and the lobby and certain common space. Phase 1 contains 57 residential condominium units (“Condominium Units”), 12 fractional time-share units (“Fractional Units”) and three commercial units (“Retail Property”). One-twelfth interval ownership shares will be sold in each Fractional Unit. Construction of the Development was approximately 87% complete as of September 2007, and, as of October 24, 2007, the Property Owner received temporary certificates of occupancy for 58 units (46 Condominium Units and 12 Fractional Units). The Property Owner expects to receive a temporary certificate of occupancy for three additional Condominium Units and the Retail Property by March 2008. The remainder of Phase 1 (8 Condominium Units) have been sold as unfinished units, and the purchasers of such units (and not the Property Owner) will need to finish construction and obtain occupancy certificates for their respective units before those units will be considered “Developed Property” and subject to the Special Tax under the Rate and Method. See “SECURITY FOR THE BONDS — Rate and Method”. Phases 2 through 7 of the Development will consist of adding the remaining 32 Fractional Units on Floors 2 through 10 over the next 3 years, with the final units constructed in Phase 7 expected to receive a temporary certificate of occupancy in March 2010. Floors 2 through 10 contain unfinished shells of units ready to be “fit-out” with fixtures and furnishings as more inventory is needed. The Property Owner expects Phase 2, consisting of completion of four Fractional Units, to receive a temporary certificate of occupancy in December 2007. The timing of the completion of Phases 3 through 7 are dependent upon demand for the Fractional Units, and the Property Owner is not obligated to construct additional Fractional Units if demand for Fractional Units is lower than expected. The Property Owner has been marketing and selling condominium units during building construction.

For detailed information about the Development and proposed development plans for the property in Tax Zone #1 of the Community Facilities District, see “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT.” *No assurance can be given that development will occur as expected.*

### **Purpose of the Bonds**

Proceeds of the Bonds will be used to (i) finance certain seismic improvements to the Development (defined as the “Project” in the Indenture), (ii) fund a reserve fund for the Bonds, (iii) pay the costs of issuing the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “FACILITIES TO BE FINANCED WITH PROCEEDS OF THE BONDS.”

### **Security and Sources of Payment for the Bonds**

The Bonds are secured by and payable from the “Trust Estate”, consisting of “Special Tax Revenues” and moneys in the Special Tax Fund, the Bond Fund and the Reserve Fund established under the Indenture. The Indenture defines Special Tax Revenues as proceeds of the special taxes levied within the Community Facilities District (“Special Taxes”) received by the Issuer, including any scheduled payments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. The definition of Special Tax Revenues does not include any penalties collected in connection with delinquent Special Taxes.

The Special Taxes will be levied within the District in accordance with the Rate and Method of Apportionment of Special Tax (the “Rate and Method”), attached hereto as Appendix A. The Development is

located in the District in Tax Zone #1 as defined in the Rate and Method; the property in the District at 942 Market Street is located in Tax Zone #2. Assessor's parcels in Tax Zone #1 are the only parcels subject to the Special Tax pursuant to the Rate and Method. Tax Zone #2 contains affordable housing required units, and such units are not subject to the levy of Special Taxes. See "SECURITY FOR THE BONDS."

The Issuer has covenanted in the Indenture to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Special Tax. For a more detailed description of the foreclosure covenant, see "SECURITY FOR THE BONDS — Covenant to Foreclose."

### **Parity Bonds**

The Indenture authorizes the Issuer to issue additional series of bonds (the "Parity Bonds"), in addition to the Bonds, by means of a Supplemental Indenture and without the consent of any Bondowners, upon compliance with certain provisions. See "SECURITY FOR THE BONDS – Parity Bonds" herein. The Property Owner may request that the Issuer issue Parity Bonds in the future, with a total authorized principal amount of up to \$30 million (including the Bonds), and such Parity Bonds would be payable from Special Taxes on a parity with the Bonds. In connection with the issuance of Parity Bonds, the Property Owner may apply for Mills Act status for the Development. Mills Act status would reduce ad valorem taxes for owners of units, but the status would be subject to compliance with certain covenants to maintain the historical features of the Development. Failure to comply with such covenants could result in loss of the Mills Act tax reduction, and could result in a tax penalty for owners of the units.

### **Risk Factors Associated with Purchasing the Bonds**

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

### **Professionals Involved in the Offering**

The following professionals are participating in this financing:

- Union Bank of California, N.A., San Francisco, California, will serve as the Trustee under the Indenture.
- Quint & Thimmig LLP, San Francisco, California, is serving as Bond Counsel to the Issuer.
- Nixon Peabody LLP, San Francisco, California, is serving as counsel to the Issuer.
- Stone & Youngberg LLC, San Francisco, California, is acting as the Underwriter of the Bonds.
- Hawkins Delafield & Wood LLP, San Francisco, California, is acting as Underwriter's Counsel.
- Goodwin Consulting Group, Sacramento, California, acted as special tax consultant with respect to the Community Facilities District and, initially, will administer the annual Special Tax levy for the Issuer and serve as Dissemination Agent.
- Greenberg Traurig LLP, Denver, Colorado, is serving as special counsel to the Property Owner.

## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be deposited into the following funds established by the Issuer under the Indenture:

### SOURCES

Principal Amount of Bonds	\$11,000,000.00
<i>Less: Original Issue Discount</i>	<i>(107,628.00)</i>
<i>Less: Underwriters' Discount</i>	<i>(320,000.00)</i>
<i>Total Sources</i>	<i>\$10,572,372.00</i>

### USES

Deposit into Reserve Fund <sup>(1)</sup>	\$ 1,018,137.50
Deposit into Costs of Issuance Fund <sup>(2)</sup>	375,000.00
Deposit into Improvement Fund	<u>9,179,234.50</u>
<i>Total Uses</i>	<i>\$10,572,372.00</i>

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<sup>(1)</sup> Equal to the initial Reserve Requirement with respect to the Bonds.

<sup>(2)</sup> Includes, among other things, the fees and expenses of legal counsel, the cost of printing the Preliminary and final Official Statements, fees and expenses of the Trustee, and the fees of the Special Tax Consultant.

## FACILITIES TO BE FINANCED WITH PROCEEDS OF THE BONDS

Pursuant to the Resolution No. 04-38 adopted by the Issuer on December 17, 2004 (the "Resolution of Formation"), proceeds of the Bonds will be used to finance certain seismic safety improvements to the Development. Proceeds of the Bonds in the Improvement Fund will be used to finance (or reimburse) expenditures for seismic improvements to the Development.

## THE BONDS

### General

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

The Bonds will bear interest at the interest rates set forth on the inside cover page of this Official Statement, payable semiannually on each March 1 and September 1, commencing March 1, 2008 (each, an "Interest Payment Date"). Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC's partnership nominee). **So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the "Owners" will mean Cede & Co., and will not mean the Beneficial Owners of the Bonds.** See APPENDIX C — "DTC and the Book-Entry Only System."

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

## **Authority for Issuance**

***Community Facilities District Proceedings.*** The Bonds will be issued under the Act and the Indenture. As required by the Act, the Executive Committee of the Board of Directors of the Issuer has taken the following actions with respect to establishing the Community Facilities District and authorizing issuance of the Bonds:

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

*Resolution of Formation:* Immediately following a noticed public hearing, on December 17, 2004, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, adopted Resolution No. 04-38 (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 December 17, 2004, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, adopted Resolution No. 04-39 declaring the necessity to incur bonded indebtedness in an aggregate amount not to exceed \$30 million within the Community Facilities District and submitting that proposition to the qualified electors of the Community Facilities District.

*Resolution Calling Election:* On December 17, 2004, the Executive Committee of the Board, acting as legislative body for the District, adopted Resolution No. 04-40 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 December 17, 2004, an election was held within the Community Facilities District in which the two qualified electors within the Community Facilities District approved a ballot proposition authorizing the issuance of up to \$30 million in bonds to finance the Project, the levy of a special tax and the establishment of an appropriations limit for the Community Facilities District. On December 17, 2004, the Executive Committee of the Board, acting as legislative body for the District, adopted Resolution No. 04-41 pursuant to 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 City and County on December 23, 2004 as Instrument No. 2004-H878074-00 and an Amended And Restated Notice Of Special Tax Lien was recorded on September 7, 2007 as Instrument No. 2007-I450385-00.

*Ordinance Levying Special Taxes:* On December 17, 2004, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, introduced Ordinance No. 2004-B levying the Special Tax within the Communities Facilities District (the “Initial Ordinance”), which Initial Ordinance was adopted by the Executive Committee of the Board on February 10, 2005.

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

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

*Landowner Special Election Results and Resolution of Alteration:* On August 24, 2007 an election was held within the Community Facilities District in which the two qualified electors within the Community Facilities District approved a ballot proposition authorizing the alteration of the rate and method of apportionment of special tax for the Communities Facility District. On August 24, 2007, the Executive Committee of the Board, acting as legislative body for the District, adopted Resolution No. 07-28 under which the Executive Committee of the Board approved the canvass of the votes and determined that the alteration of the rate and method of apportionment of special taxes for the Community Facilities was lawfully authorized.

*Ordinance Levying Special Taxes.* On August 24, 2007, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, introduced Ordinance No. 2007-A amending and restating the Initial Ordinance (the “Ordinance”), which Ordinance was adopted by the Executive Committee of the Board on September 21, 2007.

*Resolution Authorizing Issuance of the Bonds:* On September 21, 2007, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, adopted Resolution No. 07-29 approving issuance of the Bonds for and on behalf of the Community Facilities District in an amount not to exceed \$30,000,000, with an initial series of Bonds in an amount not to exceed \$11,000,000.

**City and County Findings.** On March 30, 2004, in order to meet a requirement of the Issuer’s “Guidelines for Issuance”, the Board of Supervisors of the City and County adopted Resolution No. 212-04 approving the formation of the Community Facilities District by the Issuer.

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

## Debt Service Schedule

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

Year Ending <u>September 1</u>	<u>Principal</u>	<u>Interest</u>	Total <u>Debt Service</u>
2008		\$ 767,664.97	\$ 767,664.97
2009	\$ 100,000	918,137.50	1,018,137.50
2010	105,000	910,387.50	1,015,387.50
2011	115,000	902,250.00	1,017,250.00
2012	120,000	893,337.50	1,013,337.50
2013	130,000	884,037.50	1,014,037.50
2014	140,000	873,962.50	1,013,962.50
2015	155,000	863,112.50	1,018,112.50
2016	165,000	851,100.00	1,016,100.00
2017	175,000	838,312.50	1,013,312.50
2018	190,000	824,750.00	1,014,750.00
2019	205,000	810,025.00	1,015,025.00
2020	220,000	793,625.00	1,013,625.00
2021	240,000	776,025.00	1,016,025.00
2022	260,000	756,825.00	1,016,825.00
2023	280,000	736,025.00	1,016,025.00
2024	300,000	713,625.00	1,013,625.00
2025	325,000	689,625.00	1,014,625.00
2026	350,000	662,812.50	1,012,812.50
2027	380,000	633,937.50	1,013,937.50
2028	415,000	602,587.50	1,017,587.50
2029	445,000	568,350.00	1,013,350.00
2030	485,000	531,637.50	1,016,637.50
2031	525,000	491,625.00	1,016,625.00
2032	570,000	446,343.76	1,016,343.76
2033	620,000	397,181.26	1,017,181.26
2034	670,000	343,706.26	1,013,706.26
2035	730,000	285,918.76	1,015,918.76
2036	790,000	222,956.26	1,012,956.26
2037	860,000	154,818.76	1,014,818.76
2038	935,000	80,643.76	1,015,643.76
<u>TOTAL</u>	<u>\$11,000,000</u>	<u>\$20,225,346.29</u>	<u>\$31,225,346.29</u>

## Redemption

**Optional Redemption.** The Bonds maturing on and after September 1, 2019 are subject to optional redemption prior to their stated maturity on any Interest Payment Date on or after September 1, 2018, as a whole, or in part among maturities so as to maintain the same debt service profile for the Bonds as in effect on the Closing Date, and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

**Mandatory Sinking Payment Redemption.** The Bonds maturing on September 1, 2018 (the “2018 Term Bonds”) are subject to mandatory sinking payment redemption in part on September 1, 2009, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to

be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date (September 1)	<u>Sinking Payments</u>
2009	\$100,000
2010	105,000
2011	115,000
2012	120,000
2013	130,000
2014	140,000
2015	155,000
2016	165,000
2017	175,000
2018 (maturity)	190,000

The Bonds maturing on September 1, 2024 (the “2024 Term Bonds”) are subject to mandatory sinking payment redemption in part on September 1, 2019, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date (September 1)	<u>Sinking Payments</u>
2019	\$205,000
2020	220,000
2021	240,000
2022	260,000
2023	280,000
2024 (maturity)	300,000

The Bonds maturing on September 1, 2030 (the “2030 Term Bonds”) are subject to mandatory sinking payment redemption in part on September 1, 2025, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date (September 1)	<u>Sinking Payments</u>
2025	\$325,000
2026	350,000
2027	380,000
2028	415,000
2029	445,000
2030 (maturity)	485,000

The Bonds maturing on September 1, 2038 (the “2038 Term Bonds”) are subject to mandatory sinking payment redemption in part on September 1, 2031, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date (September 1)	<u>Sinking Payments</u>
2031	\$525,000
2032	570,000
2033	620,000
2034	670,000
2035	730,000
2036	790,000
2037	860,000
2038 (maturity)	935,000

The amounts in the foregoing tables will be reduced to the extent practicable so as to maintain the same debt service profile for the Bonds as in effect on the Closing Date, as a result of any prior partial redemption of the Bonds as described in “Optional Redemption” above or “Redemption from Special Tax Prepayments” above.

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

**Purchase In Lieu of Redemption.** In lieu of redemption as described above, moneys in the Bond Fund may be used and withdrawn by the Trustee for purchase of Outstanding Bonds, at public or private sale, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with the Indenture.

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

### **Book-Entry System**

While the Bonds are subject to DTC’s book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See “APPENDIX C — DTC and the Book-Entry Only System.”

## SECURITY FOR THE BONDS

### General

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

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

Amounts in the Administrative Expense Fund, the Costs of Issuance Fund and the Improvement Fund are not pledged to the repayment of the Bonds. The Project to be financed with the proceeds of the Bonds is not in any way pledged to pay debt service on the Bonds. Any proceeds of condemnation or destruction of any facilities financed with the proceeds of the Bonds are not pledged to pay debt service on the Bonds and are free and clear of any lien or obligation imposed under the Indenture.

"*Special Tax Revenues*" is defined in the Indenture as the proceeds of the Special Taxes received by the Issuer, including any scheduled payments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but it excludes any penalties collected in connection with delinquent Special Taxes.

### Special Taxes

*Levy of Special Taxes.* The Issuer has covenanted in the Indenture to comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

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

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

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

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

The Fractional Units homeowner's association will charge each owner of a Share in a Fractional Unit a representative portion of the property tax (including Special Tax) due on such unit, and pay the taxes to the County on behalf of the owner. See "PROPERTY OWNER AND PROPOSED DEVELOPMENT – The Development – Fractional Units" and "RISK FACTORS".

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

## **Parity Bonds**

The Indenture authorizes the Issuer to issue one or more additional series of bonds (the "Parity Bonds"), in addition to the Bonds, by means of a Supplemental Indenture and without the consent of any Bondowners, upon compliance with the provisions summarized below. The Parity Bonds will be secured by a lien on and pledge of the Trust Estate on a parity with all other Bonds Outstanding under the Indenture.

The Property Owner may request the Issuer to issue Parity Bonds in the future. The total principal amount of Bonds and Parity Bonds that are authorized by the Issuer to be issued is \$30,000,000.

In connection with the issuance of Parity Bonds, the Property Owner may apply for Mills Act status for the Development. Mills Act status would reduce ad valorem taxes for owners of units, but the status would be subject to compliance with certain covenants to maintain the historical features of the Development. Failure to comply with such covenants could result in loss of the Mills Act tax reduction, and could result in a tax penalty for owners of the units.

The Issuer may issue the Parity Bonds subject to the following specific conditions precedent:

Current Compliance. The Issuer must be in compliance on the date of issuance of the Parity Bonds with all covenants set forth in the Indenture and all Supplemental Indentures.

