

File No. 200978

Committee Item No. 12
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date September 15, 2020

Board of Supervisors Meeting

Date _____

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Completed by: Linda Wong Date September 9, 2020
Completed by: Linda Wong Date _____

1 [Authorizing the Issuance of Special Tax Bonds - Improvement Area No. 1 of the City and
2 County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) - Not to
3 Exceed Aggregate Principal Amount of \$17,990,000]

4 **Resolution supplementing Resolution No. 12-17 authorizing the issuance and sale of**
5 **one or more series of Special Tax Bonds for City and County of San Francisco**
6 **Community Facilities District No. 2016-1 (Treasure Island) in the aggregate principal**
7 **amount not to exceed \$17,990,000; approving related documents, including an Official**
8 **Statement, Fiscal Agent Agreement, Bond Purchase Agreement and Continuing**
9 **Disclosure Certificate; clarifying certain terms of the Rate and Method of**
10 **Apportionment of Special Tax; and determining other matters in connection therewith,**
11 **as defined herein.**

12
13 WHEREAS, This Board of Supervisors ("Board of Supervisors") of the City and County
14 of San Francisco ("City") previously conducted proceedings under and pursuant to the Mello-
15 Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of
16 Title 5 (commencing with Section 53311) of the California Government Code ("Act"), to form
17 "City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)"
18 ("CFD") and "Improvement Area No. 1 of the City and County of San Francisco Community
19 Facilities District No. 2016-1 (Treasure Island)" ("Improvement Area No. 1"), to authorize the
20 levy of special taxes upon the land within Improvement Area No. 1 and issue bonds secured
21 by the special taxes levied in Improvement Area No. 1 for financing certain public
22 improvements ("Authorized Facilities") in the aggregate principal amount of \$250,000,000 all
23 as described in those proceedings; and

24 WHEREAS, Pursuant to Resolution No. 12-17, which was adopted on
25 January 24, 2017, and signed by the Mayor on February 3, 2017, ("Original Resolution of

1 Issuance”), this Board of Supervisors authorized the issuance of up to \$250,000,000 of
2 bonded indebtedness and other debt on behalf of the CFD with respect to Improvement Area
3 No. 1, directed staff to prepare documentation for such bonded indebtedness and other debt
4 and return to this Board of Supervisors for approval of such documentation; and

5 WHEREAS, This Board of Supervisors now wishes to supplement the Original
6 Resolution of Issuance to provide for the issuance of one or more series of its Improvement
7 Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1
8 (Treasure Island) Special Tax Bonds, Series 2020 (“2020 Bonds”), pursuant to a Fiscal Agent
9 Agreement (“Fiscal Agent Agreement”) by and between the City, for and on behalf of the CFD,
10 and a fiscal agent to be identified by the Director of the Office of Public Finance (“Fiscal
11 Agent”), and there have been submitted to this Board of Supervisors documents described
12 below providing for the issuance of the 2020 Bonds for the CFD with respect to Improvement
13 Area No. 1 and the use of the proceeds of those 2020 Bonds, and this Board of Supervisors
14 has reviewed the documents and found them to be in proper order; and

15 WHEREAS, There has also been submitted to this Board of Supervisors a form of
16 preliminary Official Statement in connection with the marketing and sale of the 2020 Bonds,
17 and this Board of Supervisors has reviewed the preliminary Official Statement (“Preliminary
18 Official Statement”); and

19 WHEREAS, In accordance with Government Code Section 5852.1, this Board of
20 Supervisors has obtained and disclosed a good faith estimate prepared by the City’s
21 municipal advisor of (a) the true interest cost of the 2020 Bonds, (b) the finance charge of the
22 2020 Bonds, (c) the amount of proceeds received by the public body for sale of the 2020
23 Bonds less the finance charge and any reserves or capitalized interest paid or funded with
24 proceeds of the 2020 Bonds and (d) the sum total of all payments the City will make to pay
25

1 debt service on the 2020 Bonds plus the finance charge of the 2020 Bonds not paid with the
2 proceeds of the 2020 Bonds; and

3 WHEREAS, The Treasure Island Development Authority (“TIDA”) is a nonprofit public
4 benefit corporation and a public agency, and was incorporated at the direction of this Board of
5 Supervisors according to articles of incorporation approved by this Board of Supervisors
6 pursuant to Resolution No. 380-97, which was adopted on April 21, 1997, and signed by the
7 Mayor on May 2, 1997; and

8 WHEREAS, Section I of the Rate and Method of Apportionment of Special Tax for
9 Improvement Area No. 1 (“RMA”) provides for the City to interpret, clarify, and revise the RMA
10 to correct any inconsistency, vagueness, or ambiguity, by resolution or ordinance, as long as
11 such interpretation, clarification, or revision does not materially affect the levy and collection of
12 the special tax levied within Improvement Area No. 1 pursuant to the RMA and any security
13 for any bonds, and this Board of Supervisors wishes to clarify certain matters in the RMA; and

14 WHEREAS, All conditions, things and acts required to exist, to have happened and to
15 have been performed precedent to and in the issuance of the 2020 Bonds and the levy of the
16 special taxes as contemplated by this resolution and the documents referred to herein exist,
17 have happened and have been performed in due time, form and manner as required by the
18 laws of the State of California, including the Act; now therefore be it

19 RESOLVED, That the foregoing recitals are all true and correct; and, be it

20 FURTHER RESOLVED, That pursuant to the Act, the Original Resolution of Issuance,
21 this Resolution and the Fiscal Agent Agreement, the 2020 Bonds are hereby authorized to be
22 issued in one or more series in the aggregate principal amount not to exceed \$17,990,000;
23 and, be it

24 FURTHER RESOLVED, That the 2020 Bonds shall be dated, bear interest at the rates,
25 mature on the dates, be issued in the form, be subject to redemption, and otherwise be issued

1 on the terms and conditions, all as set forth in the Fiscal Agent Agreement and in accordance
2 with this Resolution; provided, however, that the provided that the interest rate borne by each
3 series of Bonds shall not exceed the maximum rate permitted by law; the 2020 Bonds may be
4 issued as tax-exempt bonds or as taxable bonds; the Fiscal Agent, an Authorized Officer (as
5 defined in Section 4 of this Resolution) and other responsible officers of the City are hereby
6 authorized and directed to take such actions as are required to cause the delivery of the 2020
7 Bonds upon receipt of the purchase price thereof; and, be it

8 FURTHER RESOLVED, That this Board of Supervisors hereby finds the following:

9 (a) The issuance of the 2020 Bonds is in compliance with the Act, the Original
10 Resolution of Issuance, the Fiscal Agent Agreement and the City's "Amended and Restated
11 Local Goals and Policies for Community Facilities Districts and Special Tax Districts" adopted
12 by this Board of Supervisors on November 26, 2013 by Resolution No. 414-13, and signed by
13 the Mayor on November 27, 2013, ("Goals and Policies").

14 (b) The appraisal described in the Preliminary Official Statement has been prepared
15 consistent with the Goals and Policies.

16 (c) The current draft of the appraisal described in the draft Preliminary Official
17 Statement ("Appraisal") concludes that the taxable property in Improvement Area No. 1 has a
18 market value (subject to the various assumptions and conditions set forth in the appraisal) that
19 would be at least three times the maximum authorized principal amount of the 2020 Bonds
20 approved herein and the principal amount of all other bonds outstanding that are secured by a
21 special tax levied pursuant to the Act on property within Improvement Area No. 1 or a special
22 assessment levied on property within Improvement Area No. 1; and, be it

23 FURTHER RESOLVED, That the Mayor, the Controller and the Director of the Office of
24 Public Finance, or such other official of the City as may be designated by such officials (each,
25 an "Authorized Officer") is hereby authorized and directed to execute and deliver the

1 documents approved herein in substantially the form on file with the Clerk of the Board of
2 Supervisors, together with such additions or changes as are approved by such Authorized
3 Officer, including such additions or changes as are necessary or advisable to permit the timely
4 issuance, sale and delivery of the 2020 Bonds; the approval of such additions or changes
5 shall be conclusively evidenced by the execution and delivery by an Authorized Officer of the
6 documents herein specified; and, be it

7 FURTHER RESOLVED, That this Board of Supervisors hereby approves the Fiscal
8 Agent Agreement, in substantially the form on file with the Clerk of the Board of Supervisors.
9 The terms and provisions of the Fiscal Agent Agreement, as executed, are incorporated
10 herein by this reference as if fully set forth herein; an Authorized Officer is hereby authorized
11 and directed to execute the Fiscal Agent Agreement on behalf of the City, with such changes,
12 additions or deletions as may be approved by the Authorized Officer, and the Clerk of the
13 Board of Supervisors is hereby authorized and directed to attest thereto; and, be it

14 FURTHER RESOLVED, That this Board of Supervisors hereby approves the
15 Preliminary Official Statement prepared in connection with the 2020 Bonds in substantially the
16 form on file with the Clerk of this Board of Supervisors, together with any changes therein or
17 additions thereto deemed advisable by an Authorized Officer; subject to an Authorized Officer
18 deeming the Preliminary Official Statement “final” pursuant to Rule 15c2-12 under the
19 Securities Exchange Act of 1934 (“Rule”), this Board of Supervisors hereby approves and
20 authorizes the distribution by the underwriter of the 2020 Bonds of the Preliminary Official
21 Statement to prospective purchasers, and authorizes and directs an Authorized Officer on
22 behalf of the City to deem the Preliminary Official Statement “final” pursuant to the Rule prior
23 to its distribution to prospective purchasers of the 2020 Bonds; the execution of the final
24 Official Statement, which shall include 2020 Bond pricing information, such other changes and
25 additions thereto deemed advisable by an Authorized Officer, and such information permitted

1 to be excluded from the Preliminary Official Statement pursuant to the Rule, shall be
2 conclusive evidence of the approval of the Official Statement by the City; and, be it

3 FURTHER RESOLVED, That this Board of Supervisors hereby approves the form of
4 the Continuing Disclosure Certificate with respect to the 2020 Bonds in substantially the form
5 thereof attached to the Official Statement on file with the Clerk of the Board of Supervisors. An
6 Authorized Officer is hereby authorized and directed to complete and execute the Continuing
7 Disclosure Certificate on behalf of the City (for and on behalf of the CFD) with such changes,
8 additions or deletions as may be approved by the Authorized Officer; and, be it

9 FURTHER RESOLVED, That the Bond Purchase Agreement, between the City, for
10 and on behalf of the CFD with respect to Improvement Area No. 1, and Stifel, Nicolaus &
11 Company, Inc., on behalf of itself and Backstrom McCarley Berry & Co., LLC (collectively, the
12 "Underwriter"), in substantially the form on file with the Clerk of the Board of Supervisors and
13 made a part hereof as though set forth in full herein, is hereby approved by this Board of
14 Supervisors; an Authorized Officer is hereby authorized and directed to execute and deliver
15 the Bond Purchase Agreement in such form, together with such changes, insertions and
16 omissions that are approved by an Authorized Officer and that are in accordance with the
17 provisions of this Resolution, such execution to be conclusive evidence of such approval;
18 subject to the requirement that the Underwriter's discount on the purchase of the 2020 Bonds
19 may not exceed 1.50% of the par amount of the 2020 Bonds and the interest rate may not
20 exceed the rate specified herein; in addition, and pursuant to Section 53345.8 of the Act, this
21 Board of Supervisors hereby finds and determines that an Authorized Officer may not execute
22 and deliver the Bond Purchase Agreement unless the Appraisal concludes that the taxable
23 property in Improvement Area No. 1 has a market value (subject to the various assumptions
24 and conditions set forth in the Appraisal) at least three times the principal amount of the 2020
25 Bonds to be sold and the principal amount of all other bonds outstanding that are secured by

1 a special tax levied pursuant to the Act on property within Improvement Area No. 1 or a
2 special assessment levied on property within the Improvement Area No. 1; this Board of
3 Supervisors hereby approves the negotiated sale of the 2020 Bonds to the Underwriter
4 pursuant to such Bond Purchase Agreement; and, be it

5 FURTHER RESOLVED, That this Board of Supervisors hereby finds that sale of the
6 2020 Bonds to the Underwriter at a negotiated sale pursuant to the Bond Purchase
7 Agreement will result in a lower overall cost than would be achieved by selling the 2020
8 Bonds at a public sale utilizing competitive bidding; and, be it

9 FURTHER RESOLVED, That this Board of Supervisors, pursuant to Section I of the
10 RMA, hereby clarifies that any special taxes levied on public trust property owned by TIDA
11 that is subject to a Disposition and Development Agreement between TIDA and a vertical
12 developer that has a leasehold interest in such property, as described in the final sentence of
13 the definition of Public Property in the RMA, shall be levied on such leasehold interest
14 pursuant to Section 53340.1 of the Act; and, be it

15 FURTHER RESOLVED, That all actions heretofore taken by the officers and agents of
16 the City with respect to the establishment of the CFD and Improvement Area No. 1 and the
17 sale and issuance of the 2020 Bonds are hereby approved, confirmed and ratified, and the
18 appropriate officers of the City are hereby authorized and directed to do any and all things and
19 take any and all actions and execute any and all certificates, agreements and other
20 documents, which they, or any of them, may deem necessary or advisable in order to
21 consummate the lawful issuance and delivery of the 2020 Bonds in accordance with this
22 resolution, and any certificate, agreement, and other document described in the documents
23 herein approved; all actions to be taken by an Authorized Officer, as defined herein, may be
24 taken by such Authorized Officer or any designee, with the same force and effect as if taken
25 by the Authorized Officer; any such actions are solely intended to further the purposes of this

1 Resolution, and are subject in all respects to the terms of this Resolution. No such actions
2 shall increase the risk to the City or require the City to spend any resources not otherwise
3 granted herein; final versions of any such documents shall be provided to the Clerk of the
4 Board of Supervisors for inclusion in the official file within 30 days (or as soon thereafter as
5 final documents are available) of execution by all parties; and, be it

6 FURTHER RESOLVED, That if any section, subsection, sentence, clause, phrase, or
7 word of this Resolution, or any application thereof to any person or circumstance, is held to be
8 invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision
9 shall not affect the validity of the remaining portions or applications of this Resolution, this
10 Board hereby declaring that it would have passed this Resolution and each and every section,
11 subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional
12 without regard to whether any other portion of this Resolution or application thereof would be
13 subsequently declared invalid or unconstitutional; and, be it

14 FURTHER RESOLVED, That all actions authorized and directed by this Resolution,
15 consistent with any documents presented herein, and heretofore taken are hereby ratified,
16 approved and confirmed by this Board; and, be it

17 FURTHER RESOLVED, That this Resolution shall take effect from and after its
18 adoption. The provisions of any previous resolutions in any way inconsistent with the
19 provisions hereof in and for the issuance of the 2020 Bonds as herein described are hereby
20 repealed.

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1 APPROVED AS TO FORM:

2 DENNIS J. HERRERA
3 City Attorney

4 By: /s/ MARK D. BLAKE
5 MARK D. BLAKE
6 Deputy City Attorney

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OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Director of the Controller's Office of Public Finance *AVD*
Luke Brewer, Controller's Office of Public Finance *LB*
Bob Beck, Director of the Treasure Island Development Authority

DATE: Friday, August 25, 2020

SUBJECT: Resolution Authorizing the Issuance of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020

Resolution Confirming Annexation of Property to the City and County of San Francisco Community Facilities District No. 2016 (Treasure Island) as Improvement Area No. 2

Recommended Actions

Resolution for Special Tax Bonds

We respectfully request that the Board of Supervisors ("Board") consider for review and approval the resolution ("Bond Resolution") which authorizes the issuance of not to exceed \$17,990,000 aggregate principal amount of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 ("Bonds").

Resolution for CFD Annexation

Additionally, we respectfully request that the Board consider for review and approval the resolution ("Annexation Resolution") confirming that property is annexed to City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) ("Treasure Island CFD" or the "District") as Improvement Area No. 2; and determining other matters in connection therewith.

Background

Since 1997, the City and County of San Francisco ("City") and the Treasure Island Development Authority ("TIDA") have been working together on the Treasure Island/ Yerba Buena Island Development Project ("Project") in order to redevelop the former Treasure Island Naval Station ("NSTI") following the

2 | Resolution Authorizing the Issuance of Treasure Island CFD IA No. 1 Special Tax Bonds, Series 2020; and Resolution Confirming Annexation of Property to Treasure Island CFD as IA No. 2

conveyance of the Navy-owned lands to TIDA. In early 2003, TIDA and the Treasure Island Community Development, LLC¹ (“TICD” or the “Developer”) entered into an Exclusive Negotiating Agreement and began work on a Development Plan. In 2011, TICD and TIDA entered into the Disposition and Development Agreement (“DDA”) and TICD and the City entered into the Development Agreement (“DA”) to deliver the Project. A Financing Plan is attached to the DDA and DA and provides for reimbursement to the Developer for costs incurred to construct public infrastructure with special tax bonds issued under the Mello-Roos Community Facilities Act of 1982 and tax increment bonds issued by the City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island).

The development plan for the Project anticipates a new San Francisco neighborhood consisting of up to 8,000 new residential housing units, as well as new commercial and retail space, a hotel, and 290 acres of parks and public open space, including shoreline access and cultural uses. Transportation amenities being built for the project will enhance mobility on the Yerba Buena Island and Treasure Island as well as link the islands to mainland San Francisco. Some amenities include a combined police/fire emergency services building; utility improvements including new water, sewer, storm, gas, electrical and communications infrastructure with new water storage reservoirs and a wastewater treatment plant; new and upgraded streets, public byways, bicycle, transit, and pedestrian facilities; and a new ferry terminal.

The Treasure Island CFD

On January 24, 2017, following a public hearing and landowner vote, the Board adopted Resolution No. 8-17 (“Resolution of Formation”) establishing the Treasure Island CFD, an initial improvement area in the Treasure Island CFD entitled “Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)” (“Improvement Area No. 1”), and a Future Annexation Area for the Treasure Island CFD. The Treasure Island CFD was formed to provide funding for certain public infrastructure to be built as a result of the Project and certain ongoing public services.

Improvement Area No. 1

Improvement Area No. 1 consists of up to four development parcels (1Y, 2Y-H, 3Y, and 4Y) located on Yerba Buena Island, which are expected to be developed with 266 residential units at buildout.

At the time of the formation of the Treasure Island CFD and Improvement Area No. 1, the Board of Supervisors also adopted Resolution No. 12-17 to authorize the issuance and sale of special tax bonds for Improvement Area No. 1 in an aggregate principal amount not to exceed \$250,000,000.

The proposed Bond Resolution supplements Resolution No. 12-17 to authorize an aggregate principal amount not to exceed \$17,990,000 for the first bond issuance and approve related documents. If the Bonds are issued in the principal amount of \$17,990,000, the remaining bond authority for Improvement Area No. 1 would be \$232,010,000.

Future Annexation Area

The purpose of establishing the Future Annexation Area was to provide for streamlined annexations of future phases of the Project into the Treasure Island CFD.

In the Resolution of Formation the Board resolved that parcels in the Future Annexation Area may be annexed into the Treasure Island CFD as part of an existing improvement area or as part of its own Improvement Area (“Future Improvement Area”) through unanimous approval (a “Unanimous Approval”)

1. The existing members of TICD are (1) Treasure Island Holdings, LLC, a joint venture comprised of a subsidiary of Lennar Corporation and a non-managing third-party investor member, (2) TICD Hold Co., LLC, an indirect subsidiary of Lennar, (3) KSWM Treasure Island, LLC, a joint venture comprised of affiliates of Stockbridge Capital Group, LLC, Kenwood Investments, and Wilson Meany, LP, and (4) Stockbridge TI Co-Investors, LLC, an affiliate of Stockbridge.

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of the owners of the annexing parcels at the time of annexation, in accordance with certain “Annexation Approval Procedures” defined in the Resolution of Formation.

Under the Board-approved Annexation Approval procedures, if a property owner submits a Unanimous Approval and the Director of the Office of Public Finance (“OPF”) accepts the Unanimous Approval in writing after concluding that it meets the requirements set forth in the Annexation Approval Procedures, then the Unanimous Approval shall be deemed accepted by the City, and the Clerk of the Board shall record an amendment to the notice of special tax lien (for annexation into an existing improvement area) or a new notice of special tax lien (for a Future Improvement Area). If the conditions in the Annexation Approval Procedures are met, then further Board approval is not required for the annexation.

Annexation of Improvement Area No. 2

On April 13, 2020, an affiliate of the Developer, Treasure Island Series 1, LLC, submitted a Unanimous Approval to the Director of OPF requesting the annexation of certain parcels (“Annexation Property”) in the Future Annexation Area into the Treasure Island CFD. The Unanimous Approval identified, specified and approved (1) the annexation of the Annexation Property to the Treasure Island CFD as a Future Improvement Area designated “Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island),” (2) the maximum amount of bonded indebtedness and other debt for such Future Improvement Area of \$278,200,000, (3) the rate and method of apportionment of special tax for such Future Improvement Area, and (4) the initial appropriations limit for such Future Improvement Area of \$76,000,000. After reviewing the Unanimous Approval, with the City Attorney’s office and the TIDA Director, the Director of OPF concluded that the Unanimous Approval complies with the Annexation Approval Procedures, accepted the Unanimous Approval and provided a written letter of acceptance to the Clerk of the Board and Treasure Island Series 1, LLC. On May 11, 2020, the Clerk of the Board executed the Notice of Special Tax Lien for Improvement Area No. 2 of the Treasure Island CFD, which was recorded by the Assessor-Recorder on May 15, 2020.

By adopting the Annexation Resolution, the Board of Supervisors will:

- (i) confirm that the Annexation Property is annexed into Improvement Area No. 2,
- (ii) ratify and confirm direction to the Clerk of the Board of Supervisors to (A) record notice of annexation, (B) record a consolidated map of the boundaries of the Treasure Island CFD, and (C) to record additional such maps from time to time as Unanimous Approvals are received from property owners in the Future Annexation Area,
- (iii) confirm that the maximum aggregate principal amount of bonds and other debt for Improvement Area No. 2 is \$278,200,000,
- (iv) confirm that the rate and method of apportionment of the Special Tax among the parcels of real property within Improvement Area No. 2 is on file with the Clerk of the Board
- (v) confirm that the annual appropriations limit of Improvement Area No. 2, as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution is \$76,000,000.

The Special Tax Bonds of Improvement Area No. 1

The proposed Bond Resolution authorizes the first sale of special tax bonds for the Treasure Island CFD with respect to Improvement Area No. 1, in a par amount not to exceed \$17,990,000. The proposed Bonds will be secured by a pledge of special taxes levied on taxable property in Improvement Area No. 1. In accordance with Ordinance No. 22-17 and the Rate and Method of Apportionment of Special Tax for

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Improvement Area No. 1 (“RMA”) adopted at formation, the City began levying special taxes on a portion of taxable property located on development parcel 4Y within Improvement Area No. 1 in Fiscal Year 2019-20. Parcel 4Y currently has one building under construction known as the Bristol, which is planned for 124 residential units of which 110 units are subject to the special tax.

Current Plan of Finance

The proposed Bonds will be sold without a rating (“Non-Rated”). Non-Rated special tax bonds have unique credit considerations and risk factors for investors which are discussed in the Official Statement. *The Bonds are limited obligations of the City, secured by and payable solely from the special taxes levied in Improvement Area No. 1.*

The General Fund of the City is not liable for the payment of principal or interest on the Bonds, and the credit of the City is not pledged to the payment of the Bonds.

Under the Fiscal Agent Agreement, the City, on behalf of the District, has covenanted for the benefit of the owners of the Bonds that, under certain circumstances, the City will commence judicial foreclosure proceedings with respect to delinquent special taxes on property within Improvement Area No. 1, and will diligently pursue such proceedings to completion.

Although the proposed Bonds will be secured by a pledge of special taxes levied on all of the taxable property in Improvement Area No. 1 pursuant to the RMA, the Bonds have been sized to leverage the projected annual special tax levy on the Bristol such that maximum projected special tax revenues are equal to approximately 110% of debt service on the Bonds. For Fiscal Year 2019-20, \$833,688 in special taxes were collected in Improvement Area No. 1 from Parcel 4Y. Per the RMA, the special taxes escalate at 2.00% annually.

Value-to-Lien Ratio

Under the City's *Local Goals and Policies – Community Facilities Districts and Special Tax Districts*, the City is required to sell the Bonds to achieve at least a 3-to-1 value-to-lien ratio based on (i) an appraised value (in this case) or assessed value and (ii) special tax and assessment debt encumbering the taxable property. The value-to-lien ratio based on the not to exceed par amount of \$17,990,000 and the current appraised value (as of July 1, 2020) of the property in Improvement Area No. 1 of \$86,560,000 is 4.8-to-1.

Integra Realty Resources, Inc. (the “Appraiser”) has prepared an Appraisal Report dated August 14, 2020 with a valuation date of July 1, 2020, estimating the market value of the fee simple interest in three parcels within Improvement Area No. 1 currently subject to the special taxes. The Appraiser concluded in the Appraisal Report that the market value in bulk of the fee simple interest of these parcels is \$86,560,000, subject to certain assumptions and limiting conditions set forth therein. The value of individual parcels in Improvement Area No. 1 may vary significantly, and no assurance can be given that should Special Taxes levied on one or more of the parcels become delinquent, and should the delinquent parcels be offered for sale at a judicial foreclosure sale, that any bid would be received for the property or, if a bid is received, that such bid would be sufficient to pay such parcel’s delinquent Special Taxes.

Use of Proceeds

The proceeds of the Bonds will (i) finance or reimburse expenditures on public improvements for the Project, (ii) fund a debt service reserve fund for the Bonds, (iii) fund capitalized interest on the Bonds, if

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any, (iv) fund administrative expenses, and (v) finance costs of issuance. More specifically, the proceeds of the proposed Bonds are expected to reimburse the Developer for developer qualified costs, such as on-site infrastructure costs, such as utility improvements, street improvements, curb, gutter and sidewalk improvements, streetlights, and traffic signals, and related pre-development costs.

Table 1 below outlines anticipated sources and uses for the Bonds, based on current market conditions.

Table 1: Estimated Sources & Uses of the Special Tax Bonds, Series 2020

| <u>Sources:</u> | |
|---------------------------------|---------------------|
| Bond Proceeds | |
| Par Amount | \$17,165,000 |
| Premium | 581,000 |
| Total Sources | \$17,746,000 |
| <u>Uses:</u> | |
| Improvement Fund | \$15,184,000 |
| Debt Service Reserve Fund | 1,313,000 |
| <u>Delivery Date Expenses</u> | |
| Cost of Issuance | \$1,000,000 |
| Underwriter's Discount | 215,000 |
| CSA Audit Fee | 34,000 |
| Total Uses | \$17,746,000 |
| Reserve for Market Uncertainty | \$244,000 |
| Not-to-Exceed Par Amount | \$17,990,000 |

Source: Stifel, PFM and CSG Advisors, Inc.

The requested not-to-exceed par amount of \$17,990,000 exceeds the current estimated par amount of \$17,165,000 in order to provide flexibility to capture the benefit of more favorable market conditions should they be available at the time of sale. Conditions that could result in a change in the anticipated project fund and/or par amount include fluctuations in market interest rates between the date of authorization by the Board and the sale of the Bonds, changes in required deposits for reserves or in estimated delivery date expenses.

Interest Rate; Projected Debt Service

Based upon current market conditions, a 30-year term and a true interest cost of 3.84%, which assumes the issuance of all bonds on a tax-exempt basis, the OPF estimates an average annual debt service of approximately \$1.04 million. The anticipated total par amount of \$17.165 million is estimated to result in approximately \$16.127 million in interest payments over the life of the Bonds. The total debt service over the life of the Bonds is estimated at approximately \$31.292 million.

Negotiated Sale of the Bonds; Underwriters

A negotiated sale is planned in connection with this transaction. The Bonds are repaid from special tax revenues from taxable property within Improvement Area No. 1 and are outside of the City's customary credit profile. Prior to formation, OPF selected Stifel, Nicolaus & Company, Incorporated ("Stifel") to serve

6 | Resolution Authorizing the Issuance of Treasure Island CFD IA No. 1 Special Tax Bonds, Series 2020; and Resolution Confirming Annexation of Property to Treasure Island CFD as IA No. 2

as Senior Underwriter and Backstrom McCarley Berry & Co. LLC, (“Backstrom”) to serve as Co-underwriter (together, “Underwriters”). The Underwriters are in the City’s Underwriter Pool, which was established via a competitive process. The proposed Bond Resolution approves the form of the Bond Purchase Agreement (described further below) which provides the terms of sale of the Bonds by the City to the Underwriters.

The Capital Plan

The Bonds are limited obligations of the City payable solely from the special tax revenues within Improvement Area No. 1 and therefore are not subject to policy constraints of the Ten-Year Capital Plan.

Additional Information

The Resolutions are expected to be introduced at the Board of Supervisors meeting on Tuesday, August 25, 2020. The forms of the financing documents related to the Special Tax Bonds—including the Bond Purchase Agreement, Fiscal Agent Agreement, Preliminary Official Statement, the Continuing Disclosure Certificate and related documents—will also be submitted.

Bond Purchase Agreement: The City intends to pursue a fixed rate negotiated sale of the Bonds. The Bond Purchase Agreement details the terms, covenants, and conditions for the sale of the Bonds through the Underwriters, as well as agreements regarding expenses, closing and disclosure documents.

Fiscal Agent Agreement: The proposed Bond Resolution also approves the form of the Fiscal Agent Agreement pursuant to which the Fiscal Agent administers and disburses bond payments. The Fiscal Agent Agreement provides for the terms of the bond redemption, prepayment provisions, and other related administrative provisions. The Fiscal Agent holds the Treasure Island CFD special taxes and the bonds proceeds derived from the sale of the Bonds and will disburse the proceeds as directed by authorized City representatives.

Official Statement: The Official Statement provides information for investors in connection with the public offering by the City of the Bonds. The Official Statement describes the Bonds, the Project, including sources and uses of funds; security for the Bonds; risk factors; an appraisal of the property and tax and other legal matters, among other information.

A *Preliminary Official Statement* is distributed to investors prior to the sale of the Bonds and, within seven days of the public offering, the *Final Official Statement* (adding certain sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the prospective purchasers of the Bonds.

Federal securities laws impose on the City the obligation to ensure that this document is accurate and complete in all material respects. This obligation applies to the individual members of the governing bodies approving the document as well as City staff charged with preparing the document. Much of the information in the Official Statement was provided by the Developer, and the Developer will certify in writing that the information provided by the Developer is accurate and complete in all material respects. The draft Preliminary Official Statement has been submitted for your review prior to its publication.

The Board of Supervisors and the Mayor, in adopting and approving the Bond Resolution, approve and authorize the use and distribution of the Preliminary and Final Official Statements by the Underwriters

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and co-financial advisors with respect to the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

Continuing Disclosure Certificate: The City covenants to provide certain financial information and operating data relating to the Bonds (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events, if material. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of material events. These covenants have been made in order to assist the Underwriters of the Bonds in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Anticipated Financing Timeline

| Milestones | Dates* |
|---|------------------------|
| • Presentation to Capital Planning Committee | January 27, 2020 |
| • Introduction of Resolutions to the Board of Supervisors | August 25, 2020 |
| • Budget & Finance Committee Hearing | September 16, 2020 |
| • Board Approval of Resolutions | September 22, 2020 |
| • Sale and Closing of the Bonds | Estimated October 2020 |

*Please note that dates are estimated unless otherwise noted.

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna (anna.vandegna@sfgov.org) at 415-554-5956 or Luke Brewer (luke.brewer@sfgov.org) at 415-554-7693, if you have any questions.

cc: Angela Calvillo, Clerk of the Board of Supervisors
Andres Powers, Mayor's Office
Ashley Groffenberger, Mayor's Acting Budget Director
Ben Rosenfield, Controller
Naomi Kelly, City Administrator
Ken Bukowski, Deputy City Administrator
Harvey Rose, Budget & Legislative Analyst
Severin Campbell, Budget & Legislative Analyst
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney

Attachment 1

GOOD FAITH ESTIMATES

For purposes of compliance with Section 5852.1 of the California Government Code, the following information are good faith estimates provided by the City's Underwriters, and the City's Co-Municipal Advisors, PFM, and CSG Advisors Incorporated:

1. True interest cost of the Bonds: 3.84%
2. Finance charge for the Bonds, including all fees and charges for third parties (including underwriter's compensation, municipal advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties): \$1,249,000.
3. Amount of Bond proceeds expected to be received by the City, net of payments identified in 2 above and any reserve fund or capitalized interest funded with proceeds of the Bonds: \$15,184,000.
4. Total payment amount for the Bonds, being the sum of (a) debt service on the Bonds to final maturity, and (b) any financing costs not paid from proceeds of the Bonds: \$31,292,000.

The information set forth above is based up estimates of prevailing market conditions. Actual results may differ if assumed market conditions change.

FISCAL AGENT AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
as Fiscal Agent**

Dated as of _____ 1, 2020

Relating to:

**\$ _____
Improvement Area No. 1 of the
City and County of San Francisco
Community Facilities District No. 2016-1 (Treasure Island)
Special Tax Bonds, Series 2020**

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FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the "Agreement") is made, entered into and dated as of _____ 1, 2020, by and between the CITY AND COUNTY OF SAN FRANCISCO, a chartered city organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)" (the "CFD") with respect to its "Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)" (the "Improvement Area No. 1"), and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office located in Los Angeles, California, as fiscal agent (the "Fiscal Agent").

WITNESSETH:

WHEREAS, the Board of Supervisors of the City has formed the CFD, including Improvement Area No. 1, under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (section 53311 *et seq.* of the California Government Code) (the "Act"); and

WHEREAS, the Board of Supervisors, as the legislative body with respect to the CFD, is authorized under the Act to levy special taxes within Improvement Area No. 1 to pay for the costs of facilities and to authorize the issuance of bonds secured by said special taxes under the Act; and

WHEREAS, on January 24, 2017, the Board of Supervisors adopted Resolution No. 12-17, which resolution was signed by Mayor Edwin Lee on February 3, 2017 (the "Original Resolution") authorizing the issuance of special tax bonds on behalf of the CFD with respect to Improvement Area No. 1; and

WHEREAS, on _____, 2020, the Board of Supervisors adopted Resolution No. _____, which resolution was signed by Mayor London Breed on _____, 20__ (the "Supplemental Resolution; together with the Original Resolution, the "Resolution") authorizing the issuance of special tax bonds (the "2020 Bonds") on behalf of the CFD with respect to Improvement Area No. 1; and

WHEREAS, it is in the public interest and for the benefit of the City, the CFD, Improvement Area No. 1 and the persons responsible for the payment of special taxes that the City enter into this Agreement to provide for the issuance of the Bonds (as defined below) hereunder to finance the acquisition and construction of facilities for the City and to provide for the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the Bonds and the administration and payment of the Bonds; and

WHEREAS, the City has determined that all things necessary to cause the 2020 Bonds, when authenticated by the Fiscal Agent and issued as provided in the Act, the Resolution and this Agreement, to be legal, valid, binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized.

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

ARTICLE I

AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Agreement. This Agreement is entered into pursuant to the Act (as herein defined) and the Resolution.

Section 1.02. Agreement for Benefit of Owners of the Bonds. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the Owners of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement.

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

"Acquisition Agreement" means that certain Acquisition and Reimbursement Agreement (Treasure Island/Yerba Buena Island), dated March 8, 2016, by and among the City, Treasure Island Development Authority and the Developer.

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

"Administrative Expenses" means costs directly related to the administration of the CFD consisting of: the actual costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by a City employee or consultant or both) and the actual costs of collecting the Special Taxes (whether by the City or otherwise); the actual costs of remitting the Special Taxes to the Fiscal Agent; actual costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under this Agreement; the actual costs of the City or its designee of complying with the disclosure provisions of the Act and this Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Owners of the Bonds and the Original Purchaser; costs of the dissemination agent, whether for the City or another party that has undertaken to provide continuing disclosure; the actual costs of the City or its designee related to an appeal of the Special Tax; any amounts required to be rebated to the federal government; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the City for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure.

“Administrative Expense Fund” means the fund designated the “Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Administrative Expense Fund” established and administered under Section 4.06.

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

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

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

“Authorized Officer” Mayor, the Controller, the Director of the Office of Public Finance, the Clerk of the Board of Supervisors, or any other officer or employee authorized by the Board of Supervisors of the City or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

“Board of Supervisors” means the Board of Supervisors of the City, in its capacity as the legislative body of the CFD.

“Bond” or “Bonds” means the 2020 Bonds and, if the context requires, any Parity Bonds, at any time Outstanding under this Agreement or any Supplemental Agreement.

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

“Bond Fund” means the fund designated the “Improvement Area No. 1 of the City and County of San Francisco, Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Bond Fund” established and administered under Section 4.04.

“Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the Closing Date and shall end on September 1, 2020.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its principal 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, or any successor agency, board or commission.

“CFD” means the "City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)" formed under the Resolution of Formation.

“City” means the City and County of San Francisco, and any successor thereto.

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

“Closing Date” means the date upon which there is a physical delivery of the 2020 Bonds in exchange for the amount representing the purchase price of the 2020 Bonds by the Original Purchaser.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the City and dated the date of issuance and delivery of the 2020 Bonds, 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 City and related to the authorization, sale, delivery 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, appraisal costs, filing and recording fees, fees and expenses of counsel to the City, initial fees and charges of the Fiscal Agent including its first annual administration fees and its legal fees and charges, including the allocated costs of in-house attorneys, expenses incurred by the City in connection with the issuance of the Bonds, Bond (underwriter’s) discount, legal fees and charges, including bond counsel, and counsel to any financial consultant, financial consultant’s fees, charges for execution, authentication, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund designated the “Improvement Area No. 1 of the City and County of San Francisco, Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Costs of Issuance Fund” established and administered under Section 4.02.

“Dated Date” means _____, 2020, the dated date of the 2020 Bonds, which is the Closing Date.

“DDA” means the Disposition and Development Agreement (Treasure Island/Yerba Buena Island), dated June 28, 2011, including a Financing Plan (Treasure Island/Yerba Buena Island), between TIDA and the Developer, as amended from time to time.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the 2020 Bonds under Sections 2.02 and 2.03 and the scheduled amount of interest and amortization of principal payable on any Parity Bonds during the period of computation, in each case 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 for book-entry under Section 2.10.

“Developer” means Treasure Island Community Development, LLC, and its successors and assigns.

“Development Agreement” means the Development Agreement, dated June 28, 2011, between the City and the Developer, as it may be amended from time to time.

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

“Fair Market Value” means with respect to the Bonds the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a 10% beneficial interest if the return paid by such fund is without regard to the source of the investment.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Finance Director” means the Director of the Office of Public Finance, or, in the event such office is eliminated, the official of the City that is responsible for the management of municipal bonds issued by the City.

“Fiscal Agent” means Zions Bancorporation, National Association, the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01.

“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.

“Improvement Area No. 1” means “Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)” formed under the Resolution of Formation.

“Improvement Area No. 1 Value” means the market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of all Taxable Parcels in Improvement Area No. 1 and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent Taxable 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 City, or (ii) in the alternative, the assessed value of all such nondelinquent Taxable Parcels as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Improvement Area No. 1 Value, the City may rely on an appraisal to determine the value of some

or all of the Taxable Parcels in Improvement Area No. 1 and/or the most recent City real property tax roll as to the value of some or all of the Taxable Parcels in Improvement Area No. 1. Neither the City nor the Finance Director 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.

“Improvement Fund” means the fund designated “Improvement Area No. 1 of the City and County of San Francisco, Community Facilities District No. 2016-1 (Treasure Island), Special Tax Bonds, Improvement Fund,” established under Section 4.07.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the City or the Treasurer, and who, or each of whom:

(i) is judged by the Treasurer to have 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 City;

(iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in Improvement Area No. 1, or any real property in Improvement Area No. 1; and

(iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Interest Payment Date” means each March 1 and September 1 of every calendar year, commencing with March 1, 2021.

“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.

“Maximum Special Taxes” has the meaning given that term in the Rate and Method.

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

“MSRB” means the Municipal Securities Rulemaking Board, through its EMMA system, 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 City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

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

“Ordinance” means any ordinance of the Board of Supervisors of the City levying the Special Taxes, including but not limited to Ordinance No. 22-17 introduced by the Board of Supervisors on January 24, 2017, and adopted by the Board of Supervisors on January 31, 2017, and signed by Mayor Edwin Lee on February 9, 2017.

“Original Purchaser” means Stifel, Nicolaus & Company, Inc. and Backstrom McCarley Berry & Co., LLC the first purchasers of the 2020 Bonds from the City.

“Other District Bonds” has the meaning given that term in Section 3.06.

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

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

“Parity Bonds” means additional bonds issued and payable on a parity with the Bonds under Section 3.06.

“Parity Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on any Parity Bonds that are covered by the reserve account for the Parity Bonds, (b) 125% of average Annual Debt Service on any Parity Bonds that are covered by the reserve account for the Parity Bonds, and (c) 10% of the principal of any Outstanding Parity Bonds that are covered by the reserve account for the Parity Bonds; provided, however:

(A) that with respect to the calculation of clause (c), the issue price of any Parity Bonds that are covered by the reserve account for the Parity Bonds excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of any such Parity Bonds was less than 98% or more than 102% of the original principal amount of any such 2020 Related Parity Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount;

(B) that in no event shall the amount calculated hereunder exceed the amount on deposit in the reserve account for the Parity Bonds on the date of issuance of the most recently issued series of Parity Bonds that are covered by the reserve account for the Parity Bonds except in connection with any increase associated with the issuance of Parity Bonds that will be covered by the reserve account for the Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the reserve account for the Parity Bonds in connection with the issuance of a series of Parity Bonds exceed the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested an unrestricted yield.

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

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

(a) Federal Securities.

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import

Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit), including those placed by a third party pursuant to a separate agreement between the City and the Fiscal Agent, banking deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent, its parent, if any, and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency, or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank, including its parent (if any), affiliates and subsidiaries, whose short-term obligations are rated in the highest short-term rating category by any Rating Agency, or whose long-term obligations are rated A or better by any Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency, or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by any Rating Agency;

(h) money market mutual funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory, transfer agency, custodial or other management services for which it receives and retains a fee for such services to the fund) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency including those funds for which the Fiscal Agent or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise; and

(i) any investment agreement representing general unsecured obligations of a financial institution rated A or better by any Rating Agency, by the terms of which the Fiscal Agent is permitted to withdraw all amounts invested therein in the event any such rating falls below A.

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however,* that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in such fund if necessary to keep moneys available for the purposes of this Fiscal Agent Agreement.

(k) the California Asset Management Program.

"Principal Office" means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the City, initially being at the address set forth in Section 9.06, or such other office designated by the Fiscal Agent from time to time.

"Proceeds" when used with reference to the Bonds, means the face amount of the Bonds, plus any accrued interest and premium, less any original issue and/or underwriter's discount.

"Project" means those items described as the "Facilities" in the Resolution of Formation.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P or "A" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P, or "A" from Moody's or, if not rated by S&P or Moody's but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the 2020 Reserve Requirement with respect to which funds are proposed to be released; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the 2020 Bonds and any 2020 Related Parity Bonds.

"Rate and Method" means the Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 set forth in the Resolution of Formation.

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

"Refunding Bonds" means bonds issued by the City for the CFD with respect to Improvement Area No. 1, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that the principal and interest on the Refunding Bonds to their final maturity date is less than the principal and interest on the Bonds being refunded to their final

maturity date, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

“Regulations” means temporary and permanent regulations promulgated under the Tax Code.

“Remainder Taxes” means the Special Taxes available for disbursement pursuant to Section 4.05(B)(iii).

“Resolution” has the meaning given that term in the recitals hereof.

“Resolution of Formation” means Resolution No. 8-17, adopted by the Board of Supervisors on January 24, 2017, forming the CFD and Improvement Area No. 1, and signed by Mayor Edwin Lee on February 3, 2017.

“Resolution of Necessity” means Resolution No. 9-17 adopted by the Board of Supervisors on January 24, 2017, and signed by Mayor Edwin Lee on February 3, 2017.

“S&P” means S&P Global, a division of McGraw-Hill, and its successors and assigns.

“Securities Depositories” means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Special Tax Fund” means the special fund designated “Improvement Area No. 1 of the City and County of San Francisco, Community Facilities District No. 2016-1 (Treasure Island), Special Tax Fund” established and administered under Section 4.05.

“Special Tax Prepayments” means the proceeds of any Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method, less any administrative fees or penalties collected as part of any such prepayment.

“Special Tax Prepayments Account” means the account by that name established within the Bond Fund under Section 4.04(A).

“Special Tax Revenues” means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, 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 shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

“Special Taxes” means the Facilities Special Tax levied by the Board of Supervisors within Improvement Area No. 1 under the Act, the Rate and Method, the Ordinance and this Agreement.

“State” means the State of California.

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

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

“Tax Consultant” means an independent financial or tax consultant retained by the City for the purpose of computing the Special Taxes.

“Taxable Parcels” has the meaning given that term in the Rate and Method.

“Term Bonds” means the (i) 2020 Bonds maturing on September 1, _____, and (ii) the 2020 Bonds maturing on September 1, _____.

“TIDA” means the Treasure Island Development Authority, a California nonprofit public benefit corporation.

“TIDA Inclusion Conditions” consist of the following: (A) TIDA’s Board of Directors has adopted a resolution in which it (1) covenants for the benefit of the Owners of the Bonds that, as long as Bonds are Outstanding, (a) TIDA will not terminate such leasehold interest unless TIDA concurrently enters into a new lease the term of which ends on or after the final maturity date of any Bonds payable from such special tax and that covers substantially the same real property and improvements as the terminated lease (a “Replacement Lease”) and (b) such leasehold interest may not be terminated by the lessee unless TIDA concurrently enters into a Replacement Lease and (2) grants to the City and the Fiscal Agent the right to enforce such covenant on behalf of the Owners of the Bonds, and (B) the City has covenanted in the Supplemental Indenture to take all actions permitted under law to enforce TIDA’s covenant described in clause (A)(1), including directing the Fiscal Agent to take all such actions.

“TIDA Parcel” means a parcel owned by TIDA that is subject to an LDDA (as defined in the Rate and Method) with a term of twenty (20) years or more that is leased to a developer and that is subject to the Special Taxes under the RMA.