Payment Dates; Refunding Bonds. Interest on the Parity Bonds must be payable on March 1 and September 1, and principal must be payable on September 1 in any year in which principal is payable (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

Funds and Accounts; Reserve Fund Deposit. The Supplemental Indenture providing for the issuance of Parity Bonds may provide for the establishment of separate funds and accounts, and must provide for a deposit to the Reserve Fund in an amount necessary so that the amount on deposit therein, following the issuance of the Parity Bonds, is equal to the Reserve Requirement for the Bonds and the Parity Bonds.

Value-to-Lien Ratio. The “District Value” (defined below) shall be at least three times the sum of:

(i) the aggregate principal amount of all Bonds and any Parity Bonds then Outstanding, plus

(ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus

(iii) the aggregate principal amount of any fixed assessment liens on the parcels in the Community Facilities District subject to the levy of Special Taxes, plus

(iv) the portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the Community Facilities District (the “Other District Bonds”) equal to the aggregate principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the Community Facilities District, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year.

The Indenture defines “District Value” as follows: the market value, as of the date of the appraisal described below and/or the date of the most recent County real property tax roll, as applicable, of all parcels of real property in the Community Facilities District subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal performed within six months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the “Parity Bonds Appraiser”) selected by the Issuer, or (ii), in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the Chief Financial Officer. It is expressly acknowledged that, in determining the District Value, the Issuer may rely on an appraisal to determine the value of some or all of the parcels in the Community Facilities District and/or the most recent County real property tax roll as to the value of some or all of the parcels in the Community Facilities District. Neither the Issuer nor the Chief Financial Officer shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Parity Bonds Appraiser pursuant to this definition.

Special Tax Coverage. The Issuer shall obtain a certificate of a Tax Consultant to the effect that the amount of the maximum Special Taxes that may be levied in each Fiscal Year shall be at least 110 percent of the total Annual Debt Service for each such Fiscal Year on the Bonds, any outstanding Parity Bonds and the proposed Parity Bonds.

Officer’s Certificate. The Issuer must deliver to the Trustee an Officer’s Certificate certifying that the conditions precedent to the issuance of the Parity Bonds described in the previous three paragraphs have been satisfied.

As described in APPENDIX B — “Summary of the Indenture”, the Indenture allows the Issuer to issue bonds to refund the Bonds and any Parity Bonds without complying with the requirements described under the subheadings "Value-to-Lien Ratio" and "Special Tax Coverage" above, subject to satisfaction of certain conditions specified in the Indenture.

### **Subordinate Debt**

The Indenture does not prohibit the Issuer from issuing bonds or otherwise incurring debt secured by a pledge of the Trust Estate that is subordinate to the pledge of the Trust Estate to the Bonds.

### **Rate and Method**

**General.** The Special Tax is levied and collected according to the Rate and Method, which provides the means by which the Issuer 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” (defined below) within the Community Facilities District.

In general, assessor’s parcels in Tax Zone #1 on which “Developed Property” (defined in the Rate and Method) are or are expected to be constructed based on permits issued for the property are the only parcels subject to the Special Tax pursuant to the Rate and Method.

*The following is a summary of certain provisions of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX A. The meaning of the defined terms used in this section that are not defined below have the meaning set forth in APPENDIX A.*

**Relevant Definitions.** The Rate and Method defines the following terms, among others:

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

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

“CFD Formation” means the date on which the Resolution of Formation to form the Community Facilities District was adopted by the Board.

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

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

“Fractional Unit” means an individual residential dwelling unit in CFD No. 2004-1 for which multiple owners may each purchase a fractional share of ownership (also referred to as a timeshare unit by the California Department of Real Estate).

“LP” means the R.C. Chronicle Building L.P. and any successor to this LP.

“LP Parcel” means, at CFD Formation, the Assessor’s Parcel identified in Fiscal Year 2004-05 by Assessor’s Parcel number 0311-006. If and when a separate Parcel is created within Tax Zone #1 that (i) is owned by the LP, (ii) is designated primarily for parking that will serve other land uses in the Community Facilities District, and (iii) has been assigned its own Assessor’s Parcel number and will receive its own tax bill, such Parcel shall then be designated as the LP Parcel and the corresponding Maximum Special Tax shall be assigned thereto. If, in any Fiscal Year, there is no Assessor’s Parcel that meets the three criteria set forth above, any Parcel in Tax Zone #1 that is owned by the LP (including a Parcel of Retail Property) may be designated by the Administrator as the LP Parcel.

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

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

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

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

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

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

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

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

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

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

**Annual Administration.** On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for Taxable Property within each Tax Zone. The Administrator shall also (i) identify the LP Parcel, (ii) determine which Parcels other than the LP Parcel are Developed Property, (iii) for each Parcel of Developed Property, identify the Square Footage on the Parcel and determine whether the Square Footage is that of a Condominium Unit, Fractional Unit or Retail Property and (iv) calculate the Special Tax Requirement for the Fiscal Year.

**Maximum Special Tax.** The table below identifies the Maximum Special Tax for Taxable Property within the Community Facilities District for Fiscal Year 2005-06.

**Rate and Method — Table 1  
Maximum Special Taxes**

<u>Type of Property</u>	<b>Tax Zone #1</b>
	<u>Maximum Special Tax Fiscal Year 2005-06<sup>(1)</sup></u>
LP Parcel	\$2,700,000
Condominium Unit	\$12.00 per Square Foot <sup>(2)</sup>
Fractional Unit	\$16.00 per Square Foot <sup>(3)</sup>
Retail Property	\$20.00 per Square Foot

<sup>(1)</sup> On July 1, 2006 and on each July 1 thereafter, all figures shown in Table 1 above will be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.

<sup>(2)</sup> Approximately \$20,124 per year for a 1,677 average sq. ft. Condominium Unit, not including 2.0% annual increase in the Maximum Special Tax.

<sup>(3)</sup> Approximately \$26,880 per year for a 1,680 average sq. ft. Fractional Unit (\$2,240 per 1/12 fractional ownership share), not including 2.0% annual increase in the Maximum Special Tax.

**Method of Levy of the Special Tax.** Commencing with Fiscal Year 2005-06 and for each following Fiscal Year, the Administrator will determine the Special Tax Requirement to be collected in that Fiscal Year, and will levy a Special Tax according to the following steps until the amount of levy is equal to the Special Tax Requirement:

- Step 1:** The Special Tax will be levied Proportionately on each Parcel of Developed Property in all Tax Zones up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year determined pursuant to the “Maximum Special Tax” table above.

**Step 2:** If additional revenues are needed after Step 1, the Special Tax will be levied on the LP Parcel up to 100% of the Maximum Special Tax for the LP Parcel for such Fiscal Year determined pursuant to the “Maximum Special Tax” table above.

**Collection of Special Tax.** The Special Taxes for the Community Facilities District will be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, 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 for Fractional Units may be billed either directly to individual fractional owners or to a homeowners association, which will then bill the individual fractional owners; non-payment of Special Taxes billed by the homeowners association will result in interest and penalties, and the fractional ownership shall be subject to foreclosure proceedings as set forth in the Bond covenants. Special Taxes for Fractional Units will initially be billed to the homeowners association for the Fractional Units.

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

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

**Prepayment of Special Tax.** Prepayment of the Special Tax is not permitted.

## **Covenant to Foreclose**

**Sale of Property for Nonpayment of Taxes.** The Indenture provides that the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem property taxes. The Indenture also allows the Issuer to collect the Special Taxes by directly billing the property owners in the Community Facilities District, in which event the Special Taxes will become delinquent if they are not paid when due pursuant to the direct billing.

**Foreclosure Under the Mello-Roos Law.** Under Section 53356.1 of the Act, if any delinquency occurs in the payment of the Special Tax, the Issuer may order the institution of a Superior Court action to foreclose the lien of any Special Tax or installment therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale.

Such judicial foreclosure action is not mandatory. However, the Issuer has covenanted in the Indenture that, on or about February 15 and June 15 of each Fiscal Year, the Chief Financial Officer will compare the amount of Special Taxes theretofore levied in the Community Facilities District to the amount of Special Tax Revenues theretofore received by the Issuer, and:

Individual Delinquencies. If the Chief Financial Officer (see Appendix B – “Summary of the Indenture”) determines that any single parcel (i.e. a Condominium Unit or a fractional interest in a Fractional Unit, the LP Parcel, or any Retail Property, as such terms are defined in the Rate and Method) subject to the Special Tax in the Community Facilities District is delinquent in the payment of Special Taxes in the aggregate amount of \$10,000 or

more with respect to any Condominium Unit, the LP Parcel or any Retail Property, or \$4,000 or more with respect to any fractional interest in a Fractional Unit, 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 owner of the delinquent property (with a copy to the related homeowner's association with respect to any fractional interest) within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the Issuer within 90 days of such determination.

Aggregate Delinquencies. If the Chief Financial Officer determines that (i) the total amount of delinquent Special Tax for the prior Fiscal Year for the entire Community Facilities District, (including the total of delinquencies described in "Individual Delinquencies" above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, or (ii) there are ten (10) or fewer owners of real property within the Community Facilities District, determined by reference to the latest available secured property tax roll of the County, 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 Issuer will commence foreclosure proceedings within 90 days of such determination against each parcel of land in the Community Facilities District with a Special Tax delinquency.

***Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays.*** No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the Issuer to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale. See "RISK FACTORS".

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75 percent of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the Issuer, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid", where the Issuer could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the Issuer becomes the purchaser under a credit bid, the Issuer must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

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

## **Reserve Fund**

In the event that amounts in the Bond Fund are insufficient for to pay principal of or interest due on the Bonds, the Trustee will withdraw from the Reserve Fund and deposit in the Bond Fund the amount of the insufficiency. In order to further secure the payment of principal of and interest on the Bonds, certain proceeds of the Bonds will be deposited into the Reserve Fund in an amount equal to the initial Reserve Requirement. On the date of issuance of the Bonds, \$1,018,137.50 will be deposited into the Reserve Fund, an amount equal to the initial Reserve Requirement (see "ESTIMATED SOURCES AND USES OF FUNDS").

The Indenture allows the Issuer to release funds from the Reserve Fund and to substitute a Qualified Reserve Fund Credit Instrument, subject to certain conditions.

See “APPENDIX B — Summary of the Indenture” for a description of the timing, purpose and manner of disbursements from the Reserve Fund.

### **Limited Obligation**

All obligations of the Issuer under the Indenture and the Bonds are special obligations of the Issuer, payable solely from the Trust Estate. See “THE ISSUER”.

### **No Acceleration**

The principal of the Bonds are not subject to acceleration under the Indenture as a result of a default relating to the Indenture or the Bonds.

## **THE ISSUER**

*The following information relating to the Issuer is included only for the purpose of supplying general information regarding the Issuer. The Bonds are not payable from any of the Issuer’s revenues or assets other than the Trust Estate.*

The Issuer is a joint powers agency duly organized and existing under the laws of the State of California. The Issuer 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 Issuer’s members with purposes serving the public interest.

**The Bonds are limited obligations of the Issuer and the principal thereof, and premium, if any, and interest thereon, are payable solely from, and secured in accordance with their terms and the provisions of the Indenture solely by, the Special Tax Revenues and the other amounts pledged therefor under the Indenture. Neither the Issuer, the Association of Bay Area Governments (“ABAG”), any of the member of the Issuer or of ABAG, the State, nor any political subdivision thereof (except the Issuer, to the limited extent set forth in the Indenture) will in any event be liable for the payment of the principal of, or premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever, and none of the Bonds or any of the Issuer’s agreements or obligations will be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of the Issuer, of ABAG, or of the members of the Issuer or ABAG, the State or any political subdivision thereof (except the Issuer, to the limited extent set forth in the Indenture) within the meaning of any constitutional or statutory provision whatsoever. Neither the Issuer nor ABAG has any taxing power.**

## THE COMMUNITY FACILITIES DISTRICT

### General

The Community Facilities District consists of two lots, one located at 690 Market Street in San Francisco, California (Block 0311, Lots 016-0119), and one located at 942 Market Street, San Francisco, California (Block 0341, Lot 005). The lot at 690 Market Street is Tax Zone #1 in the District contains a 24-story, high rise building, which the Property Owner is converting from office space to 101 dwelling units (consisting of both residential condominium units and fractional time-share units), three retail units, and common space. The lot at 942 Market Street, located in Tax Zone #2 in the Community Facilities District, contains a 7-story building, which is expected by 942 HCT LLC to be developed to include 15 market rate units and 13 below market rate units when the project is complete. The Bonds are secured by Special Taxes (defined below) levied on property in Tax Zone #1. Since there is no levy of Special Taxes on Tax Zone #2, information regarding property and ownership of property in Tax Zone #2 is not described herein. See “SECURITY FOR THE BONDS — Rate and Method”. See “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT” herein.

The building in Tax Zone #1 is located at 690 Market Street in San Francisco, California, and is commonly referred to as the Ritz-Carlton Club and Residences, San Francisco (the “Development”). Phase 1 of the Development (“Phase 1”) consists of completing floors 3, 4, and 11 through 24, the mezzanine and the lobby and certain common space. Phase 1 contains 57 residential condominium units (“Condominium Units”), 12 fractional time-share units (“Fractional Units”) and three commercial units (“Retail Property”). One-twelfth interval ownership shares will be sold in each Fractional Unit. Construction of the Development was approximately 87% complete as of September 2007, and, as of October 24, 2007, the Property Owner received temporary certificates of occupancy for 58 units (46 Condominium Units and 12 Fractional Units). The Property Owner expects to receive a temporary certificate of occupancy for three additional Condominium Units and the Retail Property by March 2008. The remainder of Phase 1 (8 Condominium Units) have been sold as unfinished units, and the purchasers of such units (and not the Property Owner) will need to finish construction and obtain occupancy certificates for their respective units before those units will be considered “Developed Property” and subject to the Special Tax under the Rate and Method. See “SECURITY FOR THE BONDS — Rate and Method”. Phases 2 through 7 of the Development will consist of adding the remaining 32 Fractional Units on Floors 2 through 10 over the next 3 years, with the final units constructed in Phase 7 expected to receive a temporary certificate of occupancy in March 2010. Floors 2 through 10 contain unfinished shells of units ready to be “fit-out” with fixtures and furnishings as more inventory is needed. The Property Owner expects Phase 2, consisting of completion of four Fractional Units, to receive a temporary certificate of occupancy in December 2007. The timing of the completion of Phases 3 through 7 are dependent upon demand for the Fractional Units, and the Property Owner is not obligated to construct additional Fractional Units if demand for Fractional Units is lower than expected. The Property Owner has been marketing and selling condominium units during building construction.

Based on demand, the Property Owner may choose to change units from Fractional Units to Condominium Units. The flexibility of moving a unit from a Fractional Unit to a Condominium Unit may be limited, however, if the debt service on the Bonds and any Parity Debt require the higher Maximum Special Tax of the Fractional Units to pay such debt service. See “SECURITY FOR THE BONDS – Rate and Method – Maximum Special Tax”.

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

## Estimated Assessed Value

The table below shows the estimated assessed value for the property in Tax Zone #1 of the Community Facilities District, based on the units under contract or closed as of October 24, 2007. **There can be no assurance that future closings will occur by the expected dates or at the expected prices. See “RISK FACTORS – Property Values and Property Development.”** In the event that the Development is not completed as projected or Special Taxes on the Condominium Units, Fractional Units and Retail Units are insufficient, the LP Parcel owned by the Property Owner (or successor to the Property Owner) may be subject to pay a Special Tax as provided in the Rate and Method. See “SECURITY FOR THE BONDS – Rate and Method.”

The current secured assessed value of the property in Tax Zone #1 is \$31,491,429 for fiscal year 2006-07, which results in an assessed value to burden ratio of 2.86 based on the \$11,000,000 par amount of the Bonds. See “– Direct and Overlapping Government Obligations” below. The Property Owner purchased the property in Tax Zone #1 for \$37,000,000 and has invested an approximate additional \$130,000,000 for construction in the Development as of August 31, 2007. See “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT – Financing Plan” herein.

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No assurance can be given that the amounts shown in this table will conform to those ultimately realized in the event of a foreclosure action following delinquency in the payment of the Special Taxes.

**Table 2**  
**Community Facilities District No. 2004-1**  
**(Seismic Safety Improvements – 690 and 942 Market Street Project)**  
**Tax Zone #1 Estimated Assessed Value**  
**as of October 24, 2007**

<b>Type of Property (Closed)</b>	<b>Number of Units (Closed)</b>	<b>Total Sq. Ft. Closed</b>	<b>Average Purchase Price per Sq. Ft.</b>	<b>Total Purchase Price</b>
Condominium	20.0	32,472	\$1,308	\$42,486,530
Fractional	6.2	10,359	1,776	18,400,100
Retail	-	-	-	-
<b>TOTAL</b>	<b>26.2</b>	<b>42,831</b>	<b>\$1,422</b>	<b>\$60,886,630</b>

<b>Type of Property (Under Contract)</b>	<b>Number of Units under Contract <sup>(1)</sup></b>	<b>Total Sq. Ft. Under Contract<sup>(1)</sup></b>	<b>Average Contract Sale Price per Sq. Ft.<sup>(1)</sup></b>	<b>Total Deposit for Units Under Contract</b>	<b>Estimated Total Value Under Contract<sup>(2)</sup></b>
Condominium	31.0	52,533	\$1,298	\$10,224,255	\$ 68,161,703
Fractional <sup>(3)</sup>	5.3	8,815	1,896	2,507,077	16,713,850
Retail	-	-	-	-	-
<b>TOTAL</b>	<b>38.4</b>	<b>61,348</b>	<b>\$1,384</b>	<b>\$12,731,332</b>	<b>\$84,875,553</b>

<b>Type of Property (Unsold Units)</b>	<b>Number of Unsold Units<sup>(4)</sup></b>	<b>Total Sq. Ft. of Unsold Units<sup>(4)</sup></b>	<b>Estimated Sale Price per Sq. Ft. of Unsold Units<sup>(4)</sup></b>	<b>Estimated Total Value of Unsold Units<sup>(5)</sup></b>
Condominium	6.0	10,595	\$1,360	\$ 14,407,654
Fractional <sup>(6)</sup>	32.6	54,725	2,168	118,577,000
Retail	3.0	5,400	1,852	10,000,000
<b>TOTAL</b>	<b>41.6</b>	<b>70,720</b>	<b>\$2,190</b>	<b>\$142,984,654</b>

<sup>(1)</sup> Square footage and Average Contract Sale Price per Sq. Ft. are estimates from the Property Owner, based on the sales contracts executed as of October 24, 2007 which have not closed. Such figures are only estimates and are subject to change based on actual closing prices and dates. The contracts provide for closings through January, 2008.

<sup>(2)</sup> Total Sq. Ft. Under Contract times Average Contract Sale Price per Sq. Ft.

<sup>(3)</sup> Consists of approximately 63 individual fractional owners (12 owners per unit).

<sup>(4)</sup> Square footage for unsold units and Estimated Sale Price per Sq. Ft. of unsold units are estimates from the Property Owner, based on completed sales. Such figures are only estimates and are subject to change based on actual closing prices and dates. There can be no assurances that these property will be built or close as projected. See "RISK FACTORS – Property Values and Property Development."

<sup>(5)</sup> Total Sq. Ft. (Unsold Units) times Estimated Sale Price per Sq. Ft. (Unsold Units).

<sup>(6)</sup> Consists of approximately 391 individual fractional owners (12 owners per unit).

Source: Property Owner.

## Direct and Overlapping Governmental Obligations

**Taxes, Charges and Assessments.** The annual ad valorem base tax rate on property in the Community Facilities District payable to the County for Fiscal Year 2006-07 is 1.135% (including ad valorem tax overrides). Property in the Community Facilities District is also subject, or will be subject, to the following annual charges and special taxes (which are billed to property owners on a semi-annual basis), based on an assumed unit size of 1,646 square feet and an assumed assessed value of \$2,150,301.48 (\$1,306.38/sq. ft.):

**Table 3**  
**Community Facilities District No. 2004-1**  
**(Seismic Safety Improvements – 690 and 942 Market Street Project)**  
**Tax Zone #1 Taxes, Charges and Special Taxes**

<u>Description</u>	<u>% of Assessed Value</u>	<u>Maximum Amount</u>
2006-07 Base Tax Rate	1.135%	\$24,408.20 <sup>(1)</sup>
San Francisco USD CFD	n/a	\$32.20
CFD No. 2004-1 <sup>(2)</sup>	n/a	\$20,148.92 <sup>(3)</sup>

<sup>(1)</sup> Based on an average square footage of 1,646 square feet for a condominium in Tax Zone #1, with an average Contract Sale Price of \$1,306.38 per square foot.

<sup>(2)</sup> The District securing the Bonds.

<sup>(3)</sup> Assumes a 1,646 square foot condominium unit and the fiscal year 2006-07 maximum tax rate of \$12.24 per square foot.

Source: Goodwin Consulting Group

In addition to the taxes and special taxes estimated above, owners of units will be required to pay annual homeowners fees of approximately \$27,000 for a Condominium Unit. The annual homeowners fee for a fractional interest in a Fractional Unit, estimated at \$16,000, includes ad valorem property tax and special tax payments. See “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT – The Development” for a description of the homeowners fees.

**Overlapping Debt.** The direct and overlapping debt obligations of local agencies affecting the property in the Community Facilities District as of September 1, 2007 are shown in the following table. The table was prepared by California Municipal Statistics, Inc., and is included for general information purposes only. The Issuer has not reviewed this report for completeness or accuracy and makes no representation in connection therewith.

**Table 4**  
**Community Facilities District No. 2004-1**  
**(Seismic Safety Improvements – 690 and 942 Market Street Project)**  
**Tax Zone #1 Direct and Overlapping Governmental Obligations**

2006-07 Local Secured Assessed Valuation: \$31,491,429

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/07</u>
Bay Area Rapid Transit District	0.007%	\$ 32,712
San Francisco Community College District	0.027	71,380
San Francisco Unified School District	0.027	98,113
City of San Francisco	0.027	316,501
<b>ABAG Community Facilities District No. 2004-1</b>	<b>100.</b>	<b>-</b> (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$518,706</u>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Francisco Community College District Certificates of Participation	0.029%	\$ 6,029
San Francisco Unified School District Certificates of Participation	0.029	4,340
City of San Francisco General Fund Obligations	0.029	240,880
City of San Francisco Judgment Obligations	0.029	<u>7,858</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$259,107
 COMBINED TOTAL DEBT		 \$777,813 (2)

(1) Excludes Mello-Roos Act bonds to be sold.

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

Ratios to 2006-07 Assessed Valuation:

Direct Debt - %

Total Direct and Overlapping Tax and Assessment Debt..... 1.65%

Combined Total Debt..... 2.47%



Developer's conceptual rendering. Subject to change. First phase occupancy scheduled for November, 2007.

## PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT

*The information about the Development, affiliated entities and the proposed development in the Community Facilities District contained in this Official Statement has been provided by representatives of the Property Owner and has not been independently confirmed or verified by the Underwriter or the Issuer. Neither the Underwriter nor the Issuer makes any representation as to the accuracy or adequacy of the information contained in this section. There may be material adverse changes in this information after the date of this Official Statement. No assurances can be made by the Issuer or the Underwriter that the Development or any other current or future owner of property within the Community Facilities District will have the resources, willingness and ability to successfully complete development activities on the property within the Community Facilities District. No representation is made by the Issuer or the Underwriter as to the ability (financial or otherwise) of the Development or any other owner of property within the Community Facilities District to complete the property development as currently planned.*

*The Special Tax securing the Bonds is levied only on Tax Zone #1 of the Communities Facility District. Therefore, no detailed information is provided herein describing Tax Zone #2 or the property owner in Tax Zone #2.*

### Property Ownership

**General.** All of the property in Tax Zone #1 of the Community Facilities District, consisting of a building on one lot located at 690 Market Street in San Francisco, California, is currently owned by R.C. Chronicle Building L.P. (the “Property Owner”), a limited partnership organized and formed in Delaware.

The General Partner of Property Owner is RCC (GP) Holdings LLC, a Delaware limited liability company which is an affiliate of Ritz-Carlton Development Company Inc. (the “Ritz-Carlton”), a subsidiary of Marriott Ownership Resorts Inc. The limited partner of Property Owner is RCC (LP) Holdings, L.P. a Delaware limited partnership, jointly owned by Ritz-Carlton and Huntbrew (Chronicle Building) L.P. (“Huntbrew”), a California limited partnership, which is unrelated to Ritz-Carlton. Huntbrew is a 49.99% limited partner in RCC (LP) Holdings, L.P., and plays no active role in the development.

The Property Owner is a limited partnership formed for the purpose of developing the Development. The principal asset of the Property Owner upon substantial completion of Phase 1 of the Development will be the 690 Market Street Building. The assets of Ritz-Carlton, Huntbrew or other entities are not expected to be available to fund Special Taxes. See “Financing Plan” below.

**Development Experience.** The Ritz-Carlton, an affiliate of the General Partner of the Property Owner, is a wholly-owned subsidiary of Marriott Ownership Resorts, Inc., which in turn is a wholly-owned subsidiary of Marriott International primarily responsible for the planning, development and marketing/sales of the Ritz-Carlton Club business line. The Ritz-Carlton Club concept was first introduced in 1999 as an exclusive, luxury Ritz-Carlton branded real estate product designed and developed to combine the comforts of a second home with the personalized services and amenities typically provided by the Ritz-Carlton Hotel Company. Ritz-Carlton was involved in upfront planning/design and marketing/sales and provides the ongoing maintenance and management of the project. Ritz-Carlton has developed four similar projects, consisting of developments with both condominium units and fractional units, as follows:

- The Ritz-Carlton Club, Aspen, Aspen Highlands – Colorado. This project is located at the base of the Aspen Highlands ski mountain in Aspen Colorado and construction was completed in 2002. The development contains 73 two and three bedroom fractional units, and approximately 80% of the units have been sold.

- The Ritz-Carlton Club, St. Thomas – US Virgin Islands. This project is located in St. Thomas on a one-half mile stretch of beach and construction was completed in 2006. The development contains 105 fractional units, and approximately 95% of the units have been sold.
- The Ritz-Carlton Club, Bachelor Gulch – Colorado. This project is situated on Colorado’s Beaver Creek ski mountain and construction was completed in 2003. The development contains 54 fractional units, and all units have been sold.
- The Ritz-Carlton Club, Jupiter – Florida. This project is located in Palm Beach County, Florida and features a private Jack Nicklaus Signature Golf Course. The phased project is 95% completed as of 2006. The development contains 134 units (91 residential and 43 fractional), and 100% of residential units and 85% of the fractional units have been sold.

***No History of Loan Defaults; Bankruptcy.*** The Property Owner has represented as follows:

- The Property Owner is not currently in default on any loans, lines of credit or other obligation, the result of which could materially adversely affect the development of property owned by the Property Owner in the Community Facilities District.
- The Property Owner is solvent and no proceedings are pending or, to the actual knowledge of the Property Owner, threatened in which the Property Owner may be adjudicated as bankrupt or become the debtor in a bankruptcy proceeding, or discharged from all of its respective debts or obligations, or granted an extension of time to pay its respective debts or a reorganization or readjustment of its respective debts.
- There is no litigation or administrative proceeding of any nature in which the Property Owner has been served, or to such representative’s actual knowledge, is pending or threatened against the Property Owner which, if successful, would materially adversely affect the ability of the Property Owner to complete the development and sale of its property within the Community Facilities District, or to pay the Special Taxes or ordinary ad valorem property tax obligations when due on its property within the Community Facilities District, or which challenges or questions the validity or enforceability of the Bonds, the Resolution of Issuance, the Fiscal Agent Agreement, the Property Owner’s Continuing Disclosure Certificate or the Bond Purchase Contract.

## **The Development**

The 690 Market Street building at the corner of Market and Kearny, popularly known as the Chronicle Building, a 24-story, high-rise building, was constructed in multiple phases over 70 years. The original eight-story structure, built in 1888 for the San Francisco Chronicle, was the City’s original skyscraper. The building was improved in three subsequent phases, two of which occurred in the 1905-1907 time period – adding additional floors to the structure and repairing damage that had been sustained in the 1906 earthquake. A last phase of improvements was constructed in 1966. In recent years, the building was used primarily as office space.

The Property Owner has been converting the Development into a 101-unit residential building, with a fractional interest component that will be managed by Ritz-Carlton Management Company L.L.C. (“RC Management Company”), a Delaware limited liability company authorized to do business in California. The project scope includes a change in occupancy from office use to residential use, the removal of all interior improvements, renovation of the original historic building and the addition of eight new stories. The Bonds will be used to reimburse the Developer for the seismic safety and related improvements portion of the project. The new seismic system consists of new shear walls in combination with steel moment resisting frames and braced frames and a new foundation to sustain the new seismic loads.

The Property Owner expects that upon completion of the Development in 2010, the building will contain 57 Condominium Units (approx. 95,600 sq. ft.), 44 Fractional Units (approx 73,900), three Retail Property units (approx. 5,400 sq. ft.) and common space (approximately 76,900 sq. ft.). Construction of the Development was approximately 87% complete as of September 2007, and, as of October 24, 2007, the Property Owner received temporary certificates of occupancy for 58 units (46 Condominium Units and 12 Fractional Units). The Property Owner expects to receive a temporary certificate of occupancy for three additional Condominium Units and the Retail Property by March 2008. The remainder of Phase 1 (8 Condominium Units) have been sold as unfinished units, and the purchasers of such units (and not the Property Owner) will need to finish construction and obtain occupancy certificates for their respective units before those units will be considered “Developed Property” and subject to the Special Tax under the Rate and Method. See “SECURITY FOR THE BONDS — Rate and Method”. Phases 2 through 7 of the Development will consist of adding the remaining 32 Fractional Units on Floors 2 through 10, over the next 3 years, with the final Phase 7 expected to receive a temporary certificate of occupancy in March 2010. Floors 2 through 10 contain unfinished shells of units ready to be “fit-out” with fixtures and furnishings as more inventory is needed. The Property Owner expects Phase 2, consisting of completion of four Fractional Units, to receive a temporary certificate of occupancy in December 2007. The timing of the completion of Phases 3 through 7 are dependent upon demand for the Fractional Units, and the Property Owner is not obligated to construct additional Fractional Units if demand for Fractional Units is lower than expected. The Property Owner has been marketing and selling condominium units during building construction.

The RC Management Company will manage the Fractional Units, Condominium Units, and homeowners associations after construction pursuant to three operating agreements. The terms of the operating agreements provide that the RC Management Company may terminate the operating agreements with 90 days notice (30 days upon certain events) and cease to manage the building. The market value of the units in the Development may decline in the event that the operating agreements with RC Management Company are terminated or a different entity is retained to manage the homeowners associations.

The proposed product mix is set forth and described below:

**Table 5**  
**Community Facilities District No. 2004-1**  
**(Seismic Safety Improvements – 690 and 942 Market Street Project)**  
**Tax Zone #1 Proposed Product Mix**

<u>Unit Type</u>	<u>Overall Total</u>	<u>Completed as of October 24, 2007</u>	<u>Avg. Size (s.f.)</u>
Condominium Units	57	46	1,677
Fractional Units	44	12	1,679
Retail Property	3	0	1,800

Source: Property Owner

**Condominium Units.** Forty-six Condominium Units were completed as of October 24, 2007. The Condominium Units range in size from 1,044 sq. ft. to 3,562 sq. ft., and are expected to be sold at prices ranging from \$1,200,000 to \$5,400,000. As of October 24, 2007, 51 of the Condominium Units are under contract with aggregate sales prices of \$110,648,233, of which the Property Owner has closed on 20 of these units with a sales total of \$42,486,530.

Owners of the Condominium Units will pay homeowner’s fees on an annual basis, which is expected to average \$27,023 for calendar year 2008. This fee is in addition to the levy of property taxes and the Special Tax on Condominium Units, estimated at \$44,356 for a 1,646 sq. ft. unit at the Fiscal Year 2006-07 levy rates. See “Direct and Overlapping Governmental Obligations – Taxes, Charges and Assessments” above. Condominium Units homeowner’s fees are used for repairs and maintenance, utilities, building security, insurance, member services (including concierge and valet parking) and reserves.

Eight of the Condominium Units, with an aggregate sale price of \$24,457,071 and aggregate square footage of 19,933 are being delivered to customers as unfinished units that are not considered Developed Property subject to the Special Tax. See "SECURITY FOR THE BONDS – Rate and Method" herein. It is possible that these Condominium Units may not be completed by June 1, 2008 in order to be subject to the Special Tax beginning Fiscal Year 2008-09 as expected. The Property Owner has no ability to compel the completion of these Condominium Units.