“Unimproved Property” means “Undeveloped Property” and “Vertical DDA Property” as those terms are defined in the Rate and Method.

“Unimproved Property Bonds” means a portion of any Bonds then Outstanding and any proposed Parity Bonds equal to the aggregate principal amount of such Outstanding Bonds and proposed Parity Bonds multiplied by a fraction, the numerator of which is the revenues that would be generated by the expected levy of the Special Tax on Unimproved Property in the immediately succeeding Fiscal Year, and the denominator of which is the revenues that would be generated by the expected levy of the Special Tax on all Taxable Parcels in Improvement Area No. 1 in the immediately succeeding Fiscal Year, based upon information from the most recent available Fiscal Year, in both cases assuming that there is no capitalized interest available to pay debt service on the Bonds.

“Unimproved Property Value” means the market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of all parcels of Unimproved Property in Improvement Area No. 1 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 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 City, or (ii) in the alternative, the assessed value of all such nondelinquent parcels as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Unimproved Property Value, the City may rely on an appraisal to determine the value of some or all of the parcels of Unimproved Property in Improvement Area No. 1 and/or the most recent City real property tax roll as to the value of some or all of the parcels of Unimproved Property in Improvement Area No. 1. Neither the City nor the Finance Director 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.

"2020 Bonds" means the Bonds so designated and authorized to be issued under Section 2.01 hereof.

"2020 Related Parity Bonds" means any series of Parity Bonds for which (i) the Proceeds are deposited into the 2020 Reserve Fund so that the balance therein is equal to the 2020 Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2020 Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

"2020 Reserve Fund" means the fund designated the "Improvement Area No. 1 of the City and County of San Francisco, Community Facilities District No. 2016-1 (Treasure Island), Special Tax Bonds, Reserve Fund" established and administered under Section 4.03.

"2020 Reserve Requirement" means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2020 Bonds and 2020 Related Parity Bonds, if any, (b) 125% of average Annual Debt Service on the 2020 Bonds and 2020 Related Parity Bonds, if any and (c) 10% of the outstanding principal of the 2020 Bonds and 2020 Related Parity Bonds, if any; provided, however:

(A) that with respect to the calculation of clause (c), the issue price of the 2020 Bonds or any 2020 Related Parity Bonds excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of the 2020 Bonds or any 2020 Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2020 Bonds or any 2020 Related Parity Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount;

(B) that in no event shall the amount calculated hereunder exceed the amount on deposit in the 2020 Reserve Fund on the date of issuance of the 2020 Bonds (if they are the only Bonds covered by the 2020 Reserve Fund) or the most recently issued series of 2020 Related Parity Bonds (if any 2020 Related Parity Bonds are covered by the 2020 Reserve Fund) except in connection with any increase associated with the issuance of 2020 Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2020 Reserve Fund in connection with the issuance of a series of 2020 Related Parity Bonds

exceed the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested an unrestricted yield.

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ARTICLE II

THE BONDS

Section 2.01. Principal Amount; Designation. Subject to the provisions of Section 2 of the Resolution of Necessity, as amended by the Resolution of Change, Bonds in the aggregate principal amount of \$250,000,000 are hereby authorized to be issued by the City for the CFD with respect to Improvement Area No. 1 under and subject to the terms of the Act, the Resolution, this Agreement and other applicable laws of the State of California.

The 2020 Bonds shall be designated as the "Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020," and shall be in the initial principal amount of \$_____.

Section 2.02. Terms of the 2020 Bonds.

(A) Form; Denominations. The 2020 Bonds shall be issued as fully registered Bonds without coupons. The 2020 Bonds shall be lettered and numbered in a customary manner as determined by the City. The 2020 Bonds shall be issued in the denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof.

(B) Date of 2020 Bonds. The 2020 Bonds shall be dated the Closing Date.

(C) CUSIP Identification Numbers. "CUSIP" identification numbers may, at the election of the Original Purchaser of the Bonds, be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the City or the Fiscal Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the City's contract with such Owners and shall not impair the effectiveness of any such notice.

(D) Maturities; Interest Rates. The 2020 Bonds shall mature and become payable on each September 1, and shall bear interest at the rates per annum indicated in the below table.

| Maturity (<u>September 1</u>) | Principal <u>Amount</u> | Interest <u>Rate</u> |
|------------------------------------|----------------------------|-------------------------|
|------------------------------------|----------------------------|-------------------------|

* Term Bond

(E) Interest. The 2020 Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless

(i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or

(ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or

(iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date;

provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) Method of Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner.

The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon request of the City, issue a certificate of destruction of such Bonds to the City.

Section 2.03. Redemption.

(A) Redemption Provisions.

(i) **Optional Redemption.** The 2020 Bonds maturing on or after September 1, _____ are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date on or after September 1, _____, as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the 2020 Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

| <u>Redemption Dates</u> | <u>Redemption Price</u> |
|---|-------------------------|
| September 1, ____ through August 31, ____ | ____ % |
| September 1, ____ through August 31, ____ | ____ |
| September 1, ____ through August 31, ____ | ____ |
| September 1, ____ and any date thereafter | ____ |

(ii) **Mandatory Sinking Fund Redemption.** The Term Bond maturing on September 1, ____, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

| Sinking Fund Redemption Date <u>(September 1)</u> | Sinking Fund <u>Payments</u> |
|---|---------------------------------|
|---|---------------------------------|

(maturity)

The Term Bond maturing on September 1, ____, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

| Sinking Fund Redemption Date <u>(September 1)</u> | Sinking Fund <u>Payments</u> |
|---|---------------------------------|
|---|---------------------------------|

(maturity)

Provided, however, if some but not all of the Term Bonds of a given maturity have been redeemed under subsection (i) above or subsection (iii) below, the total amount of all future Sinking Fund Payments relating to such maturity shall be reduced by the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the City, notice of which shall be given by the City to the Fiscal Agent and the notice shall include a revised sinking fund schedule.

(iii) **Redemption from Special Tax Prepayments.** Special Tax Prepayments and any corresponding transfers from the 2020 Reserve Fund pursuant to Section 4.03(F) shall be used to redeem 2020 Bonds on the next Interest Payment Date for which notice of redemption can timely be given under Section 2.03(D), among maturities so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the 2020 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Dates</u> | <u>Redemption Price</u> |
|--|-------------------------|
| Any Interest Payment Date on or before March 1, ____ | ____ % |
| September 1, ____ and March 1, ____ | ____ |
| September 1, ____ and March 1, ____ | ____ |
| September 1, ____ and any Interest Payment Date thereafter | ____ |

(B) Notice to Fiscal Agent. The City shall give the Fiscal Agent written notice of its intention to redeem Bonds under subsection (A)(i) and (A)(iii) not less than 45 days prior to the applicable redemption date or such lesser number of days as shall be acceptable to the Fiscal Agent.

(C) Purchase of Bonds in Lieu of Redemption. In lieu of redemption under Section 2.03(A), moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2020 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2020 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 2020 Bonds were to be redeemed in accordance with this Agreement.

(D) Redemption Procedure by Fiscal Agent.

(i) **Notices.** The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, or posted, at least twenty (20) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories 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 Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. In addition, the Fiscal Agent shall file each notice of redemption with the MSRB through its EMMA system.

(ii) **Contents of Notices.** Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City.

The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute a default under this Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall mail notice of such

rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

(iii) **Selection of Bonds for Redemption.** Whenever provision is made in this Agreement for the redemption of less than all of the Bonds of any maturity or any given portion thereof, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption as directed by the City or, in the absence of direction by the City, on a pro rata basis among maturities, and, within a maturity, by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate.

(iv) **New Bonds.** Upon surrender of Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds of such registered Owner.

(E) 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 shall have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in the notice of redemption. All Bonds redeemed and purchased by the Fiscal Agent under this Section 2.03 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds in accordance with the Fiscal Agent's retention policy then in effect.

Section 2.04. Form of Bonds. The 2020 Bonds, the Fiscal Agent's certificate of authentication and the assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution and the Act.

Section 2.05. Execution and Authentication of Bonds.

(A) Execution. The Bonds shall be executed on behalf of the City by the manual or facsimile signatures of its Mayor and its Clerk of the Board of Supervisors who are in office on the date of execution of this Agreement or at any time thereafter. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Owner. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond shall be the proper officers of the City although at the nominal date of such Bond any such person shall not have been such officer of the City.

(B) Authentication. Only such Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, executed and dated by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication of the Fiscal Agent shall be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

Section 2.06. Transfer or Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept under the provisions of Section 2.07 by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount. No transfers or exchanges of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

Section 2.07. Bond Register. The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the series number, date, amount, rate of interest and last known owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided. The City and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond register for any and all purposes.

Section 2.08. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the City, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds, it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Agreement as definitive Bonds authenticated and delivered hereunder.

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen.

(A) Mutilated. If any Bond shall become mutilated, at the expense of the Owner of such Bond, the City shall execute and the Fiscal Agent shall authenticate and deliver a replacement Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent, in accordance with the Fiscal Agent's retention policy then in effect.

(B) Destroyed or Stolen. If any Bond shall be lost, destroyed or stolen, the City shall execute and the Fiscal Agent shall authenticate and deliver a replacement Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen, at the expense of the Owner, but only following provision by the Owner to the Fiscal Agent of indemnity for the City and the Fiscal Agent satisfactory to the Fiscal Agent and the City. The City may require payment of a sum not exceeding the actual cost of preparing each replacement Bond delivered under this Section and the City and the Fiscal Agent may require payment of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery thereof. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued under this Agreement.

(C) Additional Stock. If the Fiscal Agent has an insufficient stock of unauthenticated printed Bonds for such purpose, it shall communicate with the Finance Director with respect to the printing of an additional stock of Bonds, in such quantities and as otherwise approved in writing by the Finance Director.

Section 2.10. Book-Entry Only System. DTC shall act as the initial Depository for the Bonds. One Bond for each maturity of the Bonds shall be initially executed, authenticated, and delivered as set forth herein with a separate fully registered certificate (in print or typewritten form). Upon initial execution, authentication, and delivery, the ownership of the Bonds shall be registered in the Bond register kept by the Fiscal Agent for the Bonds in the name of Cede & Co., as nominee of DTC or such nominee as DTC shall appoint in writing.

The Authorized Officers of the City and the Fiscal Agent are hereby authorized to take any and all actions as may be necessary and not inconsistent with this Agreement to qualify the Bonds for the Depository's book-entry system, including the execution of the Depository's required representation letter.

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

Except as set forth above, the City and the Fiscal Agent may treat as and deem DTC to be the absolute Owner of each Bond, for which DTC is acting as Depository for the purpose of payment of the principal of and premium and interest on such Bonds, for the purpose of giving

notices of redemption and other matters with respect to such Bonds, for the purpose of registering transfers with respect to such Bonds, and for all purposes whatsoever. The Fiscal Agent on behalf of the City shall pay all principal of and premium and interest on the Bonds only to or upon the order of the Owners as shown on the Bond register, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to the principal of and premium and interest on the Bonds to the extent of the sums or sums so paid.

No person other than an Owner, as shown on the Bond register, shall receive a physical Bond. Upon delivery by DTC to the City and the Fiscal Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions in Section 2.06 hereof, references to "Cede & Co." in this Section 2.10 shall refer to such new nominee of DTC.

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

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

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

ARTICLE III

ISSUANCE OF BONDS

Section 3.01. Issuance and Delivery of 2020 Bonds. At any time after the execution of this Agreement, the City may issue the 2020 Bonds for the CFD with respect to Improvement Area No. 1 in the aggregate principal amount set forth in Section 2.01 and deliver the 2020 Bonds to the Fiscal Agent for authentication and delivery to the Original Purchaser. The Authorized Officers of the City are hereby authorized and directed to execute and deliver any and all documents and instruments necessary to cause the issuance of the 2020 Bonds in accordance with the provisions of the Act, the Resolution and this Agreement, to authorize the payment of Costs of Issuance and costs of the Project by the Fiscal Agent from the proceeds of the 2020 Bonds and to do and cause to be done any and all acts and things necessary or convenient for the timely delivery of the 2020 Bonds to the Original Purchaser. The Fiscal Agent is hereby authorized and directed to authenticate the 2020 Bonds and deliver them to the Original Purchaser, upon receipt of the purchase price for the 2020 Bonds.

Section 3.02. Pledge of Special Tax Revenues. The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account), and, until disbursed as provided herein, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

The 2020 Bonds and all 2020 Related Parity Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all moneys deposited in the 2020 Reserve Fund. The moneys in the 2020 Reserve Fund (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the 2020 Bonds and all 2020 Related Parity Bonds as provided herein and in the Act until all of the 2020 Bonds and all 2020 Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

Amounts in the Improvement Fund (and the accounts therein), the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Project is not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Project.

Section 3.03. Limited Obligation. All obligations of the City under this Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefor hereunder. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth herein) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Section 3.04. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the redemption of Bonds

under Section 2.03, or the defeasance of the Bonds and discharge of this Agreement under Section 9.03.

Section 3.05. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the acquisition of the Project or upon the performance by any person of his obligation with respect to the Project.

Section 3.06. Parity Bonds. In addition to the 2020 Bonds, the City may issue Bonds as Parity Bonds in such principal amount as shall be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall constitute Bonds hereunder and shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds hereunder on a parity with all other Bonds Outstanding hereunder. The City may issue such Parity Bonds subject to the following specific conditions precedent:

(A) Compliance. Following issuance of the Parity Bonds, the City shall be in compliance with all covenants set forth in this Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the bonded indebtedness limit of Improvement Area No. 1.

(B) Same Payment Dates. The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on the Interest Payment Dates, and principal thereof shall be payable on September 1 (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) Debt Service Reserve Fund. The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for (i) a deposit to the 2020 Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2020 Reserve Requirement following issuance of the Parity Bonds, (ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2020 Reserve Fund and that the Owners of the Bonds covered by the 2020 Reserve Fund will have no interest in or claim to such other reserve account or (iii) no deposit to either the 2020 Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2020 Reserve Fund or any other reserve account. The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

(D) Value. (i) The Improvement Area No. 1 Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all 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 Taxable Parcels in Improvement Area No. 1, plus (iv) a 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 Taxable Parcels within Improvement Area No. 1 (the "Other District Bonds") equal to the aggregate outstanding 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 Taxable Parcels within Improvement Area No. 1, 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, based upon information from the most recent available Fiscal Year.

(ii) The Unimproved Property Value shall be at least [two/two and one-half (2/2.5)] times the sum of: (i) the aggregate principal amount of all Unimproved Property Bonds, plus (ii) the aggregate principal amount of any fixed assessment liens on the Taxable Parcels of Unimproved Property in Improvement Area No. 1 that are subject to the levy of Special Taxes, plus (iii) a portion of the aggregate principal amount of any and all Other District Bonds equal to the aggregate outstanding 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 Unimproved Property within Improvement Area No. 1, 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, based upon information from the most recent available Fiscal Year.

(iii) For the purpose of calculating the Improvement Area No. 1 Value and the Unimproved Property Value under this Section 3.06, the City shall not include the value of any leasehold interest in a TIDA Parcel unless the TIDA Inclusion Conditions have occurred.

(E) Coverage. An Independent Financial Consultant shall certify:

(i) For each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Special Taxes that may be levied for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement less estimated Administrative Expenses for each respective Fiscal Year, will be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year.

(ii) In the event Special Taxes are prepaid under the Rate and Method and applied in accordance with the Rate and Method and the Agreement, the Special Taxes that may be levied for each Fiscal Year after the prepayment under the Ordinance, the Agreement and any Supplemental Agreement less estimated Administrative Expenses for each respective Fiscal Year will be at least 110% of the Annual Debt Service payable with respect to the remaining Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year.

For the purpose of calculating the Special Taxes that may be levied for each Fiscal Year after issuance of the Parity Bonds, the City shall not include the following:

(jjj) for any Fiscal Year the Special Taxes that may be levied on any parcel of Unimproved Property (as defined herein) that is delinquent in the payment of Special Taxes on the date of the Officer's Certificate required by subsection (F) and

(iv) for any Fiscal Year the Special Taxes that may be levied on the leasehold interest in a TIDA Parcel unless the TIDA Inclusion Conditions have occurred.

(F) Certificates. The City shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B), (C), (D) and (E) of this Section 3.06 have been satisfied.

Notwithstanding the foregoing, the City may issue Refunding Bonds as Parity Bonds without the need to satisfy the requirements of subsections (D) or (E) above, and, in connection therewith, the Officer's Certificate in subsection (F) above need not make reference to said subsections (D) and (E).

Nothing in this Section 3.06 shall prohibit the City from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge thereof under Section 3.02 of this Agreement.

ARTICLE IV

PROCEEDS, FUNDS AND ACCOUNTS

Section 4.01. Application of 2020 Bond Proceeds. The Proceeds of the 2020 Bonds received from the Original Purchaser in the amount of \$_____ (which is equal to the initial principal amount of the 2020 Bonds, *plus* an original issue premium of \$_____, *less* an underwriter's discount in the amount of \$_____) shall be paid to the Fiscal Agent, which shall deposit the Proceeds on the Closing Date as follows:

- (i) \$_____ into the Costs of Issuance Fund;
- (ii) \$_____ into the 2020 Reserve Fund equaling the initial 2020 Reserve Requirement;
- (iii) \$_____ into the Improvement Fund; and
- (iv) \$_____ into the Administrative Expense Fund

The Fiscal Agent may, in its discretion, establish a temporary fund or account to facilitate the foregoing deposits.

Section 4.02. Costs of Issuance Fund.

(A) Establishment of Costs of Issuance Fund. The Costs of Issuance Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which a deposit shall be made as required by Section 4.01. Moneys in the Costs of Issuance Fund shall be held by the Fiscal Agent for the benefit of the City and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition substantially in the form of Exhibit C hereto, executed by the Finance Director, containing respective amounts to be paid to the designated payees and delivered to the Fiscal Agent. Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

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

(D) Closing of Fund. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 90 days from the Closing Date and then the Fiscal Agent shall transfer any moneys remaining therein, including any investment earnings thereon, to the Improvement Fund and used for the purposes thereof.

Section 4.03. 2020 Reserve Fund.

(A) Establishment of Fund. The 2020 Reserve Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by Section 4.01, which deposit, as of the Closing Date, is equal to the initial 2020 Reserve Requirement with respect to the 2020 Bonds, and deposits shall be made as provided in Sections 3.06(C) and 4.05(A) and (B). Moneys in the 2020 Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2020 Bonds and any 2020 Related Parity Bonds as a reserve for the payment of the principal of, and interest and any premium on, the 2020 Bonds and any 2020 Related Parity Bonds and shall be subject to a lien in favor of the Owners of the 2020 Bonds and any 2020 Related Parity Bonds.

(B) Use of Reserve Fund. Except as otherwise provided in this Section, all amounts deposited in the 2020 Reserve Fund shall be used and withdrawn by the Fiscal Agent 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 2020 Bonds and any 2020 Related Parity Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming 2020 Bonds and any 2020 Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2020 Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2020 Bonds and any 2020 Related Parity Bonds, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount withdrawn.

(C) Transfer of Excess of Reserve Requirement. Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the 2020 Reserve Fund exceeds the 2020 Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the 2020 Reserve Fund to the Bond Fund, to be used to pay interest on the 2020 Bonds and any 2020 Related Parity Bonds on the next Interest Payment Date.

(D) Transfer for Rebate Purposes. Amounts in the 2020 Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with Section 5.11, upon receipt by the Fiscal Agent of an Officer's Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; *provided, however*, that no amounts in the 2020 Reserve Fund shall be used for rebate unless the amount in the 2020 Reserve Fund following such withdrawal equals the 2020 Reserve Requirement.

(E) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the 2020 Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2020 Bonds and all Outstanding 2020 Related Parity Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in the 2020 Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption, in accordance with Section 4.04 or 2.03 and the

provisions of the Supplemental Agreement related to the 2020 Related Parity Bonds, as applicable, of all of the Outstanding 2020 Bonds and Outstanding 2020 Related Parity Bonds. In the event that the amount so transferred from the 2020 Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2020 Bonds and Outstanding 2020 Related Parity Bonds, the balance in the 2020 Reserve Fund shall be transferred to the Finance Director to be used by the City for any lawful purpose.

Notwithstanding the provisions of the first paragraph of this Section 4.03(E), no amounts shall be transferred from the 2020 Reserve Fund under this Section 4.03(E) until after: (i) the calculation of any amounts due to the federal government under Section 5.11 and withdrawal of any such amount under Section 4.03(D) for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Fiscal Agent.

(F) Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and 2020 Bonds or any 2020 Related Parity Bonds are to be redeemed with the proceeds of such prepayment pursuant to Section 2.03(A)(iii) or a Supplemental Agreement related to any 2020 Related Parity Bonds, any resulting reduction in the 2020 Reserve Requirement shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the 2020 Bonds pursuant to Section 2.03(A)(iii) or a Supplemental Agreement related to any 2020 Related Parity Bonds. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

(G) Investment. Moneys in the 2020 Reserve Fund shall be invested by the Fiscal Agent under Section 6.01.

(H) Qualified Reserve Account Credit Instruments. The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2020 Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2020 Bonds or any 2020 Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, and upon delivery by the City to the Fiscal Agent of a written calculation of the amount permitted to be released from the 2020 Reserve Fund (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the 2020 Reserve Fund to the Improvement Fund to be used for the purposes thereof. The Fiscal Agent shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account 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 this Section. Upon the scheduled expiration of any Qualified Reserve Account Credit Instrument, the City shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or

(ii) deposit or cause to be deposited with the Fiscal Agent an amount of funds equal to the 2020 Reserve Requirement, to be derived from the first available Special Tax Revenues. If the 2020 Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Bond Fund with respect to the 2020 Bonds and any 2020 Related Parity Bonds. If the 2020 Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Bond Fund with respect to the 2020 Bonds and any 2020 Related Parity Bonds shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one or more particular series of Bonds, a separate subaccount in the 2020 Reserve Fund may be established for such series, and the calculation of the 2020 Reserve Requirement with respect to any 2020 Related Parity Bonds shall exclude the debt service on such issue of 2020 Related Parity Bonds.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2020 Reserve Fund with cash if, at any time that the 2020 Bonds are Outstanding, the Qualified Reserve Account Credit Instrument (or its provider) is downgraded or the provider becomes insolvent, if there is an unscheduled termination of the Qualified Reserve Account or if for any reason insufficient amounts are available to be drawn upon under the Qualified Reserve Account Credit Instrument; provided, however, that the City shall reimburse the provider, in accordance with the terms of the Qualified Reserve Account Credit Instrument, for any draws made thereon.

The City and the Fiscal Agent shall comply with the terms of the Qualified Reserve Account Credit Instrument as shall be required to receive payments thereunder in the event and to the extent required under this Section.

Section 4.04. Bond Fund.

(A) Establishment of Bond Fund. The Bond Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by Section 4.01, Section 4.07 and Section 4.03 and as otherwise set forth in this Agreement. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

There is also hereby created in the Bond Fund a separate account to be held by the Fiscal Agent, designated the "Special Tax Prepayments Account," to the credit of which deposits shall be made as provided in clause (iii) of the second paragraph of Section 4.05(A).

(B) Disbursements. At least 10 Business Days before each Interest Payment Date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest

on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds.

At least 5 Business Days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the Debt Service due on the Bonds on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly shall notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent shall do the following:

(i) Withdraw from the 2020 Reserve Fund, in accordance with the provisions of Section 4.03, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2020 Bonds and any 2020 Related Parity Bonds. Amounts so withdrawn from the 2020 Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not 2020 Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from any such 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 second sentence of the first paragraph of this Section 4.04(B), the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Bonds by reason of sinking payments.

(C) Disbursements from the Special Tax Prepayments Account. Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under Section 2.03(A)(iii), and notice to the Fiscal Agent can timely be given under Section 2.03(B), and shall be used (together with any amounts transferred pursuant to Section 4.03(F)) to redeem Bonds on the redemption date selected in accordance with Section 2.03.

(D) Investment. Moneys in the Bond Fund and the Special Tax Prepayments Account shall be invested under Section 6.01. Interest earnings and profits resulting from such investment shall be retained in the Bond Fund.

(E) Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable

to pay Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report to the Finance Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

(F) Excess. Any excess moneys remaining in the Bond Fund following the payment of Debt Service on the Bonds on any September 1, shall be transferred to the Special Tax Fund.

Section 4.05. Special Tax Fund.

(A) Establishment of Special Tax Fund. The Special Tax Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which the Fiscal Agent shall deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The City shall promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund.

Notwithstanding the foregoing,

(i) Special Tax Revenues in an amount not to exceed the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent in the Administrative Expense Fund;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due Debt Service on the Bonds; second, without preference or priority, for transfer to the 2020 Reserve Fund to the extent needed to increase the amount then on deposit in the 2020 Reserve Fund up to the then 2020 Reserve Requirement and for transfer to the reserve account for any Parity Bonds that are not 2020 Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and third, to be held in the Special Tax Fund for use as described in Section 4.05(B) below; and

(iii) any proceeds of Special Tax Prepayments shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Parity Bonds) shall be deposited by the Fiscal Agent to the Improvement Fund and (b) the remaining Special Tax Prepayment shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to Section 4.04(A).

(B) Disbursements. At least 7 Business Days prior to each Interest Payment Date, the Fiscal Agent 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, the 2020 Reserve Fund and any reserve account for Parity Bonds that are not 2020 Related Parity Bonds and the Special Tax Prepayments Account to the Bond Fund 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 any past due principal or interest on the Bonds not theretofore paid from a transfer described in subparagraph (ii) of the second paragraph of Section 4.05(A),

(ii) without preference or priority (a) to the 2020 Reserve Fund an amount, taking into account amounts then on deposit in the 2020 Reserve Fund, such that the amount in the 2020 Reserve Fund is equal to the 2020 Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not 2020 Related Parity Bonds, taking into account amounts then on deposit in such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts shall be applied to the 2020 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds), and

(iii) on each October 1, beginning on October 1, 2020, all of the moneys remaining in the Special Tax Fund shall be transferred to the Finance Director for deposit in accordance with the DDA and the Development Agreement.

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

Section 4.06. Administrative Expense Fund.

(A) Establishment of Administrative Expense Fund. The Administrative Expense Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which deposits shall be made as required by Section 4.01 and Section 4.05(A). Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, and shall be disbursed as provided below.

(B) Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate, in substantially the form of Exhibit D hereto, 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 such Cost of Issuance.

Annually, on the last day of each Fiscal Year, the Fiscal Agent shall withdraw from the Administrative Expense Fund and transfer to the Special Tax Fund any amount in excess of that which is needed to pay any Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, as identified by the Finance Director in an Officer's Certificate.

Proceeds of the 2020 Bonds deposited into the Administrative Expense Fund shall be spent before any other moneys in the Administrative Expense Fund.

(C) Investment. Moneys in the Administrative Expense Fund shall be invested by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the Fiscal Agent in the Administrative Expense Fund to be used for the purposes of such fund.

Section 4.07. Improvement Fund.

(A) Establishment of Improvement Fund. The Improvement Fund is hereby established as a separate fund to be held by the Fiscal Agent and to the credit of which fund deposits shall be made as required by Sections 4.01, 4.02(D) and 4.05(A).

Moneys in the Improvement Fund shall be disbursed, except as otherwise provided in subsections (B) and (D) of this Section, for the payment or reimbursement of costs of the Project.

(B) Procedure for Disbursement. Disbursements from the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form of Exhibit B attached hereto which shall:

(i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the City or any other party for Project costs previously paid), and the person to which the disbursement is to be paid; and

(ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

(C) Investment. Moneys in the Improvement Fund shall be invested in accordance with Section 6.01. Interest earnings and profits from such investment shall be retained in the Improvement Fund to be used for the purpose of such fund.

(D) Closing of Fund. When the City believes that the Project has been completed, it shall provide a written notice to the Developer that the City believes the Project has been completed and that the Improvement Fund should be closed. The Developer shall have 30 days after receipt of such notice to dispute the City's finding or to concur that the Project is complete. If the Developer concurs that the Project is complete, or fails to respond to the notice by the end of the 30-day period, the City may file an Officer's Certificate directing the Fiscal Agent to close the Improvement Fund.

Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the Improvement Fund shall be closed. Moneys transferred from the Improvement Fund to the Bond Fund shall be used to pay Debt Service on the Bonds in the manner specified by the City in an Officer's Certificate.

ARTICLE V
COVENANTS

Section 5.01. Collection of Special Tax Revenues. The City 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.

(A) Processing. On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Finance Director with a notice stating (i) the amount then on deposit in the Bond Fund, the 2020 Reserve Fund and any reserve account for Parity Bonds that are not 2020 Related Parity Bonds that is held by the Fiscal Agent, and (ii) if the amount in the 2020 Reserve Fund is less than the 2020 Reserve Requirement or the amount in such other reserve account held by the Fiscal Agent is less than its required amount, informing the City that replenishment of the 2020 Reserve Fund or reserve account is necessary. The receipt of or failure to receive such notice by the Finance Director shall in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent shall not be liable for failure to provide such notices to the Finance Director. Upon receipt of such notice, the Finance Director 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 or combinations during the preceding and then current year.

(B) Levy. The Finance Director shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 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 Improvement Area No. 1 for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director 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.

(C) Computation. The Finance Director shall fix and levy the amount of Special Taxes within Improvement Area No. 1 required to pay the following amounts, taking into account the balances in the applicable funds established under this Agreement: (i) the principal of and interest on any outstanding Bonds of the CFD with respect to Improvement Area No. 1 becoming due and payable during the ensuing calendar year, (ii) any necessary replenishment or expenditure of the 2020 Reserve Fund and any other reserve account for Parity Bonds that are not 2020 Related Parity Bonds to the extent such replenishment has not been included in the computation of the Special Taxes in a previous Fiscal Year, (iii) the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year, (iv) an amount to cure delinquencies in the payment of principal or interest on Bonds that occurred in the previous Fiscal Year, and (v) any Project costs to be paid from Special Taxes.

Nothing in this Section 5.01(C) is intended to limit the amount of Special Taxes to be levied by the City to the extent that a higher amount is required to be levied by the DDA and Development Agreement.

(D) Collection. Except as set forth in the Ordinance, 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.

Section 5.02. Covenant to Foreclose. Under the Act, the City hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about June 30 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in Improvement Area No. 1 to the amount of Special Tax Revenues theretofore received by the City, and:

(A) Individual Delinquencies. If the Finance Director determines that any single parcel subject to the Special Tax in Improvement Area No. 1 is delinquent in the payment of two installments of Special Taxes for Developed Property consisting of a Residential Unit and one installment for all other Taxable Parcels, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent parcel if (1) Improvement Area No. 1 is then participating in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq., or an equivalent procedure, (2) the amount in the 2020 Reserve Fund is at least equal to the 2020 Reserve Requirement and (3) the amount in the reserve account for any Parity Bonds that are not 2020 Related Parity Bonds is at least equal to the required amount.

(B) Aggregate Delinquencies. If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire Improvement Area No. 1 (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, determined by reference to the latest available secured property tax roll of the City, the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in Improvement Area No. 1 with a Special Tax delinquency.

The Finance Director and the City Attorney, as applicable, are hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

Section 5.03. Punctual Payment. The City 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 this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.04. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, 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.

Section 5.05. Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, or their Owners, except as permitted by this Agreement.

Section 5.06. Books and Records.

(A) City. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent (who shall have no duty to inspect) and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

(B) Fiscal Agent. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the funds, and, if any, accounts in such funds held by the Fiscal Agent hereunder. Such books of record and accounts shall at all times during business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

Section 5.07. Protection of Security and Rights of Owners. The City 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 City, the Bonds shall be incontestable by the City.

Section 5.08. Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.09. Private Activity Bond Limitations. The City shall assure that the proceeds of the 2020 Bonds are not so used as to cause the 2020 Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

Section 5.10. Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2020 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

Section 5.11. Rebate Requirement. The City shall take any and all actions necessary to assure compliance with Section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2020 Bonds. The Finance Director shall take note of any investment of monies hereunder in excess of the yield on the 2020 Bonds, and shall take such actions as are necessary to ensure compliance with this Section 5.11, such as increasing the portion of the Special Tax levy for Administrative Expenses as appropriate to have funds available in the Administrative Expense Fund to satisfy any rebate liability under this Section. If necessary to satisfy its obligations under this Section 5.11, the City may use:

- (A) Amounts in the 2020 Reserve Fund if the amount on deposit in the 2020 Reserve Fund, following the proposed transfer, is at least equal to the 2020 Reserve Requirement, and amounts in any other reserve account for Parity Bonds that are not 2020 Related Parity Bonds to the extent permitted by the Supplemental Agreement;
- (B) Amounts on deposit in the Administrative Expense Fund; and
- (C) Any other funds available to the City, including amounts advanced by the City, in its sole discretion, to be repaid as soon as practicable from amounts described in the preceding clauses (A) and (B).

Section 5.12. No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2020 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2020 Bonds would have caused the 2020 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

Section 5.13. Yield of the 2020 Bonds. In determining the yield of the 2020 Bonds to comply with Sections 5.11 and 5.12, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Special Taxes and use of prepayments for redemption of the

2020 Bonds, without regard to whether or not prepayments are received or 2020 Bonds redeemed.

Section 5.14. Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the 2020 Bonds from the gross income of the Owners of the 2020 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the 2020 Bonds.

Section 5.15. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default for the purposes of this Agreement. However, any Owner or Beneficial Owner of the 2020 Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

One or more owners of the real property in Improvement Area No. 1 as of the Closing Date may also have executed a continuing disclosure agreement for the benefit of the holders and Beneficial Owners of the 2020 Bonds. Any Participating Underwriter or Holder or Beneficial Owner may take such actions as may be necessary and appropriate directly against any such landowner to compel performance by it of its obligations thereunder, including seeking mandate or specific performance by court order; however the City shall have no obligation whatsoever to enforce any obligations under any such agreement.

Section 5.16. Limits on Special Tax Waivers and Bond Tenders. The City covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare a 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 City having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds and any Parity Bonds remaining Outstanding following such tender.

Section 5.17. City Bid at Foreclosure Sale. The City 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 City and that the Special Taxes levied on the property are payable while the City owns the property.

Section 5.18. Amendment of Rate and Method.

(A) General. The City shall not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the City shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

(B) Exception. Notwithstanding clause (A) of this section, the City may initiate proceedings to reduce the maximum Special Tax rates under the Rate and Method, if, in connection therewith: (i) the City receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the Taxable Parcels in the

CFD as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then-existing Taxable Parcels in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the sum of the estimated Administrative Expenses and 110% of Debt Service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved; (ii) the reduction does not adversely affect the financing of the Project and (iii) the City is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultants will compute the Administrative Expenses for the current Fiscal Year and escalate such amounts by 2% in each subsequent Fiscal Year.

Section 5.19. Limitation on Principal Amount of Parity Bonds. Following issuance of the 2020 Bonds in the aggregate principal amount of \$_____, the City will not issue more than \$_____ initial principal amount of Parity Bonds (exclusive of any Refunding Bonds).

ARTICLE VI

INVESTMENTS; LIABILITY OF THE CITY

Section 6.01. Deposit and Investment of Moneys in Funds.

(A) **General.** Moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall hold such funds uninvested. The Finance Director shall make note of any investment of funds hereunder in excess of the yield on the Bonds so that appropriate actions can be taken to assure compliance with Section 5.11.

(B) **Moneys in Funds.** Moneys in any fund or account created or established by this Agreement and held by the Finance Director shall be invested by the Finance Director in any Permitted Investment or in any other lawful investment for City funds, which in any event by its terms matures prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

(C) **Actions of Officials.** The Fiscal Agent and its affiliates or the Finance Director may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the Finance Director shall incur any liability for losses arising from any investments made pursuant to this Section. The Fiscal Agent shall not be required to determine the legality of any investments.

(D) **Valuation of Investments.** Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the subaccounts within the 2020 Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Tax Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Tax Code or for any determination of Fair Market Value or present value and may conclusively rely upon an Officer's Certificate as to such valuations.

(E) **Commingled Money.** Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Finance Director hereunder, provided that the Fiscal Agent or the Finance Director, as applicable, shall at

all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

(F) Confirmations Waiver. The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City periodic cash transaction statements which shall include detail for all investment transactions made by the Fiscal Agent hereunder.

(G) Sale of Investments. The Fiscal Agent or the Finance Director, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

Section 6.02. Liability of City.

(A) General. The City shall not incur any responsibility or liability in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

(B) Reliance. In the absence of bad faith, the City, including the Finance Director, 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 City by the Fiscal Agent or an Independent Financial Consultant and conforming to the requirements of this Agreement. The City, including the Finance Director, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts. The City 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 City may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

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

(D) Owner of Bonds. The City 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 or her title thereto satisfactorily established, if disputed.

Section 6.03. Employment of Agents by City. In order to perform its duties and obligations hereunder, the City may employ such persons or entities as it deems necessary or advisable. The City shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

THE FISCAL AGENT

Section 7.01. The Fiscal Agent.

(A) Appointment. The Fiscal Agent is hereby appointed as the fiscal, authentication, paying and transfer agent hereunder for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Fiscal Agent.

(B) Merger. Any company into which the Fiscal Agent 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 Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section 7.01 shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. The Fiscal Agent shall give the Finance Director written notice of any such succession hereunder.

(C) Removal. Upon 30 days written notice, the City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such bank, national banking association 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.

(D) Resignation. The Fiscal Agent may at any time resign by giving written notice to the City by certified mail return receipt requested, and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

(E) No Successor. If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section 7.01 within 45 days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

(F) Court Order. If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Finance Director of the City in trust for the benefit of the Owners. The City covenants for the direct benefit of the Owners that its

Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners of the Bonds.

Section 7.02. Liability of Fiscal Agent.

(A) General. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent 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. All indemnifications and releases from liability granted to the Fiscal Agent hereunder shall extend to the directors, officers and employees of the Fiscal Agent.

The Fiscal Agent shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

(B) Reliance. The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, documents, written instructions or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement; but in the case of any such certificates, documents, written instructions or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, facsimile transmission, electronic mail, or other paper or document which it shall reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent 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.

(C) No Duty to Inquire. The Fiscal Agent 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 City or the CFD herein or of any of the documents executed by the City or the CFD in connection with the Bonds, or as to the existence of a default or event of default thereunder.

(D) Errors in Judgment. The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer of the Fiscal Agent unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

(E) No Expenditures. No provision of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(F) No Action. The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners under this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(G) Owner of Bonds. The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

Section 7.03. Information; Books and Accounts. The Fiscal Agent shall provide to the City such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the City shall reasonably request, including but not limited to monthly statements reporting funds held and transactions by the Fiscal Agent, including the value of any investments held by the Fiscal Agent. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund, the Special Tax Fund, the 2020 Reserve Fund, the Improvement Fund and the Cost of Issuance Fund. Such books of record and accounts shall, upon reasonable notice, during business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Section 7.04. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, facsimile transmission, electronic mail, written instructions, 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 Fiscal Agent may consult with counsel, who may be the City 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, suffered or omitted by it hereunder in accordance therewith.

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

Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by an Officer's Certificate of the City, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its

discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Fiscal Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Fiscal Agent, or another method or system specified by the Fiscal Agent as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Fiscal Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Fiscal Agent Instructions using Electronic Means and the Fiscal Agent in its discretion elects to act upon such Instructions, the Fiscal Agent's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Fiscal Agent cannot determine the identity of the actual sender of such Instructions and that the Fiscal Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Fiscal Agent and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Fiscal Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

The Fiscal Agent shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

The Fiscal Agent may execute any of the duties or powers hereof and perform the duties required of it hereunder either directly or by or through attorneys or agents, and shall be entitled to rely on advice of counsel concerning all matters of its duty hereunder.

The permissive right of the Fiscal Agent to do things enumerated in this Agreement shall not be construed as a duty and it shall not be answerable for such actions other than as a result of its negligence or willful misconduct.

Section 7.05. Compensation, Indemnification. The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements,

including those of its attorneys (including the allocated costs of in-house attorneys), agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities, costs, claims or expenses, including fees and expenses of its attorneys, which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement, and payment of the Bonds and discharge of this Agreement, but any monetary obligation of the City arising under this Section shall be limited solely to amounts on deposit in the Administrative Expense Fund.

Section 7.06. Conflict of Interest. Through its execution of this Agreement, the Fiscal Agent acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Agreement.

Section 7.07. Proprietary or Confidential Information of City. The Fiscal Agent understands and agrees that, in the performance of the work or services under this Agreement or in contemplation thereof, the Fiscal Agent may have access to private or confidential information which may be owned or controlled by the City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City. The Fiscal Agent agrees that all information disclosed by the City to the Fiscal Agent shall be held in confidence and used only in performance of the Agreement, provided that, notwithstanding anything herein to the contrary, the foregoing shall not be construed to prohibit (i) disclosure of any and all information that is or becomes publicly known, or information obtained by Fiscal Agent from sources other than the other parties hereto, (ii) disclosure of any and all information (A) if required to do so by any applicable rule or regulation, (B) to any government agency or regulatory body having or claiming authority to regulate or oversee any aspects of Fiscal Agent's business or that of its affiliates, (C) pursuant to any subpoena, civil investigative demand or similar demand or request of any court, regulatory authority, arbitrator or arbitration to which Fiscal Agent or any affiliate or an officer, director, employer or shareholder thereof is a party or (D) to any affiliate, independent or internal auditor, agent, employee or attorney of Fiscal Agent having a need to know the same, provided that Fiscal Agent advises such recipient of the confidential nature of the information being disclosed, or (iii) any other disclosure authorized by the City and this Agreement. The Fiscal Agent shall exercise the same standard of care to protect such information as a reasonably prudent Fiscal Agent would use to protect its own proprietary data.

Section 7.08. Ownership of Results. Any interest of the Fiscal Agent or its subcontractors, in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by the Fiscal Agent or its subcontractors in connection with services to be performed under this Agreement, shall become the property of and will be transmitted to the City. However, the Fiscal Agent may retain and use copies for reference and as documentation of its experience and capabilities.

Section 7.09. Works for Hire. If, in connection with services performed under this Agreement, the Fiscal Agent or its subcontractors create artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys,

blueprints, source codes or any other original works of authorship, such works of authorship shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of the City. If it is ever determined that any works created by the Fiscal Agent or its subcontractors under this Agreement are not works for hire under U.S. law, the Fiscal Agent hereby assigns all copyrights to such works to the City, and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the approval of the City, the Fiscal Agent may retain and use copies of such works for reference and as documentation of its experience and capabilities.

Section 7.10. Audit and Inspection of Records. The Fiscal Agent agrees to maintain and make available to the City, during regular business hours, accurate books and accounting records relating to its work under this Agreement. The Fiscal Agent will permit the City to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Agreement, whether funded in whole or in part under this Agreement provided, however, that the Fiscal Agent shall not be required to disclose confidential or proprietary information. The Fiscal Agent shall maintain such data and records in an accessible location and condition for a period of not less than five years after final payment under this Agreement, until after final audit has been resolved, or for such longer period as required by its document retention policies and procedures, whichever is later. The State of California or any federal agency having an interest in the subject matter of this Agreement shall have the same rights conferred upon the City by this Section.

Section 7.11. Subcontracting. The Fiscal Agent is prohibited from subcontracting this Agreement or any part of it unless such subcontracting is first approved by the City in writing. Neither party shall, on the basis of this Agreement, contract on behalf of or in the name of the other party. An agreement made in violation of this provision shall confer no rights on any party and shall be null and void.

Section 7.12. Assignment. The services to be performed by the Fiscal Agent are personal in character and neither this Agreement nor any duties or obligations hereunder may be assigned or delegated by the Fiscal Agent unless first approved by the City (except pursuant to Section 7.01(E)) by written instrument executed and approved in the same manner as this Agreement provided, however, that no such approval is required for assignments pursuant to Section 7.01(E) hereof.

Section 7.13. Earned Income Credit (EIC) Forms. Administrative Code Section 120 requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found.

(a) The Fiscal Agent shall provide EIC Forms to each Eligible Employee (i.e., any employee of the Fiscal Agent who is paid at a rate that, on an annualized basis, is not greater than the EIC Limit) at each of the following times: (i) within thirty days following the date on which this Agreement becomes effective (unless the Fiscal Agent has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by the Fiscal Agent; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Agreement.

(b) Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by the Fiscal Agent of the terms of this Agreement. If, within thirty days after the Fiscal Agent receives written notice of such a breach, the Fiscal Agent fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, the Fiscal Agent fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Agreement or under applicable law.

(c) Any subcontract entered into by the Fiscal Agent shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section.

(d) Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Section 12O of the Administrative Code.

Section 7.14. Local Business Enterprise Utilization; Liquidated Damages.

(a) The LBE Ordinance. The Fiscal Agent, shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the Administrative Code as it now exists or as it may be amended in the future (collectively the "LBE Ordinance"), provided such amendments do not materially increase the Fiscal Agent's obligations or liabilities, or materially diminish the Fiscal Agent's rights, under this Agreement. Such provisions of the LBE Ordinance are incorporated by reference and made a part of this Agreement as though fully set forth in this Section. Fiscal Agent's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of the Fiscal Agent's obligations under this Agreement and shall entitle the City, subject to any applicable notice and cure provisions set forth in this Agreement, to exercise any of the remedies provided for under this Agreement, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Agreement expressly provides that any remedy is exclusive. In addition, the Fiscal Agent shall comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

(b) Compliance and Enforcement. If the Fiscal Agent willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Agreement pertaining to LBE participation, the Fiscal Agent shall be liable for liquidated damages in an amount equal to the Fiscal Agent's net profit on this Agreement, or 10% of the total amount of this Agreement, or \$1,000, whichever is greatest. The Director of the City's Human Rights Commission or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the "Director of HRC") may also impose other sanctions against the Fiscal Agent authorized in the LBE Ordinance, including declaring the Fiscal Agent to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Fiscal Agent's LBE certification. The Director of HRC will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Administrative Code Section 14B.17.

By entering into this Agreement, the Fiscal Agent acknowledges and agrees that any liquidated damages assessed by the Director of the HRC shall be payable to the City upon demand. The Fiscal Agent further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to the Fiscal Agent on any contract with the City.

The Fiscal Agent agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three years following termination or expiration of this Agreement, and shall make such records available for audit and inspection by the Director of HRC or the Controller upon request.

Section 7.15. Nondiscrimination; Penalties.

(a) Nondiscrimination in Contracts. The Fiscal Agent shall comply with the provisions of Chapters 12B and 12C of the San Francisco Administrative Code. The Fiscal Agent shall incorporate by reference in any subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require any subcontractors to comply with such provisions. The Fiscal Agent is subject to the enforcement and penalty provisions in Chapters 12B and 12C.

(c) Nondiscrimination in the Provision of Employee Benefits. San Francisco Administrative Code 12B.2. The Fiscal Agent does not as of the date of this Agreement, and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of employee benefits between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, subject to the conditions set forth in San Francisco Administrative Code Section 12B.2.

(d) Condition to Contract. As a condition to this Agreement, the Fiscal Agent shall execute the “Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits” form (Form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

Section 7.16. MacBride Principles—Northern Ireland. The provisions of Chapter 12F of the San Francisco Administrative Code are incorporated by this reference and made part of this Agreement. By entering into this Agreement, the Fiscal Agent confirms that it has read and understood that the City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

Section 7.17. Tropical Hardwood and Virgin Redwood Ban. Under San Francisco Environment Code Section 804(b), the City urges the Fiscal Agent not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

Section 7.18. Alcohol and Drug-Free Workplace . The City reserves the right to deny access to, or require the Fiscal Agent to remove from, City facilities personnel of such Fiscal Agent who the City has reasonable grounds to believe has engaged in alcohol abuse or illegal drug activity which in any way impairs the City’s ability to maintain safe work facilities or to protect the health and well-being of City employees and the general public. The City shall have the right of final approval for the entry or re-entry of any such person previously denied access to, or removed from, City facilities. Illegal drug activity means possessing, furnishing, selling, offering, purchasing, using or being under the influence of illegal drugs or other controlled substances for which the individual lacks a valid prescription. Alcohol abuse means possessing, furnishing, selling, offering, or using alcoholic beverages, or being under the influence of alcohol.

Section 7.19. Resource Conservation. Chapter 5 of the San Francisco Environment Code (“Resource Conservation”) is incorporated herein by reference. Failure by Fiscal Agent to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

Section 7.20. Compliance with Americans with Disabilities Act. The Fiscal Agent shall provide the services specified in the Agreement in a manner that complies with the Americans with Disabilities Act (ADA), including but not limited to Title II’s program access requirements, and all other applicable federal, state and local disability rights legislation.

Section 7.21. Sunshine Ordinance. The Fiscal Agent acknowledges that this Agreement and all records related to its formation, such Fiscal Agent’s performance of services provided under the Agreement, and the City’s payment are subject to the California Public Records Act, (California Government Code Section 6250 et. seq.), and the San Francisco Sunshine Ordinance, (San Francisco Administrative Code Chapter 67). Such records are subject to public inspection and copying unless exempt from disclosure under federal, state or local law.

Section 7.22. Public Access to Meetings and Records. Only if the Fiscal Agent receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the Administrative Code, the Fiscal Agent shall comply with and be bound by all the applicable provisions of that Chapter and this Section 11.26; otherwise it will not be required to comply with or be bound by Chapter 12L of the Administrative Code and this Section 11.26. By executing this Agreement, the Fiscal Agent agrees to open its meetings and records to the public in the manner set forth in Sections 12L.4 and 12L.5 of the Administrative Code. The Fiscal Agent further agrees to make good faith efforts to promote community membership on its Board of Directors in the manner set forth in Section 12L.6 of the Administrative Code. The Fiscal Agent acknowledges that its material failure to comply with any of the provisions of this paragraph shall constitute a material breach of this Agreement. The Fiscal Agent further acknowledges that such material breach of the Agreement shall be grounds for the City to terminate and/or not renew the Agreement, partially or in its entirety.

Section 7.23. Limitations on Contributions. By executing this Agreement, the Fiscal Agent acknowledges its obligations under Section 1.126 of the City’s Campaign and Governmental Conduct Code, which prohibits any person who contracts with, or is seeking a contract with, any department of the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, for a grant, loan or loan guarantee, or for a development agreement, from making any campaign contribution to (1) a City elected official if the contract must be approved by that official, a board on which that official serves, or the board of a state agency on which an appointee of that official serves, (2) a candidate for that City elective office, or (3) a committee controlled by such elected official or a candidate for that office, at any time from the submission of a proposal for the contract until the later of either the termination of negotiations for such contract or twelve months after the date the City approves the contract. The prohibition on contributions applies to each prospective party to the contract; each member of the Fiscal Agent’s board of directors; the Fiscal Agent’s chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 10% in the Fiscal Agent any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Fiscal Agent. The Fiscal Agent certifies that it has informed each such person of the limitation on contributions imposed by

Section 1.126 by the time it submitted a proposal for such contract, and has provided the names of the persons required to be informed to the City department with whom it is contracting.

Section 7.24. Requiring Minimum Compensation for Covered Employees. The Fiscal Agent shall pay covered employees no less than the minimum compensation required by San Francisco Administrative Code Chapter 12P. The Fiscal Agent is subject to the enforcement and penalty provisions in San Francisco Administrative Chapter 12P. By entering into this Agreement, the Fiscal Agent certifies that it is in compliance with San Francisco Administrative Chapter 12P.

Section 7.25. Requiring Health Benefits for Covered Employees. The Fiscal Agent shall comply with San Francisco Administrative Code Chapter 12Q. The Fiscal Agent shall choose and perform one of the Health Care Accountability options set forth in San Francisco Administrative Code Chapter 12Q.3. The Fiscal Agent is subject to the enforcement and penalty provisions in Chapter 12Q.

Section 7.26. Prohibition on Political Activity with City Funds. In performing the services provided under the Agreement, the Fiscal Agent shall comply with San Francisco Administrative Code Chapter 12G, which prohibits funds appropriated by the City for this Agreement from being expended to participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure. The Fiscal Agent is subject to the enforcement and penalty provisions in Chapter 12G.

Section 7.27. Preservative-treated Wood Containing Arsenic. The Fiscal Agent may not purchase preservative-treated wood products containing arsenic in the performance of this Fiscal Agent Agreement unless an exemption from the requirements of Chapter 13 of the San Francisco Environment Code is obtained from the Department of the Environment under Section 1304 of the Code. The term “preservative-treated wood containing arsenic” shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. The Fiscal Agent may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of the Environment. This provision does not preclude the Fiscal Agent from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term “saltwater immersion” shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

Section 7.28. Nondisclosure of Private, Proprietary or Confidential Information. If this Agreement requires the City to disclose “Private Information” to the Fiscal Agent within the meaning of San Francisco Administrative Code Chapter 12M, the Fiscal Agent shall use such information consistent with the restrictions stated in San Francisco Administrative Code Chapter 12M and in this Agreement and only as necessary in performing the services provided under the Agreement. The Fiscal Agent is subject to the enforcement and penalty provisions in San Francisco Administrative Code Chapter 12M.

In the performance of services provided under the Agreement, the Fiscal Agent may have access to the City’s proprietary or confidential information, the disclosure of which to third parties may damage the City. If the City discloses proprietary or confidential information to the Fiscal Agent, such information must be held by such Fiscal Agent in confidence and used only in performing the Agreement. The Fiscal Agent shall exercise the same standard of care to protect

such information as a reasonably prudent contractor would use to protect its own proprietary or confidential information.

Section 7.29. Food Service Waste Reduction Requirements. Effective June 1, 2007, the Fiscal Agent agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance applicable to contractors with the City, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Fiscal Agent Agreement as though fully set forth. This provision is a material term of this Fiscal Agent Agreement. By entering into this Agreement, the Fiscal Agent agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Fiscal Agent agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Fiscal Agent Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Fiscal Agent's failure to comply with this provision.

Section 7.30. Graffiti Removal.

(A) Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and County and its residents, and to prevent the further spread of graffiti.

(B) The Fiscal Agent shall remove all graffiti from any real property owned or leased by the Fiscal Agent in the City within forty eight (48) hours of the earlier of the Fiscal Agent's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require the Fiscal Agent to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

Section 7.31. Slavery Era Disclosure.

(A) The Fiscal Agent acknowledges that this Agreement shall not be binding upon the City until the Director receives the affidavit required by the San Francisco Administrative Code's Chapter 12Y, "San Francisco Slavery Era Disclosure Ordinance."

(B) In the event the Director of Administrative Services finds that the Fiscal Agent has failed to file an affidavit as required by Section 12Y.4(a) and this Agreement, or has willfully filed a false affidavit, the Fiscal Agent shall be liable for liquidated damages in an amount equal to the Fiscal Agent's net profit on the Agreement, 10% of the total amount paid to the Fiscal Agent under the Agreement, or \$1,000, whichever is greatest as determined by the Director of Administrative Services. The Fiscal Agent acknowledges and agrees that the liquidated damages assessed shall be payable to the City upon demand and may be set off against any monies due to the Fiscal Agent from any agreement with the City.

(C) The Fiscal Agent shall maintain records necessary for monitoring its compliance with this provision.

Section 7.32. Qualified Personnel. The Fiscal Agent's work under this Agreement shall be performed only by competent personnel under the supervision of and in the employment of the Fiscal Agent. The Fiscal Agent will comply with the City's reasonable requests regarding assignment of personnel, but all personnel, including those assigned at the City's request, must be supervised by the Fiscal Agent.

Section 7.33. Responsibility for Equipment. The City shall not be responsible for any damage to persons or property as a result of the use, misuse or failure of any equipment used by the Fiscal Agent, or by any of its employees, even though such equipment be furnished, rented or loaned to the Fiscal Agent by the City.

Section 7.34. Independent Contractor; Payment of Taxes and Other Expenses.

(A) Independent Contractor. The Fiscal Agent or any agent or employee of the Fiscal Agent shall be deemed at all times to be an independent contractor and is wholly responsible for the manner in which it performs the services and work requested by City under this Agreement. The Fiscal Agent or any agent or employee of the Fiscal Agent shall not have employee status with the City, nor be entitled to participate in any plans, arrangements, or distributions by the City pertaining to or in connection with any retirement, health or other benefits that the City may offer its employees. Contractor or any agent or employee of the Fiscal Agent is liable for the acts and omissions of itself, its employees and its agents. The Fiscal Agent shall be responsible for all obligations and payments, whether imposed by federal, state or local law, including, but not limited to, FICA, income tax withholdings, unemployment compensation, insurance, and other similar responsibilities related to the Fiscal Agent's performing services and work, or any agent or employee of the Fiscal Agent providing same. Nothing in this Agreement shall be construed as creating an employment or agency relationship between the City and the Fiscal Agent or any agent or employee of the Fiscal Agent. Any terms in this Agreement referring to direction from the City shall be construed as providing for direction as to policy and the result of the Fiscal Agent's work only, and not as to the means by which such a result is obtained. The City does not retain the right to control the means or the method by which Contractor performs work under this Agreement.

(B) Payment of Taxes and Other Expenses. Should the City, in its discretion, or a relevant taxing authority such as the Internal Revenue Service or the State Employment Development Division, or both, determine that the Fiscal Agent is an employee for purposes of collection of any employment taxes, the amounts payable under this Agreement shall be reduced by amounts equal to both the employee and employer portions of the tax due (and offsetting any credits for amounts already paid by the Fiscal Agent which can be applied against this liability). The City shall then forward those amounts to the relevant taxing authority. Should a relevant taxing authority determine a liability for past services performed by the Fiscal Agent for the City, upon notification of such fact by City, Contractor shall promptly remit such amount due or arrange with the City to have the amount due withheld from future payments to the Fiscal Agent under this Agreement (again, offsetting any amounts already paid by the Fiscal Agent which can be applied as a credit against such liability). A determination of employment status pursuant to the preceding two paragraphs shall be solely for the purposes of the particular tax in question, and for all other purposes of this Agreement, the Fiscal Agent shall not be considered an employee of the City. Notwithstanding the foregoing, should any court, arbitrator, or administrative authority determine that the Fiscal Agent is an employee for any other purpose, then the Fiscal Agent agrees to a reduction in City's financial liability so that City's total expenses under this Agreement are not greater than they would have been had the court, arbitrator, or administrative authority determined that Contractor was not an employee.

Section 7.35. Consideration of Criminal History in Hiring and Employment Decisions. The Fiscal Agent agrees to comply fully with and be bound by all of the provisions of Chapter 12T, "City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions," of the San Francisco Administrative Code ("Chapter 12T"), including the remedies provided, and implementing regulations, as may be amended from time to time. The provisions of Chapter 12T are incorporated by reference and made a part of this Agreement. The text of Chapter 12T is available on the web at <http://sfgov.org/olse/fco>. A partial listing of some of the Fiscal Agents' obligations under Chapter 12T is set forth in this Section. The Fiscal Agent is required to comply with all of the applicable provisions of Chapter 12T, irrespective of the listing of obligations in this Section. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12T.

The requirements of Chapter 12T shall only apply to the Fiscal Agent's operations to the extent those operations are in furtherance of the performance of this Agreement, shall apply only to applicants and employees who would be or are performing work in furtherance of this Agreement, and shall apply when the physical location of the employment or prospective employment of an individual is wholly or substantially within the City of San Francisco which excludes City property. Chapter 12T shall not apply when the application in a particular context would conflict with federal or state law or with a requirement of a government agency implementing federal or state law.

Section 7.36. Submitting False Claims; Monetary Penalties. The full text of San Francisco Administrative Code §§ 21.35, including the enforcement and penalty provisions, is incorporated into this Agreement. Under San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for the statutory penalties set forth in that section. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses,

or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

Section 7.37. Conflict of Interest. By entering into the Agreement, the Fiscal Agent certifies that it does not know of any fact which constitutes a violation of Section 15.103 of the City's Charter; Article III, Chapter 2 of City's Campaign and Governmental Conduct Code; Title 9, Chapter 7 of the California Government Code (Section 87100 et seq.), or Title 1, Division 4, Chapter 1, Article 4 of the California Government Code (Section 1090 et seq.), and further agrees promptly to notify the City if it becomes aware of any such fact during the term of this Agreement.

Section 7.38. Assignment. The services provided under the Agreement to be performed by the Fiscal Agent are personal in character and neither this Agreement nor any duties or obligations may be assigned or delegated by the Fiscal Agent unless first approved by the City by written instrument executed and approved in the same manner as this Agreement. Any purported assignment made in violation of this provision shall be null and void.

Section 7.39. Food Service Waste Reduction Requirements. The Fiscal Agent shall comply with the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including but not limited to the provided remedies for noncompliance.

Section 7.40. Cooperative Drafting. This Agreement has been drafted through a cooperative effort of the City and the Fiscal Agent, and all parties have had an opportunity to have the Agreement reviewed and revised by legal counsel. No party shall be considered the drafter of this Agreement, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Agreement.

Section 7.41. Laws Incorporated by Reference. The full text of the laws listed in this Section 7, including enforcement and penalty provisions, are incorporated into this Agreement by reference. The full text of the San Francisco Municipal Code provisions incorporated by reference in this Section 7 are available at www.sfgov.org under "Open Gov."

Section 7.42. Sugar-Sweetened Beverage Prohibition. To the extent that the City repeals any provision of the Administrative Code incorporated, set forth or referenced in Sections 7.06 through 7.35 hereof, other than pursuant to a restatement or amendment of any such provision, such provision, as incorporated, set forth or referenced herein, shall no longer apply to this Agreement or the Fiscal Agent.

Section 7.43. First Source Hiring Program. The Fiscal Agent must comply with all of the provisions of the First Source Hiring Program, Chapter 83 of the San Francisco Administrative Code, that apply to this Agreement, and the Fiscal Agent is subject to the enforcement and penalty provisions in Chapter 83.

Section 7.44. Prevailing Wages. Services to be performed by the Fiscal Agent under this Agreement may involve the performance of trade work covered by the provisions of Section 6.22(e) of the Administrative Code or Section 21C (collectively, "Covered Services"). The provisions of Section 6.22(e) and 21C of the Administrative Code are incorporated as provisions of this Agreement as if fully set forth herein and will apply to any Covered Services performed by the Fiscal Agent.

Section 7.45. Repeal of Administrative Code Provisions. To the extent that the City repeals any provision of the Administrative Code incorporated, set forth or referenced in Sections 7.06 through 7.35 hereof, other than pursuant to a restatement or amendment of any such provision, such provision, as incorporated, set forth or referenced herein, shall no longer apply to this Agreement or the Fiscal Agent.

Section 7.46. Non-Waiver of Rights. The omission by the City at any time to enforce any default or right reserved to it under this Article VII, or to require performance of any of the terms, covenants, or provisions set forth in this Article VIII, shall not be a waiver of any such default or right to which the City is entitled, nor shall it in any way affect the right of the City to enforce such provisions thereafter.

ARTICLE VIII

MODIFICATION OR AMENDMENT

Section 8.01. Amendments Permitted.

(A) With Consent. This Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City 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 City 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 Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof.

(B) Without Consent. This Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City herein, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect;

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

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exclusion from gross income for federal income tax purposes of interest on the Bonds;

(v) in connection with the issuance of any Parity Bonds under and pursuant to Section 3.06.

(C) Fiscal Agent's Consent. Any amendment of this Agreement may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of this Section 8.01 and the Fiscal Agent may conclusively rely on such opinion and shall be absolutely protected in so relying.

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

Section 8.03. Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01(A), to take effect when and as provided in this Section 8.03. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent, at the expense of the City, to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section 8.03 provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section 8.03 provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section 8.03 provided for has been mailed.

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

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII. Upon request of the Fiscal Agent, the City shall specify in a certificate to the Fiscal Agent those Bonds disqualified pursuant to this Section and the Fiscal Agent may conclusively rely on such certificate.

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

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments. The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

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

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the City, the Fiscal Agent and the Owners, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 9.02. Successor and Predecessor. Whenever in this Agreement or any Supplemental Agreement either the City or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Discharge of Agreement. The City may pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

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

(B) by depositing with the Fiscal Agent at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the 2020 Reserve Fund hereof, is fully sufficient to pay all Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent cash and/or Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund and the 2020 Reserve Fund (to the extent invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City 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 and notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in this Agreement and all other obligations of the City under this Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

Notwithstanding the foregoing, the following obligations and pledges of the City shall continue in any event: (i) the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the City to pay amounts owing to the Fiscal Agent pursuant to Section 7.05, and (iii) the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

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

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration, consent or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

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

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registration books maintained by the Fiscal Agent under Section 2.07.

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

Section 9.05. Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.06. Notices to and Demands on City and Fiscal Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the City may be given or served by facsimile transmission receipt of which has been confirmed or by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the City with the Fiscal Agent) as follows:

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall, Room 336
San Francisco, CA 94102
Attn: Controller

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the City to or on the Fiscal Agent may be given or served by facsimile transmission receipt of which has been confirmed or by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Fiscal Agent with the City) as follows:

Zions Bancorporation, National Association
Corporate Trust Department
550 South Hope Street, Suite 2875
Los Angeles, CA 90071

Section 9.07. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held by a court of competent jurisdiction to be illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement.

Section 9.08. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payment of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the City as its absolute property, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the City for the payment of the principal of, and interest and any premium on, such Bonds. Any right of any Owner to look to the City for such payment shall survive only so long as required under applicable law.

Section 9.09. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State applicable to contracts made and performed in the State.

Section 9.10. Conflict with Act. In the event of a conflict between any provision of this Agreement with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 9.11. Conclusive Evidence of Regularity. Bonds issued under this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 9.12. Payment on Business Day. In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds, or the date fixed for redemption of any Bonds, or the date any action is to be taken under this Agreement, is other than a Business Day, the payment of interest or principal (and premium, if any) or the action shall be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

Section 9.13. State Reporting Requirements. In addition to Section 5.15, the following requirements shall apply to the Bonds:

(A) Annual Reporting. Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the 2020 Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Finance Director shall

cause the information required by California Government Code Section 53359.5(b) to be supplied to CDIAC. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

(B) Other Reporting. If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds due to insufficiency of funds on deposit in the Bond Fund, or if funds are withdrawn from the 2020 Reserve Fund to pay principal and interest on the Bonds so as to reduce the amount in the 2020 Reserve Fund to less than the 2020 Reserve Requirement, the Fiscal Agent shall notify the Finance Director of such failure or withdrawal in writing. The Finance Director shall notify CDIAC and the Original Purchasers of such failure or withdrawal within 10 days of such failure or withdrawal.

(C) Special Tax Reporting. The Finance Director shall file a report with the City no later than the January 1 firstsucceeding the date of the 2020 Bonds, and at least once a year thereafter, which annual report shall contain: (i) the amount of Special Taxes collected and expended with respect to the CFD, (ii) the amount of Bond proceeds collected and expended with respect to the CFD, and (iii) the status of the Project. It is acknowledged that the Special Tax Fund and the Special Tax Prepayments Account are the accounts into which Special Taxes collected on the City will be deposited for purposes of Section 50075.1(c) of the California Government Code, and the funds and accounts listed in Section 4.01 are the funds and accounts into which Bond proceeds will be deposited for purposes of Section 53410(c) of the California Government Code, and the annual report described in the preceding sentence is intended to satisfy the requirements of Sections 50075.1(d), 50075.3(d) and 53411 of the California Government Code.

(D) Compliance with Section 53343.2. The City shall comply with the provisions of California Government Code Section 53343.2, which require the City, within seven months after the last day of each fiscal year of the CFD, to display prominently on its Internet Web site all of the following information:

(a) A copy of an annual report for that fiscal year if requested pursuant to Section 53343.1.

(b) A copy of the report provided to the California Debt and Investment Advisory Commission pursuant to Section 53359.5.

(c) A copy of the report provided to the Controller's office pursuant to Section 12463.2.

(E) Amendment. The reporting requirements of this Section 9.13 shall be amended from time to time, without action by the City or the Fiscal Agent (i) with respect to subparagraphs (A) and (B) above, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act, (ii) with respect to subparagraph (C) above, to reflect any amendments to Section 50075.1, 50075.3, 53410 or 53411 of the California Government Code and (iii) with respect to subparagraph (D) above, to reflect any amendments to Section 53343.2. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the City's obligations under the Continuing Disclosure Certificate. The City shall notify the Fiscal Agent in writing of any such amendments which affect the reporting obligations of the Fiscal Agent under this Agreement.

(E) No Liability. None of the City and its officers, agents and employees, the Finance Director or the Fiscal Agent shall be liable for any inadvertent error in reporting the information required by this Section 9.13.

The Finance Director shall provide copies of any such reports to any Bondowner upon the written request of a Bondowner and payment by the person requesting the information of the cost of the City to photocopy and pay any postage or other delivery cost to provide the same, as determined by the Finance Director. The term "Bondowner" for purposes of this Section 9.13 shall include any Beneficial Owner of the Bonds as described in Section 2.10.

Section 9.14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

* * * * *

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this Agreement to be executed as of the date first written above.

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(Treasure Island)

By: _____
Director of the Office of Public Finance

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Officer

EXHIBIT A

FORM OF 2020 Bond

No. ____

\$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO**

**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2016-1
(Treasure Island)
Special Tax Bond, Series 2020**

| INTEREST RATE | MATURITY DATE | DATED DATE | CUSIP |
|----------------------|----------------------|-------------------|--------------|
| _____% | September 1, _____ | _____, 2020 | _____ |

REGISTERED OWNER:

PRINCIPAL AMOUNT: *****DOLLARS

The City and County of San Francisco (the "City") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)" (the "CFD") with respect to its "Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)" ("Improvement Area No. 1"), for value received, hereby promises to pay solely from the Special Tax Revenues (as defined in the hereinafter defined Agreement) to be collected in Improvement Area No. 1 or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to August 15, 2020, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each March 1 and September 1, commencing March 1, 2021 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent (defined below) mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the

close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$_____ approved by resolutions of the Board of Supervisors of the City on January 24, 2017 and _____, 2020 (together, the "Resolution"), under the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, *et seq.*, of the California Government Code (the "Act") for the purpose of funding certain facilities for the City, and is one of the series of bonds designated "Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of _____ 1, 2020 (the "Agreement"), between the City and Zions Bancorporation, National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act, the Resolution and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Act to be collected within Improvement Area No. 1 (the "Special Tax") and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Optional Redemption. The Bonds maturing on or after September 1, _____ are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date on or after September 1, _____, as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

| <u>Redemption Dates</u> | <u>Redemption Price</u> |
|---|-------------------------|
| September 1, _____ through August 31, _____ | _____% |
| September 1, _____ through August 31, _____ | _____ |
| September 1, _____ through August 31, _____ | _____ |
| September 1, _____ and any date thereafter | _____ |

Mandatory Sinking Fund Redemption. The Term Bond maturing on September 1, _____, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

| | |
|--|--|
| Sinking Fund Redemption Date <u>(September 1)</u> _____ _____ ____ (maturity) | Sinking Fund <u>Payments</u> \$_____ _____ _____ |
|--|--|

The Term Bond maturing on September 1, _____, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

| | |
|--|--|
| Sinking Fund Redemption Date <u>(September 1)</u> _____ _____ ____ (maturity) | Sinking Fund <u>Payments</u> \$_____ _____ _____ |
|--|--|

Provided, however, if some but not all of the Term Bonds of a given maturity have been redeemed as a result of an optional redemption or a redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments relating to such maturity shall be reduced by the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the City, notice of which determination shall be given by the City to the Fiscal Agent.

Redemption From Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the 2020 Reserve Fund shall be used to redeem Bonds on the next Interest Payment Date for which notice of redemption can timely be given under the Fiscal Agent Agreement, among maturities so as to maintain substantially the same Debt Service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Dates</u> | <u>Redemption Price</u> |
|---|-------------------------|
| Any Interest Payment Date on or before March 1, _____ | _____% |
| September 1, _____ and March 1, _____ | _____ |
| September 1, _____ and March 1, _____ | _____ |
| September 1, _____ and any Interest Payment Date thereafter | _____ |

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement.

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

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

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

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

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

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

IN WITNESS WHEREOF, City and County of San Francisco has caused this Bond to be to be signed by the facsimile signature of its Mayor and countersigned by the facsimile signature of the Clerk.

Clerk of the Board of Supervisors

Mayor

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the Agreement which has been authenticated on _____, 2020.

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____
_____, attorney, to transfer the same on the registration books of the Fiscal Agent, with
full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed
by an eligible guarantor.

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

EXHIBIT B

**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2016-1
(Treasure Island)
Special Tax Bonds, Series 2020**

**OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT FROM IMPROVEMENT
FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a chartered city organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of _____ 1, 2020 (the "Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent");

(iii) under Section 4.07(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Improvement Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project cost (as Project is defined in the Fiscal Agent Agreement) as described on attached Schedule A;

(iv) the disbursements described on the attached Schedule A are properly chargeable to the Improvement Fund; and

(v) no portion of the amount herein requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

| Payee Name and Address | Purpose of Obligation | Amount | Account from which Amounts should be paid |
|-----------------------------------|------------------------------|---------------|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

EXHIBIT C

**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2016-1 (Treasure Island)
Special Tax Bonds, Series 2020**

**OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT
FROM COSTS OF ISSUANCE FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a chartered city organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of _____ 1, 2020 (the "Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent");

(iii) under Section 4.02(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Costs of Issuance Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of Costs of Issuance (as that term is defined in the Fiscal Agent Agreement) as described on attached Schedule A; and

(iv) the disbursements described on the attached Schedule A constitute Costs of Issuance, and are properly chargeable to the Costs of Issuance Fund.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

Payee Name and Address

Purpose of Obligation

Amount

EXHIBIT D

**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2016-1 (Treasure Island)
Special Tax Bonds, Series 2020**

**OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT
FROM ADMINISTRATIVE EXPENSE FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a chartered city organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of _____ 1, 2020 (the "Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent");

(iii) under Section 4.06(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Administrative Expense Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of an Administrative Expense or Costs of Issuance (as those terms are defined in the Fiscal Agent Agreement) as described on attached Schedule A;

(iv) the disbursements described on the attached Schedule A constitute Administrative Expenses or Costs of Issuance, and are properly chargeable to the Administrative Expense Fund; and

(v) any proceeds of the 2020 Bonds in the Administrative Expense Fund shall be disbursed before any other moneys in the Administrative Expense Fund.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

Payee Name and Address

Purpose of Obligation

Amount

**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2020**

BOND PURCHASE AGREEMENT

_____, 2020

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated (the “Representative”), on behalf of itself and Backstrom McCarley Berry & Co., LLC (together, the “Underwriters”), hereby offers to enter into this agreement (this “Purchase Agreement”) with the City and County of San Francisco (the “City”) in connection with the sale by the City on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) of the Bonds (defined below). This offer is made subject to the acceptance by the City and execution and delivery of this Purchase Agreement on or before 11:59 p.m., California time, on the date hereof and, if not so accepted by the City, will be subject to withdrawal by the Underwriters upon written notice (by e-mail or otherwise) from the Underwriters delivered to the City at any time prior to the acceptance of this Purchase Agreement by the City. If the Underwriters withdraw this offer, or the Underwriters’ obligation to purchase the Bonds (defined below) is otherwise terminated pursuant to Section 11 hereof, then the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 12(a) hereof, and the City shall be free to sell the Bonds to any other party. Capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the respective meanings set forth in the Official Statement (defined below) or in the Fiscal Agent Agreement (defined below).

The Underwriters represent and warrant that this Purchase Agreement, assuming due and legal execution and delivery thereof by, and validity against, the City, when executed by the Underwriters, will be a legal, valid and binding obligation of the Underwriters enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors’ rights generally.

The City acknowledges and agrees that (a) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length, commercial transaction between the City and the Underwriters in which each Underwriter is acting solely as a principal and is not acting as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934, as amended), financial advisor, fiscal consultant or fiduciary of the City and the District; (b) the Underwriters have not assumed any advisory or fiduciary responsibility to the City or the District with respect to the Purchase Agreement, the offering of the Bonds and the discussions, undertakings

and procedures leading thereto (irrespective of whether any Underwriter, or any affiliate of an Underwriter, has provided other services or is currently providing other services to the City or the District on other matters); (c) the Underwriters have financial and other interests that differ from those of the City or the District; and (d) the City and the District have consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth in this Purchase Agreement, the Underwriters hereby agree to purchase from the City, and the City agrees to sell and deliver on behalf of the District to the Underwriters, all (but not less than all) of the \$_____ aggregate principal amount of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “Bonds”).

Section 2. Purchase Price. The “Net Purchase Price” for the Bonds shall be \$_____ (calculated as the aggregate principal amount of the Bonds in the amount of \$_____, less an original issue discount in the amount of \$_____ and less underwriters’ discount in the amount of \$_____).

The Bonds will be dated their date of delivery and will mature, subject to prior redemption, on September 1 in each year, in the amounts as set forth in Schedule I attached hereto. The Bonds will be subject to redemption prior to maturity as shown on Schedule I. The Bonds will bear interest at the interest rates set forth in Schedule I. Interest shall be payable on each March 1 and September 1, commencing September 1, 2020 until maturity or earlier redemption.

Interest on the Bonds will be excluded from gross income for federal income tax purposes and exempt from State of California (the “State”) personal income taxes, all as further described in the Official Statement, dated the date hereof, and relating to the Bonds, as further defined below.

Section 3. Preliminary Official Statement and Official Statement. The City ratifies, approves and confirms the distribution of the Preliminary Official Statement with respect to the Bonds, dated _____, 2020 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the “Preliminary Official Statement”), in connection with the offering and sale of the Bonds by the Underwriters prior to the availability of the Official Statement. The City represents that the Preliminary Official Statement was deemed final as of its date for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity date, delivery date, ratings and other terms of the Bonds permitted to be excluded from the Preliminary Official Statement by Rule 15c2-12 (the “Excluded Information”). The City shall provide the Underwriters, within seven business days from the date hereof (but in any event at least three business days prior to the Closing Date (as defined herein)) whichever occurs first), of the Official Statement, dated the date hereof in the form of the Preliminary Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12 and any supplements to such Official Statement as have been approved by the City and the Underwriters (which approval shall not be unreasonably withheld), in sufficient quantities and/or in a designated electronic format (as defined in Municipal Securities Rulemaking Board Rule G-32) to enable the Underwriters to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board (the “MSRB”). The City authorizes and approves the

distribution by the Underwriters of the Official Statement in connection with the offering and sale of the Bonds. The City authorizes the Representative to file, and the Representative hereby agrees to file at or prior to the Closing Date, the Official Statement with the MSRB, or its designees in accordance with MSRB Rule G-32. The Official Statement, including the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the "Official Statement."

Section 4. Authorization of the Bonds. The Bonds will be issued by the City on behalf of the District pursuant to the provisions of a Fiscal Agent Agreement, dated as of March 1, 2020 (together, the "Fiscal Agent Agreement"), by and between the City and _____, as fiscal agent (the "Fiscal Agent"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California) (the "Act") and Resolution No. 12-17, which was approved by the Board of Supervisors on January 24, 2017 and signed by the Mayor on February 3, 2017, as supplemented by Resolution No. _____, which was approved by the Board of Supervisors on _____, 2020 and signed by the Mayor on _____, 2020 (collectively, the "City Resolution").

Section 5. The Bonds. The proceeds of the Bonds are expected to be used to finance the acquisition of certain public facilities and improvements authorized to be financed by the District for Improvement Area No. 1 located therein. In addition, the Bonds are being issued to (i) fund a debt service reserve fund securing the Bonds; [(ii) capitalize a portion of the interest on the Bonds;] (iii) fund certain administrative expenses of the District; and (iv) fund costs of issuance, all as further described herein.

Section 6. City Representations, Covenants and Agreements. The City represents and covenants and agrees with the Underwriters that as of the date hereof:

(a) The City has full legal right, power and authority to enter into the Fiscal Agent Agreement, this Purchase Agreement and the Continuing Disclosure Certificate (as hereinafter defined) (the Fiscal Agent Agreement, this Purchase Agreement and the Continuing Disclosure Certificate are collectively referred to herein as the "City Documents") and to observe and perform the covenants and agreements in the City Documents; by all necessary official action of the City, the City has duly adopted the City Resolution prior to the acceptance hereof; the City Resolution and the resolutions and ordinance listed on Exhibit F (together with the City Resolution, the "Resolutions and Ordinance") are in full force and effect and have not been amended, modified, rescinded or challenged by referendum; the City has recorded the notice of special tax lien (the "Notice of Special Tax Lien") on the real property records of the City which established a continuing lien on the land within the District securing the payment of the Special Tax; the City has duly authorized and approved the execution and delivery of, and the performance by the City of its obligations contained in, the City Documents; the City has duly authorized and approved the delivery of the Preliminary Official Statement and the execution and delivery of the Official Statement; and the City is in compliance in all material respects with the obligations in connection with the execution and delivery of the Bonds on its part contained in the Fiscal Agent Agreement.

(b) The District is a community facilities district duly organized and validly existing under the laws of the State.

(c) As of the date thereof and as of the date hereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company (“DTC”) and its book-entry-only system, information under the captions “THE TREASURE ISLAND PROJECT—TICD and the Treasure Island Project,” “IMPROVEMENT AREA NO. 1—Ownership of Property in Improvement Area No. 1,” “—Phase Development and Financing Plan” and “—Merchant Builder Development and Financing Plan” and “UNDERWRITING,” and the Excluded Information) did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(d) From the date of delivery of the Official Statement up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system, information provided by the Underwriters for inclusion therein, including without limitation the information under the caption “UNDERWRITING” and information under the captions “THE TREASURE ISLAND PROJECT—TICD and the Treasure Island Project,” “IMPROVEMENT AREA NO. 1—Ownership of Property in Improvement Area No. 1,” “—Phase Development and Financing Plan” and “—Merchant Builder Development and Financing Plan” and the CUSIP numbers) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For purposes of this Purchase Agreement, the end of the underwriting period shall be deemed to be the Closing Date, unless the Underwriters shall have notified the City to the contrary on or prior to such date.

(e) If the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the Closing Date or the end of the underwriting period, as the case may be, the Official Statement as so supplemented or amended (except for information regarding DTC and its book-entry-only system and information provided by the Underwriters for inclusion therein, including, without limitation, the information under the caption “UNDERWRITING” and information under the captions “THE TREASURE ISLAND PROJECT—TICD and the Treasure Island Project,” “IMPROVEMENT AREA NO. 1—Ownership of Property in Improvement Area No. 1,” “—Phase Development and Financing Plan” and “—Merchant Builder Development and Financing Plan” and the CUSIP numbers) will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(f) If between the date of delivery of the Official Statement and the date that is 25 days after the end of the underwriting period (i) any event shall occur or any fact or condition shall become known to the City that would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriters thereof; and (ii) if in the reasonable opinion of the City or the Underwriters such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense supplement or amend the

Official Statement in a form and in a manner approved by the Underwriters, which approval shall not be unreasonably withheld.

(g) The City is not in material violation of, or in material breach of or in material default under, any applicable constitutional provision, charter provision, law or administrative regulation or order of the State or the United States of America or any applicable judgment or court decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the City is a party or to which the City or any of its properties is otherwise subject which violation, breach or default would have a material adverse effect on the City's financial condition or its ability to collect and pledge the Special Tax, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a violation, breach or default under any such instrument; and the execution and delivery of the City Documents, and compliance with the provisions of the City Documents will not materially conflict with or constitute a material breach of or material default under any applicable constitutional provision, charter provision, law, administrative regulation, order, judgment, court decree, loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the City is subject, or by which it or any of its properties is bound which conflict, breach or default would have a material adverse effect on the City's financial condition or its ability to collect and pledge the Special Tax.

Except as disclosed in the Preliminary Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending, with service of process having been accomplished, or to the best knowledge of the City Attorney after due inquiry, threatened by a prospective party or their counsel in writing addressed to the City Attorney, (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the levy or collection of Special Tax Revenues pledged under the Fiscal Agent Agreement, the issuance of any of the Bonds or the City Documents, or the payment of the principal of and interest on the Bonds, or the application of the proceeds of the Bonds; (iii) in any way contesting or affecting the validity of the Bonds, the City Documents, the District, the Resolutions or Ordinance, the tax-exempt status of the interest on the Bonds or contesting the powers of the City or any authority for the execution and delivery of the Bonds, the approval of the City Documents or the execution and delivery by the City of the City Documents, the delivery of the Preliminary Official Statement or the execution and delivery of the Official Statement; (iv) which would likely result in any material adverse change relating to the financial condition of the City; (v) which would materially impact the ability of the property owners within Improvement Area No. 1 to develop their property; or (vi) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(h) The City will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the City in cooperation with the Underwriters as may be reasonably requested (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Underwriters, and

(ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions; provided, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(i) The City Documents when executed or adopted by the City, will be legal, valid and binding obligations of the City enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, other laws affecting creditors' rights generally, and to limitations on remedies against cities and counties under California law.

(j) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, court, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of, its respective obligations under City Documents have been duly obtained or when required for future performance are expected to be obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(k) The City will undertake, pursuant to the Fiscal Agent Agreement and a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, pursuant to paragraph (b)(5) of Rule 15c2-12. An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

(l) Except as described in the Official Statement, the City has complied with all previous continuing disclosure undertakings required pursuant to Rule 15c2-12 for the past five years.

(m) Between the date hereof and the Closing Date, the City will not supplement or amend the City Documents, the Resolutions and the Ordinance or the Official Statement in any respect that is material to the obligations of the City under this Purchase Agreement without the prior written consent of the Underwriters, which consent shall not be unreasonably withheld.

(n) The Bonds will be paid from Special Tax Revenues (as defined in the Fiscal Agent Agreement) received by the City and moneys held in certain funds and accounts established under the Fiscal Agent Agreement.

(o) The Special Taxes have been duly and lawfully authorized and may lawfully be levied in accordance with the Rate and Method of Apportionment of the Special Tax relating to the District (the "Rate and Method") and the Resolutions and Ordinance, and, when levied, will constitute a valid and legally binding continuing lien on the property on which they are levied.

Section 7. Underwriters' Representations, Covenants and Agreements. The representations, covenants and agreements of the Underwriters attached hereto as Exhibit A are

incorporated by reference as though fully set forth herein. The Underwriters further represent and covenant and agree with the City that:

(a) The Underwriters have been duly authorized to enter into this Purchase Agreement and to act hereunder.

(b) The Underwriters are not in material violation of, or in material breach of or in material default under, any applicable law, regulation, order or agreement to which such Underwriters are a party or by which such Underwriters are bound, which violation or breach would have a material adverse effect on such Underwriters' ability to execute, deliver and perform this Purchase Agreement.

Section 8. Offering. It shall be a condition to the City's obligations to sell and to deliver the Bonds on behalf of the District to the Underwriters and to the Underwriters' obligations to purchase and to accept delivery of the Bonds that the entire \$_____ aggregate principal amount of the Bonds shall be executed, issued and delivered by or at the direction of the City and purchased, accepted and paid for by the Underwriters at the Closing. On or prior to the Closing, the Underwriters will provide the City with information regarding the reoffering prices and yields on the Bonds, in such form as the City may reasonably request.

The Underwriters agree, subject to the terms and conditions hereof, to make a *bona fide* public offering of all the Bonds initially at prices not in excess of the initial public offering prices as set forth in Schedule I hereto. The Underwriters reserve the right to change the public offering prices as they deem necessary in connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering price set forth in Schedule I hereto.

The Underwriters will provide, consistent with the requirements of MSRB, for the delivery of a copy of the Official Statement to each customer who purchases a Bond during the underwriting period. The Underwriters further agree that they will comply with applicable laws and regulations, including without limitation Rule 15c2-12, in connection with the offering and sale of the Bonds.

The Underwriters agree to assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit P, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriters, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the City under this section to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

The City will treat the first price at which 10% of each maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriters shall report to the City the price or prices at which they have sold to the public each maturity of Bonds. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

The Underwriters confirm that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriters that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriters, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriters,

(B) to promptly notify the Underwriters of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriters shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriters or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriters or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriters or the dealer and as set forth in the related pricing wires.

The City acknowledges that, in making the representations set forth in this section, the Underwriters will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that the Underwriters shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds,

including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

The Underwriters acknowledge that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Purchase Agreement by all parties.

Section 9. Closing. At 8:30 a.m., California time, on March ___, 2020, or at such other time as shall have been mutually agreed upon by the City and the Underwriters (the “Closing Date” or the “Closing”), the City will deliver or cause to be delivered to the account of the Underwriters, under the Fast Automated Securities Transfer System of DTC, the Bonds, in the form of a separate single fully registered bond for each series of Bonds, maturity date and interest rate of the Bonds duly executed by the City and authenticated by the Fiscal Agent, together with the opinions and documents set forth in Section 9 hereof. The Underwriters will, subject to the terms and conditions hereof, accept delivery of the Bonds and pay the Net Purchase Price of the Bonds as set forth in Section 2 hereof by wire transfer in immediately available funds on the Closing Date. The Bonds shall be made available to the Fiscal Agent not later than one business day before the Closing Date. Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Fiscal Agent in the name of Cede & Co., as the nominee of DTC.

Payment for the delivery of the Bonds shall be coordinated at the offices of Jones Hall, APLC, in San Francisco, California, or at such other place as shall have been mutually agreed upon by the City and the Underwriters. The Underwriters shall order CUSIP identification numbers and the City shall cause such CUSIP identification numbers to be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause

for failure or refusal by the Underwriters to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Agreement.

Section 10. Closing Conditions. The obligation of the Underwriters under this Purchase Agreement is subject to the performance by the City of its obligations hereunder and are also subject to the following conditions:

(a) the representations of the City herein shall be true, complete and correct on the date thereof and on and as of the Closing Date, as if made on the Closing Date;

(b) at the time of the Closing, the City Documents and Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriters; and

(c) at or prior to the Closing, the Underwriters shall have received each of the following documents:

(i) the Official Statement, together with any supplements or amendments thereto if the Official Statement has been supplemented or amended, with the Official Statement and each supplement or amendment, if any, signed on behalf of the City by its authorized officer;

(ii) the Fiscal Agent Agreement, signed on behalf of the City and the Fiscal Agent by their respective authorized officers;

(iii) a conformed map of proposed boundaries of District, recorded in the real property records of the City;

(iv) certified copies of the Resolutions and Ordinance;

(v) a conformed copy of Notice of Special Tax Lien, recorded in the real property records of the City;

(vi) a certificate of the City dated the Closing Date and executed by its authorized officer(s), substantially in the form attached hereto as Exhibit B;

(vii) an opinion of the City Attorney (“Issuer Counsel”), addressed solely to the City and the Underwriters, dated the Closing Date and in substantially the form attached hereto as Exhibit C;

(viii) unqualified opinions of Jones Hall, APLC (“Bond Counsel”), dated the Closing Date and in substantially the form set forth in Appendix D to the Official Statement;

(ix) a supplemental opinion of Bond Counsel, addressed to the City and the Underwriters, dated the Closing Date and in substantially the form attached hereto as Exhibit D;

(x) an opinion of Norton Rose Fulbright US LLP (“Disclosure Counsel”), addressed to the City and the Underwriters, dated the Closing Date and in substantially the form attached hereto as Exhibit E;

(xi) an opinion of Stradling Yocca Carlson & Rauth, Underwriters’ Counsel (“Underwriters’ Counsel”), addressed to the Underwriters, dated the Closing Date, in form and substance acceptable to the Underwriters;

(xii) evidence of required filings with the California Debt and Investment Advisory Commission;

(xiii) an opinion of counsel to the Fiscal Agent, addressed to the City and the Underwriters, dated the Closing Date and in form and substance acceptable to the City and the Underwriters;

(xiv) a certificate of the Fiscal Agent, dated the Closing Date, to the effect that: (A) it is a national banking association duly organized and existing under the laws of the United States of America; (B) it has full corporate trust powers and authority to serve as Fiscal Agent under the Fiscal Agent Agreement; (C) it acknowledges and accepts its obligations under the Fiscal Agent Agreement and it has duly authorized, executed and delivered the Fiscal Agent Agreement and that such acceptance and execution and delivery is in full compliance with, and does not conflict with, any applicable law or governmental regulation currently in effect, and does not conflict with or violate any contract to which it is a party or any administrative or judicial decision by which it is bound; and (D) it has duly authenticated the Bonds in accordance with the terms of the Fiscal Agent Agreement;

(xv) the Continuing Disclosure Certificate duly executed by the City;

(xvi) a certificate from Goodwin Consulting Group, Inc. (“Special Tax Consultant”) to the effect that (i) the Special Tax if applied in accordance with the terms as set forth in the rate and method of apportionment of special taxes (the “Special Tax Formula”), will annually yield sufficient revenue to make timely payments of debt service on the Bonds, provided that information and other data supplied by the District, the Co-Municipal Advisors, the Underwriters or by any of their agents, which has been relied upon by the Special Tax Consultant is true and correct, (ii) the net Special Taxes, if collected in the maximum amounts permitted pursuant to the Special Tax Formula on the Closing Date, would generate at least 110% of the maximum debt service payable with respect to the Bonds payable from such Special Tax during each fiscal year, based on a debt service schedule supplied by the Underwriters and relied upon by the Special Tax Consultant, (iii) the information supplied by the Special Tax Consultant for use in the Official Statement is true and correct as of the date of the Official Statement and as of the Closing Date, and (iv) the description of the Special Tax Formula contained in the Official Statement is correctly presented in all material respects;

(xvii) a letter of representation of Treasure Island Series 1, LLC, a Delaware limited liability company (the “Phase Developer”), dated the date of the Preliminary Official Statement, substantially in the form attached hereto as Exhibit G;

(xviii) a certificate of the Phase Developer, dated the Closing Date, substantially in the form attached hereto as Exhibit H;

(xix) a letter or letters from counsel to the Phase Developer, dated the Closing Date and addressed to the Underwriters and the City, substantially in the form attached hereto as Exhibit I;

(xx) a Continuing Disclosure Certificate, entered into by the Phase Developer, substantially in the form attached to the Preliminary Official Statement as Appendix E-2;

(xxi) a letter of representation of Stockbridge/Wilson Meany YBI Investors, LLC, a Delaware limited liability company (the “YBI Phase 1 Parent Company”), dated the date of the Preliminary Official Statement, substantially in the form attached hereto as Exhibit J;

(xxii) a certificate of the YBI Phase 1 Parent Investors, dated the Closing Date, substantially in the form attached hereto as Exhibit K;

(xxiii) a letter or letters from counsel to the YBI Phase 1 Parent Investors, dated the Closing Date and addressed to the Underwriters and the City, substantially in the form attached hereto as Exhibit L;

(xxiv) a Continuing Disclosure Certificate, entered into by the Merchant Builder Parent Company, substantially in the form attached to the Preliminary Official Statement as Appendix E-3; and

(xxv) such additional legal opinions, bonds, instruments or other documents as the Underwriters may reasonably request to evidence the truth and accuracy, as of the date of this Purchase Agreement and as of the Closing Date, of the City’s representations contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City on or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the City.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Agreement or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriters nor the City shall be under further obligations hereunder, except that the respective obligations of the City and the Underwriters set forth in Section 11 of this Purchase Agreement shall continue in full force and effect.