**Fractional Units.** Twelve, one-twelfth interval ownership shares ("Shares") will be sold in each Fractional Unit. Twelve Fraction Units were completed as of October 24, 2007. The Fractional Units range in size from 1,276 sq. ft. feet to 2,577 sq. ft., and are expected to be sold at prices ranging from \$189,000 to \$325,000 per Share. As of October 24, 2007, 11.4 of the Fractional Units (137 Shares) are under contract with aggregate sales prices of \$35,113,950, of which the Property Owner has closed on 74 Shares, with a sales total of \$18,400,100.

Each Fractional Interest will entitle the owner to three weeks per year of use of a Fractional Unit at the Development, as well as additional use at the Development and certain use of other properties managed by the RC Management Company on a space available basis.

Owners of Shares will pay homeowner's fees on an annual basis, which is expected to average \$16,047 per Share for calendar year 2008. Fractional Units homeowner's fees are used for repairs and maintenance, utilities, building security, insurance, member services (including concierge and valet parking), reserves, housekeeping, front office expenses, management fees and property taxes (including the Special Tax). The Fractional Units homeowner's association will charge each owner of a Share in a Fractional Unit a representative portion of the property tax (including Special Tax) due on such unit, and pay the taxes to the County on behalf of the owner. If an owner does not pay homeowner's dues or property tax to the association, the association may foreclose on the owner's Share interest in the Fractional Unit. If the association does not pay the property tax (including the Special Tax) on Fractional Units to the County, the Community Facilities District may foreclose on delinquent Shares in Fractional Units. See "SECURITY FOR THE BONDS – Covenant to Foreclose" and "RISK FACTORS".

**Retail Property.** Upon completion of Phase 1, there is expected to be three available commercial units of approximately 1,700 sq. ft., 1,100 sq. ft. and 2,500 sq. ft., respectively. There are currently no tenants identified for these units. When completed as part of Phase 1, the units will be only shell space, and it is expected that tenant improvements will be constructed once tenants are identified.

**Sales and Sales Contracts.** The Property Owner reports that as of October 24, 2007, sales for Condominium Units and Shares in Fractional Units totaled \$145,762,183, with \$60,886,630 in sales related to units and Shares that have closed. For unclosed units, the sales contracts provide for certain conditions that must be satisfied prior to closing. In the event the Property Owner does not meet certain of these conditions, the potential purchaser may be allowed to cancel the sales contract. In the event a potential purchaser of a Condominium Unit does not fulfill its obligations under the sales contract, the Property Owner's remedy is limited to liquidated damages in the amount of three percent (3%) of the purchase price. The sales contracts for Shares in the Fractional Units are subject to cancellation within seven days of execution of the contract at the sole option of the potential purchaser at no penalty. After seven days, in the event of a default by a potential purchaser for a share in a Fractional Unit, the Property Owner's remedy is limited to such purchaser's deposit for the unit, which is 15% of the purchase price.

## Status of Development; Anticipated Schedule

Construction of the Development was approximately 87% complete as of September 2007, and, as of October 24, 2007, the Property Owner received temporary certificates of occupancy for 58 units (46 Condominium Units and 12 Fractional Units). The Property Owner expects to receive a temporary certificate of occupancy for three additional Condominium Units and the Retail Property by March 2008. The remainder of Phase 1 (8 Condominium Units) have been sold as unfinished units, and the purchasers of such units (and not the Property Owner) will need to finish construction and obtain occupancy certificates for their respective units before those units will be considered “Developed Property” and subject to the Special Tax under the Rate and Method. See “SECURITY FOR THE BONDS — Rate and Method”. Phases 2 through 7 of the Development will consist of adding the remaining 32 Fractional Units on Floors 2 through 10, over the next 3 years, with the final Phase 7 expected to receive a temporary certificate of occupancy in March 2010. Floors 2 through 10 contain unfinished shells of units ready to be “fit-out” with fixtures and furnishings as more inventory is needed. The Property Owner expects Phase 2, consisting of completion of four Fractional Units, to receive a temporary certificate of occupancy in December 2007. The timing of the completion of Phases 3 through 7 are dependent upon demand for the Fractional Units. The projected construction and sales schedule for the Development are set forth below. No assurance can be given that construction will be carried out on the schedule and according to the plans outlined below, or that the Property Owner’s construction and sale plans will not change after the date of this Official Statement. The projected sales schedule anticipates an absorption rate of 10 Fractional Units per month for a total sales period of 4 years, beginning in mid-2006. **There can be no assurance that the closings will occur by the projected dates or at the projected prices. See “RISK FACTORS – Property Values and Property Development.”**

**Table 6**  
**Community Facilities District No. 2004-1**  
**(Seismic Safety Improvements – 690 and 942 Market Street Project)**  
**Tax Zone #1 Projected Construction and Sales Schedule<sup>(1)</sup>**

	Closed Sales as of October 24, <u>2007</u>	Unclosed Sales as of October 24, <u>2007</u>	Projected <u>2007</u>	Projected <u>2008</u>	Projected <u>2009</u>	Projected <u>2010</u>	<u>Total</u>
<b>Condominium Units:</b>							
Constructed <sup>(3)</sup>	57.0	-	57.0	-	-	-	57
Sold	20.0	31.0	51.0	6.0	-	-	57
Sales Amount	\$42,486,530	\$68,161,703	\$106,567,000	\$18,488,887	-	-	\$125,055,887
<b>Fractional Units<sup>(2)</sup>:</b>							
Constructed <sup>(3)</sup>	12.0	-	16.0	10.0	14.0	4.0	44
Sold	6.2	5.3	12.0	13.1	9.9	9.0	44
Sales Amount	\$18,400,100	\$16,713,850	\$38,299,000	\$46,140,000	\$36,468,000	\$32,784,000	\$153,691,000
<b>Total Units:</b>							
Constructed <sup>(3)</sup>	69.0	-	73.0	10.0	14.0	4.0	101
Sold	26.2	38.4	63.0	19.1	9.9	9.0	101
Sales Amount	\$60,886,630	\$84,875,553	\$143,866,000	\$64,628,887	\$36,468,000	\$32,784,000	\$278,746,887

<sup>(1)</sup> Table reflects projected estimates of cash flow from closing on units; figures for Sold units and Sales Amount are based on projected closing dates and receipt of sale price of unit. The actual timing and sales prices of these units may differ from the figures in the table.

<sup>(2)</sup> Construction of additional Fractional Units after construction of Phase 2 is completed in December 2007 will be dependent on demand for Fractional Units, and such Fractional Units may not be constructed as indicated above or at all.

<sup>(3)</sup> Constructed units are unfinished units owned by the Property Owner until sold. See “RISK FACTORS – Concentration of Property Ownership” herein. Unfinished and unsold units are not Developed Property pursuant to the Rate and Method and therefore not subject to Special Taxes as Developed Property, but is taxable as the LP Parcel. Unfinished units that have been sold (including eight Condominium Units) are not subject to Special Taxes, and would not be taxable as the LP Parcel. See “SECURITY FOR THE BONDS – Rate and Method” and “– The Development – Condominium Units” herein.

Source: Property Owner

## Projected Maximum Special Tax by Fiscal Year

Below is a table showing the Maximum Special Tax per fiscal year, based on projected receipt of a temporary certificate of occupancy for the units by June 1 of the prior fiscal year. See the “SECURITY FOR THE BONDS – Rate and Method.” **There can be no assurance that the units will receive certificates of occupancy by the projected dates. See “RISK FACTORS – Property Values and Property Development.”**

**Table 7**  
**Community Facilities District No. 2004-1**  
**(Seismic Safety Improvements – 690 and 942 Market Street Project)**  
**Tax Zone #1 Projected Maximum Special Tax by Fiscal Year**

	<u>2007-08<sup>(1)</sup></u>	<u>2008-09<sup>(6)</sup></u>	<u>2009-10<sup>(7)</sup></u>	<u>2010-11<sup>(7)</sup></u>
<b>Condominium:</b>				
No. of Units	-	46	57	57
Maximum Special Tax <sup>(2)</sup>	-	\$895,324	\$1,241,623	\$1,266,456
<b>Fractional:</b>				
No. of Units	-	12	35	44
Maximum Special Tax <sup>(3)</sup>	-	\$313,286	\$1,018,352	\$1,305,818
<b>Retail:</b>				
Total Square Feet	-	-	5,400	5,400
Maximum Special Tax <sup>(4)</sup>	-	-	\$116,903	\$119,241
<b>Total Maximum Special Taxes for Expected Developed Property<sup>(5)</sup></b>				
	-	\$1,208,610	\$2,376,878	\$2,691,515
<b>LP Parcel:</b>				
Maximum Special Tax for LP Parcel <sup>(5)</sup>	\$2,809,080	\$2,865,262	\$2,922,567	\$2,981,018

<sup>(1)</sup> In September 2007 some units will receive a temporary certificate of occupancy. However, since these units were completed after June 1, 2007, they will not be considered Developed Property pursuant to the Rate and Method not subject to Special Taxes until Fiscal Year 2008-09.

<sup>(2)</sup> Based on number of units completed, an average of 1,677 sq. ft. per unit, \$12.00 Maximum Special Tax per Sq. Ft. for Fiscal Year 2005-06, and a 2% increase in the Maximum Special Tax for each Fiscal Year after 2005-06.

<sup>(3)</sup> Based on number of units completed, an average of 1,680 sq. ft. per unit, \$16.00 Maximum Special Tax per Sq. Ft. for Fiscal Year 2005-06, and a 2% increase in the Maximum Special Tax for each Fiscal Year after 2005-06.

<sup>(4)</sup> Based on \$20.00 Maximum Special Tax per Sq. Ft. for Fiscal Year 2005-06, and a 2% increase in the Maximum Special Tax for each Fiscal Year after 2005-06.

<sup>(5)</sup> Developed Property are generally units that have received a temporary or final certificate of occupancy. See “SECURITY FOR THE BONDS – Rate and Method” The LP Parcel may be taxed up to \$2,700,000 (plus 2% per year after Fiscal Year 2005-06) if the amount of Special Taxes collected from the Condominium Units, Fractional Units and Retail Units is insufficient to pay debt service in full on the Bonds. The Property Owner projects that Special Taxes collected from the Condominium Units, Fractional Units and Retail Units will be insufficient to pay debt service in Fiscal Year 2007-08, but will be sufficient in Fiscal Year 2008-09 and thereafter.

<sup>(6)</sup> Includes only Condominium Units and Fractional Units that have received a temporary certificate of occupancy as of October 24, 2007. Additional units may be subject to the Special Tax for Fiscal Year 2008-09 if such units receive a temporary certificate of occupancy prior to June 1, 2008.

<sup>(7)</sup> Projected Developed Property. Unsold Developed Property is owned by the Property Owner, and the Property Owner would be responsible for paying the Special Tax on such units as a Condominium Unit, a Fractional Unit or Retail Property, as applicable, pursuant to the formula in the Rate and Method. See “RISK FACTORS – Concentration of Property Ownership” herein. Unfinished units that have been sold are not subject to Special Taxes, and would not be taxable as the LP Parcel. See “SECURITY FOR THE BONDS – Rate and Method” and “– The Development – Condominium Units” herein. Property Owner projects that all units will be fully completed and on the tax roll for Fiscal Year 2010-11.

Source: Goodwin Consulting Group and Property Owner

## Financing Plan

The Property Owner expects to spend approximately \$297,261,000 for the acquisition and conversion of the Development to a mixed use facility as described above (including approximately \$27,007,000 that will be spent by 942 HCT LLC on the property at 942 Market Street, located in Tax Zone #2). In August 2005, the Property Owner purchased the Development for \$37,000,000. The Property Owner expects to finance construction with the following:

- A construction loan in the amount of \$135,000,000 provided by Concord Minutemen (Cayman) Ltd. (the “Construction Loan”). The Construction Loan is secured by a deed of trust on the Development. As of October 24, 2007 and including a current loan draw request, \$111 million has been drawn on the Construction Loan.
- Net proceeds of the Bonds in the amount of \$9,179,234.
- Deposits from sales of units in the approximate amount of \$42,032,000 of which \$19,343,000 is associated with existing contract sales and \$22,690,000 is associated with projected sales.
- Equity of approximately \$88,953,000 from the Property Owner, of which \$78,315,000 has already been disbursed and expended for land acquisition, conversion cost and marketing and selling efforts to date. Remaining equity contributions of \$10,638,000 are anticipated from the limited partner of owner, RCC (LP) Holdings L.P., via two existing loan facilities. Marriott International Capital Corporation has provided a \$40,000,000 loan commitment to RCC (LP) Holdings L.P. which as of October 24, 2007 has an outstanding balance of \$33,104,000. R.C. Market Holdings, L.P. has provided a \$10,835,315 loan commitment to RCC (LP) Holdings L.P. which as of October 24, 2007 has an outstanding balance of \$7,135,315.

The Property Owner expects proceeds of the Construction Loan and the equity contribution to be sufficient to complete development of Phase 1 as currently proposed. The construction of Phases 2 through 7, consisting of 32 Fractional Units, will be financed with the proceeds from sales of Phase 1 units and deposits from on-going Fractional Unit sales. The construction of units beyond Phase 2 will be dependent upon amount of demand for the Fractional Units, and the Property Owner could decide not to construct additional Fractional Units.

A table estimating the sources and uses to complete the Development and 942 Market Street is set forth below.

**Table 8**  
**Community Facilities District No. 2004-1**  
**(Seismic Safety Improvements – 690 and 942 Market Street Project)**  
**Estimated Sources and Uses for Project as of August 31, 2007**

<i>Costs</i>	<i>Cost Incurred (as of 8/31/07)</i>	<i>Remaining Cost</i>	<i>Total Project</i>
<u>690 Market Street Costs</u>			
Acquisition Cost	\$ 37,000,000	-	\$ 37,000,000
Hazard Materials Abatement	985,876	\$ 49,546	1,035,422
Hard Cost	77,934,935	33,128,157	111,063,092
Soft Cost	50,616,770	18,154,384	68,771,155
Marketing & Selling Costs	18,628,551	33,755,594	52,384,145
<b>Total 690 Market Street Cost</b>	<b>\$185,166,132</b>	<b>\$85,087,682</b>	<b>\$270,253,813</b>
<u>942 Market Street (Affordable Housing ) Costs<sup>(1)</sup></u>			
Acquisition Costs	\$ 5,500,000	-	\$ 5,500,000
Hard Cost	14,386,613	\$ 2,024,454	16,411,067
Soft Cost	3,601,639	808,242	4,409,882
Marketing & Selling Costs	63	686,581	686,644
<b>Total 942 Market Street Cost</b>	<b>\$ 23,488,315</b>	<b>\$ 3,519,277</b>	<b>\$ 27,007,593</b>
<b>Totals</b>	<b>\$208,654,447</b>	<b>\$88,606,959</b>	<b>\$297,261,406</b>
<u>Funding Sources</u>			
Equity	\$ 78,314,862	\$ 10,638,085	\$ 88,952,947
Gross Mello-Roos Bond Proceeds	-	9,179,234	9,179,234
Actual Deposits as of 8/31/07	19,342,515	-	19,342,515
Projected Deposits	-	22,689,726	22,689,726
Interest Earned	98,134	-	98,134
Senior Construction Loan	110,898,936	24,101,064	135,000,000
Net Sale Proceeds	-	21,998,849	21,998,849
<b>Totals</b>	<b>\$208,654,447</b>	<b>\$88,606,959</b>	<b>\$297,261,406</b>

<sup>(1)</sup> The Developer is required to construct the 942 Market Street property to satisfy an affordable housing requirement of the City and County of San Francisco. See “– Entitlements” below. There is no Special Tax levied on the property at 942 Market Street.  
Source: The Property Owner.

## Entitlements

The Property Owner reports that all applicable entitlements are in hand. The Development is subject to certain restrictions, pursuant to a Notice of Special Restriction (the “NSR”). Under the Planning Code, recorded on June 1, 2005 in the City and County of San Francisco. Among other things, the NSR requires that the Development be designed to maintain the historical features of the building, and that the Property Owner provide for 13 below market units to be constructed. The Property Owner has fulfilled the below-market unit requirement by arranging for 13 below-market units to be included in the building at 942 Market Street, in Tax Zone #2 of the Community Facilities District. The Property Owner received a temporary certificate of occupancy for the building at 942 Market Street on August 15, 2007, and expects to receive a final certificate of occupancy in November, 2007.

***Temporary Certificate of Occupancy.*** As of October 24, 2007, the Property Owner received a Temporary Certificate of Occupancy (“TCO”) for 58 of the 101 units in the Development. The TCO also includes the boiler rooms, generator room, and various common space. The Property Owner must apply for an extension of the TCO every 90 days until a Certificate of Final Completion and Occupancy (a “CFC”) is issued by the San Francisco Department of Building Inspection. The CFC will not be issued until the 942 Market Street building receives a CFC and all 101 units the Development have been completed. The Property Owner expects this to occur in mid-2010.

***Utilities.*** It is expected that utility services for the property in the Community Facilities District will be provided by the entities listed below. The Property Owner believes there are no conditions that must be satisfied for utility service to be available to the Phase I development.

- Water: San Francisco Public Utilities Commission.
- Sanitary sewer: San Francisco Public Utilities Commission.
- Storm water drainage: San Francisco Public Utilities Commission.
- Electricity and Gas: Pacific Gas & Electric.
- Telephone: AT&T.

## Environmental Conditions

The Development was subjected to a Phase I Environmental Site Assessment (the “Assessment”) in September 2003. The Assessment identified the Development contained asbestos, lead-based paint and lead-containing paint. The Property Owner reports that these hazardous materials were removed in accordance with applicable regulations. The Property Owner knows of no other contamination at the Development. However, if hazardous substances are discovered at the Development, the property values of the units could be negatively impacted. See “RISK FACTORS – Property Values and Development.”

## **RISK FACTORS**

*The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision, in no particular order of importance.*

### **Limited Obligation of the Issuer to Pay Debt Service**

The Issuer has no obligation to pay principal of and interest on the Bonds if Special Tax collections are delinquent, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels for Special Tax delinquencies. The Issuer is not obligated to advance its own funds to pay debt service on the Bonds.

### **Levy and Collection of the Special Tax**

The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the Community Facilities District. The annual levy of the Special Tax is subject to the Maximum Special Tax authorized in the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds.

Because the Special Tax formula set forth in the Rate and Method is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of Taxable Property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Taxable Property and their proportionate share of debt service on the Bonds, and certainly not a direct relationship.

Except as set forth above under “SECURITY FOR THE BONDS — Special Taxes” and “– Rate and Method”, the Indenture provides that the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described in “SECURITY FOR THE BONDS — Covenant to Foreclose” and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary ad valorem property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the Issuer of the proceeds of sale if the Reserve Fund is depleted. See “SECURITY FOR THE BONDS — Covenant to Foreclose.”

### **Payment of Special Tax is not a Personal Obligation of Property Owners**

An owner of Taxable Property is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation only against the parcels of Taxable Property. If, after a default in the payment of the Special Tax and a foreclosure sale by the Issuer, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the parcels of Taxable Property, the Community Facilities District has no recourse against the owner.

### **Not Eligible for Teeter Plan**

Although the City and County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 et seq. of the

California Revenue and Taxation Code, it has done so only with respect to property taxes on the secured tax roll. Special taxes and assessments are not included in the Teeter Plan, and as a result, the amount of the Special Tax levy received by the Issuer will reflect actual collections. Substantial delinquencies in the payment of Special Taxes could impair the Issuer's ability to pay debt service on the Bonds.

### **Property Values and Property Development**

The value of Taxable Property within Tax Zone #1 of the Community Facilities District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the Issuer's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land development and land values could be adversely affected by economic and other factors beyond the Issuer's control, such as a general economic downturn, decline in the residential or vacation home real estate market, adverse judgments in future litigation that could affect the scope, timing or viability of development, relocation of employers out of the area, stricter land use regulations, shortages of water, electricity, natural gas or other utilities, an increase in crime in the area, destruction of property caused by earthquake, flood or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

*None of the Underwriter, the Issuer or ABAG has evaluated development risks. Since these are largely business risks of the type that property owners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the valuation with respect to any particular parcel, the Issuer is issuing the Bonds without regard to any such evaluation. Thus, the creation of the Community Facilities District and the issuance of the Bonds in no way implies that the Underwriter, the Issuer or ABAG has evaluated these risks or the reasonableness of these risks.*

The following is a discussion of specific risk factors that could affect the timing or scope of property development in the Community Facilities District or the value of property in the Community Facilities District.

**Completion of Development and Sales.** Land values are influenced by the level of development. In particular, while contracts for the sale of Condominium Units and Fractional Units have been executed, only a few of such sales are expected to occur before the date of delivery of the Bonds. Notwithstanding the executed sales contracts, a number of factors, including, but not limited to, general disclosure regarding special taxes, could give rise to a failure to close on the sale of such units. In addition, no assurance can be given that the proposed development within Tax Zone #1 in the Community Facilities District will be completed or sold at the projected prices, and in assessing the investment quality of the Bonds, prospective purchasers should evaluate the risks of noncompletion of the Development.

Continuing development within the Community Facilities District may be adversely affected by changes in general or local economic conditions, fluctuations in or a deterioration of the real estate market, increased construction costs, development, financing and marketing capabilities of the Property Owner, and other similar factors.

**Natural Disasters.** The value of the Taxable Property in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the Taxable Property and the continued habitability and enjoyment of such private improvements. The areas in and surrounding the Community Facilities District, like those in much of California, may be subject to unpredictable seismic activity. No property insurance of the Development will be obtained for the benefit of the Bonds.

Other natural disasters could include, without limitation, landslides, floods, droughts or wildfires. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or

because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the Taxable Property may well depreciate or disappear.

***Hazardous Substances.*** One of the most serious risks in terms of the potential reduction in the value of Taxable Property is a claim with regard to a hazardous substance. In general, the owners and operators of Taxable Property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act”, is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the Taxable Property be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

See “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT — Environmental Conditions” for a discussion of hazardous substances on the site of the proposed development and mitigation measures undertaken by the Property Owner.

### **Concentration of Property Ownership**

As of October 24, 2007, the Property Owner owns approximately 5% of the Developed Property (four Condominium Units with an aggregate of 7,729 sq. ft. of and one Fractional Unit of 1,679 sq. ft. of Fractional Units) in Tax Zone #1 of the Community Facilities District. The Property Owner also owns all of the LP Parcel, which is subject to the Special Tax under certain circumstances. See “SECURITY FOR THE BONDS – Rate and Method” herein. Failure of the Property Owner to pay installments of the Special Tax when due could result in the depletion of the Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, an insufficiency of Special Tax proceeds to meet obligations under the Indenture. In that event, there could be a delay or failure in payments of the principal of and interest on the Bonds.

The Property Owner is a limited partnership formed for the purpose of developing the Development. The assets of Ritz-Carlton or other entities are not expected to be available to fund Special Taxes. See “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT – Property Ownership.”

### **Units in Single Building**

The units in the Communities Facilities District subject to Special Taxes are located in a single building at 690 Market Street in San Francisco. The concentration of all units in one building increases the chances that there could be simultaneous reductions in the value of multiple (or all) units in the event of a fire, flood, earthquake or other natural or man-made disaster, or a general decline in market conditions. No property insurance on the Development will be obtained for the benefit of the Bonds. Further, there can be no assurance as to the coverage or amount of any property insurance maintained by owners of the units or the homeowners associations in the Development. See “– Property Values and Property Development” above.

### **Fractional Units**

Twelve, one-twelfth interval ownership shares (“Share”) will be sold for each Fractional Unit. Buyers of Shares typically use the Fractional Unit on vacation, up to three weeks per year under the terms of the sale contract. Due to Share owners limited and recreational use of the Fractional Units, in the event of financial hardship a Share owner may be less likely to pay the Special Tax, and the value of a Share in a Fractional Unit

may be more susceptible to decreases in the event of economic downturns. In addition, in the event of a foreclosure, due to the nature of the fractional ownership interest, there may be a small market for buyers of Shares, negatively impacting the amount received as the result of a foreclosure sale. See “SECURITY FOR THE BONDS – Covenant to Foreclose” herein.

### **Other Possible Claims Upon the Value of Taxable Property**

While the Special Taxes are secured by the Taxable Property, the security only extends to the value of such Taxable Property that is not subject to senior, priority and parity liens and similar claims. The section entitled “THE COMMUNITY FACILITIES DISTRICT — Overlapping Taxes, Charges and Assessments” discusses certain overlapping assessments.

Other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Special Tax securing the Bonds.

In general, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority . Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Tax would usually be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes would generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See “— Bankruptcy and Foreclosure Delays” below.

In connection with the issuance of Parity Bonds, the Property Owner may apply for Mills Act status for the Development. Mills Act status would reduce ad valorem taxes for owners of units, but the status would be subject to compliance with certain covenants to maintain the historical features of the Development. Failure to comply with such covenants could result in loss of the Mills Act tax reduction, and could result in a tax penalty for owners of the units.

### **Exempt Properties**

Certain properties are exempt from the Special Tax in accordance with the Rate and Method and the Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the Community Facilities District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. See “SECURITY FOR THE BONDS — Rate and Method.” In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. See also “SECURITY FOR THE BONDS — Covenant to Foreclose”.

The 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.

## **Depletion of Reserve Fund**

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement. See “SECURITY FOR THE BONDS — Reserve Fund.” Funds in the Reserve Fund may be used to pay principal of and interest on the Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within the Community Facilities District. If funds in the Reserve Fund for the Bonds are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid to the Bond holders pursuant to the Indenture. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Tax against property within the Community Facilities District at the maximum Special Tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy of the Special Tax.

## **Bankruptcy and Foreclosure**

**Bankruptcy.** The payment of the Special Tax and the ability of the Issuer to foreclose the lien of a delinquent unpaid tax, as discussed in “SECURITY FOR THE BONDS”, may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in Taxable Property, could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds. To the extent that property in the Community Facilities District continues to be owned by a limited number of property owners, the chances are increased that the Reserve Fund established for the Bonds could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result, sufficient moneys would not be available in the Reserve Fund for transfer to the Bond Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

**Property Owned by FDIC.** In addition, the ability of the Issuer to foreclose upon the lien on property for delinquent Special Taxes may be limited for properties in which the Federal Deposit Insurance Corporation (the “FDIC”) has an interest. On November 26, 1996, the FDIC adopted a Statement of Policy Regarding the Payment of State and Local Property Taxes (the “Policy Statement”) (which superseded a prior statement issued by the FDIC and the Resolution Trust Corporation in 1991). The Policy Statement applies to the FDIC when it is liquidating assets in its corporate and receivership capacities. The Policy Statement provides, in part, that real property of the FDIC is subject to state and local real property taxes if those taxes are assessed according to the property’s value, and that the FDIC is immune from ad valorem real property taxes assessed on other bases. The Policy Statement also provides that the FDIC will pay its proper tax obligations when they become due and will pay claims for delinquencies as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC interest in the property is appropriate. It further provides that the FDIC will pay claims for interest on delinquent property taxes owned at the rate provided under state law, but only to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay for any fines or penalties and will not pay nor recognize liens for such amounts. The Policy Statement also provides that 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. No property of the FDIC is subject to levy, attachment, garnishment, foreclosure

or sale without the FDIC's consent. In addition, a lien for taxes and interest may attach, but the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

With respect to challenges to assessments, the Policy Statement provides: "The [FDIC] is only liable for state and local taxes which are based on the value of the property during the period for which the tax is imposed, notwithstanding the failure of any person, including prior record owners, to challenge an assessment under the procedures available under state law. In the exercise of its business judgment, the [FDIC] may challenge assessments which do not conform with the statutory provisions, and during the challenge may pay tax claims based on the assessment level deemed appropriate, provided such payment will not prejudice the challenge. The [FDIC] will generally limit challenges to the current and immediately preceding taxable year and to the pursuit of previously filed tax protests. However, the [FDIC] may, in the exercise of its business judgment, challenge any prior taxes and assessments provided that (1) the [FDIC's] records (including appraisals, offers or bids received for the purchase of the property, etc.) indicate that the assessed value is clearly excessive, (2) a successful challenge will result in a substantial savings to the [FDIC], (3) the challenge will not unduly delay the sale of the property, and (4) there is a reasonable likelihood of a successful challenge."

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 simple interest unless the amount of tax is fixed at the time the FDIC acquires its fee simple interest in the property, nor will the FDIC recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Because the Special Taxes are neither ad valorem taxes nor special assessments, and because they are levied under a special tax formula under which the amount of the Special Tax is determined each year, the Special Taxes appear to fall within the category of taxes the FDIC generally will not pay under the Policy Statement.

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 Issuer is unable to predict what effect the application of the Policy Statement would have in case of a Special Tax delinquency on a parcel in which the FDIC has an interest. However, prohibiting the judicial foreclosure sale of an FDIC-owned parcel would likely reduce the number of or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that the Issuer will be unable to foreclose on parcels of land in the Community Facilities District owned by the FDIC. Such an outcome would cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment of the Bonds.

### **Disclosure of Special Tax to Purchasers**

The Issuer has recorded a notice of the Special Tax lien in the Office of the City and County of San Francisco Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such special tax obligation in the purchase of a parcel of land or a home in the Community Facilities District or the lending of money secured by property in the Community Facilities District. The Act requires the subdivider of a subdivision (or its agent or representative) to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such

special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with these requirements (including the Property Owner), or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due. The Property Owner determined they have provided appropriate notices regarding the Community Facilities District and the Special Taxes to the purchasers of the Condominium Units and Fractional Units.

### **No Acceleration Provisions**

The Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture. Under the Indenture, a Bondholder is given the right for the equal benefit and protection of all Bondholders similarly situated to pursue certain remedies, subject to the compliance with certain requirements. See “APPENDIX B— Summary of the Indenture.” So long as the Bonds are in book-entry form, DTC will be the sole Bondholder and will be entitled to exercise all rights and remedies of Bondholders.

### **Voter Initiatives**

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, the most recent of which was approved as Proposition 218 in the general election held on November 5, 1996.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the Issuer. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Bonds.

Proposition 218 (Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges — Initiative Constitutional Amendment) added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

The Special Taxes and the Bonds were each authorized by not less than a two-thirds vote of the landowner within the Community Facilities District which constituted the sole qualified elector at the time of such voted authorization. The Issuer believes, therefore, that issuance of the Bonds does not require the conduct of further proceedings under the Act or Proposition 218.

Like its antecedents, Proposition 218 is likely to undergo both judicial and legislative scrutiny before its impact on the Issuer, the Community Facilities District and the Bonds can be determined. Certain provisions of Proposition 218 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

## **CONTINUING DISCLOSURE**

***The Issuer.*** The Issuer, for and on behalf of the Community Facilities District, will covenant in a continuing disclosure certificate, the form of which is set forth in “APPENDIX D — Form of Issuer Continuing Disclosure Certificate” (the “Issuer Continuing Disclosure Certificate”), for the benefit of holders and beneficial owners of the Bonds, to provide certain financial information and operating data relating to the Community Facilities District and the Bonds (the “Issuer Annual Report”) by not later than nine months after the end of the Issuer’s Fiscal Year (which would correspond to a distribution date of not later than April 1

based on the Issuer's current fiscal year ending of June 30). The Issuer Continuing Disclosure Certificate also requires the Issuer to provide notices of the occurrence of certain enumerated events, if material.

The covenants of the Issuer in the Issuer Continuing Disclosure Certificate are being made in order to assist the Underwriters 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 Issuer or the Dissemination Agent to comply would be an action to compel specific performance. Goodwin Consulting Group will act as the initial dissemination agent for the Issuer.

The Issuer has never failed to comply, in any material respect, with an undertaking under the Rule.

**Property Owner.** The Property Owner will covenant in a continuing disclosure certificate, the form of which is set forth in "APPENDIX E — Form of Property Owner Continuing Disclosure Certificate" (the "Property Owner Continuing Disclosure Certificate"), for the benefit of holders and beneficial owners of the Bonds, to provide certain information relating to itself and the parcels it owns within the Community Facilities District on a semi-annual basis (each a "Property Owner Semi-Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Property Owner may serve as dissemination agent under its own Property Owner Continuing Disclosure Certificate, although Goodwin Consulting Group will act as the initial dissemination agent.

The obligations of the Property Owner under its Property Owner Continuing Disclosure Certificate will terminate on the earlier of (i) legal defeasance, prior redemption or payment in full of all the Bonds or (ii) the date on which the Property Owner's property in the Community Facilities District is no longer responsible for 5% or more of the annual Special Tax levy.