Section 11. Termination. The Underwriters shall have the right to cancel its obligation to purchase the Bonds by written notification from the Underwriters to the City if at any time after the date of this Purchase Agreement and prior to the Closing:

(a) any event shall have occurred or any fact or condition shall have become known which, in the reasonable judgment of the Underwriters upon consultation with the

City, Bond Counsel and Disclosure Counsel (both as hereinafter defined), either (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement; or (ii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect and, in either such event, the City refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds; or

(b) Legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which in the reasonable opinion of the Underwriters has the effect of requiring the Bonds to be registered under the Securities Act of 1933, as amended, or requires the qualification of the Fiscal Agent Agreement under the Trust Indenture Act of 1939, as amended; or

(c) any of the following occurs and is continuing as of the Closing Date which, in the reasonable judgment of the Underwriters (set forth in a written notice from the Underwriters to the City terminating the obligation of the Underwriters to accept delivery of and make payment for the Bonds), has a material adverse effect on the marketability or market price of the Bonds, at the initial offering prices set forth in the Schedule I attached hereto, or the Underwriters' ability to process and settle transactions:

(i) reserved; or

(ii) an amendment to the Constitution of the State of California shall have been passed or legislation shall have been enacted by the California legislature, or a decision shall have been rendered by a court of the State of California, in each case which may have the purpose or effect of subjecting interest on the Bonds to State income tax; or

(iii) (A) The declaration of war by the United States of America, any major new outbreak or escalation of armed hostilities, an act of terrorism or any other major national calamity or crisis, (B) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury obligations; or

(iv) the declaration of a general banking moratorium by any federal, New York or State of California authorities; or

(v) a general suspension of trading or other material restrictions on the New York Stock Exchange or other national securities exchange not in effect as of the date hereof; or

(vi) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the delivery, offering or sale of obligations of

the general character of the Bonds, or the delivery, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(vii) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriters; or

(viii) litigation of the type identified in Section 6(h) hereof; or

(ix) a material disruption in municipal bond market securities settlement, payment or clearance services affecting the Bonds.

Section 12. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 12(b) hereof, the Underwriters shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the City's obligations under this Purchase Agreement and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Issuer's Counsel, Bond Counsel, and Disclosure Counsel; (ii) the fees and disbursements of CSG Advisors, Inc., San Francisco, California and Public Financial Management Inc., San Francisco, California (the "Co-Financial Advisors"); (iii) the fees and disbursements of any counsel, auditors, engineers, consultants or others retained by the City in connection with the transactions contemplated herein; (iv) the costs of preparing and printing the Bonds; (v) the costs of the printing of the Official Statement (and any amendment or supplement prepared pursuant to Section 6(e) hereof); and (vi) any fees charged by investment rating agencies for the rating of the Bonds.

(b) The Underwriters shall pay all expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) the costs of printing the Blue Sky memorandum used by the Underwriters; (iii) all out of pocket disbursements and expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees of the CUSIP Service Bureau for the assignment of CUSIP numbers; and (iv) all other expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees and disbursements of Underwriters' Counsel.

Section 13. Notices. Any notice or other communication to be given to the City under this Purchase Agreement may be given by delivering the same in writing to the City at the address set forth above and any notice or other communication to be given to the Underwriters under this Purchase Agreement may be given by delivering the same in writing to the Representative: Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104, Attention: Eileen Gallagher, Managing Director.

Section 14. Parties in Interest. This Purchase Agreement is made solely for the benefit of the City and the Underwriters (including the successors or assigns of the Underwriters), and no other person shall acquire or have any right hereunder or by virtue of this Purchase Agreement. All of the representations and agreements of the City contained in this Purchase Agreement shall remain operative and in full force and effect, regardless of: (a) any investigations made by or on behalf of the Underwriters; (b) delivery of and payment for the Bonds, pursuant to this Purchase Agreement; and (c) any termination of this Purchase Agreement.

Section 15. Invalid or Unenforceable Provisions. If any provision of this Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Agreement.

Section 16. Counterparts. This Purchase Agreement may be executed by facsimile transmission and in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Agreement by signing any such counterpart.

Section 17. Governing Law; Venue. This Purchase Agreement shall be governed by and interpreted under the laws of the State of California. Venue for all litigation and other disputes relative arising from or related to this Purchase Agreement shall be in the City.

Section 18. City Contracting Requirements. The provisions for the City Contracting Requirements attached hereto as Exhibit A are hereby incorporated herein by reference as though fully set forth herein.

Section 19. Entire Agreement. This Purchase Agreement is the sole agreement of the parties relating to the subject matter hereof and supersedes all prior understandings, writings, proposals, representations or communications, oral or written. This Purchase Agreement may only be amended by a writing executed by the authorized representatives of the parties.

Section 20. Headings. The section headings in this Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

Section 21. Effectiveness. This Purchase Agreement shall become effective upon execution of the acceptance of this Purchase Agreement by the City and shall be valid and enforceable as of the time of such acceptance.

[Remainder of page intentionally left blank.]

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Representative

By _____
Eileen Gallagher
Managing Director

CITY AND COUNTY OF SAN FRANCISCO

By _____
Anna Van Degna
Director, Controller's Office of Public Finance

APPROVED AS TO FORM:

Dennis J. Herrera
City Attorney

By _____
Mark D. Blake, Deputy City Attorney

[Signature Page to Improvement Area No. 1 of the City and County of San Francisco Community Facilities
District No. 2016-1 (Treasure Island) Bond Purchase Agreement]

SCHEDULE I

Maturity Schedules

\$ _____
**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2020**

Serial Bonds \$ _____

| <u>Maturity Date</u> <u>(September 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> |
|--|---|--|---------------------|---------------------|
|--|---|--|---------------------|---------------------|

\$ _____ % Term Bonds due September 1, 20__ – Yield: _____% Price: _____

\$ _____ % Term Bonds due September 1, 20__ – Yield: _____% Price: _____

Redemption Provisions

Optional Redemption. The Bonds maturing on or after September 1, 20__ are subject to redemption prior to their stated maturities, on any date on and after September 1, 20__, in whole or in part, 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 Fund Redemption of Term Bonds. The Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following table:

| 20__ Bonds | |
|--|--|
| Sinking Fund Redemption Date (September 1) | Principal Amount <u>Subject to Redemption</u> |
| (maturity) | |

Provided, however, if some but not all of the Term Bonds have been redeemed pursuant to optional redemption or Redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund shall be used to redeem Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among series and maturities as provided in the Fiscal Agent Agreement, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|---|--------------------------------|
| Any Interest Payment Date on or before March 1, 2028 | 103% |
| On September 1, 2028 and March 1, 2029 | 102 |
| On September 1, 2029 and March 1, 2030 | 101 |
| On September 1, 2030 and any Interest Payment Date thereafter | 100 |

EXHIBIT A

UNDERWRITERS' REPRESENTATIONS, COVENANTS AND AGREEMENTS AND CITY CONTRACTING REQUIREMENTS

Section 1. Underwriters' Representations, Covenants and Agreements. Each Underwriter, on its own behalf and not on behalf of any other Underwriter, represents and covenants and agrees with the City that:

(a) It shall comply with the San Francisco Business Tax Resolution and shall, if not otherwise exempt from such resolution, provide to the City a Business Tax Registration Certificate on or prior to the date hereof.

(b) It shall comply with Chapter 12B of the San Francisco Administrative Code, entitled "Nondiscrimination in Contracts," which is incorporated herein by this reference.

(c) It represents and warrants to the City that the Underwriter has been duly authorized to enter into this Purchase Agreement and to act hereunder by and on behalf of it.

Section 2. City Contracting Requirement. Additionally, each Underwriter represents and covenants and agrees, as applicable that:

(a) ***Underwriter Shall Not Discriminate.*** In the performance of this Purchase Agreement, the Underwriter agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, weight, height, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or associated with members of such protected classes, or in retaliation for opposition to discrimination against such classes against any employee of, any City and/or City employee working with, or applicant for employment with such Underwriter in any of such Underwriter's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services or membership in all business, social or other establishments or organizations operated by such Underwriter.

(b) ***Subcontracts.*** The Underwriter shall incorporate by reference in all subcontracts made in fulfillment of its obligations hereunder the provisions of Section 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from purchasing) and shall require all subcontractors to comply with such provisions. The Underwriter's failure to comply with the obligations in this subsection shall constitute a material breach of this Purchase Agreement.

(c) ***Non-Discrimination in Benefits.*** The Underwriter does not as of the date of this Purchase Agreement and will not during the term of this Purchase Agreement, in any of its operations in San Francisco, California, or on real property owned by San Francisco, California, or where the work is being performed for the City and/or City elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or

between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) **HRC Form.** The Underwriter shall execute the “Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits” form (Form HRC 12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(e) **Incorporation of Administrative Code Provisions by Reference.** The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Exhibit A by reference and made a part of this Purchase Agreement as though fully set forth herein. The Underwriter shall comply fully with and be bound by all of the provisions that apply to this Purchase Agreement under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Underwriter understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Purchase Agreement may be assessed against such Underwriter and/or deducted from any payments due such Underwriter; provided, however that such damages shall not be set off against the payment of rental or other contract related to the Bonds, certificates of participation or other debt obligation of the City or the City.

(f) **Drug-Free Workplace Policy.** The Underwriter acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City or District premises. The Underwriter agrees that any violation of this prohibition by such Underwriter, its employees, agents or assigns will be deemed a material breach of this Purchase Agreement.

(g) **Compliance With Americans with Disabilities Act.** Without limiting any other provisions of this Purchase Agreement the Underwriter shall provide the services specified in this Purchase Agreement in a manner that complies with the Americans with Disabilities Act (“ADA”) Title 24, and any and all other applicable federal, state and local disability rights legislation. The Underwriter agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Purchase Agreement and further agrees that any violation of this prohibition on the part of such Underwriter, its employees, agents or assigns shall constitute a material breach of this Purchase Agreement.

(h) **Sunshine Ordinance.** In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors’ bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization’s net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

(i) ***Prohibition on Political Activity With City Funds.*** In accordance with San Francisco Administrative Code Chapter 12.G, an Underwriter may not participate in, support or attempt to influence any political campaign for a candidate or for a ballot measure in the performance of the services provided under this Purchase Agreement. The Underwriter agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. If the Underwriter violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Purchase Agreement, and (ii) prohibit such Underwriter from bidding on or receiving any new City and/or City contract for a period of two years.

(j) ***MacBride Principles—Northern Ireland.*** The City and the District urge companies doing business in Northern Ireland to move towards resolving employment inequities, and encourage such companies to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and the District urge San Francisco companies to do business with corporations that abide by the MacBride Principles.

(k) ***Tropical Hardwood and Virgin Redwood Ban.*** The City and the District urge companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product or any virgin redwood or virgin redwood product.

(l) ***Repeal of Administrative Code Provisions.*** To the extent that the City repeals any provision of the Administrative Code incorporated, set forth or referenced in this Exhibit A, other than pursuant to a restatement or amendment of any such provision, such provision, as incorporated, set forth or referenced herein, shall no longer apply to this Purchase Agreement or the Underwriter.

(m) ***Limitations on Contributions.*** Through execution of this Purchase Agreement, the Underwriter acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (i) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves; (ii) a candidate for the office held by such individual; or (iii) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Underwriter acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. The Underwriter further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of such Underwriter's board of directors; such Underwriter's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20% in such Underwriter; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by such Underwriter. Additionally, the Underwriter acknowledges that such Underwriter must

inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126.

(n) ***Requiring Minimum Compensation for Covered Employees.*** The Underwriter agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (“MCO”), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Purchase Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Underwriter’s obligations under the MCO is set forth in this Exhibit A. The Underwriter is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Exhibit A. Capitalized terms used in this Exhibit A and not defined in this Purchase Agreement shall have the meanings assigned to such terms in Chapter 12P. Consistent with the requirements of the MCO, the Underwriter agrees to all of the following:

(i) The MCO requires the Underwriter to pay such Underwriter’s employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and such Underwriter is obligated to keep informed of the then current requirements. Any subcontract entered into by an Underwriter shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Exhibit A. It is the Underwriter’s obligation to ensure that any subcontractors of any tier under this Purchase Agreement comply with the requirements of the MCO. If any subcontractor under this Purchase Agreement fails to comply, the City may pursue any of the remedies set forth in this Exhibit A against such Underwriter. Nothing in this Exhibit A shall be deemed to grant any Underwriter the right to subcontract.

(ii) No Underwriter shall take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(iii) The Underwriter shall maintain employee and payroll records as required by the MCO. If such Underwriter fails to do so, it shall be presumed that such Underwriter paid no more than the minimum wage required under State law.

(iv) The City is authorized to inspect the Underwriter’s job sites and conduct interviews with employees and conduct audits of such Underwriter.

(v) The Underwriter’s commitment to provide the Minimum Compensation is a material element of the City’s consideration for this Purchase Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if such Underwriter fails to comply with these requirements. The Underwriter agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the

loss that the City and the public will incur for such Underwriter's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(vi) The Underwriter understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Purchase Agreement for violating the MCO, such Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such Underwriter fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(vii) The Underwriter represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(viii) If an Underwriter is exempt from the MCO when this Purchase Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000, but such Underwriter later enters into an agreement or agreements that cause such Underwriter to exceed that amount in a fiscal year, such Underwriter shall thereafter be required to comply with the MCO under this Purchase Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between such Underwriter and this department to exceed \$25,000 in the fiscal year.

(o) ***Requiring Health Benefits for Covered Employees.*** The Underwriter agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance ("HCAO"), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated by reference and made a part of this Purchase Agreement as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Exhibit A and not defined in this Purchase Agreement shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, the Underwriter shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If such Underwriter chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if an Underwriter is a small business as defined in Section 12Q.3 (e) of the HCAO, it shall have no obligation to comply with part (i) above.

(iii) An Underwriter's failure to comply with the HCAO shall constitute a material breach of this Purchase Agreement. The City shall notify such Underwriter if such a breach has occurred. If, within 30 days after receiving City's written notice of a breach of this Purchase Agreement for violating the HCAO, such Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such Underwriter fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City or the City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5 (f) (1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City or the City.

(iv) Any subcontract entered into by an Underwriter shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Exhibit A. Such Underwriter shall notify City's Office of Contract Administration when it enters into such a subcontract and shall certify to the Office of Contract Administration that it has notified the subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on subcontractor through the subcontract. The Underwriter shall be responsible for its subcontractors' compliance with this Chapter. If a subcontractor fails to comply, the City may pursue the remedies set forth in this Exhibit A against the applicable Underwriter based on the subcontractor's failure to comply, provided that the City or the City has first provided such Underwriter with notice and an opportunity to obtain a cure of the violation.

(v) No Underwriter shall discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City or the City with regard to such Underwriter's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(vi) The Underwriter represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(vii) The Underwriter shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the applicable contract.

(viii) The Underwriter shall keep itself informed of the current requirements of the HCAO.

(ix) The Underwriter shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on subcontractors and subtenants, as applicable.

(x) The Underwriter shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten business days to respond.

(xi) The Underwriter shall allow the City to inspect such Underwriter's job sites and have access to such Underwriter's employees in order to monitor and determine compliance with HCAO.

(xii) The City may conduct random audits of the Underwriter to ascertain its compliance with HCAO. The Underwriter agrees to cooperate with the City when it conducts such audits.

(xiii) If an Underwriter is exempt from the HCAO when this Purchase Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but such Underwriter later enters into an agreement or agreements that cause such Underwriter's aggregate amount of all agreements with the City or the City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between such Underwriter and the District or the City to be equal to or greater than \$75,000 in the fiscal year.

(p) ***Prohibition on Political Activity With City or City Funds.*** In accordance with San Francisco Administrative Code Chapter 12.G, no Underwriter may participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Purchase Agreement. The Underwriter agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. If the Underwriter violates the provisions of this Exhibit A, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Purchase Agreement, and (ii) prohibit such Underwriter from bidding on or receiving any new City contract for a period of two years. The Controller will not consider an Underwriter's use of profit as a violation of this Exhibit A.

(q) ***Protection of Private Information.*** The Underwriter has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Underwriter agrees that any failure of such Underwriter to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Purchase Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Purchase Agreement, bring a false claim action against such Underwriter pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar such Underwriter.

(f) ***Conflicts of Interest.*** Through its execution of this Purchase Agreement, the Underwriter acknowledges that it is familiar with the provisions of Section 15.103 of the City Charter, Article III, Chapter 2 of the City’s Campaign and Governmental Conduct Code, and Sections 87100 et seq. and Sections 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitute a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Purchase Agreement.

As to Exhibit A of this Purchase Agreement:

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By _____
Eileen Gallagher, Managing Director

BACKSTROM MCCARLEY BERRY & CO.,
LLC, as Underwriter

By _____
Vincent McCarley, Managing Director

EXHIBIT B

FORM OF CERTIFICATE OF THE CITY

The undersigned _____, _____ and _____, respectively, of the City and County of San Francisco (the “City”), acting in their official capacities, hereby certify as follows in connection with the issuance of the \$_____ aggregate principal amount of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “Bonds”):

1. The persons named below are now, and at all times from and after _____, 20____, have been duly appointed and qualified officers of the City holding the offices of the City set forth opposite their respective names, and each of the undersigned certifies that the signature affixed following the other of the undersigned’s name and office is the genuine signature of such person.

2. The representations of the City contained in the Bond Purchase Agreement, dated _____, 2020 (the “Purchase Agreement”), between Stifel, Nicolaus & Co. Incorporated, as the lead underwriter of the Bonds, and the City, are true, complete and correct as of the date hereof as if made on the date hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands.

Dated: _____, 2020.

Name

Office

Signature

EXHIBIT C

FORM OF OPINION OF ISSUER COUNSEL

[LETTERHEAD OF CITY ATTORNEY]

[Closing Date]

City and County of San Francisco
San Francisco, California

Stifel, Nicolaus & Co. Incorporated,
as Representative
San Francisco, California

Re: \$_____ Improvement Area No. 1 of the City and County of San Francisco
Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds,
Series 2020

Ladies and Gentlemen:

In connection with the issuance of the \$_____ Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “Bonds”) by the City and County of San Francisco (the “City”) acting on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”), I have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, public records and other instruments and have conducted such other investigations of fact and law as I deemed necessary for the purpose of this opinion. Capitalized terms not defined herein shall have the meanings set forth in the Purchase Agreement (as defined below).

I am of the opinion that:

1. The City is a charter city, with full legal right, power and authority to enter into and perform its obligations under: (a) the Fiscal Agent Agreement, dated as of March 1, 2020 (the “Fiscal Agent Agreement”), by and between the City and _____, as fiscal agent (the “Fiscal Agent”); (b) the Bond Purchase Agreement, dated [Pricing Date] (the “Purchase Agreement”), by and between Stifel, Nicolaus & Co. Incorporated, as Representative of the underwriters, and the City; and (c) the Continuing Disclosure Certificate, dated March __, 2020 (the “Continuing Disclosure Certificate”) of the City relating to the Bonds. The Fiscal Agent Agreement, the Purchase Agreement and the Continuing Disclosure Certificate are collectively referred to herein as the “City Documents.”

2. The Resolutions and Ordinance were each duly adopted at a meeting of the Board of Supervisors of the City. The meeting during which each of the Resolutions and Ordinance were adopted was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

3. The City Documents have been duly authorized, executed and delivered by the City and assuming that such documents are valid and binding upon each of the other respective parties thereto, if any, each is valid and binding upon and enforceable against the City in accordance with its respective terms, except that enforceability may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights in general, by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies against public agencies in the State of California.

4. The execution and delivery of the City Documents and compliance with the provisions thereof do not and will not conflict with or constitute on the part of the City a breach or default under any existing law, regulation, court order or consent decree to which the City is subject or, to the best of my knowledge after due inquiry, any agreement or instrument to which the City is a party or by which the City is bound.

5. All actions on the part of the City necessary for the making and performance of the City Documents have been duly and effectively taken and no consent, authorization or approval of or filing or registration with, any governmental or regulatory officer or body not already obtained or not obtainable in due course by the City is required for the making and performance of the City Documents.

6. Except as disclosed in the Official Statement, dated [Pricing Date] with respect to the Bonds (the "Official Statement"), no litigation, action, suit or proceeding is known to be pending (with service of process having been accomplished) or threatened (a) restraining or enjoining the execution or delivery of the Bonds or the City Documents, or the collection of the Special Tax Revenues pledged under the Fiscal Agent Agreement; (b) in any way contesting or affecting the validity of the Resolutions or the Ordinance, the Bonds, the City Documents or any proceedings of the City taken with respect to the foregoing; (c) restraining or enjoining the development of property within Improvement Area No. 1; or (d) which if determined adversely to the City would have a material adverse effect on its operations or finances.

Very truly yours,

By _____

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[LETTERHEAD OF BOND COUNSEL]

[Closing Date]

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Backstrom McCarley Berry & Co., LLC
115 Sansome Street, Mezzanine A
San Francisco, California 94104

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

[FISCAL AGENT]

SUPPLEMENTAL OPINION:

\$ _____ Improvement Area No. 1 of the City and County of San Francisco
Community Facilities District 2016-1 (Treasure Island) Special Tax Bonds, Series
2020 (the "Bonds")

Ladies and Gentlemen:

We have acted as bond counsel to the City and County of San Francisco (the "City") in connection with the issuance by the City, for and on behalf of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the "Community Facilities District"), of the captioned bonds, dated the date hereof (collectively, the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion. This letter is being delivered in our capacity as bond counsel to the City and not as counsel to any other addressee hereof.

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the "Act"), Resolution No. ____ of the Board of Supervisors of the City adopted on January 24, 2017 and signed by the Mayor on February 3, 2017, and supplemented by Resolution No. ____ of the Board of Supervisors adopted on _____, 20__ and signed by the Mayor on _____, 20__ (collectively, the "City Resolution") and a Fiscal Agent Agreement, dated as of _____, 2020 (the "Fiscal Agent Agreement"), by and between the City and _____, as fiscal agent (the "Fiscal Agent"). Under the Fiscal Agent Agreement, the City has pledged certain revenues ("Special Tax Revenues") for the payment of principal, premium (if any) and interest on the Bonds when due.

Capitalized terms not defined here have the meanings given them in the Bond Purchase Agreement, dated [Pricing Date] (the “Purchase Agreement”), by and among Stifel, Nicolaus & Company, Incorporated and Backstrom McCarley Berry & Co., LLC, together as underwriter (the “Underwriter”) and the City. This letter is being delivered in our capacity as bond counsel to the City and not as counsel to any other addressees hereof.

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Resolution and in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The statements contained in the Final Official Statement on the cover page and under the captions “INTRODUCTION,” “THE 2019 BONDS,” “SECURITY FOR THE BONDS” (excluding the subcaption “Rate and Method of Apportionment of Special Taxes”), “TAX MATTERS,” and in Appendices C and D thereto, insofar as such statements expressly summarize certain provisions of the Bonds, the Resolutions, the Fiscal Agent Agreement, and Bond Counsel’s opinion concerning certain federal tax matters relating to the Bonds, present a fair and accurate summary thereof.

2. The City has duly and validly executed and delivered the Purchase Agreement, and the Purchase Agreement constitutes the legal, valid and binding obligation of the City, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting enforcement of creditors’ rights in general and to the application of equitable principles if equitable remedies are sought.

3. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

This opinion letter is solely for your benefit in connection with the transaction covered by the first paragraph of this letter and may not be relied upon, used, circulated, quoted or referred to, nor any copies hereof be delivered to, any other person without our prior written approval.

Respectfully submitted,

A Professional Law Corporation

EXHIBIT E

FORM OF OPINION OF DISCLOSURE COUNSEL

[LETTERHEAD OF DISCLOSURE COUNSEL]

Re: \$_____ Improvement Area No. 1 of the City and County of San Francisco
Community Facilities District 2016-1 (Treasure Island) Special Tax Bonds, Series
2020 (the “Bonds”)

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the City of San Francisco (the “City”) in connection with the \$[Series A Par] Improvement Area No. 1 of the San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “Bonds”). The Bonds will be issued by the City on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) pursuant to the provisions of a Fiscal Agent Agreement, dated as of _____, 2020 (the “Fiscal Agent Agreement”), by and between the City and _____, as fiscal agent (the “Fiscal Agent”), the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California) (the “Act”), and Resolution No. 12-17, which was approved by the Board of Supervisors on January 24, 2017 and signed by the Mayor on February 3, 2017, as supplemented by Resolution No. 247-17 and Resolution No. _____ adopted by the Board of Supervisors of the City on _____, 20__ and signed by Mayor London N. Breed on _____, 20__ (collectively, the “Resolution”). The terms and provisions of the Bonds are contained in the Fiscal Agent Agreement and are further described in the Official Statement relating to the Bonds, dated [Pricing Date] (the “Official Statement”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Official Statement.

The Bonds were sold by the City pursuant to that Bond Purchase Agreement, dated [Pricing Date] (the “Bond Purchase Agreement”), by and among Stifel, Nicolaus & Company, Incorporated, as representative (the “Representative”) of itself and on behalf of Backstrom McCarley Berry & Co., LLC (collectively, the “Underwriters”).

In rendering this opinion, we have reviewed the Fiscal Agent Agreement, the Resolution, such other records, documents, certificates and opinions, and have made such other investigations of law and fact as we have deemed necessary or appropriate.

This opinion is limited to matters governed by the federal securities law of the United States of America, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

In our capacity as Disclosure Counsel to the City, we have rendered certain legal advice and assistance in connection with the preparation of the Preliminary Official Statement relating to the Bonds, dated _____, 2020 (the “Preliminary Official Statement”), and the Official

Statement. Rendering such assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in meetings and telephone conferences with, among others, representatives of the City, the City Attorney, Bond Counsel, the Underwriters, Underwriters' Counsel and the City's Co-Municipal Advisors, at which meetings and conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement), no facts have come to the attention of the personnel directly involved in rendering legal advice and assistance in connection with the preparation of the Preliminary Official Statement and the Official Statement that causes them to believe that (a) the Preliminary Official Statement as of its date or as of the date of the Bond Purchase Agreement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading (except for any information relating to The Depository Trust Company, Cede & Co., the book-entry system, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, and information in Appendices B and F thereof, as to all of which we express no view, and except for such information as is permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, including but not limited to information as to pricing, yield, interest rate, maturity, amortization, redemption provisions, underwriters' compensation and the CUSIP numbers), or (b) the Official Statement as of its date or as of the date hereof contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except for any information relating to The Depository Trust Company, Cede & Co., the book-entry system, the CUSIP numbers, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, and information in Appendices B and F thereof, as to all of which we express no view). In rendering such advice we conducted no independent diligence on the Electronic Municipal Market Access website and express no view regarding the City's or the Authority's compliance with any obligation to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12.

During the period from the date of the Preliminary Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Preliminary Official Statement and the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement.

We are furnishing this opinion to you, solely for your benefit. This opinion is rendered in connection with the transaction described herein, and may not be relied upon by you for any other purpose. This opinion shall not extend to, and may not be used, circulated, quoted, referred to, or relied upon by, any other person, firm, corporation or other entity without our prior written consent. The delivery of this opinion shall not create any attorney-client relationship between our

firm and the addressees hereof, other than the City. Our engagement with respect to this matter terminates upon the delivery of this opinion to you at the time of the remarketing relating to the Series Bonds, and we have no obligation to update this opinion.

Respectfully submitted,

EXHIBIT F

RESOLUTIONS AND ORDINANCE

- 1 Resolution No. 14-143, entitled “Resolution adopting amended and restated Local Goals and Policies to provide financial flexibility in connection with the formation of Special Tax Districts, pursuant to Administrative Code, Chapter 43, Article X”, adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on November 26, 2013.
2. [LIST OF RESOLUTIONS AND ORDINANCE FROM OFFICIAL STATEMENT]

EXHIBIT G

LETTER OF REPRESENTATIONS OF PHASE DEVELOPER

_____, 2020

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Backstrom McCarley Berry & Co., LLC
115 Sansome Street, Mezzanine A
San Francisco, California 94104

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

Ladies and Gentlemen:

Reference is made to the Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “Bonds”) and to the Bond Purchase Agreement to be entered into in connection therewith (the “Purchase Agreement”). This Letter of Representations (the “Letter of Representations”) is delivered pursuant to the Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of Treasure Island Series 1, LLC, a Delaware limited liability company (the “Developer”), the phase developer of the property within the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer is a limited liability company validly existing and in good standing as a limited liability company under the laws of the State of Delaware and is duly registered to transact intrastate business in the State of California as a foreign and is in good standing in the State of California and has all requisite right, power and authority: (i) to execute and deliver this Letter of Representations; and (ii) to undertake all of the transactions on its part in the District as described in the Preliminary Official Statement.

2. As set forth in the Preliminary Official Statement, certain property within the District is held in the name of the Developer (herein the “Property”). The undersigned, on behalf of the Developer, makes the representations herein with respect to all such Property.

3. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned (defined below), (a) the Developer and its Affiliates are not in breach of or in default under any applicable judgment or decree or any loan agreement, option agreement, development agreement, indenture, fiscal agent agreement, bond or note (collectively, the “Material Agreements”) to which the Developer or its Affiliates are a party or otherwise subject, which breach or default could reasonably be expected to materially and adversely affect the Developer’s ability to

complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency, and (b) no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default.

4. To the Actual Knowledge of the Undersigned, neither the Developer, nor any of its Affiliates is in default on any obligation to repay borrowed money, which default is reasonably likely to materially and adversely affect the Developer's ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency.

5. Except as set forth in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Developer (with proper service of process to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, is pending against any current Affiliate (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned is threatened in writing against the Developer or any such Affiliate which if successful, is reasonably likely to materially and adversely affect the Developer's ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency.

6. As of the date thereof, the Preliminary Official Statement, solely with respect to information contained therein with respect to the Developer, its Affiliates, ownership of the Property, the Developer's and its Affiliates' development plan and entitlements, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) as set forth under the caption "INTRODUCTION, "THE TREASURE ISLAND PROJECT" and "RISK FACTORS" (but excluding any information cited as coming from a source other than the Developer) is true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

7. The Developer covenants that, while the Bonds or any refunding obligations related thereto are outstanding, the Developer and its Affiliates which it controls will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, that in any way seeks to challenge or overturn the formation of the District, to challenge the adoption of ordinance(s) of the City levying Special Taxes within the District, to invalidate the District or any of the Bonds or any refunding bonds related thereto, or to invalidate the Special Tax liens imposed under Section 3115.5 of the Streets and Highways Code based on recordation of the Notice of Special Tax Lien relating thereto. The foregoing covenant shall not prevent the Developer in any way from bringing any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body including, without limitation, (a) an action or suit contending that the Special Taxes have not been levied in accordance with the methodologies contained in the District's Rate and Method of Apportionment of Special Tax pursuant to which the Special Taxes are levied, (b) an action or suit with respect to the application or use of the Special Taxes levied and collected, (c) the enforcement of the obligations of the City under the Fiscal Agent Agreement or any agreements between the Developer and the City or under which the Developer is a beneficiary.

8. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, the Developer is not aware that any other public debt secured by a tax or assessment on the Property exists or is in the process of being authorized or any assessment districts or community facilities districts have been or are in the process of being formed that include any portion of the Property.

9. To the Actual Knowledge of the Undersigned, neither the Developer nor any Affiliate has been delinquent to any material extent in the payment of any *ad valorem* property tax, special assessment or special tax on property owned by the Developer or any Affiliate within the boundaries of a community facilities district or an assessment district within California that (a) would have caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being commenced in a court of law against the Developer or any such Affiliate.

10. The Developer intends to comply with the provision of the Mello-Roos Act of 1982, as amended, relating to the Notice of Special Tax described in Government Code Section 53341.5 in connection with the sale of the Property, or portions thereof.

11. To the Actual Knowledge of the Undersigned, the Developer is able to pay its bills as they become due and no legal proceedings are pending against the Developer (with proper service of process to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, threatened in writing in which the Developer may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

12. To the Actual Knowledge of the Undersigned, Affiliates of the Developer are able to pay their bills as they become due and no legal proceedings are pending against any Affiliates of the Developer (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned, threatened in writing in which the Affiliates of the Developer may be adjudicated as bankrupt or discharged from any or all of their debts or obligations, or granted an extension of time to pay their debts or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

13. If between the date hereof and the Closing Date any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur of which the undersigned has actual knowledge and which the undersigned believes would cause the information under the sections of the Preliminary Official Statement indicated in Paragraph 6 hereof, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the undersigned shall notify the City and the Underwriter and if in the opinion of counsel to the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Preliminary Official Statement, the Developer shall reasonably cooperate with the City in the preparation of an amendment or supplement to the Preliminary Official Statement in form and substance reasonably satisfactory to counsel to the City and to the Underwriter.

14. The Developer agrees to deliver a Closing Certificate dated the date of issuance of the Bonds at the time of issuance of the Bonds in substantially the form attached to the Purchase Agreement as Exhibit H.

15. As used in this Letter of Representations, the term “Actual Knowledge of the Undersigned” means the knowledge that the undersigned currently has or has obtained through (i) interviews with such current officers and responsible employees of the Developer as the undersigned has reasonably determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in this Letter of Representations including the chief financial officer of the Developer or, if the Developer does not have a chief financial officer, the person who performs the functions usually associated with such officer (unless the undersigned is the chief financial officer or such person), and (ii) reviews of documents reasonably available to the undersigned and which the undersigned reasonably deemed necessary for the undersigned to execute this Letter of Representations. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer’s current business and operations. The undersigned has not contacted any individuals who are no longer employed by, or associated with, the Developer.

16. As used in this Letter of Representations, the term “Affiliate” of the Developer means any person directly (or indirectly through one or more intermediaries) that exercises managerial control over the Developer or that is under managerial control of the Developer, and about whom information could be material to potential investors in their investment decision regarding the Bonds, but excludes the Builders.

17. On behalf of the Developer, I have reviewed the contents of this Letter of Representations and have met with counsel to the Developer for the purpose of discussing the meaning of its contents.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; EXECUTION PAGE FOLLOWS]

The undersigned has executed this Letter of Representations solely in his or her capacity as an authorized officer or representative of Developer and he or she will have no personal liability arising from or relating to this Letter of Representations. Any liability arising from or relating to this Letter of Representations may only be asserted against the Developer.

TREASURE ISLAND SERIES 1, LLC
a Delaware limited liability company

By: _____
Authorized Representative

EXHIBIT H

CLOSING CERTIFICATE OF PHASE DEVELOPER

_____, 2020

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Backstrom McCarley Berry & Co., LLC
115 Sansome Street, Mezzanine A
San Francisco, California 94104

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

Ladies and Gentlemen:

Reference is made to the Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “Bonds”) and to the Bond Purchase Agreement to be entered into in connection therewith (the “Purchase Agreement”). This Closing Certificate (the “Closing Certificate”) is delivered by Treasure Island Series 1, LLC, a Delaware limited liability company (the “Developer”), pursuant to the Purchase Agreement. A copy of a Letter of Representations (the “Letter of Representations”), dated _____, 2020, delivered by the Developer, is attached hereto as Exhibit A. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of the Developer, and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer has received the final Official Statement relating to the Bonds. Each statement, representation and warranty made in the Letter of Representations is true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the final Official Statement.

2. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement affecting the statements and information described in Paragraph 6 of the Letter of Representations relating to the Developer, its Affiliates, ownership of the Property, the Developer’s development plan, the Developer’s financing plan, the Developer’s lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer’s development plan or the Developer’s financing plan, other loans of such Affiliates) which should be disclosed in the Official Statement for the purposes for which it is to be used in order to make such statements and information contained in the Official Statement not misleading in any material respect.

3. For the period through 25 days after the “End of the Underwriter Period” as defined in the Purchase Agreement to mean the Closing Date unless otherwise notified in writing by the Underwriter, if any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer’s development plan, the Developer’s financing plan, the Developer’s lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer’s development plan or the Developer’s financing plan, other loans of such Affiliates) shall occur as a result of which it is necessary, in the opinion of the Underwriter or counsel to the City, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Developer shall reasonably cooperate with the City and the Underwriter in the preparation of an amendment or supplement to the Official Statement in form and substance reasonably satisfactory to the Underwriter and Disclosure Counsel which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

4. The undersigned has executed this Closing Certificate solely in his or her capacity as an officer of Developer and he or she will have no personal liability arising from or relating to this Closing Certificate. Any liability arising from or relating to this Closing Certificate may only be asserted against the Developer.

TREASURE ISLAND SERIES 1, LLC
a Delaware limited liability company

By: _____
Authorized Representative

EXHIBIT I

OPINION(S) OF COUNSEL TO THE PHASE DEVELOPER

[TO INCLUDE 10B-5, NO LITIGATION AND COMFORT RE CONTINUING DISCLOSURE
UNDERTAKING]

EXHIBIT J

LETTER OF REPRESENTATIONS OF YBI PHASE 1 PARENT COMPANY

_____, 2020

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Backstrom McCarley Berry & Co., LLC
115 Sansome Street, Mezzanine A
San Francisco, California 94104

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

Ladies and Gentlemen:

Reference is made to the Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “Bonds”) and to the Bond Purchase Agreement to be entered into in connection therewith (the “Purchase Agreement”). This Letter of Representations (the “Letter of Representations”) is delivered pursuant to the Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of Stockbridge/Wilson Meany YBI Investors, LLC, LLC, a Delaware limited liability company (the “Developer”), the parent company of the merchant builders that own certain of the property within the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer is a limited liability company validly existing and in good standing as a limited liability company under the laws of the State of Delaware and is duly registered to transact intrastate business in the State of California as a foreign and is in good standing in the State of California and has all requisite right, power and authority: (i) to execute and deliver this Letter of Representations; and (ii) to undertake all of the transactions on its part in the District as described in the Preliminary Official Statement.

2. As set forth in the Preliminary Official Statement, certain property within the District is held in the name of the Developer (herein the “Property”). The undersigned, on behalf of the Developer, makes the representations herein with respect to all such Property.

3. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned (defined below), (a) the Developer and its Affiliates are not in breach of or in default under any applicable judgment or decree or any loan agreement, option agreement, development agreement, indenture, fiscal agent agreement, bond or note (collectively, the “Material Agreements”) to which the Developer or its Affiliates are a party or otherwise subject, which breach or default could reasonably be expected to materially and adversely affect the Developer’s ability to

complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency, and (b) no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default.

4. To the Actual Knowledge of the Undersigned, neither the Developer, nor any of its Affiliates is in default on any obligation to repay borrowed money, which default is reasonably likely to materially and adversely affect the Developer's ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency.

5. Except as set forth in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Developer (with proper service of process to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, is pending against any current Affiliate (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned is threatened in writing against the Developer or any such Affiliate which if successful, is reasonably likely to materially and adversely affect the Developer's ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency.

6. As of the date thereof, the Preliminary Official Statement, solely with respect to information contained therein with respect to the Developer, its Affiliates, ownership of the Property, the Developer's development plan and entitlements, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) as set forth under the caption "IMPROVEMENT AREA NO. 1—Merchant Builder Development and Financing Plans" (but only as such information relates to the Developer and its development within the District) (but excluding any information cited as coming from a source other than the Developer) is true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

7. The Developer covenants that, while the Bonds or any refunding obligations related thereto are outstanding, the Developer and its Affiliates which it controls will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, that in any way seeks to challenge or overturn the formation of the District, to challenge the adoption of ordinance(s) of the City levying Special Taxes within the District, to invalidate the District or any of the Bonds or any refunding bonds related thereto, or to invalidate the Special Tax liens imposed under Section 3115.5 of the Streets and Highways Code based on recordation of the Notice of Special Tax Lien relating thereto. The foregoing covenant shall not prevent the Developer in any way from bringing any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body including, without limitation, (a) an action or suit contending that the Special Taxes have not been levied in accordance with the methodologies contained in the District's Rate and Method of Apportionment of Special Tax pursuant to which the Special Taxes are levied, (b) an action or suit with respect to the application or use of the Special Taxes levied and collected, (c) the enforcement of the obligations of the City under

the Fiscal Agent Agreement or any agreements between the Developer and the City or under which the Developer is a beneficiary.

8. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, the Developer is not aware that any other public debt secured by a tax or assessment on the Property exists or is in the process of being authorized or any assessment districts or community facilities districts have been or are in the process of being formed that include any portion of the Property.

9. To the Actual Knowledge of the Undersigned, neither the Developer nor any Affiliate has been delinquent to any material extent in the payment of any *ad valorem* property tax, special assessment or special tax on property owned by the Developer or any Affiliate within the boundaries of a community facilities district or an assessment district within California that (a) would have caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being commenced in a court of law against the Developer or any such Affiliate.

10. The Developer intends to comply with the provision of the Mello-Roos Act of 1982, as amended, relating to the Notice of Special Tax described in Government Code Section 53341.5 in connection with the sale of the Property, or portions thereof.

11. To the Actual Knowledge of the Undersigned, the Developer is able to pay its bills as they become due and no legal proceedings are pending against the Developer (with proper service of process to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, threatened in writing in which the Developer may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

12. To the Actual Knowledge of the Undersigned, Affiliates of the Developer are able to pay their bills as they become due and no legal proceedings are pending against any Affiliates of the Developer (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned, threatened in writing in which the Affiliates of the Developer may be adjudicated as bankrupt or discharged from any or all of their debts or obligations, or granted an extension of time to pay their debts or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

13. If between the date hereof and the Closing Date any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur of which the undersigned has actual knowledge and which the undersigned believes would cause the information under the sections of the Preliminary Official Statement indicated in Paragraph 6 hereof, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the undersigned shall notify the City and the Underwriter and if in the opinion of counsel to the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Preliminary

Official Statement, the Developer shall reasonably cooperate with the City in the preparation of an amendment or supplement to the Preliminary Official Statement in form and substance reasonably satisfactory to counsel to the City and to the Underwriter.

14. The Developer agrees to deliver a Closing Certificate dated the date of issuance of the Bonds at the time of issuance of the Bonds in substantially the form attached to the Purchase Agreement as Exhibit K.

15. As used in this Letter of Representations, the term “Actual Knowledge of the Undersigned” means the knowledge that the undersigned currently has or has obtained through (i) interviews with such current officers and responsible employees of the Developer as the undersigned has reasonably determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in this Letter of Representations including the chief financial officer of the Developer or, if the Developer does not have a chief financial officer, the person who performs the functions usually associated with such officer (unless the undersigned is the chief financial officer or such person), and (ii) reviews of documents reasonably available to the undersigned and which the undersigned reasonably deemed necessary for the undersigned to execute this Letter of Representations. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer’s current business and operations. The undersigned has not contacted any individuals who are no longer employed by, or associated with, the Developer.

16. As used in this Letter of Representations, the term “Affiliate” of the Developer means any person directly (or indirectly through one or more intermediaries) that exercises managerial control over the Developer or that is under managerial control of the Developer, and about whom information could be material to potential investors in their investment decision regarding the Bonds, but excludes the Builders.

17. On behalf of the Developer, I have reviewed the contents of this Letter of Representations and have met with counsel to the Developer for the purpose of discussing the meaning of its contents.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; EXECUTION PAGE FOLLOWS]

The undersigned has executed this Letter of Representations solely in his or her capacity as an authorized officer or representative of Developer and he or she will have no personal liability arising from or relating to this Letter of Representations. Any liability arising from or relating to this Letter of Representations may only be asserted against the Developer.

**STOCKBRIDGE/WILSON MEANS YBI
INVESTORS, LLC**
a Delaware limited liability company

By: _____
Authorized Representative

EXHIBIT K

CLOSING CERTIFICATE OF YBI PHASE 1 PARENT COMPANY

_____, 2020

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Backstrom McCarley Berry & Co., LLC
115 Sansome Street, Mezzanine A
San Francisco, California 94104

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

Ladies and Gentlemen:

Reference is made to the Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “Bonds”) and to the Bond Purchase Agreement to be entered into in connection therewith (the “Purchase Agreement”). This Closing Certificate (the “Closing Certificate”) is delivered by Stockbridge/Wilson Meany YBI Investors, LLC, a Delaware limited liability company (the “Developer”), pursuant to the Purchase Agreement. A copy of a Letter of Representations (the “Letter of Representations”), dated _____, 2020, delivered by the Developer, is attached hereto as Exhibit A. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of the Developer, and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer has received the final Official Statement relating to the Bonds. Each statement, representation and warranty made in the Letter of Representations is true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the final Official Statement.

2. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement affecting the statements and information described in Paragraph 6 of the Letter of Representations relating to the Developer, its Affiliates, ownership of the Property, the Developer’s development plan, the Developer’s financing plan, the Developer’s lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer’s development plan or the Developer’s financing plan, other loans of such Affiliates) which should be disclosed in the Official Statement for the purposes for which it is to be used in order to make such statements and information contained in the Official Statement not misleading in any material respect.

3. For the period through 25 days after the “End of the Underwriter Period” as defined in the Purchase Agreement to mean the Closing Date unless otherwise notified in writing by the Underwriter, if any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer’s development plan, the Developer’s financing plan, the Developer’s lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer’s development plan or the Developer’s financing plan, other loans of such Affiliates) shall occur as a result of which it is necessary, in the opinion of the Underwriter or counsel to the City, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Developer shall reasonably cooperate with the City and the Underwriter in the preparation of an amendment or supplement to the Official Statement in form and substance reasonably satisfactory to the Underwriter and Disclosure Counsel which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

4. The undersigned has executed this Closing Certificate solely in his or her capacity as an officer of Developer and he or she will have no personal liability arising from or relating to this Closing Certificate. Any liability arising from or relating to this Closing Certificate may only be asserted against the Developer.

**STOCKBRIDGE/WILSON MEANS YBI
INVESTORS, LLC**
a Delaware limited liability company

By: _____
Authorized Representative

EXHIBIT L

OPINION(S) OF COUNSEL TO THE YBI PHASE 1 PARENT COMPANY

[TO INCLUDE 10B-5, NO LITIGATION AND COMFORT RE CONTINUING DISCLOSURE
UNDERTAKING]

EXHIBIT M

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, Stifel, Nicolaus & Company, Incorporated (the “Representative”), on behalf of itself and Backstrom, McCarley Berry & Co., LLC, hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the City and County of San Francisco (the “Issuer”).

1. Sale of the Bonds. As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Jones Hall, A Professional Law Corporation, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

IN WITNESS WHEREOF, the undersigned has executed this certificate on this ____th day of _____, 2020.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Representative

By: _____

Name: _____

By: _____

Name: _____

NEW ISSUE - BOOK-ENTRY ONLY

NO RATING

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$17,990,000*
**IMPROVEMENT AREA NO. 1 OF THE
 CITY AND COUNTY OF SAN FRANCISCO
 COMMUNITY FACILITIES DISTRICT NO. 2016-1
 (TREASURE ISLAND)
 SPECIAL TAX BONDS, SERIES 2020**

Dated: Date of Delivery

Due: September 1, as shown on inside cover

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The City and County of San Francisco, California (the "City") on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the "District") with respect to Improvement Area No. 1 of the District ("Improvement Area No. 1") will be issuing Special Tax Bonds, Series 2020 (the "2020 Bonds"). The 2020 Bonds are being issued on behalf of the District, which was established by the City, pursuant to a Fiscal Agent Agreement, dated as of [As of Date] (the "Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"), and will be secured as described herein. The 2020 Bonds are being issued to fund: (i) the acquisition of certain public facilities and improvements authorized to be financed by Improvement Area No. 1, (ii) a debt service reserve fund, (iii) administrative expenses, and (iv) costs of issuance, all as further described herein. See "THE FINANCING PLAN" herein.

The 2020 Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof, shall mature on September 1 in each of the years and in the amounts, and shall bear interest as shown on the inside front cover hereof. Interest on the 2020 Bonds shall be payable on each March 1 and September 1, commencing March 1, 2021 (each an "Interest Payment Date") to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date. The 2020 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2020 Bonds. Individual purchases of the 2020 Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2020 Bonds will be payable by DTC through the DTC participants. See "THE BONDS - Book-Entry System" herein. Purchasers of the 2020 Bonds will not receive physical delivery of the 2020 Bonds purchased by them.

The 2020 Bonds are subject to redemption prior to maturity as described herein. See "THE 2020 BONDS" herein.

The 2020 Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2020 Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2020 Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the 2020 Bonds.

The 2020 Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by their counsel Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for the Treasure Island Community Development, LLC by its counsel Holland & Knight, LLP, San Francisco, California. It is anticipated that the 2020 Bonds will be available for delivery through the book-entry facilities of DTC on or about _____, 2020.

STIFEL

BACKSTROM MCCARLEY BERRY & CO., LLC

Dated: _____, 2020

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

\$17,990,000*
IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2020
(Base CUSIP[†] _____)

| <u>Maturity Date</u> <u>(September 1)</u> | <u>Principal</u> <u>Amount</u> [*] | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP</u> [†] |
|--|--|--|---------------------|---------------------|----------------------------------|
|--|--|--|---------------------|---------------------|----------------------------------|

\$ _____ % Term Bonds due September 1, 20__ – Yield: _____ % Price: _____ % CUSIP[†]: _____

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the City, the Underwriters, or the Municipal Advisors, is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2020 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2020 Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2020 Bonds.

**CITY AND COUNTY OF SAN FRANCISCO
MAYOR**

London N. Breed

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Sandra Lee Fewer, *District 1*
Catherine Stefani, *District 2*
Aaron Peskin, *District 3*
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Dean Preston, *District 5*

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Shamann Walton, *District 10*
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CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *City Administrator*
Benjamin Rosenfield, *Controller*
Anna Van Degna, *Director, Controller's Office of Public Finance*

PROFESSIONAL SERVICES

Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Special Tax Consultant

Goodwin Consulting Group, Inc.
Sacramento, California

Co-Municipal Advisors

CSG Advisors, Inc.
San Francisco, California

PFM Financial Advisors LLC
San Francisco, California

Fiscal Agent

Zions Bancorporation, National Association
Los Angeles, California

⁽¹⁾ The Board of Supervisors serves as the legislative body of the District.

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information set forth herein has been obtained from the City and other sources believed to be reliable. This Official Statement is not to be construed as a contract with the purchasers of the 2020 Bonds. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the City, the Municipal Advisor or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriters.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation of such offer or any sale of the 2020 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale of the 2020 Bonds made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the District or the City or in any other information contained herein, since the date hereof.

The Underwriters have provided the following two paragraphs for inclusion in this Official Statement.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE 2020 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2020 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (“EMMA”) website.

The City maintains a website with information pertaining to the City. However, the information presented therein is not incorporated into this Official Statement and should not be relied upon in making investment decisions with respect to the 2020 Bonds.

FORWARD LOOKING STATEMENTS

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

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

[insert location map]

OFFICIAL STATEMENT

\$17,990,000*
**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2020**

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the City and County of San Francisco (the “City”) of its Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “2020 Bonds”). The 2020 Bonds and any Parity Bonds (as defined herein) are collectively referred to herein as the “Bonds.”

Authority for the 2020 Bonds

The 2020 Bonds will be issued by the City on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) with respect to Improvement Area No. 1 of the District (“Improvement Area No. 1”) pursuant to the provisions of a Fiscal Agent Agreement, dated as of [As of Date] (the “Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and Resolution No. ____ adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on ____, 2020 and approved by Mayor London N. Breed on _____, 2020.

Use of Proceeds

The 2020 Bonds are being issued to fund: (i) the acquisition of certain public facilities and improvements authorized to be financed by Improvement Area No. 1 of the District (the “Project”), (ii) a debt service reserve fund (the “Reserve Fund”), (iii) administrative expenses and (iv) costs of issuance, all as further described herein. See “THE FINANCING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Treasure Island Project

Project Overview. The property in Improvement Area No. 1 is part of a larger development project (the “Treasure Island Project”) that entails the development of portions of the naturally-formed Yerba Buena Island (“Yerba Buena Island”) and the artificially created Treasure Island (“Treasure Island”), both located in the middle of the San Francisco Bay between downtown San Francisco and the City of Oakland. The two islands (the “Islands”) are accessible by Interstate Highway 80 via the San Francisco-Oakland Bay Bridge (which passes through Yerba Buena Island) and connected by a causeway. The Treasure Island

* Preliminary, subject to change.
98823606.14

Project consists of approximately 461 acres (the “Project Site”), of which approximately 15.5 gross acres is within Improvement Area No. 1. Improvement Area No. 1 is located entirely on Yerba Buena Island.

The Treasure Island Project is entitled for the development of up to 8,000 residential units, up to approximately 140,000 square feet of new commercial and retail space, adaptive reuse of three historic buildings with up to 311,000 of commercial/flex space (yielding approximately 67,000 square feet of additional retail, which when combined with the 140,000 square feet of new retail yields a total of 207,000 square feet of retail space proposed on the Islands), up to 500 hotel rooms, up to approximately 100,000 square feet of office space, 290 plus acres of open space, 22 miles of walking/biking paths, playing fields, a marina, and a ferry terminal.

History of the Treasure Island Project. A portion of the Project Site is located on land that was previously the site of a United States Naval Station (“Naval Station Treasure Island” or “NSTI”). In 1993, Congress selected NSTI for closure and disposition by the Base Realignment and Closure Commission. The Department of Defense later designated the City as the initial local reuse authority responsible for the conversion of NSTI under the federal disposition process. In July 1996, after an extensive community planning effort, the City’s Mayor, Board of Supervisors, Planning Commission, and the Citizens Reuse Committee unanimously endorsed a Draft Reuse Plan (the “Reuse Plan”) for NSTI to serve as the basis for the preliminary redevelopment plan for NSTI.

In 1997, the Board of Supervisors authorized the creation of the Treasure Island Development Authority, a California nonprofit public benefit corporation (“TIDA”), to serve as the entity responsible for the reuse and development of NSTI, taking over such responsibility from the City. In addition, the Board of Supervisors designated TIDA as a redevelopment agency with powers over NSTI under the Treasure Island Conversion Act of 1997. After completion of a competitive master developer selection process, TIDA and Treasure Island Community Development, LLC, a California limited liability company (“TICD”), entered into the Exclusive Negotiating Agreement dated as of June 1, 2003, as amended and restated in September 2005, as further amended in July 2006, March 2008, February 2010, and June 2011. TICD is the master developer of the Treasure Island Project. The existing members of TICD are (1) Treasure Island Holdings, LLC (“TIH”), a joint venture comprised of a subsidiary of Lennar Corporation (“Lennar”) and a non-managing third-party investor member, (2) TICD Hold Co., LLC (“TICD Hold Co.”), an indirect subsidiary of Lennar, (3) KSWM Treasure Island, LLC (“KSWM”), a joint venture comprised of affiliates of Stockbridge Capital Group, LLC (“Stockbridge”), Kenwood Investments (“Kenwood”), and Wilson Meany, LP (“Wilson Meany”), and (4) Stockbridge TI Co-Investors, LLC (“SBTI”), an affiliate of Stockbridge. TIH and TICD Hold Co. collectively own a fifty percent (50%) membership interest in TICD, and KSWM and SBTI collectively own a fifty percent (50%) membership interest in TICD. See “THE TREASURE ISLAND PROJECT – TICD and the Treasure Island Project” herein.

In 2011, TIDA and the City certified an Environmental Impact Report and approved the Treasure Island Project entitlements, a General Plan Amendment, adoption of Planning Code Section 749.72 that established the Treasure Island/Yerba Buena Island Special Use District (the “TI/YBI SUD”), a Design for Development (“D4D”) that established design standards and guidelines, and a Development Agreement vesting those entitlements.

In 2014, the United States of America, acting by and through the Department of the Navy (the “Navy”), and TIDA entered into an Economic Development Conveyance Memorandum of Agreement (as amended and supplemented from time to time, the “Conveyance Agreement”) that governs the terms and conditions for the transfer of NSTI from the Navy to TIDA. Under the Conveyance Agreement, the Navy must convey NSTI to TIDA in phases after the Navy has completed environmental remediation and issued a finding of suitability to transfer for specified parcels of NSTI or portions thereof. To date, the Navy has conveyed four separate conveyances to TIDA, including all of the property within Improvement Area No. 1.

The Treasure Island Project will be carried out by or at the direction of TICD in accordance with the Development Agreement between TIDA and TICD, dated as of June 28, 2011 (as amended from time to time, the “DA”), and the Disposition and Development Agreement between the City and TICD dated as of June 28, 2011 (as amended from time to time, the “DDA”), and related Treasure Island Project approvals (including the Mitigation Monitoring and Reporting Program adopted by TIDA and the City in reliance of the Treasure Island/Yerba Buena Island Environmental Impact Report), the D4D, and the TI/YBI SUD.

TICD is developing the Treasure Island Project in Major Phases and Sub-Phases by transferring property related to such phases to one or more phase developers. The phase developers, in turn, are developing the phase by transferring property to one or more merchant builders. For additional information regarding the Treasure Island Project, Improvement Area No. 1, TICD and the development plans for Treasure Island and Improvement Area No. 1, see “THE TREASURE ISLAND PROJECT” and “IMPROVEMENT AREA NO. 1” herein.

Formation of the District and Improvement Area No. 1

The District was formed by the City pursuant to the Act. The Act was enacted by the State of California (the “State”) Legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as such term is defined in the Act) may establish a district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency that forms a district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may cause the district to issue bonds and may levy and collect a special tax within such district to repay such indebtedness. The Board of Supervisors serves as the legislative body of the District.

Pursuant to the Act, the Board of Supervisors adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of Special Taxes (as such term is defined in this Official Statement) on taxable property within the boundaries of the District, and enable the District to incur bonded indebtedness. Following public hearings conducted pursuant to the provisions of the Act, the Board of Supervisors adopted resolutions establishing the District and designating Improvement Area No. 1, and calling special elections to submit the authorization of the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified voters of Improvement Area No. 1, including: (i) Resolution No. 8-17 adopted by the Board of Supervisors on January 24, 2017, pursuant to which the City formed the District, designated a future annexation area for the District (the “Future Annexation Area”) and designated Improvement Area No. 1 (the “Resolution of Formation”); and (ii) Ordinance No. 22-17 adopted by the Board of Supervisors on January 31, 2017, providing for the levying of the Special Taxes (the “Ordinance”).

On January 24, 2017, at an election held pursuant to the Act, the landowners who comprised the qualified voters of Improvement Area No. 1 authorized Improvement Area No. 1 to incur bonded indebtedness in an aggregate principal amount not to exceed \$250,000,000 and approved the rate and method of apportionment of the Special Taxes (the “Rate and Method”) for Improvement Area No. 1 to pay the principal of and interest on bonds to be issued for Improvement Area No. 1. See the caption “IMPROVEMENT AREA NO. 1” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

Improvement Area No. 1.

Improvement Area No. 1 encompasses the property that is the first phase of the Treasure Island Project, all of which is located on Yerba Buena Island.

The developer of Improvement Area No. 1 is Treasure Island Series 1, LLC, a Delaware limited liability company (“TI Series 1” or the “Phase 1 Developer”). Improvement Area No. 1 is located within Sub-Phases of Major Phase 1 (as defined in the DDA) known as Sub-Phases 1YA & 1YB. Development blocks within these Sub-Phases have been divided into four sub-blocks of developable land (each, a “Sub-Block”) known as “Sub-Block 1Y,” “Sub-Block 2Y,” “Sub-Block 3Y,” and “Sub-Block 4Y” (further divided into “Sub-Block 4Y (Townhomes and Flats)” and “Sub-Block 4Y (Podium)”). The development of these Sub-Blocks is expected to result in a total of 266 new residential units, including five single family detached homes, 261 other residential units, and a hotel project. If the projects planned for each Sub-Block are completed as expected, the development in Improvement Area No. 1 is expected to result in approximately 570,589 square feet of Taxable Parcels (as defined in the Rate and Method).

In 2018, TI Series 1 commenced construction of various infrastructure improvements required for the development of Improvement Area No. 1, including the removal of underground utilities, construction of all new public roads, a new joint trench system, and geotechnical improvements along the Treasure Island Causeway that delivers utilities from Treasure Island to Yerba Buena Island. Construction on a five story 124 unit luxury condominium building located in Sub-Block 4Y (Podium) has commenced; construction is expected to be completed in the fourth quarter of 2021.

Development planned for Sub-Blocks 1Y, 3Y and 4Y (Townhomes and Flats) include 55 stacked flats condominium units, 82 attached townhouses, and five single-family detached home sites, as more particularly described herein. Construction on these Sub-Blocks has not yet begun, but final build-out of this portion of the development is expected to be completed in the fourth quarter of 2023. The hotel project is intended to be constructed in Sub-Block 2Y, but plans are still in development. All of Sub-Blocks 3Y, 4Y (Townhomes and Flats), and 4Y (Podium) have been transferred to merchant builders and Sub-Block 1Y remains owned by TI Series 1 but is under contract for sale to the YBI Phase Parent Company (as defined herein). Sub-Block 2Y is owned by TIDA and is subject to the Public Trust (as defined herein); planned hotel development would be on a leasehold interest. See the captions “TREASURE ISLAND PROJECT —Initial Phase Approvals and Land Transfers” and “IMPROVEMENT AREA NO. 1—The Development Plan” herein.

As of the date of this Official Statement, Improvement Area No. 1 is the only improvement area located within the District. If the City annexes any portion of the Future Annexation Area and such portion is included in a separate improvement area, the special taxes or other moneys derived from such improvement area would not be available for payment of debt service on the 2020 Bonds. The City does not anticipate annexing any portion of the Future Annexation Area into Improvement Area No. 1.

Appraisal

The firm of Integra Realty Resources, Inc. (the “Appraiser”) has prepared an Appraisal Report dated August 14, 2020 (the “Appraisal Report”) with a valuation date of July 1, 2020, estimating the market value of the fee simple interest in the appraised parcels within Improvement Area No. 1 that are subject to the Special Taxes securing the 2020 Bonds. The Appraisal Report appraised the value of Sub-Blocks 1Y, 3Y and 4Y. So long as Sub-Block 2Y is subject to the Public Trust, it is not considered a Taxable Parcel and therefore was not taken into account in determining the appraised value reflected in the Appraisal Report.

The Appraiser concluded in the Appraisal Report that the market value in bulk of the fee simple interest in the appraised properties in Improvement Area No. 1 is \$86,560,000, subject to certain assumptions and limiting conditions set forth in the Appraisal Report. The Appraisal Report, which is included in Appendix G, should be read in its entirety by prospective purchasers of the Bonds.

The value of individual parcels in Improvement Area No. 1 may vary significantly, and no assurance can be given that should Special Taxes levied on one or more of the parcels become delinquent, and should the delinquent parcels be offered for sale at a judicial foreclosure sale, that any bid would be received for the property or, if a bid is received, that such bid would be sufficient to pay such parcel's delinquent Special Taxes. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure" and "SPECIAL RISK FACTORS – Tax Delinquencies."

See the caption "IMPROVEMENT AREA NO. 1 – Property Values" and Appendix G. *None of the City, the District or the Underwriter makes any representation as to the accuracy or completeness of the Appraisal Report.*

The 2020 Bonds

The 2020 Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof, shall mature on September 1 in each of the years and in the amounts, and shall bear interest as shown on the inside front cover hereof. Interest on the 2020 Bonds shall be payable on each March 1 and September 1, commencing March 1, 2021 (each an "Interest Payment Date") to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date, by check mailed on such Interest Payment Date or by wire transfer to an account in the United States of America made upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2020 Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The 2020 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2020 Bonds. Individual purchases of the 2020 Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2020 Bonds will be payable by DTC through the DTC participants. Purchasers of the 2020 Bonds will not receive physical delivery of the 2020 Bonds purchased by them. See "THE 2020 BONDS - Book-Entry System" herein.

Security for the Bonds

The Bonds are secured by a first pledge of all Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account), and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. See also "SECURITY FOR THE BONDS – Reserve Fund" herein.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, 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 shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

"Special Taxes" means the special taxes levied by the Board of Supervisors within Improvement Area No. 1 under the Act, the Ordinance and the Fiscal Agent Agreement.

"Special Tax Prepayments" means the proceeds of any Special Tax prepayments received by the City for property in Improvement Area No. 1, as calculated pursuant to the Rate and Method, less any administrative fees or penalties collected as part of any such prepayment. See "SECURITY FOR THE BONDS – General" herein.

See the section of this Official Statement captioned "SPECIAL RISK FACTORS" for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the 2020 Bonds.

Reserve Fund

The City, on behalf of the District, will establish under the Fiscal Agent Agreement a Reserve Fund as additional security for the 2020 Bonds pursuant to the Fiscal Agent Agreement to be funded at the Reserve Requirement (defined below). See “SECURITY FOR THE BONDS – Reserve Fund” herein.

Foreclosure Covenant

The City, on behalf of the District, has covenanted for the benefit of the owners of the Bonds that, under certain circumstances described herein, the City will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within the District, and will diligently pursue such proceedings to completion. See “SECURITY FOR THE BONDS –Special Tax Fund” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein.

Limited Obligations

The Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Continuing Disclosure

The District has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (“MSRB”) certain annual financial information and operating data and notice of certain enumerated events. The District’s covenants have been made in order to assist the Underwriters in complying with the Securities and Exchange Commission’s Rule 15c2-12 (“Rule 15c2-12”). In addition, although not an obligated party under Rule 15c2-12, both TI Series 1 and Stockbridge/Wilson Meany YBI Investors, LLC, a Delaware limited liability company (the “YBI Phase Parent Company”) have agreed to execute separate continuing disclosure undertakings that provide, or cause to be provided, to the MSRB certain annual information and notice of certain enumerated events. See the caption “CONTINUING DISCLOSURE” and Appendices E-1, E-2, and E-3 for a description of the specific nature of the annual reports and notices of enumerated events to be filed by the District, TI Series 1, and YBI Phase Parent Company.

Further Information

Brief descriptions of the 2020 Bonds, the security for the Bonds, special risk factors, the District, the City and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the 2020 Bonds, the Fiscal Agent Agreement, resolutions and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the 2020 Bonds, the Fiscal Agent Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors’ rights. For definitions of certain capitalized terms used herein and not otherwise defined, and a description of certain terms relating to the 2020 Bonds, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

THE FINANCING PLAN

The 2020 Bonds are being issued to fund: (i) the Project, (ii) the Reserve Fund, (iii) administrative expenses, and (iv) costs of issuance.

More specifically, proceeds of the 2020 Bonds are expected to be used to finance land acquisition, sewer improvements, storm drain improvements, street facilities, curb, gutter and sidewalk improvements, including streetlights and traffic signals, as well as incidental expenses related to the planning, design and completion of such facilities. Such backbone infrastructure has been completed by TICD, its predecessors, and its subsidiaries and a portion of the proceeds of the Bonds will be used to reimburse TICD for a portion of the costs thereof.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds is set forth below:

| | |
|---|-----------|
| <u>Sources of Funds</u> | |
| Principal Amount | \$ |
| [Net] [Premium/Discount] | |
| Total Sources | |
| <u>Uses of Funds</u> | |
| Deposit to Improvement Account | \$ |
| Deposit to Reserve Fund | |
| Deposit to Administrative Expense Fund | |
| Deposit to Costs of Issuance Account ⁽¹⁾ | |
| Total Uses | <u>\$</u> |

⁽¹⁾ Includes Underwriters' discount, fees and expenses for Bond Counsel, Disclosure Counsel, the Municipal Advisors, the Special Tax Consultant, the Fiscal Agent and its counsel, costs of printing the Official Statement, and other costs of issuance of the 2020 Bonds.

THE 2020 BONDS

Description of the 2020 Bonds

The 2020 Bonds will be issued as fully registered bonds, in denominations of \$5,000 or any integral multiple in excess thereof within a single maturity and will be dated and bear interest from the date of their delivery, at the rates set forth on the inside cover page hereof. The Bonds will be issued in fully registered form, without coupons. The 2020 Bonds will mature on September 1 in the principal amounts and years as shown on the inside cover page hereof.

The 2020 Bonds will bear interest at the rates set forth on the inside cover page hereof, payable on the Interest Payment Dates in each year. Interest on all 2020 Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2020 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the dated date of the 2020 Bonds; provided, however, that if at the time of authentication of a 2020 Bond, interest is in default thereon, such 2020 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the 2020 Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States of America made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2020 Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such 2020 Bonds are transferred to a new Owner. "Record Date" means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day. The interest, principal of and any premium on the 2020 Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the 2020 Bonds at the Principal Office of the Fiscal Agent. All 2020 Bonds paid by the Fiscal Agent pursuant this Section shall be canceled by the Fiscal Agent.

Redemption*

Optional Redemption. The 2020 Bonds maturing on or after September 1, 20__ are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date on or after September 1, 20__, as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the 2020 Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

| <u>Redemption Dates</u> | <u>Redemption Price</u> |
|---|-------------------------|
| September 1, ____ through August 31, ____ | ____% |
| September 1, ____ through August 31, ____ | ____ |
| September 1, ____ through August 31, ____ | ____ |
| September 1, ____ and any date thereafter | ____ |

Mandatory Sinking Fund Redemption. The Term 2020 Bonds maturing on September 1, ____ are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following table:

| <u>Sinking Fund Redemption Date (September 1)</u> | <u>Principal Amount Subject to Redemption</u> |
|---|---|
|---|---|

(maturity)

Provided, however, if some but not all of the Term 2020 Bonds have been redeemed pursuant to optional redemption or redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term 2020 Bonds so redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of \$5,000 as

* Preliminary, subject to change.

determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund shall be used to redeem 2020 Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among maturities as provided in the Fiscal Agent Agreement, at a redemption price (expressed as a percentage of the principal amount of the 2020 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|---|-------------------------|
| Any Interest Payment Date on or before March 1, 20__ | ____% |
| On September 1, 20__ and March 1, 20__ | ____ |
| On September 1, 20__ and March 1, 20__ | ____ |
| On September 1, 20__ and any Interest Payment Date thereafter | ____ |

Notice of Redemption. The Fiscal Agent shall cause notice to be sent at least twenty (20) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories, and to the respective registered Owners of any 2020 Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to send or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. In addition, the Fiscal Agent shall file each notice of redemption with the MSRB through its Electronic Municipal Market Access system (“EMMA”). Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding 2020 Bonds are to be called for redemption shall state as to any 2020 Bond called in part the principal amount thereof to be redeemed, and shall require that such 2020 Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such 2020 Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City from amounts in the Administrative Expense Fund.

The City has the right to rescind any notice of the optional redemption of 2020 Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2020 Bonds then called for redemption, and such cancellation shall not constitute a default under the Fiscal Agent Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall send notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Fiscal Agent Agreement.

Selection of Bonds for Redemption. Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2020 Bonds or any maturity or any given portion thereof, the Fiscal Agent shall select the 2020 Bonds to be redeemed, from all 2020 Bonds or such given portion thereof not previously called for redemption as directed by the City or, in the absence of such direction by the City, on a pro rata basis among maturities, and, within a maturity, by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate. In connection with a redemption under “Redemption from Special Tax Prepayments” above, the City shall deliver to the Trustee a certificate of an Independent Financial Consultant to the effect that, for each Fiscal Year after the proposed redemption, the maximum amount of the Special Taxes that, based on Taxable Parcels following the related Special Tax Prepayment, may be levied for such Fiscal Year under the Ordinance, the Fiscal Agent Agreement and any Supplemental Agreement shall be at least 110% of the total Annual Debt Service of the remaining Outstanding Bonds

following such Special Tax Prepayment and redemption for the Bond Year that commences in such Fiscal Year.

Purchase of Bonds in Lieu of Redemption. In lieu of redemption under the Fiscal Agent Agreement, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2020 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2020 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 Fiscal Agent Agreement. All 2020 Bonds purchased by the Fiscal Agent shall be canceled by the Fiscal Agent.

The Fiscal Agent

Zions Bancorporation, National Association has been appointed as the Fiscal Agent for all of the 2020 Bonds under the Fiscal Agent Agreement. For a further description of the rights and obligations of the Fiscal Agent pursuant to the Fiscal Agent Agreement, see APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" hereto.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Fiscal Agent, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM" hereto.

[Remainder of page intentionally left blank.]

Debt Service Schedule

The following is the debt service schedule for the 2020 Bonds, assuming no redemptions other than mandatory sinking fund redemptions.

| <u>Year Ending (September 1)</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|-------------------------|------------------------|---------------------|
| 2021 | \$ | \$ | \$ |
| 2022 | | | |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| Total | \$ | \$ | \$ |

Projected Debt Service Coverage

The following table sets forth debt service coverage with respect to the 2020 Bonds, assuming Special Taxes are collected when levied. The projected Special Tax Revenue in the following table assumes a maximum Special Tax levied on the Taxable Parcels in Fiscal Year 2020-21 assuming a [2.0]% increase in each of the Fiscal Years. Under the Rate and Method, on each July 1, the Base Facilities Special Taxes, the Expected Maximum Special Tax Revenues and the Maximum Facilities Special Tax assigned to each Parcel in Improvement Area No. 1 are to be increased by 2% of the amount in effect in the prior Fiscal Year. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto. Additional Parity Bonds may be issued from time to time in accordance with the Fiscal Agent Agreement, as described herein.

| Year Ending (September 1) | Developed Property Revenues | Unimproved Property at Maximum Special Tax | Projected Admin. Costs | Net Available Special Revenues | Debt Service Coverage Ratio – Net Available Developed Property Revenues | Debt Service Coverage Ratio – Net Available Special Tax Revenues |
|--------------------------------------|--|---|-----------------------------------|---|--|---|
|--------------------------------------|--|---|-----------------------------------|---|--|---|

Total

* Preliminary, subject to change.
[add footnotes]

SECURITY FOR THE BONDS

General

The Bonds will be secured by a first pledge pursuant to the Fiscal Agent Agreement of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account) and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement. "Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, 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 shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

The Special Taxes are to be apportioned, levied and collected according to the Rate and Method on Taxable Parcels developed within Improvement Area No. 1. See APPENDIX B – "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" hereto.

The 2020 Bonds and all Related Parity Bonds shall be secured by a first pledge of all moneys deposited in the Reserve Fund. The moneys in the Reserve Fund are dedicated to the payment of the principal of, and interest and any premium on, the 2020 Bonds and all Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2020 Bonds and all Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose.

"Related Parity Bonds" means any series of Parity Bonds for which (i) the proceeds are deposited into the Reserve Fund so that the balance therein is equal to the Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

Amounts in the Improvement Fund (and the accounts therein), the Administrative Expense Fund and the Costs of Issuance Account are not pledged to the repayment of the 2020 Bonds. The Project is not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Project.

Limited Obligation

The Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

No Teeter Plan

The Board of Supervisors adopted 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, in 1993 pursuant to Resolution No. 830-93. The Teeter Plan provides for the allocation and distribution of property tax levies and collections and of tax sale proceeds. The City has the power to include additional taxing agencies on the Teeter Plan. The City has the power to unilaterally discontinue the Teeter Plan or remove a taxing agency from the Teeter Plan by a majority vote of the Board of Supervisors. The Teeter Plan may also be discontinued by petition of two-thirds (2/3rds) of the participant taxing agencies.

The Board of Supervisors, by resolution, has extended the Teeter Plan to the allocation and distribution of special taxes for a limited number of community facilities districts located within the City. The Board of Supervisors has not extended the Teeter Plan to the collection of Special Taxes within Improvement Area No. 1. Accordingly, the Teeter Plan is not expected to be available for the collection of the Special Taxes and the collection of the Special Taxes will reflect actual delinquencies.

Special Tax Fund

Special Tax Fund. Pursuant to the Fiscal Agent Agreement, there is established a “Special Tax Fund” to be held by the Fiscal Agent, to the credit of which the Fiscal Agent will deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The City has agreed in the Fiscal Agent Agreement to promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund. Notwithstanding the foregoing,

(i) Special Tax Revenues in an amount not to exceed the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent in the Administrative Expense Fund;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due debt service on the Bonds; second, without preference or priority for transfer to (a) the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund up to the then Reserve Requirement and (b) the reserve account for any Parity Bonds that are not Related Parity Bonds to the extent needed to increase the amount then on deposit in such reserve account up to the amount then required to be on deposit therein; and third, to be held in the Special Tax Fund for use as described in below under “- *Disbursements*”; and

(iii) any proceeds of Special Tax Prepayments shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment constituting a prepayment of costs of the Project shall be deposited by the Fiscal Agent to the Improvement Fund and (b) the remaining Special Tax Prepayment shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement.

Disbursements from the Special Tax Fund. At least seven (7) days prior to each Interest Payment Date or redemption date, as applicable, the Fiscal Agent will 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, the Reserve Fund and any reserve account for Parity Bonds that are not Related Parity Bonds and the Special Tax Prepayments Account to the Bond Fund 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 or redemption date, and any past due principal or interest on the Bonds not theretofore paid from a transfer described in clause second of subparagraph (ii) above under “- *Special Tax Fund;*”

(ii) without preference or priority (a) 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, and (b) to the reserve account for any Parity Bonds that are not Related Parity Bonds, taking into account amounts then on deposit in such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts shall be applied to the Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds); and

(iii) on each October 1, beginning on October 1, 2020, all of the moneys remaining in the Special Tax Fund shall be transferred to the Finance Director for deposit in accordance with the DDA and the DA. More specifically, such remaining Special Taxes shall be deposited in the remainder taxes project account established by TIDA and applied (1) before the date on which the first park owned by TIDA is completed and open to the public (the “Maintenance Commencement Date”), from time to time, at TICD’s request, applied to finance Qualified Project Costs (as defined in the Financing Plan) and (2) following the Maintenance Commencement Date, transferred to TIDA and held in the remainder taxes holding account established by TIDA and applied to the costs of operating and maintaining parks within the District. Amounts on deposit in the remainder taxes project account or the remainder taxes holding account are not pledged to the repayment of the Bonds.

Administrative Expense Fund

The Fiscal Agent will transfer from the Special Tax Fund and deposit in the Administrative Expense Fund established under the Fiscal Agent Agreement an amount equal to the amount specified in an Officer’s Certificate to be used to pay an Administrative Expense or a Cost of Issuance. Amounts deposited in the Administrative Expense Fund are not pledged to the repayment on the Bonds.

Bond Fund

The Bond Fund is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent. Moneys in the Bond Fund will be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

Flow of Funds for Payment of Principal and Interest. At least ten (10) days before each Interest Payment Date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay

to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer of the collections of delinquent Special Taxes will be immediately disbursed by the Fiscal Agent to pay past due amounts owing on the Bonds.

At least five (5) days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the debt service due on the Bonds on the next Interest Payment Date. If amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly will notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

If amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent will do the following:

(i) Withdraw from the Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2020 Bonds and any Related Parity Bonds. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from the reserve fund shall be deposited in the Bond Fund.

If, after the foregoing transfers and application of such funds for their intended purposes, there are insufficient funds in the Bond Fund to make the payments provided for in the Fiscal Agent Agreement, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Bonds by reason of sinking payments.

Special Tax Prepayments Account. Within the Bond Fund a separate account will be held by the Fiscal Agent, designated the “Special Tax Prepayments Account.” Moneys in the Special Tax Prepayments Account will be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Fiscal Agent Agreement and will be used (together with any amounts transferred for the purpose) to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.

Establishment of Improvement Fund

The Improvement Fund is established as a separate fund under the Fiscal Agent Agreement, to be held by the Fiscal Agent and to the credit of which fund deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Improvement Fund will be disbursed, except as otherwise provided in the Fiscal Agent Agreement, for the payment or reimbursement of the costs of the Project. **Amounts on deposit in the Improvement Fund are not security for the 2020 Bonds.**

Disbursements from the Improvement Account will be made by the Fiscal Agent upon receipt of an Officer's Certificate which shall: (i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the City or any other party for Project costs previously paid), and the person to which the disbursement is to be paid; (ii) certify the disbursements described in the certificate are properly chargeable to the

Improvement Fund; and (iii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Reserve Fund

The District will establish under the Fiscal Agent Agreement a Reserve Fund for the benefit of the 2020 Bonds and any Related Parity Bonds to be funded at the Reserve Requirement. “Reserve Requirement” means, as of the date of calculation, an amount equal to the lesser of (i) Maximum Annual Debt Service on the 2020 Bonds and any Related Parity Bonds between the date of such calculation and the final maturity of such Bonds or (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the 2020 Bonds and any Related Parity Bonds between the date of such calculation and the final maturity of such Bonds and (iii) 10% of the outstanding principal amount of the 2020 Bonds and any Related Parity Bonds; provided, however, (A) that with respect to the calculation of clause (iii), the issue price of the 2020 Bonds or any Related Parity Bonds excluding accrued interest will be used rather than the outstanding principal amount, if (a) the net original issue discount or premium of the 2020 Bonds or any Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2020 Bonds or any Related Parity Bonds and (b) using the issue price would produce a lower result than using the outstanding principal amount, (B) that in no event shall the amount calculated exceed the amount on deposit in the Reserve Fund on the date of issuance of the 2020 Bonds (if they are the only Bonds covered by the 2020 Reserve Fund) or the most recently issued series of Related Parity Bonds (if any Related Parity Bonds are covered by the Reserve Fund) except in connection with any increase associated with the issuance of Related Parity Bonds; and (C) that in no event shall the amount required to be deposited into the Reserve Fund in connection with the issuance of a series of 2020 Related Parity Bonds exceed the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested at an unrestricted yield. The City shall have the right at any time to direct the Fiscal Agent to release funds from the Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2020 Bonds or any Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

Rate and Method of Apportionment of Special Taxes

The following is a brief summary of certain provisions of the Rate and Method. The summary is intended to provide an overview of the calculation and levy of the Facilities Special Tax. The Rate and Method also authorizes the levy of a Services Special Tax; however, under the terms of the Rate and Method, such Services Special Tax cannot be levied while the 2020 Bonds are outstanding. This summary does not purport to be comprehensive and reference should be made to the full Rate and Method attached hereto as Appendix B.

Certain Definitions. All capitalized terms not defined in this section have the meanings set forth in the Rate and Method attached hereto as Appendix B.

“Administrator” means the Director of the Office of Public Finance or his/her designee who shall be responsible for administering the Special Tax according to the Rate and Method.

“Developed Property” means, in any Fiscal Year, all Taxable Parcels for which a Building Permit was issued prior to June 30 of the preceding Fiscal Year, but not prior to January 1, 2015.

“Expected Taxable Property” means any Parcel within Improvement Area No. 1 that: (i) pursuant to the Development Approval Documents, was expected to be a Taxable Parcel, (ii) based on the Expected Land Uses and as determined by the Administrator, was assigned Expected Maximum Facilities Special Tax Revenues, and (iii) subsequently falls within one or more of the categories that would otherwise be exempt from the Special Tax as described under “*Exemptions to the Special Tax*” below.

“Facilities Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds, (iii) replenish reserve funds created for the Bonds under the Fiscal Agent Agreement to the extent such replenishment has not been included in the computation of the Facilities Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses; and (vi) pay directly for Authorized Expenditures, including park maintenance, Sea Level Rise Improvements, and capital reserves, in the priority set forth in the Financing Plan, so long as such levy under clause (vi) does not increase the Facilities Special Tax levied on Unimproved Property. Notwithstanding the foregoing, in any Fiscal Year in which any portion of a Developer Maintenance Payment is delinquent, the Maximum Facilities Special Tax shall be levied on Unimproved Property until the amount collected from Unimproved Property that is used to pay for park maintenance is equal to the aggregate amount of delinquent Developer Maintenance Payments. The amounts referred to in clauses (i) and (ii) of the definition of Facilities Special Tax Requirement may be reduced in any Fiscal Year by: (a) 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 such costs pursuant to the Fiscal Agent Agreement; (b) in the sole and absolute discretion of the City, proceeds received by the CFD from the collection of penalties associated with delinquent Facilities Special Taxes; and (c) any other revenues available to pay such costs, each as determined in the sole discretion of the Administrator.

“Special Tax Requirement” means prior to the Transition Year, the Facilities Special Tax Requirement and, in and after the Transition Year, the Services Special Tax Requirement. Notwithstanding the foregoing, if there are any delinquent Facilities Special Taxes to be collected from a Parcel in or after the Transition Year, such delinquent Facilities Special Taxes shall continue to be levied against the Parcel in addition to the Services Special Tax Requirement for that Fiscal Year.

“Taxable Parcel” means any Parcel within Improvement Area No. 1 that is not exempt from the Special Tax pursuant to law or under “*Exemptions to the Special Tax*” below.

“Transition Event” shall be deemed to have occurred when the Administrator determines that either of the following events have occurred: (i) all Bonds secured by the levy and collection of Facilities Special Taxes in the District have been fully repaid, all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and the Capital Reserve Requirement has been fully funded, or (ii) all Bonds secured by the levy and collection of Facilities Special Taxes in the District have been fully repaid, all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and the Facilities Special Tax has been levied within Improvement Area No. 1 for one hundred (100) Fiscal Years.

“Transition Year” means the first Fiscal Year in which the Administrator determines that the Transition Event occurred in the prior Fiscal Year.

“Undeveloped Property” means, in any Fiscal Year, all Taxable Parcels that are not Developed Property, Vertical DDA Property, or Expected Taxable Property.

“Unimproved Property” means Undeveloped Property and Vertical DDA Property.

“Vertical DDA” means a disposition and development agreement between the TICD and/or TIDA and a developer that governs the development of Vertical Improvements (as defined in the DDA) or a disposition and development agreement between TIDA and a developer that has a leasehold interest in property that is subject to the Public Trust, for a Taxable Parcel.

“Vertical DDA Property” means, in any Fiscal Year, any Parcel that is not yet Developed Property against which a Vertical DDA has been recorded, and for which the Developer or the Vertical Developer (as defined in the DDA) has, by June 30 of the prior Fiscal Year, notified the Administrator of such recording.

General. A Special Tax applicable to each Taxable Parcel in Improvement Area No. 1 shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount per square foot for the land use category of Taxable Parcel, as described below. All Taxable Parcels in the Improvement Area No. 1 shall be taxed for the purposes, to the extent, and in the manner provided in the Rate and Method, including property subsequently annexed to the Improvement Area No. 1. During the term of the 2020 Bonds, only the Facilities Special Tax shall be levied. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto. Each Fiscal Year, the Administrator is required to identify the current parcel numbers for all Taxable Parcels and determine: (i) whether each Taxable Parcel is Developed Property, Vertical DDA Property, Unimproved Property, or Expected Taxable Property, (ii) within which Sub-Block each Assessor’s Parcel is located, (iii) for Developed Property, the Residential Square Footage, Commercial/Retail Square Footage, and/or Hotel Square Footage on each Parcel, (iv) for Residential Property, the Residential Product Type and number of Market Rate Units and Inclusionary Units, (v) whether there are any delinquent Developer Maintenance Payments, and (vi) the Special Tax Requirement for the Fiscal Year.

Base Facilities Special Tax Rates. The following table sets forth the “Base Facilities Special Tax” means, for any Land Use Category, the per-square foot Facilities Special Tax for square footage within such Land Use Category, as provided in the Rate and Method. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

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Table 1
Improvement Area No. 1 of the
City and County of San Francisco
Community Facilities District No. 2016-1
(Treasure Island)

Base Facilities Special Tax Rates

| <u>Land Use Category</u> | <u>FY 2016-17</u> <u>Base Facilities</u> <u>Special Tax</u> | <u>FY 2020-21</u> <u>Base Facilities</u> <u>Special Tax</u> |
|----------------------------------|---|---|
| Low-Rise Unit | \$6.13 | \$6.64 |
| Mid-Rise Unit | \$7.10 | \$7.69 |
| Tower Unit | \$8.14 | \$8.81 |
| Treasure Island Townhome Unit | \$5.39 | \$5.83 |
| Yerba Buena Townhome Unit | \$5.82 | \$6.30 |
| Hotel Condominium | \$5.93 | \$6.42 |
| Commercial/Retail Square Footage | \$1.50 | \$1.62 |
| Hotel Square Footage | \$3.00 | \$3.25 |

Source: Goodwin Consulting Group, Inc.

Special Tax Rates. The Rate and Method provides how the Special Tax Rates are determined generally based on a maximum tax rate per square foot that varies based on the land use category of the Parcel. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” attached hereto.

Maximum Special Tax. Pursuant to the Rate and Method, the Administrator shall apply the steps set forth therein to determine the Maximum Special Tax for the next succeeding Fiscal Year for each Taxable Parcel in Improvement Area No. 1 based upon whether such Parcel is classified as Unimproved Property, Vertical DDA Property, Developed Property or Expected Taxable Property. On each July 1, the Base Facilities Special Taxes, the Expected Maximum Facilities Special Tax Revenues and the Maximum Facilities Special Tax assigned to each Parcel in Improvement Area No. 1 shall be increased by 2% of the amount in effect in the prior Fiscal Year. For a discussion of changes to the Maximum Special Tax under the Rate and Method, see APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

Exemptions to the Special Tax. Under the Rate and Method, no Special Tax is to be levied on: (i) Public Property or Association Property, except Public Property or Association Property that is determined to be Expected Taxable Property or a Hotel Project, (ii) Authority Housing Lots or Inclusionary Units unless any such lots or units have been determined to be Expected Taxable Property, (iii) Parcels that are or are intended to be used as streets, walkways, alleys, rights of way, parks, or open space, and (iv) the Yerba Buena Officers Quarters.