A default under the Property Owner Continuing Disclosure Certificate will not, in itself, constitute an Event of Default under the Fiscal Agent Agreement, and the sole remedy under a Property Owner Continuing Disclosure Certificate in the event of any failure of the Property Owner or the Dissemination Agent to comply will be an action to compel specific performance. *The Issuer has no obligation to enforce the continuing disclosure undertaking of the Property Owner.*

The Property Owner has not previously undertaken a continuing disclosure obligation.

## LEGAL MATTERS

### Legal Opinions

The legal opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, approving the validity of the Bonds will be made available to purchasers at the time of original delivery and is attached as APPENDIX F. Nixon Peabody LLP will also pass upon certain legal matters for the Issuer as Special Counsel to the Issuer. Hawkins Delafield & Wood LLP, San Francisco, California is serving as Underwriters' Counsel. See "PROFESSIONAL FEES" below.

### Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, under existing law, interest on the Bonds is exempt from California personal income taxes.

The complete text of the final opinion that Bond Counsel expects to delivery upon issuance of the Bonds is set forth in APPENDIX F.

## **Absence of Material Litigation**

*The Issuer.* To the best knowledge of the Issuer, there is no controversy of any nature now pending or threatened against the Issuer which seeks to restrain or enjoin the sale or issuance of the Bonds or which in any way contests or affects the validity of the Bonds or any proceedings of the Issuer taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds, the use of the Bonds proceeds or the existence or powers of the Issuer relating to the issuance of the Bonds.

*The Property Owner.* The Property Owner has represented to the Issuer that there is no litigation or administrative proceeding of any nature in which it has been served, or pending or threatened which, if successful, would materially adversely affect its ability to complete the development and sale of its property within the Community Facilities District, or to pay the Special Taxes, the special benefit assessments or ordinary ad valorem property tax obligations when due on its property within the Community Facilities District, or which challenges or questions the validity or enforceability of the Bonds, the Resolution of Issuance, the Indenture, or the Property Owner Continuing Disclosure Certificate.

## **NO RATINGS**

The Bonds have not been rated by any securities rating agency.

## **UNDERWRITING**

The Bonds are being purchased by Stone & Youngberg LLC (the “Underwriter”) at a purchase price of \$10,572,372 (which represents the aggregate principal amount of the Bonds, less original issue discount of \$107,628 and less an underwriters’ discount of \$320,000).

The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering price stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

## **PROFESSIONAL FEES**

In connection with the issuance of the Bonds, fees payable to certain professionals are contingent upon the issuance and delivery of the Bonds. Those professionals include the Underwriter, Quint & Thimmig LLP, as Bond Counsel, Nixon Peabody LLP, as Special Counsel to the Issuer, Hawkins Delafield & Wood LLP, as Underwriters’ Counsel, Goodwin Consulting Group, as special tax consultant and Union Bank of California, N.A., as Trustee for the Bonds.



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## APPENDIX A

### RATE AND METHOD OF APPORTIONMENT

A Special Tax applicable to each Assessor's Parcel in the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements—690 and 942 Market Street Projects) shall be levied and collected according to the tax liability determined by the Board or its designee, through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 2004-1, unless exempted by law or by the provisions of Section F below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

#### A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

**“Act”** means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the Government Code of the State of California.

**“Administrative Expenses”** means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the Authority in carrying out its duties with respect to CFD No. 2004-1 and the Bonds, including, but not limited to, the levying and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County Auditor's Office, Tax Collector's Office, and/or Treasurer's Office, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to Bonds, costs associated with complying with continuing disclosure requirements under the California Government Code with respect to the Bonds and the Special Tax, and all other costs and expenses of the Authority in any way related to the establishment or administration of CFD No. 2004-1.

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

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

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

**“Assessor's Parcel Map”** means an official map of the County Assessor designating Parcels by Assessor's Parcel number.

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

**“Below Market-Rate Units”** means those Condominium Units within Tax Zone #2 that have a deed restriction recorded on title of the property that (i) limits the sales price of the Condominium Unit, (ii) limits the appreciation that can be realized by the owner of such unit, or (iii) in any other way restricts the current or future value of the unit.

**“Board”** means the Board of Directors of the Authority, acting as the legislative body of CFD No. 2004-1.

**“Bonds”** means bonds or other debt (as defined in the Act), whether in one or more series, issued, insured or assumed by CFD No. 2004-1 related to public infrastructure and/or improvements that will serve property included within CFD No. 2004-1.

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

**“CFD”** or **“CFD No. 2004-1”** means the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements—690 and 942 Market Street Projects).

**“CFD Formation”** means the date of which the Resolution of Formation of CFD No. 2004-1 is adopted by the Board.

**“City”** or **“County”** means the City and County of San Francisco.

**“Condominium Unit”** means an individual residential dwelling unit in CFD No. 2004-1 that is not a Fractional Unit. Notwithstanding the foregoing, any residential unit in CFD No. 2004-1 that had at any time been taxed as a Fractional Unit shall continue to be taxed as a Fractional Unit even if the unit subsequently becomes a Condominium Unit.

**“Developed Property”** means, in any Fiscal Year, all Assessor’s Parcels of Taxable Property in CFD No. 2004-1 for which (i) a final building permit inspection has been conducted prior to June 1 of the preceding Fiscal Year in association with a building permit for construction of an individual Condominium Unit, Fractional Unit, or Square Footage of Retail Property, or (ii) for which a certificate of occupancy was issued by the City prior to June 1 of the preceding Fiscal Year for construction of an individual Condominium Unit, Fractional Unit, or Square Footage of Retail Property.

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

**“Fractional Unit”** means an individual residential dwelling unit in CFD No. 2004-1 for which multiple owners may each purchase a fractional share of ownership (also referred to as a timeshare unit by the California Department of Real Estate).

**“LP”** means the R.C. Chronicle Building L.P. and any successor to this LP.

**“LP Parcel”** means, at CFD Formation, the Assessor’s Parcel identified in Fiscal Year 2004-05 by Assessor’s Parcel number 0311-006. If and when a separate Parcel is created within Tax Zone #1 that (i) is owned by the LP, (ii) is designated primarily for parking that will serve other land uses in CFD No. 2004-1, and (iii) has been assigned its own Assessor’s Parcel number and will receive its own tax bill, such Parcel shall then be designated as the LP Parcel and the corresponding Maximum Special Tax shall be assigned thereto. If, in any Fiscal Year, there is no Assessor’s Parcel that meets the three criteria set forth above, any Parcel in Tax Zone #1 that is owned by the LP (including a Parcel of Retail Property) may be designated by the Administrator as the LP Parcel.

**“Market-Rate Unit”** means any Condominium Unit within Tax Zone #2 that is not a Below Market-Rate Unit.

**“Maximum Special Tax”** means the maximum Special Tax, determined in accordance with Section C, that can be levied in any Fiscal Year.

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

**“Public Property”** means any property within the boundaries of CFD No. 2004-1 that is owned by or irrevocably offered for dedication to the federal government, State of California, City or other public agency.

**“Retail Property”** means any Parcel of Developed Property within CFD No. 2004-1 for which a building permit was issued for construction of Square Footage that is not part of a Condominium Unit or Fractional Unit.

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

**“Special Tax Requirement”** means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which is due in the calendar year which begins in such Fiscal Year, (ii) to pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds, (iii) to create or replenish reserve funds, (iv) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, (v) to pay Administrative Expenses, and (vi) to pay the costs of public improvements authorized to be financed by CFD No. 2004-1. The amount referred to in clause (i) of the preceding sentence may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for the Bonds (including Capitalized Interest) to the extent that such earnings or balances are available to apply against debt service pursuant to the Bond indenture, Bond resolution, or other legal document that set forth these terms, (ii) proceeds from the collection of penalties associated with delinquent Special Taxes, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

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

**“Taxable Property”** means all of the Assessor’s Parcels within the boundaries of CFD No. 2004-1 which are not exempt from the Special Tax pursuant to law or Section F below.

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

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

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

**B. DATA FOR ANNUAL ADMINISTRATION OF SPECIAL TAX**

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for Taxable Property within each Tax Zone. The Administrator shall also (i) identify the LP Parcel, (ii) determine which Parcels other than the LP Parcel are Developed Property, (iii) for each Parcel of Developed Property, identify the Square Footage on the Parcel and determine whether the Square Footage is that of a Condominium Unit, Fractional Unit or Retail Property, (iv) in Tax Zone #2, determine if each Condominium Unit is a Below Market-Rate Unit or a Market-Rate Unit, and (v) calculate the Special Tax Requirement for the Fiscal Year.

**C. MAXIMUM SPECIAL TAX**

Table 1 below identifies the Maximum Special Tax for Taxable Property within CFD No. 2004-1 for Fiscal Year 2005-06:

**TABLE 1  
CFD NO. 2004-1  
MAXIMUM SPECIAL TAXES**

Type of Property	Maximum Special Tax Fiscal Year 2005-06 *
<b>TAX ZONE #1</b>	
LP Parcel	\$2,700,000
Condominium Unit	\$12.00 per Square Foot
Fractional Unit	\$16.00 per Square Foot
Retail Property	\$20.00 per Square Foot
<b>TAX ZONE #2</b>	
Below Market-Rate Unit	\$0.00 per Square Foot
Market-Rate Unit	\$0.00 per Square Foot
Retail Property	\$0.00 per Square Foot

\* On July 1, 2006 and on each July 1 thereafter, all figures shown in Table 1 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.

**Once a Maximum Special Tax has been assigned to a Fractional Unit, the Maximum Special Tax for the Assessor's Parcel shall not be reduced in any future Fiscal Year even if the unit is subsequently sold as a Condominium Unit. In addition, once a Condominium Unit in Tax Zone #2 has been taxed as a Market-Rate Unit, such unit shall never be categorized as a Below Market-Rate Unit unless, in the same Fiscal Year that the such change would take effect, a unit in Tax Zone #2 that had been taxed as a Below Market-Rate Unit becomes a Market-Rate Unit. Notwithstanding the above, the actual Special Tax levied in any Fiscal Year may be less than the Maximum Special Tax pursuant to Step 1 in Section D below.**

**D. METHOD OF LEVY OF THE SPECIAL TAX**

Commencing with Fiscal Year 2005-06 and for each following Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year and shall levy a Special Tax according to the following steps until the amount of the levy is equal to the Special Tax Requirement:

- Step 1. The Special Tax shall be levied Proportionately on each Parcel of Developed Property in both Tax Zones up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year determined pursuant to Section C.
- Step 2. If additional revenues are needed after Step 1, and after applying Capitalized Interest to the Special Tax Requirement, the Special Tax shall be levied on the LP Parcel up to 100% of the Maximum Special Tax for the LP Parcel for such Fiscal Year determined pursuant to Section C;

**E. MANNER OF COLLECTION OF SPECIAL TAX**

The Special Taxes for CFD No. 2004-1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the Authority may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods. The Special Tax for Fractional Units may be billed either directly to individual fractional owners or to a homeowners association, which shall then bill the individual fractional owners; non-payment of Special Taxes billed by the homeowners association shall result in interest and penalties, and the fractional ownership shall be subject to foreclosure proceedings as set forth in the Bond covenants.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and authorized facilities to be constructed directly from Special Tax proceeds have been completed. However, in no event shall a Special Tax be levied after Fiscal Year 2040-41. Pursuant to Section 53321 (d) of the Act, the Special Tax levied against a Parcel used for private residential purposes shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

**F. EXEMPTIONS**

Notwithstanding any other provision of this Rate and Method of Apportionment of Special Tax, no Special Tax shall be levied on Parcels of Public Property, except as otherwise provided in the Act.

**G. PREPAYMENT OF SPECIAL TAX**

Prepayment of the Special Tax is not permitted.

**H. INTERPRETATION OF SPECIAL TAX FORMULA**

The Authority reserves the right to make minor administrative and technical changes to this document that do not materially affect the rate and method of apportioning Special Taxes. In addition, the interpretation and application of any section of this document shall be left to the Authority's discretion. Interpretations may be made by the Authority by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment of Special Tax.

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## APPENDIX B

### SUMMARY OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture 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 Indenture for the complete terms thereof.

#### Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

“Administrative Expenses” means costs directly related to the administration of the District consisting of the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the Chief Financial Officer or designee thereof or both) and the costs of collecting the Special Taxes (whether by the County, the Authority or otherwise); the costs of remitting the Special Taxes to the Trustee; fees and costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs of the Authority, or any designee of either the Authority of complying with the disclosure provisions of the Act, the Continuing Disclosure Agreement and the Indenture, including those related to public inquiries regarding the Special Tax and disclosures to Bondowners and the Original Purchaser; the costs of the Authority, the County or any designee of either the Authority or the County related to an appeal of the Special Tax; an allocable share of the salaries of the Authority staff directly related to the foregoing and a proportionate amount of Authority general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the Authority for any administrative purpose of the District, including costs related to commencing and pursuing foreclosure of delinquent Special Taxes.

“Administrative Expense Fund” means the fund by that name established by the Indenture.

“Amending Resolution” means Resolution No. 07-28, adopted by the Executive Committee of the Board of Directors of the Authority on August 24, 2007.

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

“Auditor” means the auditor-controller of the County.

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

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

“Bond Counsel” means (i) Quint & Thimmig LLP, or (ii) any other attorney or firm of attorneys acceptable to the Authority and nationally recognized for expertise in rendering opinions as to the legality of securities issued by public entities.

“Bond Fund” means the fund by that name established under the Indenture.

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

“Bond Year” means the one-year period beginning September 2nd in each year and ending on September 1st in the following year, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2008.

“Bonds” means the 2007A Bonds, and, if the context requires, any Parity Bonds, at any time Outstanding under the Indenture or any Supplemental Indenture.

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

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

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

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

“Closing Date” means the date upon which there is a physical delivery of the 2007A Bonds in exchange for the amount representing the purchase price of the 2007A Bonds by the Original Purchaser thereof.

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

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

“Costs of Issuance Fund” means the fund by that name established by the Indenture.

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

“Debt Service” means the scheduled amount of interest and amortization of principal payable (including principal payable by reason of the sinking account payment provisions of the Indenture) on the 2007A Bonds and the scheduled amount of interest and amortization of principal payable on any Parity Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

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

“Developer” means the entity or entities acting as the “Developer” under the Funding Agreement.

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

“District Value” means the market value, as of the date of the appraisal described below and/or the date of the most recent County real property tax roll, as applicable, of all parcels of real property in the District subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the “Appraiser”) selected by the Authority, or (ii), in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the Chief Financial Officer. It is expressly acknowledged that, in determining the District Value, the Authority may rely on an appraisal to determine the value of some or all of the parcels in the District and/or the most recent County real property tax roll as to the value of some or all of the parcels in the District. Neither the Authority nor the Chief Financial Officer shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

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

“Federal Securities” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Trustee: (i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as “stripped” obligations and coupons; or (ii) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

“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.

“Funding Agreement” means the Funding Agreement, dated as of October 1, 2007, between the Authority and the Developer, as originally executed and as it may be amended from time to time.

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

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

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

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service”, 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service”, 65 Broadway, 16th Floor, New York, New York 10006; Moody’s Investors Service “Municipal and Government”, 99 Church Street, New York, New York 10007, Attention: Municipal News Reports; Standard & Poor’s Corporation “Called Bond Record”, 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the Authority may designate in an Officer’s Certificate delivered to the Trustee.

“Interest Payment Dates” means March 1 and September 1 of each year, commencing March 1, 2008.

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

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

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

“Ordinance” means any ordinance of the Authority levying the Special Taxes.

“Original Purchaser” means Stone & Youngberg LLC, the first purchaser of the 2007A Bonds from the Authority.

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

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

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

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

“Permitted Investments” means any of the following, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities.

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

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

(d) A repurchase agreement with a state or nationally chartered bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, provided that all of the following conditions are satisfied: (1) the agreement is secured by any one or more of the securities described in subdivision (a) of this definition of Permitted Investments, (2) the underlying securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least one hundred million dollars (\$100,000,000) and which is independent of the issuer of the repurchase agreement, and (3) the underlying securities are maintained at a market value, as determined on a marked-to-market basis calculated at least weekly, of not less than 103 percent of the amount so invested.

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

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

(g) Investments in a money market account (including any accounts of the Trustee or its affiliates) rated in the highest rating category by Moody’s or S&P.

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

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

“Qualified Reserve Fund Credit Instrument” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met: (a) the long term credit rating or claims paying ability of such bank or insurance company is in one of the two highest rating categories (without regard to modifiers) by S&P and Moody’s; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder for the purpose of making payments required pursuant to the Indenture.