Levy of the Special Tax. For each Fiscal Year, the Administrator shall calculate the Special Tax Requirement and levy Facilities Special Taxes on all Taxable Parcels in accordance with the following steps:

Step 1: In all Fiscal Years prior to and including the earlier of: (i) the Fiscal Year in which the City or TIDA makes a finding that all Qualified Project Costs have been funded pursuant to the Financing Plan attached to and part of the DDA (the “Financing Plan”), or (ii) 42 years after the 2020 Bonds were issued

for Improvement Area No. 1, the Maximum Special Tax shall be levied on all Parcels of Developed Property regardless of debt service on Bonds (if any), and any Remainder Special Taxes collected shall be applied as set forth in the Financing Plan.

In all Fiscal Years after the earlier of: (i) the Fiscal Year in which the City or TIDA makes a finding that all Qualified Project Costs have been funded pursuant to the Financing Plan, or (ii) 42 years after the 2020 Bonds were issued for Improvement Area No. 1, the Special Tax shall be levied Proportionately on each Parcel of Developed Property, up to 100% of the Maximum Special Tax for each Parcel of Developed Property until the amount levied is equal to the Special Tax Requirement.

Step 2: If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Vertical DDA Property, up to 100% of the Maximum Special Tax for each Parcel of Vertical DDA Property for such Fiscal Year.

Step 3: If additional revenue is needed after Step 2 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Unimproved Property, up to 100% of the Maximum Special Tax for each Parcel of Unimproved Property for such Fiscal Year.

Step 4: If additional revenue is needed after Step 3 in order to meet the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Expected Taxable Property, up to 100% of the Maximum Special Tax for each Parcel of Expected Taxable Property.

Capital Reserve Requirement. The Rate and Method requires the establishment of reserves for the Treasure Island Project as a whole for public improvements necessary to ensure that shoreline, public facilities, and public access improvements will be protected due to sea level rise at the perimeters of Treasure Island and Yerba Buena Island – “Sea Level Rise Improvements.” The target amount of capital for the reserves is \$250 million in Fiscal Year 2016-17 dollars, escalating, on each July 1, by the lesser of (i) the increase, if any, in the Consumer Price Index (CPI) for All Urban Consumers in the San Francisco-Oakland-San Jose region (base years 1982-1984=100) published by the Bureau of Labor Statistics of the United States Department of Labor, or, if such index is no longer published, a similar escalator that is determined by TIDA and the City to be appropriate, and (ii) five percent. Moneys in the reserves are intended to address future capital needs related to sea level rise, and are not available to pay debt service on the Bonds.

Covenant for Superior Court Foreclosure

General. In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Act to order institution of an action in the Superior Courts of the State to foreclose any lien therefor. In such action, the real property subject to the Special Taxes may be sold at a judicial foreclosure sale. The ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner in the event the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal agencies. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure” and “SPECIAL RISK FACTORS – Tax Delinquencies.” Such judicial foreclosure proceedings are not mandatory.

There could be a default or a delay in payments to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of foreclosure sale proceeds, if any, and subsequent transfer of those proceeds to the City. Special Taxes may be levied on all property within Improvement Area No. 1 up to the maximum amount permitted under the Rate and Method to provide the amount required to pay

debt service on the Bonds, however, the Special Tax levy on property used for private residential purposes may not increase by more than 10% above the amount that would have been levied in that Fiscal Year as a consequence of delinquencies or defaults by the owners of any other parcels in Improvement Area No. 1.

Under current law, a judgment debtor (property owner) has at least 120 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived, the judgment creditor is entitled to interest on the revived judgment and any liens extinguished by the sale are revived as if the sale had not been made (Section 701.680 of the Code of Civil Procedure of the State of California).

Covenant to Foreclose. Under the Act, the City covenants in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Fiscal Agent Agreement, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in a Superior Court of the State to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about June 30 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in Improvement Area No. 1 to the amount of Special Tax Revenues theretofore received by the City, and:

(A) ***Individual Delinquencies.*** If the Finance Director determines that any single parcel subject to the Special Tax in Improvement Area No. 1 is delinquent in the payment of two installments of Special Taxes for Developed Property consisting of a Residential Unit and one installment for all other Taxable Parcels, then the Finance Director must send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the City within 90 days of such determination. Despite the requirement in the prior sentence, the Finance Director may defer any such actions with respect to a delinquent parcel if (1) Improvement Area No. 1 is then participating in the Teeter Plan, or equivalent procedure, (2) the amount in the Reserve Fund is at least equal to the Reserve Requirement and (3) the amount in the reserve account for any Parity Bonds that are not Related Parity Bonds is at least equal to the required amount.

(B) ***Aggregate Delinquencies.*** If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire Improvement Area No. 1 (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the Finance Director must 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 shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in Improvement Area No. 1 with a Special Tax delinquency.

The Finance Director and the City Attorney, as applicable, are authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense.

No Obligation of the City Upon Delinquency

The City is under no obligation to transfer any funds of the City into the Special Tax Fund or any other funds or accounts under the Fiscal Agent Agreement for the payment of the principal of or interest on the Bonds if a delinquency occurs in the payment of any Special Taxes, other than Special Tax Revenues. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the City’s obligation to foreclose Special Tax liens upon delinquencies, and “SECURITY FOR THE BONDS – Reserve Fund,” for a discussion of the Reserve Fund securing the 2020 Bonds and any Related Parity Bonds.

Parity Bonds

The 2020 Bonds will be the first series of Bonds issued under Improvement Area No. 1’s maximum bonded indebtedness limit of \$250 million. The principal amount of the 2020 Bonds and any Parity Bonds shall not exceed \$250 million (although Parity Bonds that constitute refunding bonds under the Act will not count against this \$250 million limit). The City anticipates issuing Parity Bonds on behalf of the District for Improvement Area No. 1, subject to the conditions set forth in the Fiscal Agent Agreement, in the amount of approximately \$___ million over the next five years.

The City may issue Parity Bonds in addition to the 2020 Bonds under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding under the Fiscal Agent Agreement. The City may issue such Parity Bonds, on a parity basis with the 2020 Bonds, subject to the following specific conditions precedent:

(A) *Compliance.* The City shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed Improvement Area No. 1’s \$250 million limitation on debt.

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

(C) *Reserve Fund.* The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for one of the following:

(i) a deposit to the Reserve Fund in an amount necessary such that the amount deposited therein shall equal the Reserve Requirement following issuance of the Parity Bonds;

(ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the Reserve Fund and that the Owners of the Bonds covered by the Reserve Fund will have no interest in or claim to such other reserve account; or

(iii) no deposit to either the Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the Reserve Fund or any other reserve account. The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of

credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

(D) *Value.* (i) The Improvement Area No. 1 Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all 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 Taxable Parcels in Improvement Area No. 1, plus (iv) a 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 Taxable Parcels within Improvement Area No. 1 (the "Other District Bonds") equal to the aggregate outstanding 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 Taxable Parcels within the Improvement Area No. 1, 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, in each case based upon information from the most recent available Fiscal Year.

(ii) The Unimproved Property Value shall be at least **[two/two and one-half (2/2.5)]** times the sum of: (i) the aggregate principal amount of all Unimproved Property Bonds, plus (ii) the aggregate principal amount of any fixed assessment liens on the Taxable Parcels of Unimproved Property in Improvement Area No. 1 that are subject to the levy of Special Taxes, plus (iii) a portion of the aggregate principal amount of any and all Other District Bonds equal to the aggregate outstanding 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 Unimproved Property within Improvement Area No. 1, 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.

(iii) For the purpose of calculating the Improvement Area No. 1 Value and the Unimproved Property Value, the City shall not include the value of any leasehold interest in a TIDA Parcel unless the TIDA Inclusion Conditions have occurred.

(E) *Coverage.* An independent financial consultant shall certify:

(1) for each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Special Taxes that, based on Taxable Parcels as of the date of issuance of such Parity Bonds, may be levied for such Fiscal Year under the Ordinance, the Fiscal Agent Agreement and any Supplemental Agreement less estimated Administrative Expenses for each respective Fiscal Year, shall be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year.

(2) in the event Special Taxes are prepaid under the Rate and Method and applied in accordance with the Rate and Method and the Fiscal Agent Agreement, the Special Taxes that may be levied for each Fiscal Year after the prepayment under the Ordinance, the Fiscal Agent Agreement and any Supplemental Agreement less estimated Administrative Expenses for each respective Fiscal Year will be at least 110% of the Annual Debt Service payable with respect to the remaining Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year.

For the purpose of calculating the sufficiency of Special Taxes that may be levied for each Fiscal Year after issuance of the Parity Bonds, the City shall not include the following: (i) for any Fiscal Year the Special Taxes that may be levied on any parcel of Unimproved Property (as defined in the Rate and Method)

that is delinquent in the payment of Special Taxes on the date of the Officer's Certificate described in clause (F) below and (ii) for any Fiscal Year the Special Taxes that may be levied on the leasehold interest in a TIDA Parcel unless the TIDA Inclusion Conditions have occurred.

“Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the related Closing Date and shall end on September 1, 2020.

(F) *Certificates.* The City shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B), (C), (D), and (E) above have been satisfied.

Notwithstanding the foregoing, the City may issue Refunding Bonds as Parity Bonds without the need to satisfy the requirements of clauses (D) or (E) above, and, in connection therewith, the Officer's Certificate in clause (F) above need not make reference to clauses (D) and (E). The City is not prohibited from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge under the Fiscal Agent Agreement.

FORMATION OF THE DISTRICT

On December 6, 2016, the Board of Supervisors adopted Resolution No. 506-16 stating its intent to form the District, Improvement Area No. 1 and a Future Annexation Area under the Act. The resolution was approved by the Mayor on December 16, 2016. Also, on December 6, 2016, the Board of Supervisors adopted Resolution No. 510-16, in which it declared its intention to incur bonded indebtedness on behalf of the District in an aggregate amount not to exceed \$5 billion. Of the \$5 billion, up to \$250 million of indebtedness may be issued for Improvement Area No. 1. The resolution was approved by the Mayor on December 16, 2016.

On January 24, 2017, after holding a noticed public hearing, the Board of Supervisors adopted Resolution Nos. 8-17 and 9-17, forming the District and, subject to approval by the qualified electors, approving the levy of special taxes within the District according to the Rate and Method and bonded indebtedness in an amount not to exceed \$5 billion (\$250 million for Improvement Area No. 1 indebtedness and \$4.75 billion for non-Improvement Area No. 1 indebtedness) and approving a \$90 million annual appropriation limit for Improvement Area No. 1. The Mayor approved these resolutions on February 3, 2017.

On January 24, 2017, an election was held within Improvement Area No. 1 pursuant to the Act at which the qualified landowner electors approved the levy of special taxes according to the Rate and Method, incurrence of bonded indebtedness in an aggregate amount not to exceed \$250 million with respect to Improvement Area No. 1 and an annual appropriations limit for Improvement Area No. 1 of \$90 million. On the same day, the Board of Supervisors adopted Resolution No. 11-17 pursuant to which the Board of Supervisors, acting as the legislative body of the District, approved the canvass of the votes and declared Improvement Area No. 1 to be fully formed with the authority to levy Special Taxes, to incur bonded indebtedness and to maintain an appropriations limit. See “SECURITY FOR THE BONDS” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

On January 31, 2017, the Board of Supervisors adopted Ordinance No. 22-17, levying special taxes within Improvement Area No. 1 in accordance with the Rate and Method. The Mayor approved the Ordinance on February 9, 2017. On February 9, 2017, a Notice of Special Tax Lien was recorded against the property in Improvement Area No. 1 by Instrument No. 2017K406814. The Notice of Special Tax Lien establishes the lien of special taxes pursuant to the Rate and Method against all of the property in

Improvement Area No. 1. Improvement Area No. 1 is eligible to finance all of the improvements required for the development of the Treasure Island Project. The District began levying Special Taxes during Fiscal Year 2019-20.

Only the property in Improvement Area No. 1 is subject to the Special Tax that secures payment on the 2020 Bonds. Land within the Future Annexation Area will be annexed into an Improvement Area of the District and become subject to the special tax only with the unanimous approval of the owner or owners of each parcel or parcels at the time of annexation into the respective Improvement Area, whereupon a special tax will become a continuing lien against all non-exempt real property in the annexed portion of the Future Annexation Area. The Future Annexation Area encompasses the entirety of the Islands other than Improvement Area No. 1. The City does not anticipate annexing any portion of the Future Annexation Area into Improvement Area No. 1. Bonds for each Improvement Area will be secured by special taxes only from such respective Improvement Area. *Special taxes of each Improvement Area will secure only bonds issued by that respective Improvement Area. In other words, special taxes levied on property outside of the boundaries of Improvement Area No. 1 is not and will not be security for the 2020 Bonds.*

THE CITY

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (previously defined as the “Bay”). The City is located at the northern tip of the San Francisco Peninsula, generally bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the Napa and Sonoma “wine country” is about an hour’s drive to the north. As of January 1, 2019, the City’s 2019 population was approximately 883,869. See APPENDIX A – “DEMOGRAPHIC INFORMATION REGARDING THE CITY AND COUNTY OF SAN FRANCISCO” hereto.

The City is one the most populous cities in California as well as the country. The City is also one of the highest income counties in the country. The City is located near two major airports: San Francisco International Airport and Oakland International Airport. The City is also near Silicon Valley, which is a region regarded as a global center for technology and innovation. There are multiple universities located in the proximity of the City, such as University of California, Berkeley, Stanford University, University of San Francisco, San Francisco State University and University of California, San Francisco.

THE TREASURE ISLAND PROJECT

TICD has provided the following information with respect to development of the Treasure Island Project. No assurance can be given by the City that all information is complete. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. Since the ownership of the parcels is subject to change, the development plans outlined below may not be continued by the subsequent owner if the parcels are sold, although development by any subsequent owner may be subject to the DA and DDA (as such terms are defined below) and will be subject to the policies and requirements of the City. No assurance can be given that the plans or projections detailed below will actually occur. If the development of the property is not completed, or is not completed in a timely manner, there could be an adverse effect on the payment of Special Taxes, which, in turn, could result in the inability of the City to make full and punctual payments of debt service on the 2020 Bonds.

Overview

The property in Improvement Area No. 1 is part of the larger Treasure Island Project. The Treasure Island Project encompasses approximately 461 acres on Yerba Buena Island and Treasure Island, two adjacent islands located in the middle of the San Francisco Bay between downtown San Francisco and the City of Oakland, accessible by road vehicles only via the San Francisco-Oakland Bay Bridge.

Yerba Buena Island is a naturally occurring island that serves as the midpoint of the San Francisco-Oakland Bay Bridge, and hosts an active U.S. Coast Guard station and a former U.S. Army Base. Treasure Island is a man-made island built by the United States Government in the 1930's that was originally intended to serve as San Francisco's second airport but was repurposed to serve as a U.S. Naval Station from 1941 until its 1993 closure. The two islands are connected via a causeway.

The Treasure Island Project is generally planned to include up to 8,000 residential units, up to approximately 140,000 square feet of new commercial and retail space, adaptive reuse of certain historic buildings with up to 311,000 square feet of commercial/flex space, up to 500 hotel rooms, up to approximately 100,000 square feet of office space, 290 plus acres of open space, 22 miles of walking/biking paths, playing fields, a marina, and a ferry terminal.

Improvement Area No. 1 includes approximately 15.50 acres of the approximately 461 acres of the Treasure Island Project, with the remainder, approximately 445.78 acres, included within property identified as Future Annexation Area. ***Only the property in Improvement Area No. 1 generates Special Taxes that serve as security for the 2020 Bonds. The information below is intended to provide the overall context of the entire Treasure Island Project, of which Improvement Area No. 1 is a part.***

History

In 1867, the U.S. Army (the "Army") established a post on the northeastern side of Yerba Buena Island adjacent to present day Clipper Cove. In the 1890s, the Army built a small torpedo station complex on the island; one building, the Torpedo Depot, remains. The Army maintained a small base on the island until 1960. In 1898, the Navy also established a training station on Yerba Buena Island; after 1923, it operated as a receiving station for servicemen returning from overseas.

Treasure Island is an artificial island that was constructed of bay sand in the years 1936 and 1937 and was the site of the Golden Gate International Exposition held between February 18, 1939 and September 29, 1940 (the "Exposition"). The Exposition celebrated the ascendancy of California and San Francisco as economic, political, and cultural forces in the increasingly important Pacific region. Treasure Island was intended to become an airport for the City, but with World War II looming, Treasure Island became a U.S. Naval Station in 1941 (previously defined as "Naval Station Treasure Island" or "NSTI"). During World War II, NSTI was used as a center for receiving, training, and dispatching service personnel. After World War II, it was used primarily as a naval training and administrative center.

Base Closure. In 1993, Congress selected NSTI for closure and disposition by the Base Realignment and Closure Commission. The Department of Defense subsequently designated the City, and later TIDA, as the local reuse authority responsible for the conversion of NSTI under the federal disposition process. In July 1996, after an extensive community planning effort, the City's Mayor, Board of Supervisors, Planning Commission, and the Citizens Reuse Committee unanimously endorsed a Draft Reuse Plan (previously defined as the "Reuse Plan") for NSTI to serve as the basis for the preliminary redevelopment plan for NSTI. The Board of Supervisors authorized the creation of TIDA in 1997 to serve as the entity responsible for the reuse and development of NSTI, and TIDA was incorporated in January 1998. The Board of Supervisors designated TIDA as a redevelopment agency with powers over NSTI under

the Treasure Island Conversion Act of 1997 in Resolution No. 43-98, dated February 6, 1998. After completion of a competitive master developer selection process, TIDA and TICD entered into the Exclusive Negotiating Agreement dated as of June 1, 2003, as amended and restated in September 2005, as further amended in July 2006, March 2008, February 2010, and June 2011. The 2006 Development Plan was adopted by all necessary parties and the Development Plan and Term Sheet were updated in 2010 and approved unanimously by the TIDA Board and the Board of Supervisors.

Navy Remediation and Transfer. In 2011, TIDA and the City certified an Environmental Impact Report and approved the Treasure Island Project entitlements, including the DDA, a General Plan Amendment, adoption of Planning Code Section 749.72 that established the Treasure Island/Yerba Buena Island Special Use District (previously defined as the “TI/YBI SUD”), a Design for Development (previously defined as “D4D”) that established design standards and guidelines, and a Development Agreement vesting those entitlements. In 2014, the United States of America, acting by and through the Navy, and TIDA entered into an Economic Development Conveyance Memorandum of Agreement (as amended and supplemented from time to time and previously defined as the “Conveyance Agreement”) that governs the terms and conditions for the transfer of NSTI from the Navy to TIDA. Under the Conveyance Agreement, the Navy must convey NSTI to TIDA in phases after the Navy has completed environmental remediation and issued a finding of suitability to transfer for specified parcels of NSTI or portions thereof. Geotechnical improvements will be made to stabilize Treasure Island and the causeway that connects it to Yerba Buena Island.

Several parcels of land on Treasure Island remain under federal ownership in order to allow completion of environmental remediation activities by the Navy. The Navy is legally required to complete all of its environmental remediation obligations, including radiological cleanup, prior to transferring these remaining parcels to TIDA. The Navy’s environmental remediation program is separate from the Treasure Island Project. The Navy remediates hazardous materials to standards consistent with applicable Federal laws governing base closure prior to transfer to TIDA.

The first conveyance occurred in early 2015 and included all of the Navy’s property on Yerba Buena Island, most of the Navy-owned submerged lands around the Islands, and much of the southern and eastern portions of Treasure Island. The lands within Major Phase 1 lie within this first conveyance (with the exception of Lot 23). As of July 1, 2020, the Navy has conveyed four separate conveyances to TIDA, including all of the property within Improvement Area No. 1.

Trust Exchange. Treasure Island includes lands subject to the public trust (the “Public Trust”), a common law doctrine that has been developed primarily through case law and interpretations of that law by the California State Lands Commission and Attorney General. The Public Trust effectively acts as a type of zoning by limiting the permitted uses of lands subject to the Public Trust. Uses of Public Trust lands are generally limited to waterborne commerce, navigation, fisheries, water-oriented recreation, including commercial facilities that must be located on or adjacent to water, and environmental preservation and recreation, such as natural resource protection, wildlife habitat and study, and facilities for fishing, swimming, and boating. Ancillary or incidental uses that promote Public Trust uses or accommodate public enjoyment of Public Trust lands are also permitted, such as hotels, restaurants and specialty retail. Residential and general office uses are generally not permitted uses on Public Trust lands.

To enable economic redevelopment, the California Legislature authorized a reconfiguration of the Public Trust whereby the Public Trust would be removed from certain portions on Treasure Island and added to certain portions of Yerba Buena Island. This Public Trust reconfiguration was authorized through the Treasure Island Public Trust Exchange Act (the “Exchange Act”) and implemented through a trust exchange agreement (the “Trust Exchange Agreement”) between TIDA and the California State Lands Commission (“SLC”). Pursuant to the Trust Exchange Agreement, in 2015, TIDA and SLC engaged in a

series of concurrent quitclaim deed and patent conveyances whereby areas to be impressed with the Public Trust (referred to as “Trust Lands”) were patented to TIDA by SLC subject to the Public Trust, and areas where the Public Trust was to be removed (referred to as “Trust Termination Lands”) were patented to TIDA by SLC free of the Public Trust.

Subdivision Mapping Process. As contemplated under the DDA, following the 2015 completion of the Public Trust exchange on the appropriate lands, various subdivision maps were processed to establish development parcels. Parcels established on Trust Termination Lands may be held in fee simple title and available for private residential, commercial, and mixed-use development in accordance with the D4D. In collaboration with TIDA, parcels may also be established on certain Trust Lands to facilitate arrangements such as ground leases to facilitate economic development on such lands and structures (e.g., historic buildings) while maintaining the Public Trust restrictions. The Developer (as defined herein) expects to file and process one Tentative Transfer Map application (“TTM”) for each Sub-Phase within Major Phase 1, to allow for the processing of multiple phased final transfer maps that will establish transfer parcels within the development blocks of each Sub-Phase that will be transferred by TIDA to the Developer upon Sub-Phase Approval. Consistent with the Treasure Island/Yerba Buena Island Subdivision Code, these transfer parcels may also be used for financing purposes, including as collateral to support construction lending.

Opportunity Zone. The Opportunity Zones program was established by Congress in the Tax Cut and Jobs Act in 2017 as an innovative approach to spurring long-term private sector investments in low-income urban and rural communities nationwide. The program establishes a mechanism that enables investors with capital gains tax liabilities across the country to receive favorable tax treatment for investing in Opportunity Zones that are certified by the U.S. Treasury Department. Those incentives include temporary deferral of capital gains that are reinvested in qualified opportunity zones, a step up in basis for investments held in qualified opportunity funds, as well as other benefits. The Opportunity Funds use the capital invested to make equity investments in businesses and real estate in Opportunity Zones designated by each state. Treasure Island and Yerba Buena Island are both designated as Opportunity Zones and may directly or indirectly benefit from the added incentive the programs offered to investors to invest in future multifamily buildings or businesses.

TICD and the Treasure Island Project

TICD is the master developer of the Treasure Island Project. The existing members of TICD are (1) Treasure Island Holdings, LLC (“TIH”), a joint venture comprised of a subsidiary of Lennar Corporation (“Lennar”) and a non-managing third-party investor member, (2) TICD Hold Co., LLC (“TICD Hold Co.”), an indirect subsidiary of Lennar, (3) KSWM Treasure Island, LLC (“KSWM”), a joint venture comprised of affiliates of Stockbridge Capital Group, LLC (“Stockbridge”), Kenwood Investments (“Kenwood”), and Wilson Meany, LP (“Wilson Meany”), and (4) Stockbridge TI Co-Investors, LLC (“SBTI”), an affiliate of Stockbridge. TIH and TICD Hold Co. collectively own a fifty percent (50%) membership interest in TICD, and KSWM and SBTI collectively own a fifty percent (50%) membership interest in TICD.

Lennar Corporation - Lennar, founded in 1954 and publicly traded under the symbol “LEN” since 1971, is one of the nation’s largest home builders, operating under a number of brand names, including Lennar and U.S. Home. Lennar primarily develops residential communities both within the Lennar family of builders and through consolidated and unconsolidated partnerships in which Lennar maintains an interest.

Lennar is subject to the informational requirements of the Exchange Act and in accordance therewith files reports, proxy statements and other information with the SEC. Such filings, particularly the Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C.

20549 at prescribed rates. Such files can also be accessed over the internet at the SEC's website at www.sec.gov. *The SEC's public reference facilities and internet address are included for reference only and the information on the public reference facilities and the internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the SEC's public reference facilities and the internet site.*

Copies of Lennar's Annual Report and related financial statements are available from Lennar's website at www.lennar.com. *This internet address is included for reference only and the information on the internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the internet site.*

Stockbridge - Headquartered in San Francisco, Stockbridge is an SEC-registered real estate investment advisor, specializing in U.S.-based opportunities. As of December 31, 2019, Stockbridge and its affiliates have approximately \$16.0 billion of gross assets under management and 95 professionals in three offices in San Francisco, Atlanta and Chicago. Stockbridge senior management team has an average of nearly 30 years of real estate experience and an average tenure of 10 years at the firm.

Wilson Meany - San Francisco-based developer with offices in San Francisco and Los Angeles, Wilson Meany employs over 35 professionals. Wilson Meany specializes in urban in-fill development and in delivering real estate solutions that address regional growth challenges and revitalize urban areas. Wilson Meany is known for place-making, historic renovation, innovative technology, sustainability, and public/private partnerships. Well-known Bay Area projects of this developer include the Ferry Building, 140 New Montgomery, 1595 Pacific Avenue, The Exploratorium, and Bay Meadows. Stockbridge and Wilson Meany have a 20-year track record of partnering on large, mixed-use development projects in coastal California.

Kenwood – For twenty years, Kenwood Investment's focus has been on real estate development, land entitlement, media, tourism and hospitality projects. Kenwood Investments is based in San Francisco and has a track record of developing extraordinary projects that augment the cultural fabric of the California community. Notable projects include Aquarium of the Bay, Wing & Barrel Ranch, and the Sacramento Kings Arena.

Treasure Island Project Development Plan

The Treasure Island Project is expected to provide a new, high-density, mixed-use community with a variety of housing types, a retail core, open space and recreation opportunities, on-site infrastructure, and public and community facilities and services. In all, there is expected to be up to approximately 8,000 residential units; up to approximately 140,000 square feet of new commercial and retail space; adaptive reuse of Historic Buildings 1, 2 and 3 with up to 311,000 square feet of commercial/flex space; approximately 100,000 square feet of new office space; up to 500 hotel rooms; approximately 290 acres of parks and open space; bicycle, transit, and pedestrian facilities; a ferry terminal and intermodal transit hub; and new and/or upgraded public services and utilities, including a new or upgraded wastewater treatment plant. In addition to the adaptive reuse of the three historic buildings on Treasure Island there is also an opportunity to adaptively reuse nine historic buildings and four garages on Yerba Buena Island.

Pursuant to the terms of the DDA, TICD is constructing a ferry terminal and adjacent plaza located on the western shoreline for service between Treasure Island and downtown San Francisco. The Treasure Island Mobility Management Agency ("TIMMA") has been formed to manage transportation for Treasure Island, and TIMMA will manage ferry service from Treasure Island to the San Francisco mainland. Ferry

terminal development will have two phases. The first phase will include construction of waterside improvements including a breakwater, gangway and float for initial public ferry service, with regularly-scheduled service expected to begin by 2023. The second phase of construction will be landside improvements including a 199-person passenger waiting area.

Development Entitlement

The Treasure Island Project will be carried out by TICD in accordance with the Development Agreement between TIDA and TICD, dated as of June 28, 2011 (as amended from time to time, the “DA”) and the Disposition and Development Agreement between the City and TICD dated as of June 28, 2011 (as amended from time to time and previously defined as the “DDA”), and related Treasure Island Project approvals (including the Mitigation Monitoring and Reporting Program adopted by TIDA and the City in reliance of on the Treasure Island/Yerba Buena Island Environmental Impact Report, the D4D, and the TI/YBI SUD). These documents control the overall design, development and construction of the Treasure Island Project and all infrastructure and improvements, including the permitted uses on the Project Site, the required infrastructure and community benefits, the density and intensity of uses, the maximum height and size of buildings, the number of allowable parking spaces and all mitigation measures required in order to eliminate or mitigate any materially adverse environmental impacts of the Treasure Island Project.

Land Transfer and Mapping Process

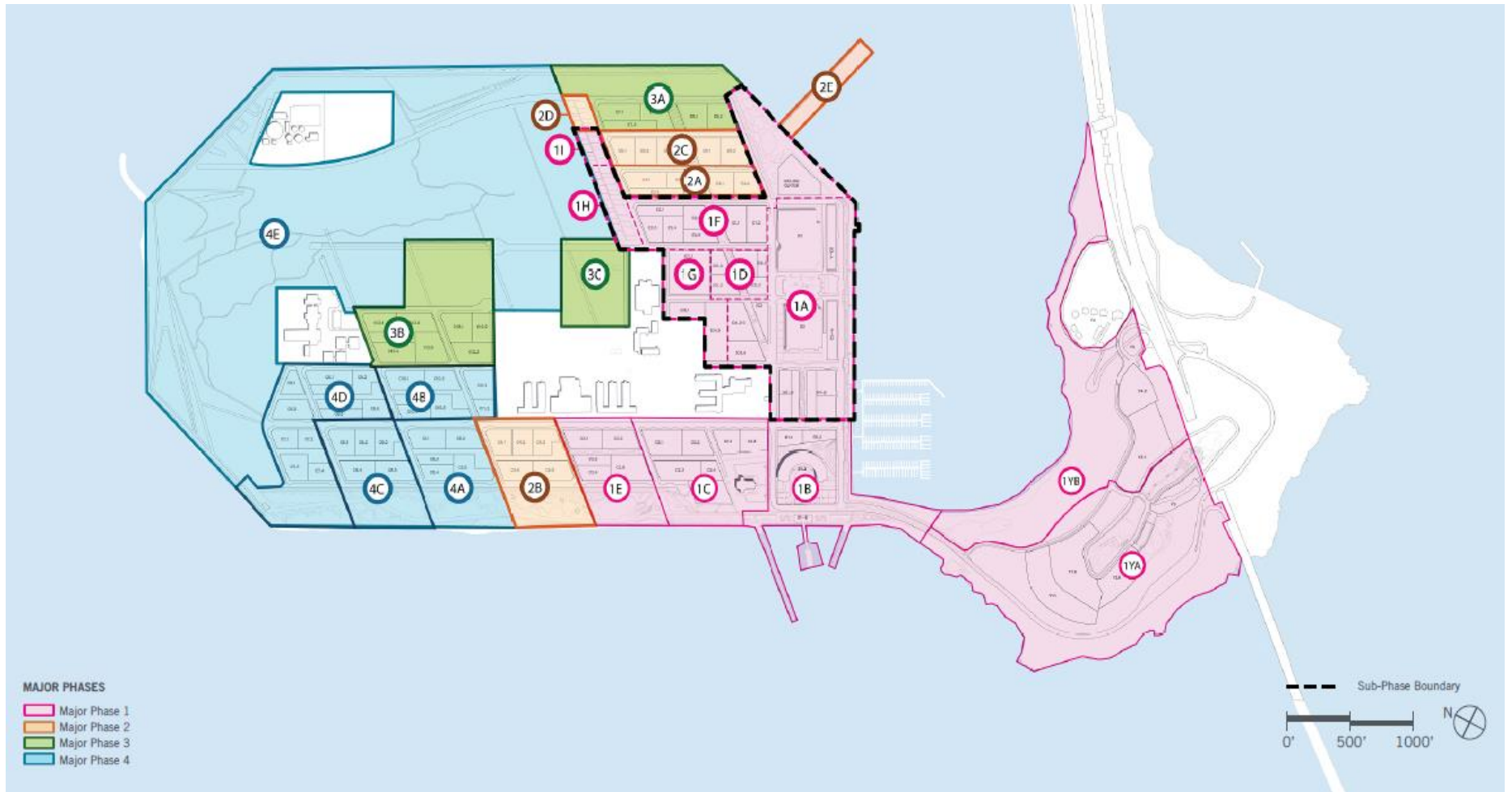
Project Phasing. The Treasure Island Project has been divided into four Major Phases and, within each Major Phase, various Sub-Phases, each of which is illustrated below. Subject to the terms and conditions of the DDA, TIDA will convey development blocks within the Treasure Island Project owned or acquired by TIDA from the Navy to TICD or a phase developer selected by TICD (herein, the entity actually developing the property, whether TICD or a phase developer, shall be referred to as a “Developer”).

TIDA’s approval of each Major Phase Application is required before, or concurrently with its consideration of and grant of a Sub-Phase Approval for any Sub-Phase in that Major Phase. The four Major Phases, and their respective Sub-Phases, are depicted on the graphic below. Major Phase 1, which is comprised of eight Sub-Phases shown in pink on the diagram below, was approved by the TIDA Board in May 2015.

The Developer expects to file and process at least one Tentative Subdivision Map application (“TSM”) for each Sub-Phase within Major Phase 1 to allow for the processing of multiple phased Final Subdivision Maps that will establish vertical development parcels within each Sub-Phase. Each TSM is also expected to be followed by phased Final Subdivision Maps as well as Final Subdivision Maps that vertically subdivide airspace to accommodate separate financing or ownership of separate uses or portions thereof within the buildings.

The following graphic shows the Major Phases and the boundary delineation of the Sub-Phases.

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Initial Phase Approvals and Land Transfers

TIDA approved the Major Phase 1 Application and the Sub-Phase Applications 1 and 2 for Sub-Phases 1YA, 1YB, 1B, 1C, and 1E in 2015. Major Phase 1 includes approximately 3,500-plus residential units, approximately 103 acres of parks, and a ferry terminal to support ferry service between Treasurer Island and San Francisco. Horizontal Construction work has begun on Yerba Buena Island and Treasure Island.

- Sub-Phases 1YA and 1YB (Yerba Buena Island) encompass all of the Treasure Island Project lands on Yerba Buena Island other than the TIDA-retained historic buildings and garages. ***The Sub-Blocks located within Sub-Phases 1YA and 1YB are what comprise Improvement Area No. 1.*** On February 22, 2016, TI Series 1 acquired from TIDA Sub-Blocks 1Y, 3Y, and 4Y. Sub-Block 2Y is owned by TIDA, subject to the Public Trust. Hilltop Park, Beach Park and open space are part of these Sub-Phases but TIDA retains ownership of these public lands.
- Sub-Phases 1B, 1C and 1E (Treasure Island) encompass most of the western portion of Treasure Island ***outside of Improvement Area No. 1.*** On February 22, 2016, TIDA conveyed to Developer certain development blocks within Sub-Phases 1B, 1C and 1E. TIDA retained leasehold and public property that will be developed by Developer within these Sub-Phases including Building 1, the Building 1 Plaza, Marina Plaza, Clipper Cove Promenade 1, Cityside Waterfront Park 1, Cultural Park, Cityside Waterfront Park 2 and various streets within these Sub-Phases.
- Sub-Phases 1A, 1D, 1F, 1G, 1H & 1I (Treasure Island) encompass most of the southern portion of Treasure Island ***outside of Improvement Area No. 1.*** On September 4, 2019, Developer acquired certain development parcels within Sub-Phase 1A. Certain other development parcels within Sub-Phase 1A and the rest of these Sub-Phases are expected to be transferred at a later date.

The Developer anticipates developing each phase of the Treasure Island Project following acquisition of the phase from TIDA, as provided in the DDA and DA. If acquired, the Developer anticipates developing the property in four Major Phases, as described in the DA.

The infrastructure improvements and fees required for the total development of the Treasure Island Project are estimated to cost approximately \$1.97 billion. As of July 1, 2020, TICD and its phase developers have expended approximately \$287 million on such costs (including the costs of Improvement Area No. 1), and they expect to spend the remainder of such costs over the next 15 years.

IMPROVEMENT AREA NO. 1

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within Improvement Area No. 1. There is no assurance that the present property owners or any subsequent owners will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special Taxes. An owner may elect not to pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondowner will have the ability at any time to seek payment directly from the owners of property within Improvement Area No. 1 of the Special Tax or the principal or interest on the Bonds, or the ability to control who becomes a subsequent owner of any property within Improvement Area No. 1. The City, on behalf of the District, however, has covenanted in the Fiscal Agent Agreement for the benefit of the owners of the Bonds that, under certain circumstances described herein, the City will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within Improvement Area No. 1, and will diligently pursue such proceedings to completion. See

“SECURITY FOR THE BONDS –Special Tax Fund” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein.

No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. The Phase 1 Developer and the Merchant Builders (defined below) have provided the information set forth in this section. No assurance can be given by the City that all information is complete. The City has not independently verified this information and assumes no responsibility for its accuracy or completeness. It is only provided as a convenience to enable investors to more easily commence their own independent investigations if they so choose. In addition, any internet addresses included below are for reference only, and the information on those internet sites is not a part of this Official Statement or incorporated by reference into this Official Statement. If the development of the property is not completed, or is not completed in a timely manner, there could be an adverse effect on the payment of Special Taxes, which, in turn, could result in the inability of the City to make full and punctual payments of debt service on the 2020 Bonds.

The information in this Preliminary Official Statement regarding Improvement Area No. 1 and the Treasure Island Project has considered the current Health Orders (as defined herein) and any other local restrictions in disclosing estimated time frames for development in the Improvement Area No. 1. However, the impact of COVID-19 and the Health Orders is likely to evolve over time, which could adversely impact the development within the Improvement Area No. 1 and the Treasure Island Project as a whole. See “SPECIAL RISK FACTORS – COVID-19 Pandemic” below. Neither the Master Developer nor the Merchant Builders can predict the ultimate effects of the COVID-19 outbreak or whether any such effects will have a material adverse effect on the ability to develop the Treasure Island Project as planned and described herein, or the availability of Special Taxes from Improvement Area No. 1 in an amount sufficient to pay debt service on the 2020 Bonds.

Ownership of Property in Improvement Area No. 1

Currently, all of the properties in Improvement Area No. 1 are owned by various entities affiliated with Stockbridge and Wilson Meany, as described below.

On February 22, 2016, TIDA transferred the property in Improvement Area No. 1 to Treasure Island Series 1, LLC (previously defined as “TI Series 1”), a wholly-owned subsidiary of TICD. On June 18, 2018, TI Series 1 entered into an agreement to sell the property in Sub-Blocks 1Y, 3Y, and 4Y to Stockbridge/Wilson Meany YBI Investors, LLC (previously defined as the “YBI Phase Parent Company”). The YBI Phase Parent Company created two limited liability companies to hold some of the property in Sub-Blocks 3Y and 4Y. Sub-Block 4Y (Podiums) was conveyed to and is held by YBI Phase 1 Investors, LLC, a Delaware limited liability company, which will be developing the property into 124 market-rate and inclusionary (below market-rate) units known as the “Bristol.” Sub-Blocks 4Y (Townhomes and Flats) and 3Y were conveyed to and are held by YBI Phase 2 Investors, LLC, a Delaware limited liability company, which will be developing the property as the “Residences.” Sub-Block 1Y remains owned by the YBI Phase Parent Company, but is anticipated to be conveyed to another limited liability company created to develop the property as a continuation of the “Residences.”

Both YBI Phase 1 Investors, LLC and YBI Phase 2 Investors, LLC, are, and any future limited liability company created by the YBI Phase Parent Company (herein, individually a “Merchant Builder” and collectively the “Merchant Builders”) will be, direct or indirect wholly-owned subsidiaries of entities affiliated with Stockbridge and Wilson Meany.

Acquisition Agreement

In connection with the formation of the District, TICD, the City, and TIDA entered into an Acquisition and Reimbursement Agreement (Treasure Island/Yerba Buena Island), dated as of March 8, 2016 (as it may be amended from time-to-time, the “Acquisition Agreement”). Pursuant to the Acquisition Agreement, the City will purchase from TICD certain capital improvements and finance certain development impact fees for the construction of capital improvements (referred to herein as the “Authorized Improvements”). But the City’s obligation to purchase will be funded solely from the sources identified in the Acquisition Agreement, which include the Special Taxes levied in Improvement Area No. 1 and the net proceeds of bonds issued for Improvement Area No. 1. The net proceeds of the 2020 Bonds, certain investment earnings thereon and the Special Tax are expected to be sufficient to fund a portion, but not all, of the Authorized Improvements.

Location and Description of Improvement Area No. 1 and the Immediate Area

Improvement Area No. 1 is made up of four parcels on Yerba Buena Island known as “Sub-Block 1Y,” “Sub-Block 2Y,” “Sub-Block 3Y,” and “Sub-Block 4Y.” Sub-Block 4Y is further divided into Block 4Y (Townhome and Flats) and Block 4Y (Podium). These projects combined are planned for five single family detached homes and 261 other residential units.

Sub-Block 2Y is owned by TIDA, but is subject to the Public Trust, and is expected to be developed as a 50,000 square foot hotel project through a long-term ground lease between a future developer and TIDA. In 2019, TICD hired CBRE to perform a market demand and economic feasibility analysis on Sub-Block 2Y. The report concluded the best use to be a 50-key boutique luxury hotel and spa featuring views of the San Francisco skyline and Bay. TICD does not currently anticipate the construction of a hotel on Sub-Block 2Y until after buildout on Sub-Blocks 1Y, 3Y and 4Y is complete, and does not believe that its absence on Yerba Buena Island would detract from the marketability or place-making required to attract new homeowners. Sub-Blocks 1Y, 3Y and 4Y, together, constitute approximately 13.22 acres.

The ownership and expected development in Improvement Area No. 1 is summarized in the table below:

Table 2
Summary of Ownership and Expected Development
Improvement Area No. 1

| <u>Sub-Block</u> | <u>Owner</u> | <u>Expected Development</u> | <u>Total Number of Projected Units</u> |
|--------------------------|-------------------------------|---|--|
| 1Y ⁽¹⁾ | Treasure Island Series 1, LLC | 32 Three-Story Townhomes 5 Single-Family Homes 41 Stacked Flats | 78 |
| 2Y ⁽²⁾ | TIDA | 50,000 Square Foot Hotel | N/A |
| 3Y | YBI Phase 2 Investors, LLC | 11 Three-Story Townhomes | 11 |
| 4Y (Townhomes and Flats) | YBI Phase 2 Investors, LLC | 37 Townhomes 2 Flats 14 Stacked Flats | 53 |
| 4Y (Podium) | YBI Phase 1 Investors, LLC | 110 Market-Rate Podium Units 14 Inclusionary Podium Units | <u>124</u> |
| Totals | | | <u>266</u> |

1 Under the Option Agreement for Purchase of Real Property dated May 31, 2018, which is the same agreement under which Sub-Blocks 3Y and 4Y were sold, YBI Phase Parent Company may acquire Sub-Block 1Y as soon as certain improvements are completed by TI Series 1. According to the agreement, the YBI Phase Parent Company may purchase Sub-Block 1Y for \$78,784,000 once certain public improvements are completed by the seller. It is anticipated the buyer will acquire the property in approximately June 2021.

2 Subject to the Public Trust. So long as Sub-Block 2Y is subject to the Public Trust, it is not considered a Taxable Parcel. Sub-Block 2Y is subject to taxation if the parcel is leased to a third-party such as a hotel developer, and only the leasehold interest is taxable.

Source: TI Series 1.

Tract Map Status of Improvement Area No. 1

On April 19, 2018, Final Map No. 9228 (the “Large Lot Final Map”) was recorded, establishing the conditions for the subdivision of Sub-Blocks 1Y, 2Y, 3Y, and 4Y. In connection with this map recordation, TI Series 1 and TIDA entered into a Public Improvement Agreement dated March 29, 2018 (as amended, the “9228 Public Improvement Agreement”). The Large Lot Final Map and the 9228 Public Improvement Agreement describes TI Series 1’s obligations to complete public improvements to serve Yerba Buena Island.

Tentative Map No. 9856 was approved on January 15, 2019 (“TTM 9856”). TTM 9856 specifically states that the conditions required by Final Map No. 9228 (and the 9228 Public Improvement Agreement) continue to apply but then imposes certain additional requirements. TTM 9856 provides that up to 300 residential units may be constructed on Yerba Buena Island. For each Sub-Block, a phased final map is required before construction is authorized. Final Map No. 9856 (Phase No. 1) (the “Small Lot Final Map”) was recorded on July 10, 2020, which allows for residential construction on Block 3Y and Block 4Y. A final map allowing for residential construction on Block 1Y has not yet been recorded.

Blocks 3Y and 4Y are being developed with residential condominiums and a condominium map is required. The condominium map for Blocks 3Y and 4Y was recorded on July 10, 2020.

A summary of the tract map status for Improvement Area No. 1 is shown below:

| Sub-Block | Final Map (Tentative Map) | Date of Filing (Anticipated Date of Filing) | Status |
|--------------------------|---------------------------|---|---|
| 1Y | (TTM 9856) | 2021 | Sub-Block 1Y currently consists of two large parcels that require a phased final map before building can begin. |
| 2Y | (TTM 9856) | TBD | Sub-Block 2Y currently consists of one parcel that require a phased final map before building can begin. |
| 3Y | Small Lot Final Map | July 10, 2020 | The Small Lot Final Map authorizes the construction of up to 12 residential condominium units. |
| 4Y (Townhomes and Flats) | Small Lot Final Map | July 10, 2020 | The Small Lot Final Map authorizes the construction of up to 53 residential condominium units. |
| 4Y (Podium) | Small Lot Final Map | July 10, 2020 | The Small Lot Final Map authorizes the construction of up to 124 residential condominium units. |

The 9228 Public Improvement Agreement requires various infrastructure improvements to be constructed by certain dates. The YBI Required Infrastructure (as defined in the 9228 Public Improvement Agreement to mean streets, sewer, water, utilities, etc.) must be completed by December 31, 2021, except the YBI Required Infrastructure for the Hilltop Park must be completed by April 19, 2022, and the YBI Required Infrastructure associated with the Small Lot Final Map must be completed by July 2022.

Under the 9228 Public Improvement Agreement, to secure the YBI Required Infrastructure, TI Series 1 has posted surety bonds in the total amount (as of June 10, 2020) of approximately \$269 million.

Phase Development and Financing Plan

Cost Estimates of Public Improvements Required for Improvement Area No. 1. For Improvement Area No. 1 of the Treasure Island Project, the table below identifies those public improvements that are required to be constructed by the Developer and related remaining costs to fully develop the property in Improvement Area No. 1 as of July 1, 2020.

Table 3
Cost Estimates of Public Improvements Required
For Improvement Area No. 1
(as of July 1, 2020)

| | Estimated Direct Infrastructure Costs for Improvement Area No. 1 | Percent Complete | Remaining Costs |
|---|---|-----------------------------|----------------------------|
| Hard Costs | | | |
| Yerba Buena Island Street Improvements | \$92,467,837 | 51% | \$44,973,594 |
| TI Causeway Improvements | 11,818,027 | 16% | 9,974,251 |
| TI PG&E Gas Upgrade | 15,484,029 | 0 | 15,484,029 |
| Interim Force Main | 6,854,090 | 64% | 2,492,611 |
| YBI Trails and Hilltop Park | <u>14,830,912</u> | <u>0</u> | <u>14,830,912</u> |
| Total Hard Costs | \$141,454,895 | 38% | \$87,755,396 |
| Soft Costs | | | |
| Landscape Architect | \$1,293,450 | 57% | \$558,549 |
| Civil Engineer | 4,838,767 | 58% | 2,009,692 |
| Geotechnical Engineer | 2,286,692 | 74% | 594,515 |
| Environmental Engineer | 3,470,777 | 26% | 2,569,564 |
| Permits & Fees & Bonds | 3,550,000 | 45% | 1,963,028 |
| Other (Consultants, Legal, Printing, etc.) | 3,400,000 | 1% | 3,363,844 |
| Construction Management | <u>3,913,393</u> | <u>80%</u> | <u>783,753</u> |
| Total Soft Costs | \$22,753,079 | 48% | \$11,842,944 |
| Total Estimated Project Costs | <u>\$164,207,974</u> | <u>39%</u> | <u>\$99,598,340</u> |

Source: TI Series 1.

TI Series 1 anticipates that all of the costs described in Table 3 above will be expended by September 2021, which date is consistent with the expected timing for receiving certificates of occupancy for the Bristol units. As set forth in Tables 3 and 4, all critical infrastructure improvements required to obtain the Bristol's certificate of occupancy are scheduled for completion prior to the Bristol's construction completion in order for appropriate testing of all utilities.

Financing Plan. To date, TI Series 1 has financed its land acquisition and various site development costs related to the property in Improvement Area No. 1 through internally generated funds, EB-5 loan proceeds (see discussion herein), and lot sales revenues. TI Series 1 estimates that, as of July 1, 2020, the remaining costs to be incurred by TI Series 1 to complete its planned development of public improvements within Improvement Area No. 1 will be approximately \$106.8 million. TI Series 1 expects to use lot sales revenues, internal funding, and reimbursement from 2020 Bond proceeds to complete its development in Improvement Area No. 1 and believes that it will have sufficient funds available to complete such development in accordance with the development schedule described in this Official Statement.

A summary of the expected cash flow for TI Series 1 and the development of Improvement Area No. 1 is set forth below:

Table 4
Improvement Area No. 1 Sources & Uses
(as of July 1, 2020)

| | Actual Through 7/1/20 ⁽¹⁾ | Projected Through 12/31/20 | Projected Through 12/31/21 | Projected After 12/31/21 | Totals |
|--|---|---|---|---|----------------------|
| Sources | | | | | |
| Net Land Proceeds ⁽²⁾ | \$59,455,322 | - | \$74,056,960 | \$36,127,305 | \$169,639,587 |
| EB-5 Loan Proceeds ⁽³⁾ | 57,350,000 | - | - | - | 57,350,000 |
| Bond Proceeds | - | 13,750,000 | - | - | 13,750,000 |
| Equity | - | - | - | - | - |
| TOTAL SOURCES | \$116,805,322 | \$13,750,000 | \$74,056,960 | \$36,127,305 | \$240,739,587 |
| Uses | | | | | |
| Direct Infrastructure Costs ⁽⁴⁾ | \$64,609,633 | \$33,199,447 | \$66,398,894 | | \$164,207,974 |
| EB-5 Loan Repayment ⁽⁵⁾ | 5,837,914 | 2,227,900 | 4,455,799 | 57,350,000 | 69,871,613 |
| Miscellaneous Costs ⁽⁶⁾ | 4,493,655 | 722,115 | 1,444,230 | | 6,660,000 |
| TOTAL USES | \$74,941,202 | \$36,149,462 | \$72,298,923 | \$57,350,000 | \$240,739,587 |
| NET CASH FLOW | \$41,864,120 | (\$22,399,462) | \$1,758,037 | (\$21,222,695) | \$0 |
| Cash Balance ⁽⁷⁾ | | | | | |
| Beginning Balance | - | \$41,864,120 | \$19,464,658 | \$21,222,695 | |
| Net Cash Flows | 41,864,120 | (22,399,462) | 1,758,037 | (\$21,222,695) | |
| ENDING BALANCE | \$41,864,120 | \$19,464,658 | \$21,222,695 | \$0 | |

Source: Developer.

⁽¹⁾ Includes only revenues and costs associated with the construction of infrastructure through July 1, 2020; does not include every source or cost incurred by TI Series 1 through July 1, 2020.

⁽²⁾ Land proceeds are shown net of anticipated closing costs and land transfer taxes. Net Land Proceeds shown to July 1, 2020 are derived from the sale of Sub-Blocks 3Y, 4Y (Townhomes and Flats), and 4Y (Podium) to Merchant Builders. Net Land Proceeds shown prior to 12/31/21 are anticipated from the sale of Sub-Block 1Y, Net Land Proceeds after 12/31/21 are anticipated from the sale of parcels on Stages 1 and 2 on Treasure Island.

⁽³⁾ EB-5 Loan has been made to TI Series 1 in the total amount of \$155 million. The proceeds of this loan may be used to pay for infrastructure costs associated with development of property in the District. EB-5 loans are made with proceeds obtained from individual investors in the applicable EB-5 lender. The United States Citizenship and Immigration Services ("USCIS") must approve each individual investor. EB-5 Proceeds are allocated approximately 37% to the development of Yerba Buena Island and approximately 63% to the development of Treasure Island.

⁽⁴⁾ TI Series 1 obligation to complete the infrastructure improvements under the Development Agreement is backed by subdivision improvement bonds under the 9228 Public Improvement Agreement. As set forth in Tables 3 and 4, all critical infrastructure improvements required to obtain the Bristol's certificate of occupancy are scheduled for completion prior to the Bristol's construction completion in order for appropriate testing of all utilities.

⁽⁵⁾ TI Series 1 intends to extend the initial due date of the EB-5 Loan (currently March 4, 2021) for at least one year.

⁽⁶⁾ Miscellaneous Costs include TI Series I overhead and operating expenses.

⁽⁷⁾ Cash created from the development of the project may be applied by TI Series 1 and TICD to fund any aspect of the overall Treasure Island Project. This Table 4 is intended to illustrate that TI Series 1 anticipated that there will be a sufficient cash flow to fund the proposed development in Improvement Area No. 1.

[1. Please confirm no expectation for future bond issues. 2. Is equity line above accurate?]

On March 4, 2016, Treasure Island Series 1, LLC obtained an EB-5 Loan, known as “TI Series 1 Loan” in the total amount of \$155,000,000. The proceeds of this TI Series 1 Loan are available to pay for the costs of horizontal development associated with Sub-Phases 1YA, 1YB, 1B, 1C and 1E, which encompass most of the western portion of Treasure Island and encompass all of the Treasure Island Project lands on Yerba Buena Island (including Improvement Area No. 1) other than the TIDA-retained historic buildings and garages. The TI Series 1 Loan is secured by a deed of trust on the TI Series 1 property owned by Treasure Island Series 1, LLC (the “TI Series 1 Deed of Trust”), including Sub-Block 1Y in Improvement Area No. 1. The TI Series 1 Deed of Trust will be partially released in conjunction with the sale of parcels to a developer or builder, as it was released in connection with the sales to the Merchant Builders. The initial maturity date of the TI Series 1 Loan is March 4, 2021, but is subject to extension. In June 2020, TICD requested an extension of the Series 1 Loan and expects to finalize the extension by the end of the summer. As of July 1, 2020, the TI Series 1 Loan had an outstanding balance of \$155,000,000 and was in good standing.

The EB-5 loan is made with proceeds obtained from individual investors in the applicable EB-5 lender. The United States Citizenship and Immigration Services (“USCIS”) must approve each individual investor. The USCIS process is ongoing for various applicants and no guarantee can be made that the applicants will be approved by USCIS, and therefore no guarantee can be made that the full amount of the loans will be funded to the applicable borrower and, if funded, that if the investor is subsequently denied that the loan proceeds advanced to the borrower in respect of such investor will not have to be returned by the borrower.

Although TI Series 1 expects to have sufficient funds available to complete its development (both public infrastructure and other development) in Improvement Area No. 1 as described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development costs will be available to TI Series 1 from its internally generated funds or from any other source when needed. Neither Merchant Builders nor any of their related entities, are under any legal obligation of any kind to expend funds for the development of and construction of homes or a hotel on their property in Improvement Area No. 1. Any contributions by TI Series 1 or any such entity to fund the costs of such development are entirely voluntary.

If and to the extent that internal funding, including but not limited to lot sales revenues, are inadequate to pay the costs to complete the planned development by TI Series 1 within Improvement Area No. 1 and other financing by TI Series 1 is not put into place, there could be a shortfall in the funds required to complete the planned development by TI Series 1 in Improvement Area No. 1.

Flood Zone Status. For Yerba Buena Island, the existing elevation of the land and the proposed development is significantly higher than the current 100-year flood plain, and will remain above the floodplain in the future with any current projected sea level rise estimates. The island’s summit is 338 feet above mean sea level. The current topography includes a series of terraces engineered for development beginning at the top of Yerba Buena Island, with steep slopes and cliffs down to the Bay on all sides. Current FEMA maps (Draft Flood Insurance Rate Maps) do not show any flood zones on Yerba Buena Island. See “SPECIAL RISK FACTORS – Sea Level Rise and Risks Associated with Global Climate Change” for a discussion of current projected sea level rise estimates.

The Rate and Method requires the establishment of reserves for the Treasure Island Project as a whole for public improvements necessary to ensure that shoreline, public facilities, and public access improvements will be protected due to sea level rise at the perimeters of Treasure Island and Yerba Buena Island. For additional information regarding the establishment of the capital reserves for the Treasure Island Project, see “RATE AND METHOD” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Utilities

The utility providers for Improvement Area No. 1 are listed in the below table.

| <u>Utility</u> | <u>Provider</u> |
|----------------|---|
| Water | San Francisco Public Utilities Commission |
| Sewer | San Francisco Public Utilities Commission |
| Gas | Pacific Gas & Electric |
| Electric | San Francisco Public Utilities Commission |
| Telecom | AT&T; Comcast |

Merchant Builder Development and Financing Plans

A more detailed description of each of the phases within Improvement Area No. 1 is set forth below. *The Merchant Builders provide no assurance that construction and sales will be carried out on the schedule and according to the plans summarized below, or that construction and sale plans set forth below will not change after the date of this Official Statement. Additionally, unit sales may not result in closed escrows as sales contracts are subject to cancellation.*

The Bristol. Development Block 4Y (Podium) is owned by YBI Phase 1 Investors, LLC and under development as a five story 124-unit condominium building over two levels of below grade parking known as “the Bristol.” Four condominium floor plans are planned ranging in size from approximately 700 square feet to 2,100 square feet. Fourteen of the planned units will be restricted for sale at prices below market rate and not subject to the Special Tax. Construction on the Bristol commenced in June 2019, sales are expected to begin in the fourth quarter of 2020, and the Merchant Builder anticipates final build-out by Fall 2021. As of July 1, 2020, excavation for subterranean parking and retaining wall construction are complete and foundation pouring is complete. Major structural concrete pours are in process and [are anticipated to be complete in July 2020]. The following table provides additional information regarding the proposed development of the 110 market rate units of the Bristol as of July 1, 2020.

Table 5
The Bristol
Sub-Block 4Y (Podium)
(Market Rate Units Only)
(as of July 1, 2020)

| <u>Floor Plan</u> | <u>Avg. Approx. Square Footage</u> | <u>Total Number of Planned Market Rate Units</u> | <u>Market Rate Units Under Construction</u> | <u>Market Rate Units Completed and Unsold or in Escrow</u> | <u>Market Rate Units Completed, Sold, and Closed</u> | <u>Base Sale Prices for Market Rate Units</u> |
|-------------------|------------------------------------|--|---|--|--|---|
| Plan A | 700 | 12 | 12 | 0 | 0 | \$ _____ |
| Plan B | 900 | 47 | 47 | 0 | 0 | \$ _____ |
| Plan C | 1,350 | 41 | 41 | 0 | 0 | \$ _____ |
| Plan D | 2,100 | <u>10</u> | <u>10</u> | <u>0</u> | <u>0</u> | \$ _____ |
| Totals | | 110 | 110 | 0 | 0 | |

⁽¹⁾ Because the below-market units are not taxable, Table 5 above excludes the 14 below-market units that are located in each of Plans A-D.

Source: Merchant Builder.

The site permit was issued in June 2019, and the first addendum that allows for the vertical construction of 124 residential units was issued in January 2020. The site utilities permit has been approved by the San Francisco Public Utilities Commission and Department of Public Works and is under review by the Department of Building Inspection [for final approval as of June 2020]. YBI Phase 1 Investors, LLC anticipates certificates of occupancy for all 124 Bristol units will be received by October, 2021, and that the first sale will close in the fourth quarter of 2021.

As of July 1, 2020, YBI Phase 1 Investors, LLC has incurred approximately \$57 million on site acquisition, pre-development, on-site infrastructure, and on-site development costs and fees, and anticipates that an additional \$109 million will be required to be expended on such costs to complete the Bristol. The foregoing costs are exclusive of internal financing repayment.

YBI Phase 1 Investors, LLC will finance the remaining costs to complete the Bristol through up to \$99.0 million in the proceeds of a loan from the Pacific Western Bank and CW YBI Capital Management, LLC (the "Bristol Loan"), home sales and equity [See question above re equity in table 4.]. The Bristol Loan is secured by a deed of trust on Sub-Block 4Y (Podium), which will be partially released in conjunction with the sale of a home in the Bristol to a homebuyer. The initial maturity date of the Bristol Loan is May 14, 2022. As of July 1, 2020, the Bristol Loan was outstanding in the amount of \$20 million and was in good standing.

Although the Merchant Builder expects to have sufficient funds available to complete its development activities in Improvement Area No. 1, commensurate with the development timing described in this Official Statement, there can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available from the Merchant Builder or any other source when needed. Any contributions by the Merchant Builder or any of its parent companies to fund the costs of such development and home construction are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by the Merchant Builder within Improvement Area No. 1 and other financing by the Merchant Builder is not put into place, there could be a shortfall in the funds required to complete the proposed development by the Merchant Builder in Improvement Area No. 1 and the remaining portions of the development may not be developed.

The Residences. Development planned for Sub-Blocks 1Y, 3Y, and 4Y (Townhomes and Flats) is known as the "Residences."

Sub-Blocks 3Y and 4Y (Townhomes and Flats) are currently owned by YBI Phase 2 Investors, LLC. Sub-Block 1Y is currently owned by Treasure Island Series 1, LLC, but is the subject of the Option Agreement for Purchase of Real Property dated May 31, 2018 (the "Purchase Agreement"), which is the same agreement under which Sub-Blocks 3Y and 4Y were sold. Under the Purchase Agreement, the YBI Phase Parent Company may acquire Sub-Block 1Y for a total purchase price of \$78,784,000 after certain improvements are completed by TI Series 1. TI Series 1 anticipates that the YBI Phase Parent Company will acquire Sub-Block 1Y in approximately June 2021 after the satisfaction of the schedule of performance for certain public improvements (all of which are the same facilities described in Tables 3 and 4 that are required to open The Bristol).

In acquiring Sub-Block 1Y, the YBI Phase Parent Company may direct that title be taken by another limited liability company created for such purpose. Conveyance of Block 1Y is expected in the fourth quarter of 2020.

Ultimately, the Residences will include 5 single family detached homes, 55 condominium flat units, and 82 attached townhomes. There are no below-market units in the Residences. Construction on the Residences has not yet commenced[but is expected to begin ____ 20__)]. Sales are expected to begin in the second quarter of 2021, and the Merchant Builder anticipates final build-out by the end of 2023.

The following table provides additional information regarding the proposed development of the 142 units of the Residences as of July 1, 2020.

Table 6
The Residences
Sub-Blocks 1Y, 3Y, and 4Y (Townhomes and Flats)
(as of July 1, 2020)

| Floor Plan | Avg. Approx. Square Footage | Total Number of Planned Units | Units Under Construction | Units Completed and Unsold or in Escrow | Units Completed, Sold, and Closed |
|-----------------------|------------------------------------|--------------------------------------|---------------------------------|--|--|
| Plan A | 3,550 | 24 | 0 | 0 | 0 |
| Plan B | 2,900 | 24 | 0 | 0 | 0 |
| Plan C | 2,300 | 21 | 0 | 0 | 0 |
| Plan D | 3,450 | 11 | 0 | 0 | 0 |
| Plan E | 2,700 | 55 | 0 | 0 | 0 |
| Plan F | 1,200 | 2 | 0 | 0 | 0 |
| Plan G ⁽¹⁾ | 8,000 | <u>5</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Totals | | 142 | 0 | 0 | 0 |

Source: Developer.

⁽¹⁾ Estimate; represents single family parcels.

Individual building permit applications have been submitted for a portion of 3Y and 4Y, and the first addenda for vertical construction is anticipated to be issued at the end of 2020. As of July 1, 2020, YBI Phase 2 Investors, LLC has not received any building permits for the construction of the Residences.

As of July 1, 2020, YBI Phase 2 Investors, LLC has incurred approximately \$78 million on site acquisition, pre-development costs, vertical construction, on-site infrastructure, and fees, and anticipates that an additional [\$463 million] will be required to be expended on such costs to complete the Residences. The foregoing costs are exclusive of internal financing repayment. Construction financing has not yet been obtained. The Merchant Builder anticipates that the first closings on such units will occur in the first quarter of 2022.

The Merchant Builder expects the remaining land acquisition, site development, and home construction costs will be financed from equity, home sales and construction debt to complete their development activities in Improvement Area No. 1.

Although the Merchant Builder expects to have sufficient funds available to complete its development activities in Improvement Area No. 1, commensurate with the development timing described in this Official Statement, there can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available from the Merchant Builder or any other source when needed. Any contributions by the Merchant Builder or any of its parent companies to fund the costs of such development and home construction are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by the Merchant Builder within Improvement Area No. 1 and other financing by the Merchant Builder is not put into place, there could be a shortfall in the funds required to complete the proposed development by the Merchant Builder in Improvement Area No. 1 and the remaining portions of the development may not be developed.

Expected Land Use and Expected Maximum Special Tax Revenues

The following table sets forth the expected land use and the Expected Maximum Special Tax Revenues for Fiscal Year 2020-21 for the Parcels in Improvement Area No. 1.

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Table 7
Improvement Area No. 1 of the
City and County of San Francisco
Community Facilities District No. 2016-1
(Treasure Island)

Expected Land Uses and Expected Maximum Special Tax Revenues⁽¹⁾

| <u>Project Name and Expected Land Uses</u> | <u>Planned Development</u> | <u>Sub-Block</u> | <u>Expected Number of Residential Units</u> | <u>Expected Square Footage</u> | <u>FY 2020-21 Base Facilities Special Tax Rate</u> | <u>FY 2020-21 Expected Maximum Special Tax Revenues</u> |
|--|------------------------------------|------------------|---|--|--|---|
| The Bristol | | | | | | |
| Low-Rise Market Rate Units | Podium Unit | 4Y | 110 | 128,157 | \$6.64 | \$850,361 |
| Low-Rise Inclusionary Units | Podium Unit | 4Y | 14 | 15,440 | \$0.00 | \$0 |
| The Residences | | | | | | |
| Yerba Buena Townhome Units | Townhome/Flats | 4Y | 39 | 100,000 | \$6.30 | \$629,976 |
| Low-Rise Units | Stacked Flats | 4Y | 14 | 36,000 | \$6.64 | \$238,871 |
| <i>Subtotal - Sub-Block 4Y</i> | | | 177 | 279,597 | | \$1,719,208 |
| Yerba Buena Townhome Units | Three Story Townhomes | 1Y | 32 | 91,983 | \$6.30 | \$579,470 |
| Yerba Buena Townhome Units | Single Family Homes ⁽²⁾ | 1Y | 5 | TBD | \$6.30 | \$0 |
| Low-Rise Units | Stacked Flats | 1Y | 41 | 97,907 | \$6.64 | \$649,643 |
| <i>Subtotal - Sub-Block 1Y</i> | | | 78 | 189,890 | | \$1,229,114 |
| Yerba Buena Townhome Units | Three Story Townhomes | 3Y | 11 | 36,000 | \$6.30 | \$226,791 |
| <i>Subtotal - Sub-Block 3Y</i> | | | 11 | 36,000 | | \$226,791 |
| Hotel | | | | | | |
| Hotel Project /3 | Hotel | 2Y | N/A | 50,000 | \$3.25 | \$162,365 |
| <i>Subtotal - Sub-Block 2Y</i> | | | <u>N/A</u> | 50,000 | - | <u>\$162,365</u> |
| TOTAL | | | 266 | 555,487 | | \$3,337,478 |

Sources: Goodwin Consulting Group, Inc.

⁽¹⁾ Based on the expected land uses at buildout as of January 23, 2020 per the Developer.

⁽²⁾ The five planned single family detached homes are expected during the last phases of construction of Improvement Area No. 1; no special tax capacity is currently estimated since planned square footage is not known at this time.

⁽³⁾ So long as Sub-Block 2Y is subject to the Public Trust, it is not considered a Taxable Parcel. Sub-Block 2Y is subject to taxation if the parcel is leased to a third-party such as a hotel developer, and only the leasehold interest is taxable.

Property Values

Assessed Value. The aggregate assessed value of the Taxable Parcels within Improvement Area No. 1, as shown on the tax roll for Fiscal Year 2020-21, is \$102,085,597. The sale prices of the Taxable Parcels on which the Assessed Value is based were established through the sale of such Parcels between entities related to members of TICD, and, as a result, such sales prices, and consequently the assessed value, may not be reflective of an arms-length market transaction with adequate market exposures. Accordingly, there can be no assurance that the assessed valuations of the Taxable Parcels with Improvement Area No. 1 accurately reflect market values.

The following table sets forth the Fiscal Year 2020-21 assessed value for the taxable parcels shown.

Table 8
Improvement Area No. 1 of the
City and County Of San Francisco
Community Facilities District No. 2016-1
(Treasure Island)
Fiscal Year 2020-21 Assessed Value

| <u>Taxable Parcel</u> | <u>Sub Block</u> | <u>Land Value</u> | <u>Improved Value</u> | <u>Total Value</u> |
|-----------------------|------------------|---------------------|-----------------------|----------------------|
| 8948 -001 | 1Y | \$ 7,649,871 | \$ 0 | \$7,649,871 |
| 8952 -001 | 3Y | 16,029,292 | 0 | 16,029,292 |
| 8954 -002 | 4Y | <u>66,932,329</u> | <u>11,474,105</u> | <u>78,406,434</u> |
| Total | | \$90,611,492 | \$11,474,105 | \$102,085,597 |

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

Appraisal Report. *The following is a summary of certain provisions of the Appraisal Report, which should be read in conjunction with the full text of the Appraisal Report set forth in Appendix G. None of the City, the District or the Underwriter makes any representation as to the accuracy or completeness of the Appraisal Report.*

The Appraisal Report of all Taxable Parcels within Improvement Area No. 1 dated August 14, 2020, was prepared by the Appraiser in connection with the issuance of the 2020 Bonds. The purpose of the Appraisal Report was to estimate the aggregate market value of the fee simple interest in all Taxable Parcels in Improvement Area No. 1 as of July 1, 2020, which is the effective date of the Appraisal Report. The inspection of the Taxable Parcels in Improvement Area No. 1 occurred on July 11, 2020. The values are subject to a hypothetical condition that the proceeds of the 2020 Bonds are available to reimburse for certain of the public improvements in Improvement Area No. 1 that have been completed to date.

The Appraisal Report appraised the value of Sub-Blocks 1Y, 3Y and 4Y. Sub-Block 2Y is owned by TIDA and is subject to the Public Trust. So long as Sub-Block 2Y is subject to the Public Trust, it is not considered a Taxable Parcel. As a result, the Appraiser did not take Sub-Block 2Y into account in determining the aggregate market value of Taxable Parcels in Improvement Area No. 1. Sub-Block 2Y would be subject to taxation if the Parcel is leased to a third-party such as a hotel developer. In such instance, only the leasehold interest would taxable.

The Appraisal Report was based on certain assumptions and limiting conditions as described in detail beginning on page 111 thereof. See Appendix G.

Valuation Method. The Appraisal determined the market value of the parcels within Improvement Area No. 1 using land residual analysis for the residential land, with comparable bulk sales serving as secondary support, and the sales comparison approach for the land associated with the five home sites, each of which is discussed below.

In land residual analysis, all direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product. The net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the residual value of the land. For those parcels valued using land residual analysis, the Appraiser applied a discount rate of 5.0%.

In the direct sales comparison approach, the Appraiser adjusts the prices of comparable transactions in the region based on differences between the comparable sales and the property subject to the Appraisal Report.

After the market value of the various land use components comprising the property subject to the Appraisal Report was determined, the subdivision development method to value was also employed by the Appraiser in the estimate of Improvement Area No. 1 in bulk, by ownership. The subdivision development method is a form of discounted cash flow analysis in which the expected revenue, absorption period and expenses and internal rate of return associated with the development and sell-off of the various land use components comprising the subject property to end users was utilized. For purposes of the subdivision development method, the Appraiser applied a discount rate of 15.0%.

According to the development budget provided by the Master Developer to the Appraiser, total infrastructure costs associated with development of Improvement Area No. 1 are \$164,207,974. Further, according to the Master Developer, the total infrastructure costs directly attributable to Yerba Buena Island are \$131,276,863, the difference representing such infrastructure costs proportionately obligated by future development of Treasure Island. It is noted, however, the Yerba Buena Island costs (\$131,276,863) are attributable to Sub-Blocks 1Y, 2Y, 3Y and 4Y of Improvement Area No. 1; whereas, Sub-Block 2Y, as previously noted, is not a part of the Appraisal. As such, only the proportionate share (as set forth in the Appraisal Report) of infrastructure costs for Yerba Buena Island attributable to the appraised Sub-Blocks 1Y, 3Y and 4Y was considered in the valuation analysis in the Appraisal Report. Costs are first allocated by pro rata share of acreage; based on this distribution, the remaining costs applicable to Parcels 1Y, 3Y, and 4Y are identified. These costs are then allocated by pro rata share of revenue generated by the parcels by ownership. For purposes of that analysis, the remaining infrastructure development costs associated with the Sub-Blocks 1Y, 3Y and 4Y are estimated to be \$71,958,229 (excluding Sub-Block 2Y's obligation, which is not a part of the appraisal), and is considered by the Appraiser in the discounted cash flow analyses by ownership on a pro rata share as shown in the Appraisal Report.

Value Estimate. Subject to the various conditions and assumptions set forth in the Appraisal Report, the Appraiser estimated that, as of July 1, 2020, the market value in bulk of the fee simple interest in the Taxable Parcels within Improvement Area No. 1 is \$86,560,000. The Appraisal Report is set forth in full in Appendix G.

The value of property within Improvement Area No. 1 is an important factor in determining the investment quality of the 2020 Bonds. If a property owner defaults in the payment of the Special Tax, the District's primary remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. The Special Tax is not a personal obligation of the owners of the

property. A variety of economic, political and natural occurrences incapable of being accurately predicted can affect property values.

Project Special Tax Levy, Assessed Values and Value to Lien Ratios

The following table sets forth the projected Special Tax Levy, maximum Special Tax Revenue and a summary of value-to-lien ratios. Pursuant to the Act and the Rate and Method, the principal amount of the 2020 Bonds is not allocable among the parcels in the District based on the value of the parcels. A downturn of the economy or other market factors may depress assessed values and hence the value-to-lien ratios. See “SPECIAL RISK FACTORS – Value to Lien Ratios” herein.

[Remainder of page intentionally left blank.]

Table 9
Improvement Area No. 1 of the
City and County Of San Francisco
Community Facilities District No. 2016-1
(Treasure Island)

Projected Special Tax Levy, Maximum Special Tax Revenue and Summary of Value-to-Lien Ratios
(Development Status as of June 30, 2019)

| <u>Development Status</u> ⁽¹⁾ | <u>Taxable Parcels</u> | <u>Expected Residential Units</u> ⁽²⁾ | <u>Square Footage</u> ⁽²⁾ | <u>Appraised Value</u> | <u>Projected Special Tax Levy</u> | | | <u>Maximum Special Tax Revenues</u> | | |
|--|------------------------|--|--------------------------------------|------------------------|---|---|---|---|---|---|
| | | | | | <u>FY 2020-21 Projected Special Tax Levy</u> ⁽¹⁾ | <u>Allocated Bond Debt</u> ⁽³⁾ | <u>Average Value-to-Lien</u> ⁽³⁾ | <u>FY 2020-21 Maximum Special Tax Revenue</u> | <u>Allocated Bond Debt</u> ⁽⁴⁾ | <u>Average Value-to-Lien</u> ⁽⁴⁾ |
| <u>Mixed Property</u> ⁽⁵⁾ | | | | | | | | | | |
| Sub-Block 4Y | | | | | | | | | | |
| Developed Property ⁽⁶⁾ | -- | 110 | 128,157 | -- | \$850,361 | \$17,990,000 | -- | \$850,361 | \$4,818,097 | -- |
| Vertical DDA Property ⁽⁷⁾ | -- | 53 | 136,000 | -- | 0 | 0 | -- | \$868,847 | \$4,922,833 | -- |
| Total | 1 | 163 | 264,157 | \$40,522,000 | \$850,361 | \$17,990,000 | 2.25 | \$1,719,208 | \$9,740,930 | 4.16 |
| <u>Undeveloped Property</u> | | | | | | | | | | |
| Sub-Block 1Y | 1 | 73 | 189,890 | \$40,360,000 | \$0 | \$0 | 0.00 | \$1,229,114 | \$6,964,085 | 5.80 |
| Sub-Block 3Y | 1 | 11 | 36,000 | \$5,678,000 | 0 | 0 | 0.00 | \$226,791 | \$1,284,985 | 4.42 |
| Total | 2 | 84 | 225,890 | \$46,038,000 | \$0 | \$0 | 0.00 | \$1,455,905 | \$8,249,070 | 5.58 |
| TOTAL | 3 | 247 | 490,047 | \$86,560,000 | \$850,361 | \$17,990,000 | 4.81 | \$3,175,113 | \$17,990,000 | 4.81 |
| <u>Future Development - Not Currently Subject to the Special Tax</u> | | | | | | | | | | |
| Sub-Block 1Y ⁽⁸⁾ | -- | 5 | TBD | N/A | \$0 | \$0 | N/A | \$0 | \$0 | N/A |
| Sub-Block 2Y ⁽⁹⁾ | 1 | N/A | 50,000 | N/A | 0 | 0 | N/A | \$162,365 | \$0 | N/A |
| Total | 1 | 5 | 50,000 | N/A | \$0 | \$0 | N/A | \$162,365 | \$0 | N/A |
| Total Including Future Development | | 252 | 540,047 | | | | | \$3,337,478 | | |

Sources: Integra Realty Resources; Goodwin Consulting Group, Inc.

* Preliminary, subject to change.

Footnotes on next page.

Footnotes continued from previous page.

- (1) Based on building permits issued prior to June 30, 2020.
- (2) Does not include the 14 inclusionary units in the 124 unit podium building under construction, known as The Bristol. Pursuant to the Rate and Method, inclusionary units are not subject to the special tax.
- (3) Allocated based on the fiscal year 2020-21 special tax levy.
- (4) Allocated based on the fiscal year 2020-21 maximum special tax revenue.
- (5) Pursuant to Section B of the Rate and Method, if a building permit has been issued for development of a structure, and additional structures are anticipated to be built within the Sub-Block as shown in the Development Approval Documents, the Administrator shall, regardless of the definitions set forth in the Rate and Method, categorize the building(s) for which the building permit was issued as Developed Property and any remaining buildings for which building permits have not yet been issued as Vertical DDA Property for purposes of levying the Special Tax.
- (6) Includes all of the market rate units in the 124 unit podium building currently under construction, known as The Bristol.
- (7) Planned for 37 townhomes, 2 flats, and 14 stacked flats as part of the larger project known as The Residences.
- (8) Includes the five planned single family detached homes which are expected during the last phases of construction of Improvement Area No. 1; no special tax capacity is included since planned square footage isn't known at this time.
- (9) So long as Sub-Block 2Y is subject to the Public Trust, it is not considered a Taxable Parcel. Sub-Block 2Y is subject to taxation if the parcel is leased to a third-party such as a hotel developer, and only the leasehold interest is taxable.

Estimated Effective Tax Rate

The following table sets forth an illustrative Fiscal Year 2019-20 tax bill for a Taxable Parcel in Improvement Area No. 1.

Table 10
Improvement Area No. 1 of the
City and County of San Francisco
Community Facilities District No. 2016-1
(Treasure Island)
Fiscal Year 2019-20 Illustrative Tax Bill

| <u>Assumptions</u> | <u>Low Rise Unit</u> <u>(The Bristol)</u> | <u>YBI_Townhome</u> <u>(The Residences)</u> |
|--|--|--|
| Estimated Base Value ⁽¹⁾ | \$1,700,000 | \$4,250,000 |
| Homeowner's Exemption | (\$7,000) | (\$7,000) |
| Net Expected Assessed Value | \$1,693,000 | \$4,243,000 |
| <u>Ad Valorem tax Rate</u> ⁽²⁾ | | |
| Base Tax Rate | 1.0000% | \$16,930 |
| Other Ad Valorem Property Taxes | 0.1801% | \$3,049 |
| Total Ad Valorem Taxes | 1.1801% | \$19,979 |
| <u>Direct Charges</u> | | |
| SF Bay RS Parcel Tax | \$12 | \$12 |
| SFCCD Parcel Tax | \$99 | \$99 |
| IA Treasure Island CFD No. 2016-1 ⁽³⁾ | \$7,644 | \$17,726 |
| Total Direct Charges | \$7,755 | \$17,837 |
| Total Taxes and Direct Charges | \$27,734 | \$67,908 |
| Percentage of Estimated Base Value | 1.63% | 1.60% |

Sources: Integra Realty Resources; San Francisco Tax Collector's Office; Goodwin Consulting Group, Inc.

- (1) Based on the appraisal report.
- (2) Based on the fiscal year 2019-20 ad valorem tax rates. Ad valorem tax rates are subject to change in future years.
- (3) Reflects the fiscal year 2019-20 maximum special tax.

Delinquency History

Under the provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2020 Bonds derived, will be billed to Property Owners on their regular property tax bills. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot generally be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future. See the caption “SPECIAL RISK FACTORS – Tax Delinquencies.”

Special Taxes were levied for the first time in Fiscal Year 2019-20. There were no delinquencies with respect to the payment of the first installment of Special Taxes. Because the County’s Teeter Plan is not available for the Special Taxes, collections of the Special Taxes will reflect actual deficiencies. Neither the City, the Underwriter nor the District can predict the willingness or ability of the Property Owners to pay the Special Taxes when the levy thereof commences in or about Fiscal Year 2019-20.

See the caption “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” for a discussion of the provisions that apply, and procedures that the District is obligated to follow, in the event of delinquency in the payment of Special Tax installments.

Direct and Overlapping Debt

The following table details the direct and overlapping debt currently encumbering property within Improvement Area No. 1.

Table 11
Improvement Area No. 1 of the
Community Facilities District No. 2016-1
(Treasure Island)
Direct and Overlapping Debt

[to come]

SPECIAL RISK FACTORS

The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the 2020 Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the City to make full and punctual payments of debt service on the 2020 Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District or the District's ability to recover delinquent Special Taxes in foreclosure proceedings.

Risks of Real Estate Secured Investments Generally

The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential properties and/or sites in the event of sale or foreclosure, (ii) changes in real estate tax rates and other operating expenses, government rules (including, without limitation, zoning laws and restrictions relating to threatened and endangered species) and fiscal policies and (iii) natural disasters (including, without limitation, earthquakes, subsidence and floods), which may result in uninsured losses, or natural disasters elsewhere in the country or other parts of the world affecting supply of building materials that may cause delays in construction. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due.

COVID-19 Pandemic

On February 11, 2020, the World Health Organization announced the official name for the outbreak of a new disease, COVID-19, caused by a strain of novel coronavirus, an upper respiratory tract illness which has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the President of the United States, the Governor of the State of California and the Mayor of the City.

The COVID-19 pandemic and governmental actions to respond to it have materially altered the behavior of people, disrupted business activity and resulted in a significant contraction of the national, state and local economies. Employment data released since the imposition of the restrictions have shown a dramatic increase in unemployment rates. In addition, stock markets in the United States and globally experienced sharp declines in market value following the onset of the outbreak that were attributed to COVID-19 concerns and, although rebounds in the markets have since occurred, increased volatility in the financial markets continues. It is widely expected that global, national and local economies will continue to be negatively affected by the COVID-19 pandemic, at least for some period of time. On June 9, 2020, the National Bureau of Economic Research determined that the United States had entered into a recession during the prior months.

In an effort to reduce the impact of the virus that causes COVID-19, the City's Department of Public Health released a health order (the "City Health Order") on March 16, 2020, ordering all individuals living in the City to shelter at their place of residence with limited exceptions, including for providing or receiving essential services, engaging in essential activities and working for essential business and government services. [The City's Health Order has been updated several times, most recently on July 13, 2020, and does not currently have an expiration date. The current City Health Order reflects the

implementation of the City’s phased reopening plan (the “City Reopening Plan”) released by Mayor Breed on May 28, 2020, that outlines four anticipated stages for businesses and activities to resume operations in San Francisco dependent on key health indicators. The City Reopening Plan is generally aligned with the State’s four-stage reopening plan but separates the State’s second stage into three phases – Phase 2A, 2B and 2C. As of July 30, 2020, the City is currently in Phase 2B, which permits the reopening of activities such as curbside retail and outdoor businesses, outdoor dining, indoor retail and other small public activities. On July 17, 2020, the same day San Francisco was placed on the State’s county watch list, Mayor Breed announced that the City’s schedule for reopening would remain on pause indefinitely to slow the spread of COVID-19. As of July 30, 2020, there have been approximately [6,420] confirmed cases of COVID-19 in the City.] [monitor]

On March 19, 2020, the Governor of the State of California and the California Department of Public Health released a similar health order (the “State Health Order” and, together with the City Health Order, the “Health Orders”) requiring all individuals living in California to stay home or at their place of residence except as needed to maintain continuity of operations of certain federal critical infrastructure sectors. The State Health Order, most recently updated on May 8, 2020, is currently in effect until further notice. [As of July 30, 2020, the State is currently in the second phase of the Governor’s four-stage reopening plan.] [monitor]

The impact of COVID-19 and the Health Orders is likely to evolve over time, which could adversely impact the development within Improvement Area No. 1 and the Treasure Island Project as a whole, including, but not limited to, one or more of the following ways: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction where one or more members of the workforce contracts COVID-19; (iv) continued extreme fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) declines in business and consumer confidence that negatively impact economic conditions or cause an economic recession; (vii) the failure of government measures to stabilize the financial sector and introduce fiscal stimulus to counteract the economic impact of the pandemic.

The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Also uncertain are the actions that may be taken by Federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the operations and finances of the City, Improvement Area No. 1, the Master Developer or the Merchant Builders is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the operations and finances of the City, the District, the Master Developer or the Merchant Builders.

The 2020 Bonds are limited obligations of the City, secured by and payable solely from Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Information in this section about the potential impact of COVID-19 on the City’s finances does not suggest that the City has an obligation to pay debt service on the 2020 Bonds from any sources other Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the City, the Underwriter, the Master Developer nor the Merchant Builders can predict the ultimate effects of the COVID-19 outbreak or whether any such effects will not have material adverse effect on the ability to develop the Treasure Island Project, including Improvement Area No. 1, as planned and described herein, or the availability of special taxes from the Improvement Area No. 1 in an amount sufficient to pay debt service on the 2020 Bonds. See “SECURITY FOR THE BONDS – Limited Obligation” herein.

Parity Taxes and Special Assessments

The Special Taxes and any penalties thereon will constitute a lien against the parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is coequal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property. The City, however, has no control over the ability of other agencies to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes. See “IMPROVEMENT AREA NO. 1 – Direct and Overlapping Debt.”

Value to Lien Ratios

Value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-lien ratio is mathematically a fraction, the numerator of which is the value of the property as measured by assessed values or appraised values and the denominator of which is the “lien” of the assessments or special taxes. A value to lien ratio should not, however, be viewed as a guarantee for credit-worthiness. Land values are sensitive to economic cycles. Assessed values may not reflect the current market value of property. A downturn of the economy or other market factors may depress land values and lower the value-to-lien ratios. Further, the value-to-lien ratio cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a ratio below 1:1, the property value is less than its allocable share of debt.) Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. No assurance can be given that, should a parcel with delinquent Special Taxes be foreclosed upon and sold for the amount of the delinquency, any bid will be received for such property or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. Finally, local agencies may form overlapping community facilities districts or assessment districts. Local agencies typically do not coordinate their bond issuances. Debt issuance by another entity could dilute value to lien ratios.

Billing of Special Taxes

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn, along with various other factors, can lead to problems in the collection of the special tax. In some community facilities districts, taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by a community facilities district.

Under provisions of the Act, the Special Taxes are levied on Taxable Parcels within Improvement Area No. 1 that were entered on the Assessment Roll of the County Assessor by January 1 of the previous Fiscal Year. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Ordinarily, these Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the City is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

Collection of Special Taxes

The City has covenanted in the Fiscal Agent Agreement to institute foreclosure proceedings under certain conditions against property with delinquent Special Taxes to obtain funds to pay debt service on the 2020 Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Taxes to protect its security interest. If such foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the 2020 Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale would be sold or, if sold, that the proceeds of such sale would be sufficient to pay any delinquent Special Taxes installment. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the City with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure.”

Maximum Special Tax Rates

Within the limits of the Rate and Method, the City may adjust the Special Taxes levied on all property within Improvement Area No. 1 to provide the amount required each year to pay annual debt service on the 2020 Bonds and to replenish the Reserve Fund to an amount equal to the Reserve Requirement, but not more than a 10% increase on property used for private residential purposes above the amount that would have been levied in that Fiscal Year had there never been any delinquencies or defaults. However, the amount of Special Taxes that may be levied against particular categories of property is subject to the maximum tax rates set forth in the Rate and Method. In the event of significant Special Tax delinquencies, there is no assurance that the maximum tax rates for property in the District would be sufficient to meet debt service obligations on the 2020 Bonds. See “SECURITY FOR THE BONDS – Special Tax Fund” and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each Taxable Parcel in the District will be based primarily on the land use category and square footage. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “SECURITY FOR THE BONDS – Rate and Method of Apportionment of Special Taxes.” The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by a gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, 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 and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. *Moreover, if a substantial portion of land within the District became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the 2020 Bonds when due and a default could occur with respect to the payment of such principal and interest.*

Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2020 Bonds are derived, will be billed to the properties within the District

on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable consistent with, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot be made to the County Tax Collector separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future.

See “SECURITY FOR THE BONDS – Reserve Fund” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Special Tax installments.

Because the Teeter Plan is not available for Improvement Area No. 1, collections of Special Taxes will reflect actual delinquencies.

Exempt Properties

The Act provides that properties or entities of the State, federal or local government are exempt from the Special Taxes; provided, however, the property within Improvement Area No. 1 acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Taxes, will continue to be subject to the Special Taxes. The Act further provides that if property subject to the Special Taxes is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Taxes 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. In particular, insofar as the Act requires payment of the Special Taxes by a federal entity acquiring property within Improvement Area No. 1, it may be unconstitutional.

Concentration of Property Ownership

Failure of any significant owner of taxable property in the District to pay the annual Special Taxes when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of the property upon a foreclosure or otherwise or prior to delinquency redemption after a foreclosure sale, if any. In that event, there could be a default in payments of the principal of and interest on the 2020 Bonds. Development of property in the District may not occur as currently proposed or at all. Improvement Area No. 1 has a significant concentration of ownership. As of June 1, 2020, 1 of the 4 parcels in Improvement Area No. 1 that are subject to the Special Tax is owned by TI Series 1, and 2 of the 4 parcels are owned by the Merchant Builders. See “IMPROVEMENT AREA NO. 1” for information regarding property ownership and the status of development in the District.

None of the property owners is obligated in any manner to continue to own, or to develop, any of such property. The Special Taxes are not a personal obligation of the owners of the property on which such Special Taxes are levied, and no assurances can be given that the property owners within Improvement Area No. 1 will be financially able to pay the Special Taxes levied on such property or that they will choose to pay even if financially able to do so. Such risk is greater and its consequence more severe when ownership is concentrated and may be expected to decrease when ownership is diversified.

Failure to Develop Properties

As of June 1, 2020, 124 of the 266 residential units are under construction. Unimproved or partially improved land is inherently less valuable than land with improvements on it, especially if there are restrictions on development, and provides less security to the Owners should it be necessary for the District

to foreclose on the property due to the nonpayment of Special Taxes. Any delays in developing unimproved property, or the decision not to construct improvements on such property, may affect the willingness and ability of the owners of property within Improvement Area No. 1 to pay the Special Taxes when due.

Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or to satisfy such governmental requirements could adversely affect planned land development. In addition, there is a risk that future governmental restrictions, including, but not limited to, governmental policies restricting or controlling development within Improvement Area No. 1, will be enacted, and a risk that future voter approved land use initiatives could add more restrictions and requirements on development within Improvement Area No. 1.

Moreover, there can be no assurance that the means and incentive to conduct land development operations within Improvement Area No. 1 will not be adversely affected by a deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, the national economy, or natural disasters that impact ferry or road vehicle access to Improvement Area No. 1.