“Rate and Method” means the Rate and Method of Apportionment of Special Taxes for the District, as approved pursuant to the Resolution of Formation and as amended pursuant to the Amending Resolution.

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

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

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

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

“S&P” means Standard & Poor’s Ratings Service, a division of McGraw-Hill, and any successor thereto.

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

“Special Tax Fund” means the fund by that name established by the Indenture.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the Authority, including any scheduled payments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. “Special Tax Revenues” does not include any penalties collected in connection with delinquent Special Taxes.

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

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

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

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

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

“2007A Bonds” means the Bonds so designated and authorized to be issued under the Indenture.

## **Funds and Accounts**

The Indenture provides for the following funds and accounts:

Improvement Fund. There is established under the Indenture as a separate fund to be held by the Trustee, the Improvement Fund. A deposit will be made to the Improvement Fund as required by the Indenture. . Moneys in the Improvement Fund will be held in trust by the Trustee for the benefit of the District, and will be disbursed for the payment or reimbursement of costs of the Project. Amounts in the Improvement Fund are not pledged as security for the Bonds.

Disbursements from the Improvement Fund will be made by the Trustee upon receipt of an Officer’s Certificate which sets forth the amount required to be disbursed. Each certificate submitted to the Trustee as described in the Indenture shall be sufficient evidence to the Trustee of the facts stated therein, and the Trustee shall have no duty to confirm the accuracy of such facts.

Moneys in the Improvement Fund shall be invested in accordance with the Indenture. Interest earnings and profits from the investment and deposit of amounts in the Improvement Fund shall be retained in the Improvement Fund, to be used for the purposes of the Improvement Fund.

Upon the filing of an Officer’s Certificate with the Trustee stating that the Project has been completed and that all costs of the Project have been paid, or that any such costs are not required to be paid from the Improvement Fund, the Trustee shall transfer the amount, if any remaining in the Improvement Fund to the Bond Fund to be used to pay Debt Service on the Bonds on the next Interest Payment Date, and when no amounts remain on deposit in the Improvement Fund the Improvement fund will be closed.

Costs of Issuance Fund. There is established under the Indenture as a separate fund to be held by the Trustee, the Costs of Issuance Fund, to the credit of which a deposit shall be made as required by the Indenture. Moneys in the Costs of Issuance Fund shall be held in trust by the Trustee, shall be disbursed as provided below for the payment or reimbursement of Costs of Issuance, and are not pledged as security for the Bonds.

Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Chief Financial Officer and delivered to the Trustee concurrently with the delivery of the Bonds, or otherwise in an Officer’s Certificate delivered to the Trustee after the Closing Date. The Trustee shall pay all Costs of

Issuance after receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee pursuant to an Officer's Certificate requesting payment of Costs of Issuance. The Trustee shall maintain the Costs of Issuance Fund for a period of 90 days from the date of delivery of the Bonds and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Administrative Expense Fund.

Moneys in the Costs of Issuance Fund will be invested and deposited in accordance with the Indenture. Interest earnings and profits resulting from said investment shall be retained by the Trustee in the Costs of Issuance Fund to be used for the purposes of such fund.

Reserve Fund. There is established under the Indenture as a separate fund to be held by the Trustee, the Reserve Fund, to the credit of which a deposit shall be made as required by the Indenture equal to the Reserve Requirement as of the Closing Date for the Bonds, and deposits shall be made as provided in the Indenture. Moneys in the Reserve Fund shall be held in trust by the Trustee for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

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

Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Trustee shall provide written notice thereof to the Chief Financial Officer, specifying the amount withdrawn.

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

Whenever the balance in the Reserve Fund equals or exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Trustee shall notify the Chief Financial Officer of such situation, and, upon the written direction of the Chief Financial Officer, the Trustee shall transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption, in accordance with the Indenture, as applicable, of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the Authority to be used for any lawful purpose of the Authority consistent with the provisions of the Act. Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund pursuant to the Indenture until after payment of any fees and expenses due to the Trustee.

The Authority shall have the right at any time to release funds from the Reserve Fund, in whole or in part, by tendering to the Trustee a Qualified Reserve Fund Credit Instrument. Upon tender of such item to the Trustee, and upon delivery by the Authority to the Trustee of a written calculation of the amount permitted to be released from the Reserve Fund (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Fund to the Authority free and clear of the lien of the Indenture. The Trustee shall comply with all documentation relating to a Qualified Reserve Fund Credit Instrument as shall be required to maintain such Qualified Reserve Fund Credit Instrument in full force and effect and as

shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture.

At least fifteen (15) days prior to the expiration of any Qualified Reserve Fund Credit Instrument, the Authority shall be obligated either (i) to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds such that the amount on deposit in the Reserve Fund is equal to the Reserve Requirement (without taking into account such expiring Qualified Reserve Fund Credit Instrument). In the event that the Authority shall fail to take action as specified in clause (i) or (ii) of the preceding sentence, the Trustee shall, prior to the expiration thereof, draw upon the Qualified Reserve Fund Credit Instrument in full and deposit the proceeds of such draw in the Reserve Fund.

In the event that the Reserve Requirement shall at any time be maintained in the Reserve Fund in the form of a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee shall apply the amount of such cash to make any payment required to be made from the Reserve Fund before the Trustee shall draw any moneys under such Qualified Reserve Fund Credit Instrument for such purpose. In the event that the Trustee shall at any time draw funds under a Qualified Reserve Fund Credit Instrument to make any payment then required to be made from the Reserve Fund, the Special Tax Revenues thereafter received by the Trustee, to the extent deposited to the Reserve Fund under the Indenture, shall be used to reinstate the Qualified Reserve Fund Credit Instrument.

Moneys in the Reserve Fund shall be invested and deposited in accordance with the Indenture. Interest earnings and profits resulting from such investment shall be retained in the Reserve Fund to be used for the purposes of such fund.

Bond Fund. There is established under the Indenture as a separate fund to be held by the Trustee, the Bond Fund, to the credit of which deposits shall be made as required by the Indenture, and any other amounts required to be deposited therein by the Indenture or the Act.

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

*Bond Fund Disbursements.* On each Interest Payment Date, the Trustee shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments set forth in the Indenture, or a redemption of the Bonds required by the Indenture, such payments to be made in the priority listed in the second succeeding paragraph. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer from the Improvement Fund pursuant to the Indenture shall be used to pay the principal of and interest on the Bonds prior to the use of any other amounts in the Bond Fund for such purpose.

In the event that amounts in the Bond Fund are insufficient for the purposes set forth in the preceding paragraph, the Trustee shall withdraw from the Reserve Fund to the extent of any funds therein amounts to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the Indenture, the Trustee shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Moneys in the Bond Fund shall be invested and deposited in accordance with the Indenture. Interest earnings and profits resulting from the investment and deposit of amounts in the Bond Fund shall be retained in the Bond Fund to be used for purposes of such fund.

Special Tax Fund. There is established under the Indenture as a separate fund to be held by the Trustee, the Special Tax Fund, to the credit of which the Trustee shall deposit amounts received from or on behalf of the Authority consisting of Special Tax Revenues, and any amounts required by the Indenture to be deposited therein. The Authority shall remit any such amounts received by it to the Trustee for deposit by the Trustee to the Special Tax Fund.

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

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

On each Interest Payment Date, the Trustee shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund and the Reserve Fund to the Bond Fund pursuant to the Indenture, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date, and (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement.

Moneys in the Special Tax Fund shall be invested and deposited in accordance with the Indenture. 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.

Administrative Expense Fund. There is established under the Indenture, as a separate fund to be held by the Trustee, the Administrative Expense Fund to the credit of which deposits shall be made as required by the Indenture. Moneys in the Administrative Expense Fund shall be held in trust by the Trustee for the benefit of the Authority, shall be disbursed as provided below, and are not pledged as security for the Bonds.

Amounts in the Administrative Expense Fund will be withdrawn by the Trustee and paid to the Authority or its order upon receipt by the Trustee of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense or a Cost of Issuance, and the nature of such Administrative Expense or Cost of Issuance. Amounts transferred from the Costs of Issuance Fund to the Administrative Expense Fund pursuant to the Indenture shall be separately identified at all times, and shall be expended for purposes of the Administrative Expense Fund prior to the use of amounts transferred to the Administrative Expense Fund from the Special Tax Fund pursuant to the Indenture. Annually, on the last day of each Fiscal Year commencing with the last day of Fiscal Year 2007-2008, the Trustee shall withdraw any amounts then remaining in the Administrative Expense Fund in excess of \$30,000 that have not otherwise been allocated to pay Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, and transfer such amounts to the Special Tax Fund.

Moneys in the Administrative Expense Fund will be invested and deposited in accordance with the Indenture. Interest earnings and profits resulting from said investment shall be retained by the Trustee in the Administrative Expense Fund to be used for the purposes of such fund.

## **Covenants of the Authority**

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

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

In order to prevent any accumulation of claims for interest after maturity, the Authority may not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and may not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Authority, such claim for interest so extended or funded shall not be entitled, in case of default 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 which shall not have been so extended or funded.

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

The Authority will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Authority, in which complete and correct entries are made of all transactions relating to Special Tax Revenues. Such books of record and accounts will at all times during business hours be subject to the inspection of the Trustee and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

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

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

The Authority will comply with all applicable provisions of the Act and law in administering the District and completing the funding of the Project.

The Authority shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. On or within five (5) Business Days of each June 1, the Trustee is required to provide the Chief Financial Officer with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund, and informing the Authority that the Special Taxes may need to be levied pursuant to the Ordinance as necessary to provide for the debt service to become due on the Bonds in the calendar year that commences in the Fiscal Year for which the levy is to be made, and Administrative Expenses and replenishment (if necessary) of the Reserve Fund so that the balances therein equal the Reserve Requirement. The receipt of or failure to receive such notice by the Chief Financial Officer shall in no way affect the obligations of the Chief Financial Officer described in the

following two paragraphs. Upon receipt of such notice, the Chief Financial Officer shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

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

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

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

Pursuant to Section 53356.1 of the Act, the Authority covenants with and for the benefit of the Owners of the Bonds 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 installment thereof not paid when due as provided in the Indenture and as described in the text of this Official Statement. The Chief Financial Officer shall notify the Authority Attorney of any such delinquency of which it is aware, and the applicable Authority Attorney shall commence, or cause to be commenced, such proceedings.

In addition to the obligations under the Indenture, 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 a default under the Indenture; however, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the Authority of its obligations thereunder, including seeking mandate or specific performance by court order.

An owner of real property in the District as of the Closing Date has also executed a continuing disclosure certificate for the benefit of the holders and beneficial owners of the Bonds. Any Participating Underwriter or holder or beneficial owner may take such actions as may be necessary and appropriate directly against such landowner to compel performance by it of its obligations thereunder, including seeking mandate or specific performance by court order; however the Authority shall have no obligation whatsoever to enforce any obligations under any such certificate.

The Authority covenants and agrees to not consent or conduct proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District below an amount, for any Fiscal Year, equal to 110% of the aggregate of the debt service due on the Bonds in such Fiscal Year, plus a reasonable estimate

of Administrative Expenses for such Fiscal Year. It is hereby acknowledged that Bondowners are purchasing the Bonds in reliance on the foregoing covenant, and that said covenant is necessary to assure the full and timely payment of the Bonds.

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

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

### **Investments**

Moneys in any fund or account created or established by the Indenture and held by the Trustee will be invested by the Trustee in Permitted Investments, as directed pursuant to a certificate of an Authorized Officer filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such certificate of an Authorized Officer, the Trustee will invest, to the extent reasonably practicable, any such moneys in Permitted Investments described in clause (g) of the definition thereof in the Indenture, which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture.

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

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

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

### **Liability of Authority**

The Authority shall not incur any responsibility in respect of the Bonds or the Indenture other than in connection with the duties or obligations explicitly therein or in the Bonds assigned to or imposed upon it, and then only to the extent of the Trust Estate. The Authority shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful default. The Authority shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or

agreements of the Trustee in the Indenture or of any of the documents executed by the Trustee in connection with the Bonds, or as to the existence of a default or Event of Default thereunder.

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

No provision of the Indenture shall require the Authority to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Trust Estate) in the performance of any of its obligations under the Indenture, 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 Indenture in good faith and in accordance therewith.

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

Whenever in the administration of its duties under the Indenture the Authority or the Chief Financial Officer shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Authority, be deemed to be conclusively proved and established by a certificate of the Trustee, an Appraiser, an Independent Financial Consultant or a Tax Consultant, and such certificate shall be full warrant to the Authority and the Chief Financial Officer for any action taken or suffered under the provisions of the Indenture or any Supplemental Indenture upon the faith thereof, but in its discretion the Authority or the Chief Financial Officer may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

In order to perform its duties and obligations under the Indenture, 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 Indenture, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

### **The Trustee**

The Trustee undertakes to perform such duties, and only such duties, as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee.

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

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

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

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

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

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

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

The Trustee shall not be liable for any error of judgment made in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers.

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

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

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

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

The Trustee will provide to the Authority such information relating to the Bonds and the funds and accounts maintained by the Trustee hereunder as the Authority shall reasonably request, including but not limited to quarterly statements reporting funds held and transactions by the Trustee.

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

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

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

### **Amendment of the 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 pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest

rate thereon, or otherwise alter or impair the obligation of the Authority to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the Authority of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Owners of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Indenture), or (iii) reduce the percentage of Bonds required for the amendment of the Indenture. Any such amendment may not modify any of the rights or obligations of the Trustee without its written consent.

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

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

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

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

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

## **Default**

Events of Default. Each of the following events shall constitute an “Event of Default” under the Indenture:

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

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

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

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

Institution of Legal Proceedings by Trustee. If one or more of the Events of Default shall occur and be continuing, the Trustee in its discretion may, and upon the written request of the holders of a majority in principal amount of the Bonds then outstanding and upon being indemnified to its satisfaction therefor the

Trustee shall, proceed to protect or enforce its rights or the rights of the holders of Bonds under the Act or under the Indenture, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture or therein, or in aid of the execution of any power in the Indenture or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Indenture; provided that any such request from the Bondholders shall not be in conflict with any rule of law or with the Indenture, expose the Trustee to personal liability or be unduly prejudicial to Bondholders not joining therein.

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

*First:* For payment of all amounts due to the Trustee under the Trustee compensation provisions of the Indenture.

*Second:* For deposit in the Bond Fund to be applied to payment of the principal of all Bonds then due and unpaid and the premium, if any, and interest thereon; ratably to the persons entitled thereto without discrimination or preference; except that no payment of principal, premium or interest shall be made with respect to any Bonds registered in the name of the Authority, or known by the Trustee to be registered in the name of any nominee of the Authority, until all amounts due on all Bonds not so registered have been paid.

*Third:* For payment of all other amounts due to any person under the Indenture.

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

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

Covenant to Pay Bonds in Event of Default. The Authority covenants that, upon the happening of any Event of Default, the Authority will pay to the Trustee upon demand, but only out of Special Tax Revenues, for the benefit of the holders of the Bonds, the whole amount then due and payable thereon for interest or for principal and premium, or both, as the case may be, and all other sums which may be due under the Indenture or secured by the Indenture, including reasonable compensation to the Trustee, its agents and counsel, and any expenses or liabilities incurred by the Trustee under the Indenture. In case the Authority shall fail to pay the same forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, and upon being indemnified to its satisfaction shall be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of, Special Tax Revenues and any other assets pledged, transferred or assigned to the

Trustee under the Indenture as provided in the Indenture and not otherwise. The Trustee shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of the Indenture, and the right of the Trustee to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of the Indenture.

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

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

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

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

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

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

## **Discharge of the Bonds and the Indenture**

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

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

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

(C) by irrevocably depositing with the Trustee, in trust, cash and Federal Securities in such amount as the Authority shall determine as confirmed by Bond Counsel or an independent certified public accountant will, together with the interest to accrue thereon and moneys then on deposit in the funds and accounts provided for in the Indenture, 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.

If the Authority shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Authority, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Trust Estate provided for in the Indenture and all other obligations of the Authority under the Indenture with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Trustee. Notwithstanding the foregoing, the obligation of the Authority to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, to pay all amounts owing to the Trustee pursuant to the Indenture, shall continue in any event.

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

## APPENDIX C

### 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.

None of the issuer of the Bonds (the “Issuer”) the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) or the Underwriter 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.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating:

AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from 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 nor its nominee, 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.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer, the Community Facilities District, the Agent and the Underwriter believe to be reliable, but the Issuer, the Community Facilities District, the Agent and the Underwriter take no responsibility for the accuracy thereof.

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## APPENDIX D

### FORM OF ISSUER CONTINUING DISCLOSURE CERTIFICATE

#### CONTINUING DISCLOSURE CERTIFICATE (Issuer)

**\$11,000,000**

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS  
COMMUNITY FACILITIES DISTRICT NO. 2004-1  
(SEISMIC SAFETY IMPROVEMENTS – 690 AND 942 MARKET STREET PROJECT)  
SPECIAL TAX BONDS, SERIES 2007A (TAXABLE)**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the ABAG Finance Authority for Nonprofit Corporations (the “Issuer”) for and on behalf of the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) (the “Community Facilities District”) in connection with the issuance of the bonds captioned above (the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of October 1, 2007 (the “Indenture”), by and between the Issuer, for and on behalf of the Community Facilities District, and Union Bank of California, N.A., as Trustee (the “Trustee”). The Issuer hereby 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, 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).

“CPO” means the Internet-based filing system currently located at [www.DisclosureUSA.org](http://www.DisclosureUSA.org), or such other similar filing system approved by the Securities and Exchange Commission.

“Dissemination Agent” means Goodwin Consulting 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, for and on behalf of ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project).

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“National Repository” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Securities and Exchange Commission's Internet site at [www.sec.gov](http://www.sec.gov).

“Official Statement” means the final official statement executed by the Issuer in connection with the issuance of the Bonds.

“Participating Underwriter” means Stone & Youngberg LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” means each National Repository and each State Repository, if any.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

### 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, 2008 with the report for the 2006-07 fiscal year, provide to the Participating Underwriter and to each Repository 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). 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 date required above for the filing of the Annual Report if not available by that date. The audited financial statements of the Issuer may be included within or constitute a portion of the audited financial statements (Seismic Safety Improvements – 690 and 942 Market Street Project). 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).

(b) If the Issuer does not provide, or cause the Dissemination Agent to provide, an Annual Report to the Repositories by the Annual Report Date as required in subsection (a) above, the Dissemination Agent shall provide (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A, with a copy to the Trustee (if different than the Dissemination Agent) and the Participating Underwriter.

(c) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer and the Participating Underwriter certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following documents and information:

(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) Total aggregate assessed value (per the County Assessor's records) of all parcels currently subject to the Special Tax within the Community Facilities District.

(c) The total dollar amount of delinquencies in the Community Facilities District as of August 1 of any year and, in the event that the total delinquencies within the Community Facilities District as of August 1 in any year exceed 5% of the Special Tax for the previous year, delinquency information for each parcel responsible for more than \$4,000 in the payment of Special Tax, amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel.

(d) A land ownership summary listing property owners responsible for more than 5% of the annual Special Tax levy, as shown on the County Assessor's last equalized tax roll prior to the September next preceding the Annual Report Date.

(e) The principal amount of the Bonds outstanding, the balance in the Reserve Fund (along with a statement of the Reserve Requirement) as of the September 30 next preceding the Annual Report Date.

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

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

(h) A copy of the annual information required to be filed by the Issuer with the California Debt and Investment Advisory Commission pursuant to the Act and relating generally to outstanding District bond amounts, fund balances, assessed values, special tax delinquencies and foreclosure information.

(i) In addition to any of the information expressly required to be provided under paragraphs (a) through (h) 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) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (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 or events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders.
- (8) Contingent or unscheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Issuer shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository (if any), with a copy to the Trustee (if different than the Dissemination Agent) and the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) 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 pursuant to the Indenture.

Section 6. 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 7. 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 such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Goodwin Consulting Group.

Section 8. 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 the Trustee or 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 financial information 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 the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information 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 the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. 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 10. Default. In the event of a failure of the Issuer 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 11. Duties, Immunities and Liabilities of Dissemination Agent. 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 it 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 hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Property Owner, the Trustee, the Bond owners 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.

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

To the Dissemination Agent: Goodwin Consulting Group  
555 University Avenue, Suite 280  
Sacramento, CA 95825  
Fax: (916) 561-0891

To the Participating Underwriter: Stone & Youngberg LLC  
One Ferry Building  
San Francisco, California 94111  
Attention: Municipal Research Department  
Fax: (415) 445-2395

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 Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. CPO Filing. Any filing with any Repository under this Disclosure Certificate may be made solely by transmitting such filing to the CPO as provided at [www.DisclosureUSA.org](http://www.DisclosureUSA.org) unless the United States Securities and Exchange Commission has withdrawn the interpretive advice letter to the Municipal Advisory Council of Texas dated September 7, 2004. The Dissemination Agent shall copy the Trustee and the Issuer on any such filing.

Section 15. 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: October 31, 2007

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

By: \_\_\_\_\_  
Joseph Chan  
Chief Financial Officer

AGREED AND ACCEPTED:  
Goodwin Consulting 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, for and on behalf of ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project).

Name of Bond Issue: Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A

Date of Issuance: October 31, 2007

NOTICE IS HEREBY GIVEN to [(i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository] [the CPO and the Municipal Securities Rulemaking Board] that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.17 of the Indenture, dated as of October 1, 2007 between the Issuer and Union Bank of California, N.A.. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

DISSEMINATION AGENT:

GOODWIN CONSULTING GROUP

By: \_\_\_\_\_  
Its: \_\_\_\_\_

## APPENDIX E

### FORM OF PROPERTY OWNER DISCLOSURE CERTIFICATE

#### CONTINUING DISCLOSURE CERTIFICATE

(Property Owner)

**\$11,000,000**

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS  
COMMUNITY FACILITIES DISTRICT NO. 2004-1  
(SEISMIC SAFETY IMPROVEMENTS – 690 AND 942 MARKET STREET PROJECT)  
SPECIAL TAX BONDS, SERIES 2007A (TAXABLE)**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by R.C. Chronicle Building L.P., a Delaware limited partnership (the “Property Owner”), in connection with the issuance by the ABAG Finance Authority for Nonprofit Corporations (the “Issuer”) for and on behalf of the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements – 690 and 942 Market Street Project) (the “Community Facilities District”) of the bonds captioned above (the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of October 1, 2007 (the “Indenture”), by and between the Issuer, for and on behalf of the Community Facilities District, and Union Bank of California, N.A., as Trustee (the “Trustee”). The Property Owner covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Property Owner for the benefit of the holders and beneficial owners of the Bonds.

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, the following capitalized terms shall have the following meanings:

“Affiliate” of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of such other Person, (b) any Person, 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person. For purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person. On the date of issuance of the Bonds, RCC (GP) Holdings LLC, a Delaware limited liability company and RCC (LP) Holdings L.P., a Delaware limited partnership are Affiliates of the Property Owner.

“Assumption Agreement” means an undertaking of a Major Owner, or an Affiliate thereof, for the benefit of the holders and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner’s development and financing plans with respect to the Community Facilities District), whereby such Major Owner or Affiliate agrees to provide semi-annual reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in the Community Facilities District owned by such Major Owner and its Affiliates and, at the option of the Property Owner or such Major Owner, agrees to indemnify the Dissemination Agent pursuant to a provision substantially in the form of Section 11 hereof.

“CPO” means the Internet-based filing system currently located at [www.DisclosureUSA.org](http://www.DisclosureUSA.org), or such other similar filing system approved by the Securities and Exchange Commission.

“Dissemination Agent” means Goodwin Consulting Group, or any successor Dissemination Agent designated in writing by the Property Owner, and which has filed with the Property Owner, the Community Facilities District and the Trustee a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.

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

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“Major Owner” means, as of any Report Date, an owner of property in the Community Facilities District responsible in the aggregate for 10% or more of the Special Taxes in the Community Facilities District anticipated to be levied at any time during the then-current fiscal year.

“National Repository” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Securities and Exchange Commission’s Internet site at [www.sec.gov](http://www.sec.gov).

“Official Statement” means the final official statement executed by the Issuer in connection with the issuance of the Bonds.

“Participating Underwriter” means Stone & Youngberg LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Property” means the property owned by the Property Owner or any Affiliate of the Property Owner in the Community Facilities District.

“Report Date” means March 31 and September 30.

“Repository” means each National Repository and each State Repository, if any.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Semi-Annual Report” means any Semi-Annual Report provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Special Taxes” means the special taxes levied on taxable property within the Community Facilities District.

“State Repository” means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

### Section 3. Provision of Semi-Annual Reports.

(a) The Property Owner shall, or upon written direction shall cause the Dissemination Agent to, not later than the Report Date, commencing March 31, 2008, provide to each Repository a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the

Trustee (if different from the Dissemination Agent), the Participating Underwriter and the Issuer. Not later than 15 days prior to the Report Date, the Property Owner shall provide the Semi-Annual Report to the Dissemination Agent. The Property Owner shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent, the Trustee (if different from the Dissemination Agent), the Participating Underwriter and the Issuer to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Trustee, the Participating Underwriter and the Issuer may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent does not receive a Semi-Annual Report by 15 days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the Repositories by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository (with a copy to the Trustee, the Issuer and the Participating Underwriter) a notice, in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine prior to each Report Date the name and address of each National Repository and each State Repository, if any;

(ii) to the extent the Semi-Annual Report has been furnished to it, file the Semi-Annual Report with the Repositories, and file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the Issuer and the Participating Underwriter certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

#### Section 4. Content of Semi-Annual Reports.

The Semi-Annual Report shall contain or incorporate by reference the following, if material. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Property Owner shall clearly identify each such other document so included by reference.

(a) Any significant changes in the information contained in the Official Statement under the headings: "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT" and "RISK FACTORS".

(b) A description of the status of development on the property owned by the Property Owner and its Affiliates within the Community Facilities District, including a description of completed units by type of unit.

(c) A description of any sales of Property within the Community Facilities District by the Property Owner and its Affiliates since the previous Annual Report, including a description of how many units are unsold by type of unit.

(d) A description of any change in the legal structure of the Property Owner and its Affiliates owning Property in the Community Facilities District.

(e) Material changes in project costs, status of any construction loans and any permanent financing received by the Property Owner and its Affiliates with respect to development of Property within the Community Facilities District, with a statement to the best of Property Owner's knowledge as to the sufficiency of available funds to complete the project as contemplated and source of financing of project costs.

(f) Any denial of credit, lines of credit, loans or loss of source of capital that could have a significant impact on the Property Owner's or its Affiliates' ability to pay Special Taxes.

(g) Any failure by the Property Owner or its Affiliates to pay when due general property taxes, Special Taxes or assessments with respect to their Property in the Community Facilities District.

(h) Any previously undisclosed amendments to the land use entitlements or environmental conditions or other governmental conditions that are necessary to complete the development.

In addition, the Property Owner's Semi-Annual Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

#### Section 5. Reporting of Significant Events.

(a) The Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner which could have a significant impact on the Property Owner's or its Affiliates' ability to pay Special Taxes or assessments with respect to the Property or to sell or develop the Property;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property by the Property Owners or any Affiliate of the Property Owner;

(iii) filing of a lawsuit against the Property Owner or an Affiliate of the Property Owner, seeking damages which could have a significant impact on the Property Owner's or its Affiliates' ability to pay Special Taxes or assessments with respect to the Property or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property;

(v) any payment default or other material default by the Property Owner or any Affiliate of the Property Owner on any loan with respect to the construction of improvements on the Property;

(vi) the discovery of toxic material or hazardous waste which will require remediation on the Property; and

(vii) the termination prior to full disbursement of availability of incremental disbursements of proceeds of any loan, the proceeds of which were loaned to the Property Owner to facilitate the cost of construction of improvements within the Community Facilities District.

(b) Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event, the Property Owner shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository, if any, with a copy to the Trustee, the Issuer and the Participating Underwriter.

Section 6. Duration of Reporting Obligation.

(a) All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 11) on the earliest to occur of the following:

- (i) the legal defeasance, prior redemption or payment in full of all the Bonds, or
- (ii) such time as property owned by the Property Owner and any Affiliate of the Property Owner is no longer responsible for payment of 5% or more of the Special Taxes.

The Property Owner shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5.

(b) If all or any portion of the property in the Community Facilities District owned by the Property Owner, or any Affiliate of the Property Owner, is conveyed to a Person that, upon such conveyance, will be a Major Owner, the obligations of the Property Owner hereunder with respect to the property in the Community Facilities District owned by such Major Owner and its Affiliates may be assumed by such Major Owner or by an Affiliate thereof and the Property Owner's obligations hereunder will be terminated. In order to effect such assumption, such Major Owner or Affiliate shall enter into an Assumption Agreement in form and substance satisfactory to the Issuer and the Participating Underwriter.

Section 7. Dissemination Agent. The Property Owner may, from time to time, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Goodwin Consulting Group. The Dissemination Agent may resign by providing thirty days' written notice to the Issuer, the Property Owner and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

- (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 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.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Property Owner 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 Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Property Owner chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Property Owner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Trustee shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and 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 Property Owner 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 Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities, costs and expenses due to the negligence or willful misconduct of the Dissemination Agent or its officers, directors, employees and agents, or failure by the Dissemination Agent to perform its duties hereunder. The Dissemination Agent shall be paid compensation for its services provided hereunder in accordance with its schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Property Owner, the Trustee, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

To the Dissemination Agent: Goodwin Consulting Group  
555 University Avenue, Suite 280  
Sacramento, CA 95825  
Fax: (916) 561-0891

To the Participating Underwriter: Stone & Youngberg LLC  
One Ferry Building  
San Francisco, California 94111  
Attention: Municipal Research Department  
Fax: (415) 445-2395

To the Property Owner: R. C. Chronicle Building L.P.  
c/o Vacation Club  
6649 Westwood Boulevard, Suite 500  
Orlando, Florida 32821-6090  
Attention: Timothy Grisius  
Telephone: (407) 206-6276  
Facsimile: (407) 206-6420

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 Property Owner (its successors and assigns), the Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Section 14. CPO Filing. Any filing with any Repository under this Disclosure Certificate may be made solely by transmitting such filing to the CPO as provided at [www.DisclosureUSA.org](http://www.DisclosureUSA.org) unless the United States Securities and Exchange Commission has withdrawn the interpretive advice letter to the Municipal Advisory Council of Texas dated September 7, 2004. The Dissemination Agent shall copy the Trustee and the Issuer on any such filing.

Section 15. 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: October 31, 2007

R.C. CHRONICLE BUILDING L.P., a Delaware limited partnership

By: \_\_\_\_\_  
Authorized Officer

AGREED AND ACCEPTED:

GOODWIN CONSULTING GROUP,  
as Dissemination Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

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## APPENDIX F

### FORM OF OPINION OF BOND COUNSEL

October \_\_, 2007

Board of Directors  
ABAG Finance Authority For  
Nonprofit Corporations  
101 Eighth Street  
Oakland, California 94607-4756

**OPINION:** \$11,000,000 ABAG Finance Authority For Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements - 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A

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Members of the Board of Directors:

We have acted as bond counsel in connection with the issuance by the ABAG Finance Authority For Nonprofit Corporations (the "Authority") of its \$11,000,000 ABAG Finance Authority For Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements - 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (the "Bonds") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq., of the California Government Code) (the "Act"), an Indenture, dated as of October 1, 2007 (the "Indenture"), by and between the Authority for and on behalf of the ABAG Finance Authority For Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements - 690 and 942 Market Street Project), and Union Bank of California, N.A., as Trustee, and Resolution No. 07-29 adopted by the Executive Committee of the Board of Directors of the Authority on September 21, 2007 (the "Resolution"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority is duly created and validly existing as a joint exercise of powers authority, with the power to adopt the Resolution, enter into the Indenture and perform the agreements on its part contained therein and issue the Bonds.
2. The Indenture has been duly entered into by the Authority and constitutes a valid and binding obligation of the Authority enforceable upon the Authority.
3. Pursuant to the Act, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, on a parity with the pledge thereof for the security of any Parity Bonds that may be issued under, and as such term is defined in, the Indenture.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority on behalf of the District, payable solely from the sources provided therefor in the Indenture.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in tax consequences to certain taxpayers, and we express no opinion regarding any such tax consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Indenture 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 and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and 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,





FOR ADDITIONAL BOOKS: [ELABRA.COM](http://ELABRA.COM) OR (888) 935-2272