The Merchant Builders may need continued financing to complete the development of the property within Improvement Area No. 1. No assurance can be given that the required funding will be secured or that the proposed development will be partially or fully completed, and it is possible that cost overruns will be incurred that will require additional funding beyond what the Merchant Builders have projected, which may or may not be available. See the caption “IMPROVEMENT AREA NO. 1—Merchant Builder Development and Financing” for a discussion of the Merchant Builders’ estimated sources of funding for the completion of the construction of certain of the projects in Improvement Area No. 1.

Disclosure to Future Property Owners

Pursuant to Section 53328.3 of the Act, the City has recorded a Notice of Special Tax Lien. The sellers of property within the District are required to give prospective buyers a Notice of Special Tax in accordance with Sections 53340.2 and 53341.5 of the Act. While title companies normally refer to the Notice of Special Tax Lien in title reports, there can be no guarantee that such reference will be made or the seller’s notice given or, if made and given, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property or the lending of money thereon. Failure to disclose the existence of the Special Taxes could affect the willingness and ability of future owners of land within the District to pay the Special Taxes when due.

Potential Early Redemption of Bonds from Special Tax Prepayments

In the event that property within Improvement Area No. 1 is purchased by a public entity, the Fiscal Agent Agreement permits such public entity to prepay the Special Taxes relating to such purchased property. Such payments will result in a mandatory redemption of 2020 Bonds from Special Tax prepayments on the Interest Payment Date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of such Special Tax Prepayment. The resulting redemption of 2020 Bonds purchased at a price greater than par could reduce the otherwise expected yield on such 2020 Bonds. See “THE 2020 BONDS – Redemption –Redemption from Special Tax Prepayments” herein.

Future Indebtedness

The cost of any additional improvements may well increase the public and private debt for which the land in Improvement Area No. 1 provides security, and such increased debt could reduce the ability or desire of property owners to pay the Special Taxes levied against the land in Improvement Area No. 1. In addition, in the event any additional improvements or fees are financed pursuant to the establishment of an assessment district or another district formed pursuant to the Act, any taxes or assessments levied to finance such improvements may have a lien on a parity with the lien of the Special Taxes. The City is authorized to issue on behalf of the District for the benefit of Improvement Area No. 1 bonded indebtedness, including the 2020 Bonds, in an aggregate amount not to exceed \$250 million. See “IMPROVEMENT AREA NO. 1 – Financing for Improvement Area No. 1.”

Natural Disasters and Other Events

Natural or man-made disasters, such as flood, wildfire, tsunamis, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property within the City generally and/or specifically in Improvement Area No. 1. Economic and market forces, such as a downturn in the Bay Area’s economy generally, [and transportation congestion patterns that impact ferry or road vehicle access to Improvement Area No. 1,] can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. Such events could also damage critical City infrastructure, including without limitation bridge and ferry access to Improvement Area No. 1. For example, in August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the “Rim Fire”), which area included portions of the City’s Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O’Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco’s drinking water), hydroelectric generator and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City’s hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City’s water and power infrastructure located in the region. In September 2010, a Pacific Gas and Electric Company (“PG&E”) high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous gas transmission and distribution pipelines owned, operated and maintained by PG&E throughout the City.

As a result of the occurrence of events like those described in the preceding paragraph, a substantial portion of the property owners in the District may be unable or unwilling to pay the Special Taxes when due, and the Reserve Fund for the 2020 Bonds may become depleted. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Seismic Risks

General. The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area. Seismic events may cause damage, or temporary or permanent loss of occupancy to buildings in the District, as well as to transportation infrastructure that serves Improvement Area No. 1. These faults include the San Andreas Fault, which passes about three miles to the southeast of the City’s border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away, as well as a number of other significant faults in the region. Historical seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the

City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City and the only road vehicle access to Improvement Area No. 1, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

California Earthquake Probabilities Survey. In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more earthquakes of magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2042. Such earthquakes may be very destructive. In addition to the potential damage to buildings subject to the Special Tax, due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City’s economy, tax receipts, and residential and business real property values, including in the District.

Earthquake Safety Implementation Plan (“ESIP”). ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety (“CAPSS”), a 10-year-long study evaluating the seismic vulnerabilities San Francisco faces. The CAPSS Study prepared by the Applied Technology Council looked at the impact to all of San Francisco’s buildings and recommended a 30-year plan for action. As a result of this plan, San Francisco has mandated the retrofit of nearly 5,000 soft-story buildings housing over 111,000 residents by September 2020. Future tasks will address the seismic vulnerability of older nonductile concrete buildings, which are at high risk of severe damage or collapse in an earthquake.

Risk of Tsunami. The California Geological Survey (“CGS”), in concert with the California Emergency Management Agency and the Tsunami Research Center at the University of Southern California, has produced statewide tsunami inundation maps. CGS has identified portions of the Future Annexation Area as being located in the San Francisco Tsunami Inundation Zone. Also, the ferry terminal is in the tsunami inundation zone. Improvement Area No. 1 is beyond the tsunami inundation line and is not within a tsunami inundation zone.

Risk of Sea Level Changes and Flooding

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution.

The Fourth National Climate Assessment, published by the U.S. Global Change Research Program in November 2018 (“NCA4”), finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. NCA4 states that rising temperatures, sea level rise, and changes in extreme events are expected to increasingly disrupt and damage critical infrastructure and property and regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages and service disruptions. NCA4 states that the continued increase in the frequency and extent of high-tide flooding due to sea level rise threatens coastal public infrastructure. NCA4 also states that

expected increases in the severity and frequency of heavy precipitation events will affect inland infrastructure, including access to roads, the viability of bridges and the safety of pipelines.

Sea levels will continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, underneath the Golden Gate Bridge. Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of climate related sea level rise. Coastal areas like San Francisco are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City could be required to mitigate these effects at a potentially material cost.

Adapting to sea level rise is a key component of the City's policies. The City and its enterprise departments have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and providing a framework for adaptation strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm, of up to 108 inches above the 2015 average high tide. To implement this Plan, the Mayor's Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and Office of Resilience and Capital Planning, joined the Port, Public Utilities Commission and other public agencies is moving several initiatives forward. This includes a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the city and in various neighborhoods that was released in February 2020.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resource Agency, the Governor's Office of Planning and Research, and the California Energy Commission) published a report, that was formally adopted in March 2018, entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "Sea Level Rise Report") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline. The City has incorporated the projections from the 2018 report into its Guidance for Incorporating Sea Level Rise Guidance into Capital Planning. The Guidance requires that City projects over \$5 million consider mitigation and/or adaptation measures.

In March 2020, a consortium of State and local agencies, led by the Bay Area Conservation and Development Commission, released a detailed study entitled, "Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study," on how sea level rise could alter the Bay Area. The study states that a 48-inch increase in the bay's water level in coming decades could cause more than 100,000 Bay Area jobs to be relocated, nearly 30,000 lower-income residents to be displaced, and 68,000 acres of ecologically valuable shoreline habitat to be lost. The study further argues that without a far-sighted, nine county response, the region's economic and transportation systems could be undermined along with the environment. Runways at SFO could largely be under water.

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast climate change and its

adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the Bonds. While the effects of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

In September 2017, the City filed a lawsuit against the five largest investor-owned oil companies seeking to have the companies pay into an equitable abatement fund to help fund investment in sea level rise adaptation infrastructure. In July 2018, the United States District Court, Northern District of California denied the plaintiffs' motion for remand to state court, and then dismissed the lawsuit. The City appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which is pending. While the City believes that its claims are meritorious, the City can give no assurance regarding whether it will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.

With respect to the Treasure Island Project, the Rate and Method requires the establishment of reserves for the Treasure Island Project as a whole for public improvements necessary to ensure that shoreline, public facilities, and public access improvements will be protected due to sea level rise at the perimeters of Treasure Island and Yerba Buena Island. For additional information regarding the establishment of the capital reserves for the Treasure Island Project, see "RATE AND METHOD" herein and APPENDIX B – "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The City is unable to predict whether sea level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the City, the local economy or, in particular, the Taxable Parcels in Improvement Area No. 1 subject to the Special Tax and the ability of a property owner in the District to pay the Special Tax levy.

Hazardous Substances

A serious risk in terms of the potential reduction in the value of a parcel within Improvement Area No. 1 is the discovery of a hazardous substance. In general, the owners and operators of a parcel within Improvement Area No. 1 may be required by law to remedy conditions of such parcel relating to release 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 other California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of the property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within Improvement Area No. 1 be affected by a hazardous substance, would be to reduce the marketability and value of such parcel by the costs of remedying the condition. Any prospective purchaser would become obligated to remedy the condition.

Further it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the current existence on the parcel of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from

the current existence on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly affect the value of a parcel within Improvement Area No. 1 that is realizable upon a delinquency.

The City is aware of a Complaint relating to environmental conditions with respect to the Treasurer Island Project. For a description of the Complaint, see “- Treasurer Island Related Complaint” above.

Bankruptcy and Foreclosure

The payment of property owners’ taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure.” In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the 2020 Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In addition, bankruptcy of a property owner (or a property owner’s partner or equity owner) would likely result in a delay in procuring Superior Court foreclosure proceedings unless the bankruptcy court consented to permit such foreclosure action to proceed. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the 2020 Bonds and the possibility of delinquent tax installments not being paid in full.

Under 11 U.S.C. Section 362(b)(18), in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for ad valorem taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S.C. Section 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like ad valorem taxes for this purpose.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as ad valorem taxes. *No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy.*

Property Controlled by FDIC and Other Federal Agencies

The City’s ability to collect interest and penalties specified by State law and to foreclose the lien of delinquent Special Tax payments may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the FDIC or other similar federal agency has or obtains an interest.

Unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“FNMA”) is a federal instrumentality for purposes of this

doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the Improvement Area No. 1, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2020 Bonds are outstanding.

On June 4, 1991 the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

The FDIC has filed claims against one California county in United States Bankruptcy Court contending, among other things, that special taxes authorized under the Act are not *ad valorem* taxes and therefore not payable by the FDIC, and seeking a refund of any special taxes previously paid by the FDIC. The FDIC is also seeking a ruling that special taxes may not be imposed on properties while they are in FDIC receivership. The Bankruptcy Court ruled in favor of the FDIC's positions and, on August 28, 2001, the United States Court of Appeals for the Ninth Circuit affirmed the decision of the Bankruptcy Court, holding that the FDIC, as an entity of the federal government, is exempt from post-receivership special taxes levied under the Act. This is consistent with provision in the Law that the federal government is exempt from special taxes.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the 2020 Bonds should assume that the City will be unable to foreclose on any parcel owned by the FDIC. Such an outcome would cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment of the 2020 Bonds. The City has not undertaken to determine whether the FDIC or any FDIC-insured lending institution currently has, or is likely to acquire, any interest in any of the parcels, and therefore expresses no view

concerning the likelihood that the risks described above will materialize while the 2020 Bonds are outstanding.

California Constitution Article XIIC and Article XIID

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the State Constitution, which articles contain a number of provisions affecting the ability of the District to levy and collect both existing and future taxes, assessments, fees and charges. According to the “Official Title and Summary” of Proposition 218 prepared by the California State Attorney General, Proposition 218 limits the “authority of local governments to impose taxes and property-related assessments, fees and charges.” On July 1, 1997 California State Senate Bill 919 (“SB 919”) was signed into law. SB 919 enacted the “Proposition 218 Omnibus Implementation Act,” which implements and clarifies Proposition 218 and prescribes specific procedures and parameters for local jurisdictions in complying with Articles XIIC and XIID.

Article XIID of the State Constitution reaffirms that the proceedings for the levy of any Special Taxes by the District under the Act must be conducted in conformity with the provisions of Section 4 of Article XIIA. The District has completed its proceedings for the levy of Special Taxes in accordance with the provisions of Section 4 of Article XIIA. Under Section 53358 of the California Government Code, any action or proceeding to review, set aside, void, or annul the levy of a special tax or an increase in a special tax (including any constitutional challenge) must be commenced within 30 days after the special tax is approved by the voters.

Article XIIC removes certain limitations on the initiative power in matters of local taxes, assessments, fees and charges. The Act provides for a procedure, which includes notice, hearing, protest and voting requirements, to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting a resolution to reduce the rate of any special tax if the proceeds of that tax are being utilized to retire any debt incurred pursuant to the Act unless such legislative body determines that the reduction of that tax would not interfere with the timely retirement of that debt. Although the matter is not free from doubt, it is likely that exercise by the voters of the initiative power referred to in Article XIIC to reduce or terminate the Special Tax is subject to the same restrictions as are applicable to the Board of Supervisors, as the legislative body of the District, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Special Taxes if such repeal or reduction would interfere with the timely retirement of the 2020 Bonds.

It may be possible, however, for voters or the Board of Supervisors, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the 2020 Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the 2020 Bonds.

Proposition 218 and the implementing legislation have yet to be extensively interpreted by the courts; however, the California Court of Appeal in April 1998 upheld the constitutionality of Proposition 218’s balloting procedures as a condition to the validity and collectability of local governmental assessments. A number of validation actions for and challenges to various local governmental taxes, fees and assessments have been filed in Superior Court throughout the State, which could result in additional interpretations of Proposition 218. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and the outcome of such determination cannot be predicted at this time with any certainty.

Validity of Landowner Elections

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One (the “Court”), issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The Court considered whether Propositions 13 and 218, which amended the California Constitution to require voter approval of taxes, require registered voters to approve a tax or whether a city could limit the qualified voters to just the landowners and lessees paying the tax. The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego. The CCFD is a financing district established under San Diego’s charter and was intended to function much like a community facilities district established under the provisions of the Act. The CCFD is comprised of the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on properties improved with a hotel located within the CCFD.

At the election to authorize such special tax, the San Diego Charter proceeding limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located, thus, the election was an election limited to landowners and lessees of properties on which the special tax would be levied, and was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. In addition, Section 53326(b) of the Act provides that if there are fewer than 12 registered voters in the district, the landowners shall vote.

The Court held that the CCFD special tax election did not comply with applicable requirements of Proposition 13, which added Article XIII A to the California Constitution (which states “Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district”) and Proposition 218, which added Article XIII C and XIII D to the California Constitution (Section 2 of Article XIII C provides “No local government may impose, extend or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote”), or with applicable provisions of San Diego’s Charter, because the electors in such an election were not the registered voters residing within such district.

San Diego argued that the State Constitution does not expressly define the qualified voters for a tax; however, the Legislature defined qualified voters to include landowners in the Mello-Roos Community Facilities District Act. The Court of Appeal rejected San Diego’s argument, reasoning that the text and history of Propositions 13 and 218 clearly show California voters intended to limit the taxing powers of local government. The Court was unwilling to defer to the Act as legal authority to provide local governments more flexibility in complying with the State’s constitutional requirement to obtain voter approval for taxes. The Court held that the tax was invalid because the registered voters of San Diego did not approve it. However, the Court expressly stated that it was not addressing the validity of landowners voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (i.e., all of the registered voters in the city of San Diego). In the case of the District, there were fewer than 12 registered voters within the District at the time of the election to authorize the Special Tax within the District.

Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax ... shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act or the levy of special taxes authorized pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax. Voters

approved the special tax and the issuance of bonds for Improvement Area No. 1 pursuant to the requirements of the Act on January 24, 2017. Therefore, under the provisions of Section 53341 and Section 53359 of the Mello-Roos Act, the statute of limitations period to challenge the validity of the special tax has expired.

Treasurer Island Related Complaint

On January 23, 2020, a complaint (“Complaint”) was filed by certain former and current residents of Treasure Island (i.e. a purported class of individuals who have been living, working, attending school or had substantial contact with Treasure Island from 2006 to the present) (collectively, the “Plaintiffs”) in the Superior Court of the State of California, County of San Francisco, against TIDA (“Defendant 1”), Treasure Island Homeless Development Initiative (“Defendant 2”), Shaw Environmental (“Defendant 3”), U.S. Navy Treasure Island Clean Up Director Jim Sullivan, in his individual capacity (“Defendant 4”), U.S. Navy Treasure Island Clean Up Lead Project Manager David Clark, in his individual capacity (“Defendant 5”), U.S. Navy Representative Keith Forman, in his individual capacity (“Defendant 6”), Tetra Tech EC, Inc. (“Defendant 7”), Dan L. Batrack, in his individual and official capacity (“Defendant 8”), State Department of Toxic Substance Control (“Defendant 9”), San Francisco Department of Public Health (“Defendant 10”), Lennar Inc. (“Defendant 11”), Five Point Holdings, LLC (“Defendant 12”), John Stewart Company (“Defendant 13”) and Does 1-100 inclusive (“Defendant 14” and, together with Defendants 1 through 13, the “Defendants”). On February 21, 2020, the U.S. Navy Defendants (Defendants, 4, 5, and 6) removed the case to the United States District Court for the Northern District of California.

The Complaint generally alleges that Treasure Island was contaminated with certain radioactive and chemical contaminants at levels higher than were disclosed to the public by the U.S. Navy. The Complaint further alleges that the Defendants had knowledge of the alleged elevated contaminant levels on Treasure Island and failed to disclose such information to the Plaintiffs.

The Complaint seeks the following relief: (1) a preliminary injunction, requiring the Defendants to take “anticipatory action” to prevent harm and, through exploration of current toxicity and careful analysis of courses of action in order, to present the least threat to residents to Treasure Island, as well as conduct an immediate health and safety assessment for residents, workers and students on Treasure Island; (2) a permanent injunction (available only if Plaintiffs prevail on the merits), requiring Defendants stop all development, construction, building, digging, erecting, disturbing the soil, dirt, earth, buildings, structures, pipes and all activity at Treasure Island until independent verified reports can be obtained showing complete and total remediation of all toxic substances, including all radioactive materials from Treasure Island; (4) monetary damages in the amount of \$2 billion; (5) costs incurred bringing the action and (6) such other relief as the Court deems proper, including payment for immediate early-detection medical screenings for Plaintiffs. TIDA (Defendant 1) is only named in the Complaint in connection with the eighth cause of action for injunctive relief. The entity identified as Lennar, Inc. (Defendant 11) is named in connection with each of the eight causes of action.

On August 4, 2020, the Court ordered Plaintiffs to file an amended Complaint by September 9, 2020. The City and TIDA believe that there are strong defenses available against any potential cause of action relating to the City and TIDA, which they intend to diligently pursue.

The parcels at issue in the Complaint are located on Treasure Island. However, apparently none of the parcels at issue in the Complaint are located in Improvement Area No. 1. Certain utility infrastructure that will service parcels located in Improvement Area No. 1 is being constructed on Treasure Island. If injunctive relief is granted and development on Treasure Island is delayed or prohibited, the delivery of utility services to the parcels located in Improvement Area No. 1 may be delayed until alternative utility infrastructure is put into place or the injunction is lifted. Further, if development on Treasure Island is enjoined, the delivery of certain elements of the overall Treasure Island Project may be delayed. If the

development of the property is not completed, or is not completed in a timely manner, there could be an adverse effect on the payment of Special Taxes, which, in turn, could result in the inability of the City to make full and punctual payments of debt service on the 2020 Bonds.

Ballot Initiatives and Legislative Measures

Proposition 218 was adopted pursuant to a measure qualified for the ballot pursuant to California's constitutional initiative process; and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the Legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the District or other local districts to increase revenues or to increase appropriations or on the ability of a landowner to complete the development of property.

No Acceleration

The 2020 Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the 2020 Bonds or the Fiscal Agent Agreement or upon any adverse change in the tax status of interest on the 2020 Bonds. There is no provision in the Act or the Fiscal Agent Agreement for acceleration of the Special Taxes in the event of a payment default by an owner of a parcel within the District. Pursuant to the Fiscal Agent Agreement, a Bond Owner is given the right for the equal benefit and protection of all Bond Owners to pursue certain remedies described in APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" hereto.

Limitations on Remedies

Remedies available to the Bond Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the 2020 Bonds. Bond Counsel has limited its opinion as to the enforceability of the 2020 Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the 2020 Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Fiscal Agent Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Bond Owners.

Enforceability of the rights and remedies of the Bond Owners, and the obligations incurred by the District, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against joint powers authorities in the State. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure."

Limited Secondary Market

As stated herein, investment in the 2020 Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risk of investment in the 2020 Bonds should consider such investment. There can be no guarantee that

there will be a secondary market for purchase or sale of the 2020 Bonds or, if a secondary market exists, that the 2020 Bonds can or could be sold for any particular price.

CONTINUING DISCLOSURE

City

Pursuant to a Continuing Disclosure Certificate, dated the date of issuance of the 2020 Bonds (the “City Disclosure Certificate”), The City has covenanted for the benefit of owners of the 2020 Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) on an annual basis, and to provide notices of the occurrences of certain enumerated events. The Annual Report and the notices of enumerated events will be filed with the MSRB on EMMA. The specific nature of information to be contained in the Annual Report or the notice of events is summarized in APPENDIX E-1 – “FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made by the City in order to assist the Underwriters in complying with the Rule.

Phase 1 Developer

TI Series 1, the Phase 1 Developer, is not an obligated party under Rule 15c2-12. However, pursuant to a continuing disclosure certificate, dated the date of issuance of the Bonds (the “Phase 1 Developer Disclosure Certificate”), the Phase 1 Developer has voluntarily agreed to provide, or cause to be provided, to the EMMA system: (a) certain information concerning the Phase 1 Developer, the infrastructure development of the property in Improvement Area No. 1, and the parcels that it owns within Improvement Area No. 1 (the “Phase 1 Developer Semiannual Report”); and (b) and notice of certain enumerated events. Each Phase 1 Developer Semiannual Report is to be filed not later than November 1 and May 1 of each year, beginning May 1, 2021.

The obligations of the Phase 1 Developer under the Phase 1 Developer Disclosure Certificate will terminate at any time the Developer no longer owns any property in Improvement Area No. 1 and the Total Estimated Project Costs in Table 3 is at least 90% complete.

The proposed form of the Phase 1 Developer Disclosure Certificate is set forth in Appendix D-2.

Merchant Builders

YBI Phase Parent Company, as the parent company for each of the Merchant Builders and the parent company of any future owner of Sub-Block 1Y, is not an obligated party under Rule 15c2-12. However, pursuant to a continuing disclosure certificate, dated the date of issuance of the Bonds (the “Merchant Builder Disclosure Certificate”), YBI Phase Parent Company has voluntarily agreed to provide, or cause to be provided, to the EMMA system: (a) certain information concerning the Merchant Builders and the parcels that they own within Improvement Area No. 1 (the “Merchant Builder Semiannual Report”); and (b) and notice of certain enumerated events. Each Merchant Builder Semiannual Report is to be filed not later than November 1 and May 1 of each year, beginning May 1, 2021.

The obligations of YBI Phase Parent Company under the Merchant Builder Disclosure Certificate will terminate upon the earlier of (i) the date that YBI Phase 1 Investors, LLC has sold and closed 100 of the 124 Bristol units to homebuyers or (ii) the date that the Merchant Builders collectively own property that is responsible for less than 20% of the special tax levy for Improvement Area No. 1.

The proposed form of the Merchant Builder Disclosure Certificate is set forth in Appendix D-2.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the 2020 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The city has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2020 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2020 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2020 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2020 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2020 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2020 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2020 Bonds who purchase the 2020 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2020 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2020 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2020 Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the 2020 Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the 2020 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2020 Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium 2020 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2020 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2020 Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2020 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2020 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2020 Bonds, or as to the consequences of owning or receiving interest on the 2020 Bonds, as of any future date. Prospective purchasers of the 2020 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2020 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2020 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2020 Bonds, the ownership, sale or disposition of the 2020 Bonds, or the amount, accrual or receipt of interest on the 2020 Bonds.

Form of Opinion. The form of opinion of Bond Counsel is set forth as Appendix D hereto.

UNDERWRITING

Stifel, Nicolaus & Co. Incorporated and Backstrom McCarley Berry & Co., LLC (together, the “Underwriters”) purchased the 2020 Bonds at a purchase price of \$_____, representing the principal amount of the 2020 Bonds less an Underwriters’ discount of \$_____ and [plus/minus] a [net] original issue [premium/discount] of \$_____. The Underwriters intend to offer the 2020 Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

The Underwriters reserve the right to join with dealers and other underwriters in offering the 2020 Bonds to the public. The Underwriters may offer and sell the 2020 Bonds to certain dealers (including dealers depositing 2020 Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

LEGAL OPINION AND OTHER LEGAL MATTERS

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel, approving the validity of the 2020 Bonds, in substantially the form set forth in Appendix D hereto, will be made available to purchasers of the 2020 Bonds at the time of original delivery. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the 2020 Bonds to review the Official Statement and assumes no responsibility to such Owners and Beneficial Owners for the accuracy of the information contained herein. Certain legal matters will be passed upon for the City by the

City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, Disclosure Counsel, with respect to the issuance of the 2020 Bonds.

Compensation paid to Jones Hall, A Professional Law Corporation, as Bond Counsel, and Norton Rose Fulbright US LLP, as Disclosure Counsel, is contingent on the issuance of the 2020 Bonds.

Norton Rose Fulbright (US) LLP, Los Angeles, California has served as Disclosure Counsel to the City, acting on behalf of the District, and in such capacity has advised City staff with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. The City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon issuance and delivery of the 2020 Bonds, Disclosure Counsel will deliver a letter to the City, acting on behalf of the District, and the Underwriters to the effect that, subject to the assumptions, exclusions, qualifications and limitations set forth therein, no facts have come to the attention of the personnel with Norton Rose Fulbright (US) LLP directly involved in rendering legal advice and assistance to the City which caused them to believe that this Official Statement as of its date and as of the date of delivery of the 2020 Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No purchaser or holder, other than the addressee of the letter, or other person or party, will be entitled to or may rely on such letter of Disclosure Counsel.

NO LITIGATION REGARDING THE SPECIAL TAXES OR 2020 BONDS

A certificate of the City to the effect that no litigation is pending (for which service of process has been received) concerning the validity of the 2020 Bonds will be furnished to the Underwriters at the time of the original delivery of the 2020 Bonds. Neither the City nor the District is aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the City on behalf of the District to levy and collect the Special Taxes or to issue the 2020 Bonds.

The City is aware of a Complaint relating to Treasurer Island. See “SPECIAL RISK FACTORS - Treasurer Island Related Complaint” for a description thereof.

NO RATING

The City has not made, and does not intend to make, any application to any rating agency for the assignment of a rating on the 2020 Bonds.

MUNICIPAL ADVISORS

The City has retained CSG Advisors, Inc. and Public Financial Management, Inc., as Municipal Advisors in connection with the issuance of the 2020 Bonds. The Municipal Advisors have assisted in the City’s review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the 2020 Bonds. The Municipal Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisors are each an independent financial advisory firm and are not engaged in the business of underwriting, trading or distributing the 2020 Bonds.

Compensation paid to the Municipal Advisors is contingent upon the successful issuance of the 2020 Bonds.

MISCELLANEOUS

All of the preceding summaries of the Fiscal Agent Agreement, other applicable legislation, agreements and other documents are made subject to the provisions of such documents and do not purport to be complete documents of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2020 Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been authorized by the Board of Supervisors.

CITY AND COUNTY OF SAN FRANCISCO

By: _____

APPENDIX A

DEMOGRAPHIC INFORMATION REGARDING THE CITY AND COUNTY OF SAN FRANCISCO

The information contained in this Appendix A is provided for informational purposes only. No representation is made that any of the information contained in this Appendix A is material to the holders from time to time of the 2020 Bonds, and the District has not undertaken in its Continuing Disclosure Certificate to update this information. The 2020 Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2020 Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2020 Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the 2020 Bonds.

APPENDIX B

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

APPENDIX D

FORM OF BOND COUNSEL OPINION

March __, 2020

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

OPINION: \$_____ Improvement Area No. 1 of the City and County of San Francisco
Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds,
Series 2020

Members of the Board of Supervisors:

We have acted as bond counsel to the City and County of San Francisco (the “City”) in connection with the issuance by the City of the special tax bonds captioned above, dated as of the date first written above (the “Bonds”). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the “Act”), resolutions of the Board of Supervisors adopted on January 24, 2017 and ____, 2020 (together, the “Resolution”), and a Fiscal Agent Agreement dated as of [As of Date], (the “Fiscal Agent Agreement”), between the City and _____, as Fiscal Agent (the “Fiscal Agent”).

Under the Fiscal Agent Agreement, the City has pledged certain revenues (“Special Tax Revenues”) for the payment of principal, premium (if any) and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The City is a municipal corporation and chartered city and county, duly organized and existing under its charter and the laws of the State of California, with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.
2. The Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and constitutes a valid and binding obligation of the City, enforceable against the City.
3. The Fiscal Agent Agreement creates a valid lien on the Special Tax Revenues and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued in accordance with the Fiscal Agent Agreement.

4. The Bonds have been duly authorized and executed by the City and are valid and binding limited obligations of the City, payable solely from the Special Tax Revenues and other funds provided therefor in the Fiscal Agent Agreement.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

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

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E-1

FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E-2

FORM OF MASTER DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

§ _____
IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2020

DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

This Developer Continuing Disclosure Certificate (the “**Disclosure Certificate**”) dated as of [CLOSING DATE], 2020, is executed and delivered by Treasure Island Series 1, LLC, a Delaware limited liability company (the “**Developer**”), in connection with the execution and delivery by the City and County of San Francisco, California (the “**City**”), for and on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “**District**”) with respect to Improvement Area No. 1 of the District (“**Improvement Area No. 1**”), of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “**Bonds**”).

The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of _____ 1, 2020 (the “**Fiscal Agent Agreement**”), by and between the City, for and on behalf of the District, and Zions Bancorporation, National Association, as fiscal agent. The Bonds are payable from special taxes levied on property in Improvement Area No. 1, and the Developer is the master developer of property in Improvement Area No. 1.

The Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the owners and the beneficial owners of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings when used herein:

“**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. Notwithstanding the foregoing, for purposes of this Disclosure Certificate, neither Stockbridge/Wilson Meany YBI Investors, LLC nor any entity created by Stockbridge/Wilson Meany YBI Investors, LLC (including, but not limited to, YBI Phase 1 Investors, LLC and YBI Phase 2 Investors, LLC) shall be considered Affiliates of the Developer.

“**Beneficial Owner**” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“**Bondowners**” shall mean the owner of any of the Bonds.

“**Dissemination Agent**” shall mean the Developer or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Developer and the City a written acceptance of such designation.

“**District**” shall mean the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island).

“**EMMA**” shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

“**Fiscal Year**” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30.

“**Improvement Area No. 1**” shall mean Improvement Area No. 1 of the District.

“**Listed Event**” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“**MSRB**” means the Municipal Securities Rulemaking Board.

“**Official Statement**” shall mean the Official Statement, dated _____, 2020, relating to the Bonds.

“**Participating Underwriters**” shall mean the original underwriters of the Bonds, being Stifel, Nicolaus & Company, Incorporated, and Backstrom McCarley Berry & Co., LLC.

“**Person**” shall mean any natural person, corporation, partnership, firm, or association, whether acting in an individual fiduciary, or other capacity.

“**Property**” means the real property within the boundaries of Improvement Area No. 1 that is owned by the Developer or any Affiliate.

“**Repository**” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports. Unless otherwise

designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

“**Semiannual Report**” shall mean any report to be provided by the Developer on or prior to May 1 and November 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“**State**” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) Until the Developer’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, the Developer shall, or shall cause the Dissemination Agent to, not later than May 1 and November 1 of each year, commencing May 1, 2021, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, March 1 or September 1 falls on a Saturday, Sunday or a national holiday, such deadline shall be extended to the next following day which is not a Saturday, Sunday, or national holiday. The Semiannual 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.

(b) Not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Developer shall provide the Semiannual Report to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Developer is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify the Developer of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the Repository by the date required in subsection (a) or to verify that a Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice of such failure to the Repository in the form required by the Repository.

(d) The Developer shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Semiannual Report the name and address of the Repository; and

(ii) promptly following the provision of a Semiannual Report to the Repository, file a report with the Developer (if the Dissemination is other than the Developer), the City, and the Participating Underwriters certifying that the Semiannual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB’s EMMA system.

SECTION 4. Content of the Semiannual Reports.

(a) Each Semiannual Report shall contain or include by reference the information which is available as of a date that is not earlier than sixty (60) days prior to the applicable May 1 or November 1 due date for the filing of the Semiannual Report, relating to the following:

1. An update to the development and financing plans with respect to the Property, including updates to the information in the Official Statement under the captions “IMPROVEMENT AREA NO. 1” (other than under the caption “Merchant Builder Development and Financing Plans”).

2. A summary of development activity with respect to the Property, including the number of parcels for which building permits have been issued, the number of parcels for which certificates of occupancy have been issued, and the number of parcels for which sales have closed, all since the Official Statement or the most recent Semiannual Report.

3. Any previously-unreported major legislative, administrative and judicial challenges known to the Developer to or affecting the horizontal or vertical development of the Property or the time for construction of any public or private improvements to the property to be made by the Developer (the “**Developer Improvements**”).

4. Any sale by the Developer or any Affiliate of the Property or any portion thereof to another Person, other than to buyers of completed homes, including a description of the property sold (acreage, number of lots, etc.) and the identity of the Person that so purchased the Property.

5. Status of Special Tax payments with respect to the Property.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Developer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

SECTION 5. Reporting of Significant Events.

(a) Until the Developer’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, notice of the occurrence of any of the following events, if material under clauses (b) and (c), within 10 business days after obtaining knowledge of the occurrence of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied on the Property.

2. Damage to or destruction of any of the Developer Improvements which has a material adverse effect on the development of the Property.

3. Material default by the Developer or any Affiliate on any loan with respect to the construction or permanent financing of the Developer Improvements.

4. Material default by the Developer or any Affiliate on any loan secured by all or any portion of the Property.

5. Payment default by the Developer or any Affiliate on any loan of the Developer or any Affiliate (whether or not such loan is secured by the Property) which is beyond any applicable cure period in such loan that, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer or the development of the Property.

6. The filing of any proceedings with respect to the Developer or any Affiliate, in which the Developer or any Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts.

7. The filing of any lawsuit against the Developer or any of its Affiliates which, in the reasonable judgment of the Developer, will adversely affect the completion of the Developer Improvements, or litigation which if decided against the Developer or any of its Affiliates, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent (if other than the Developer) shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall within 10 business days of obtaining knowledge of the occurrence of the respective event, (i) file a notice of such occurrence with the Dissemination Agent which shall then promptly distribute such notice to the Repository, with a copy to the City and the Participating Underwriters, or (ii) file a notice of such occurrence with the Repository, with a copy to the City, the Participating Underwriters, and the Dissemination Agent (if other than the Developer).

SECTION 6. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Certificate shall terminate upon the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds,

(b) if, at any time, the Developer no longer owns any Property in Improvement Area No. 1 and the Total Estimated Project Costs in Table 3 is at least 90% complete, or

(c) upon the delivery by the Developer to the City of an opinion of nationally recognized bond counsel to the effect that the information required by this Disclosure Certificate is no longer required. Such opinion shall be based on information publicly

provided by the Securities and Exchange Commission or a private letter ruling obtained by the Developer or a private letter ruling obtained by a similar entity to the Developer.

If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Semiannual Report hereunder.

SECTION 7. Dissemination. The Developer 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Developer, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Developer pursuant to this Disclosure Certificate. The Dissemination Agent may resign (i) by providing thirty days written notice to the Developer, the City and the Participating Underwriters, and (ii) upon appointment of a new Dissemination Agent hereunder. The Developer is serving as the initial Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer 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 Section 3(a), 4, or 5, 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 the Developer, or the type of business conducted;
- (b) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City and the Participating Underwriters, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and
- (c) The Developer, or the Dissemination Agent, shall have delivered copies of the amendment and any opinion delivered under (b) above.

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

The Developer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Developer, and that under some circumstances

compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Developer under such laws.

SECTION 10. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any Bondowner or Beneficial Owner of the Bonds may seek mandate or specific performance by court order, to cause the Developer or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Developer 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 Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their 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, or its failure to perform its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Developer, the Participating Underwriters, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Developer or an opinion of nationally recognized bond counsel. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of its obligations under this Disclosure Certificate. The Dissemination Agent may conclusively rely upon any Semiannual Report provided to it by the Developer as constituting the Semiannual Report required of the Developer in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare any Semiannual Report, nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Developer in a timely manner in a form suitable for filing with the Repository. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Reporting Obligation of Developer's Transferees. The Developer shall, in connection with any sale or transfer of ownership of land within Improvement Area No. 1 which will result in the transferee (which term shall include any successors and assigns of the Developer) becoming responsible for the payment of more than twenty percent (20%) of the Special Taxes levied on property within Improvement Area No. 1 in the Fiscal Year following such transfer, cause such transferee to enter into a disclosure certificate with terms substantially similar to the terms of this Disclosure Certificate, whereby such transferee agrees to provide the information of the type described in Sections 4 and 5 of this Disclosure Certificate with respect to the property acquired; provided that such transferee's obligations under such disclosure certificate shall terminate upon the same conditions as set forth in Section 6 herein.

SECTION 13. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 14. Developer as Independent Contractor. In performing under this Disclosure Certificate, it is understood that the Developer is an independent contractor and not an agent of the City or the District.

SECTION 15. Notices. Notices should be sent in writing to the following addresses by regular, overnight, or electronic mail. The following information may be conclusively relied upon until changed in writing.

Developer: Treasure Island Series 1, LLC
c/o Lennar Corporation
15131 Alton Parkway
Irvine, CA 92618
Attention: Jorge Cardenas
Email: jorge.cardenas@lennar.com

Participating Underwriters: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attention: Municipal Bond Division
Email: egallagher@stifel.com

Backstrom McCarley Berry & Co., LLC
115 Sansome Street, Mezzanine A
San Francisco, California 94104
Attention: Leonard Berry
Email: lberry@bmcbbc.com
plangston@bmcbbc.com

City or District: City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94201
Attention: Luke Brewer
Email: anna.vandegna@sfgov.org
Bridget.katz@sfgov.org
Luke.brewer@sfgov.org
Jamie.querubin@sfgov.org

SECTION 16. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Developer, the City, the Dissemination Agent, the Participating Underwriters and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 17. Assignability. The Developer shall not assign this Disclosure Certificate or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 12 hereof. The Dissemination Agent may, with prior written notice to the Developer and the City, assign this Disclosure Certificate and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

TREASURE ISLAND SERIES 1, LLC,
A Delaware limited liability company

By: _____

Name: _____

Title: _____

APPENDIX E-3

FORM OF MERCHANT BUILDER CONTINUING DISCLOSURE CERTIFICATE

§ _____
IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2020

DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

This Developer Continuing Disclosure Certificate (the “**Disclosure Certificate**”) dated as of [CLOSING DATE], 2020, is executed and delivered by Stockbridge/Wilson Meany YBI Investors, LLC, a Delaware limited liability company (the “**Developer**”), in connection with the execution and delivery by the City and County of San Francisco, California (the “**City**”), for and on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “**District**”) with respect to Improvement Area No. 1 of the District (“**Improvement Area No. 1**”), of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “**Bonds**”).

The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of _____ 1, 2020 (the “**Fiscal Agent Agreement**”), by and between the City, for and on behalf of the District, and Zions Bancorporation, National Association, as fiscal agent. The Bonds are payable from special taxes levied on property in Improvement Area No. 1, and the Developer is the developer of property in Improvement Area No. 1.

The Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the owners and the beneficial owners of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings when used herein:

“**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. Notwithstanding the foregoing, for purposes of this Disclosure Certificate, neither Treasure Island Series 1, LLC nor Treasure Island Community Development, LLC shall be considered an Affiliate of the Developer; provided, however, YBI Phase 1 Investors, LLC, YBI Phase 2 Investors, LLC, and any new entity created by the Developer to hold title to any portion of the property in Improvement Area No. 1 shall be considered Affiliates of the Developer.

“**Beneficial Owner**” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“**Bondowners**” shall mean the owner of any of the Bonds.

“**Dissemination Agent**” shall mean the Developer or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Developer and the City a written acceptance of such designation.

“**District**” shall mean the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island).

“**EMMA**” shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

“**Fiscal Year**” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30.

“**Improvement Area No. 1**” shall mean Improvement Area No. 1 of the District.

“**Listed Event**” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“**MSRB**” means the Municipal Securities Rulemaking Board.

“**Official Statement**” shall mean the Official Statement, dated _____, 2020, relating to the Bonds.

“**Participating Underwriters**” shall mean the original underwriters of the Bonds, being Stifel, Nicolaus & Company, Incorporated, and Backstrom McCarley Berry & Co., LLC.

“**Person**” shall mean any natural person, corporation, partnership, firm, or association, whether acting in an individual fiduciary, or other capacity.

“**Property**” means the real property within the boundaries of Improvement Area No. 1 that is owned by the Developer or any Affiliate.

“**Repository**” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports. Unless otherwise

designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

“**Semiannual Report**” shall mean any report to be provided by the Developer on or prior to May 1 and November 1 of each year pursuant to, and as described in, Section 3 and 4 of this Disclosure Certificate.

“**State**” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) Until the Developer’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, the Developer shall, or shall cause the Dissemination Agent to, not later than May 1 and November 1 of each year, commencing May 1, 2021, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, March 1 or September 1 falls on a Saturday, Sunday or a national holiday, such deadline shall be extended to the next following day which is not a Saturday, Sunday, or national holiday. The Semiannual 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.

(b) Not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Developer shall provide the Semiannual Report to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Developer is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify the Developer of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the Repository by the date required in subsection (a) or to verify that a Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice of such failure to the Repository in the form required by the Repository.

(d) The Developer shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Semiannual Report the name and address of the Repository; and

(ii) promptly following the provision of a Semiannual Report to the Repository, file a report with the Developer (if the Dissemination is other than the Developer), the City, and the Participating Underwriters certifying that the Semiannual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB’s EMMA system.

SECTION 4. Content of the Semiannual Reports.

(a) Each Semiannual Report shall contain or include by reference the information which is available as of a date that is not earlier than sixty (60) days prior to the applicable May 1 or November 1 due date for the filing of the Semiannual Report, relating to the following:

1. An update to the development and financing plans with respect to the Property, including updates to the information in the Official Statement under the captions “IMPROVEMENT AREA NO. 1 – Merchant Builder Development and Financing Plans”.

2. A summary of development activity with respect to the Property, including the number of parcels for which building permits have been issued, the number of parcels for which certificates of occupancy have been issued, and the number of parcels for which sales have closed, all since the Official Statement or the most recent Semiannual Report.

3. Any previously-unreported major legislative, administrative and judicial challenges known to the Developer to or affecting the horizontal or vertical development of the Property or the time for construction of any public or private improvements to the property to be made by the Developer (the “**Developer Improvements**”).

4. Any sale by the Developer or any Affiliate of the Property or any portion thereof to another Person, other than to buyers of completed homes, including a description of the property sold (acreage, number of lots, etc.) and the identity of the Person that so purchased the Property.

5. Status of Special Tax payments with respect to the Property.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Developer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

SECTION 5. Reporting of Significant Events.

(a) Until the Developer’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, notice of the occurrence of any of the following events, if material under clauses (b) and (c), within 10 business days after obtaining knowledge of the occurrence of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied on the Property.

2. Damage to or destruction of any of the Developer Improvements which has a material adverse effect on the development of the Property.

3. Material default by the Developer or any Affiliate on any loan with respect to the construction or permanent financing of the Developer Improvements.

4. Material default by the Developer or any Affiliate on any loan secured by all or any portion of the Property.

5. Payment default by the Developer or any Affiliate on any loan of the Developer or any Affiliate (whether or not such loan is secured by the Property) which is beyond any applicable cure period in such loan that, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer or the development of the Property.

6. The filing of any proceedings with respect to the Developer or any Affiliate, in which the Developer or any Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts.

7. The filing of any lawsuit against the Developer or any of its Affiliates which, in the reasonable judgment of the Developer, will adversely affect the completion of the Developer Improvements, or litigation which if decided against the Developer or any of its Affiliates, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent (if other than the Developer) shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall within 10 business days of obtaining knowledge of the occurrence of the respective event, (i) file a notice of such occurrence with the Dissemination Agent which shall then promptly distribute such notice to the Repository, with a copy to the City and the Participating Underwriters, or (ii) file a notice of such occurrence with the Repository, with a copy to the City, the Participating Underwriters, and the Dissemination Agent (if other than the Developer).

SECTION 6. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Certificate shall terminate upon the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds,

(b) the earlier of (i) the date that YBI Phase 1 Investors, LLC has sold and closed 100 of the 124 Bristol units to homebuyers or (ii) the date that the Developer and its Affiliates collectively own property that is responsible for less than 20% of the special tax levy for Improvement Area No. 1, or

(c) upon the delivery by the Developer to the City of an opinion of nationally recognized bond counsel to the effect that the information required by this Disclosure Certificate is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Developer or a private letter ruling obtained by a similar entity to the Developer.

If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Semiannual Report hereunder.

SECTION 7. Dissemination. The Developer 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Developer, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Developer pursuant to this Disclosure Certificate. The Dissemination Agent may resign (i) by providing thirty days written notice to the Developer, the City and the Participating Underwriters, and (ii) upon appointment of a new Dissemination Agent hereunder. The Developer is serving as the initial Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer 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 Section 3(a), 4, or 5, 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 the Developer, or the type of business conducted;

(b) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City and the Participating Underwriters, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and

(c) The Developer, or the Dissemination Agent, shall have delivered copies of the amendment and any opinion delivered under (b) above.

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

The Developer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Developer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Developer under such laws.

SECTION 10. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any Bondowner or Beneficial Owner of the Bonds may seek mandate or specific performance by court order, to cause the Developer or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Developer 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 Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their 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, or its failure to perform its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Developer, the Participating Underwriters, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Developer or an opinion of nationally recognized bond counsel. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of its obligations under this Disclosure Certificate. The Dissemination Agent may conclusively rely upon any Semiannual Report provided to it by the Developer as constituting the Semiannual Report required of the Developer in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare any Semiannual Report, nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Developer in a timely manner in a form suitable for filing with the Repository. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Reporting Obligation of Developer's Transferees. The Developer shall, in connection with any sale or transfer of ownership of land within Improvement Area No. 1 which will result in the transferee (which term shall include any successors and assigns of the Developer) becoming responsible for the payment of more than twenty percent (20%) of the Special Taxes levied on property within Improvement Area No. 1 in the Fiscal Year following such transfer, cause such transferee to enter into a disclosure certificate with terms substantially similar to the terms of this Disclosure Certificate, whereby such transferee agrees to provide the information of the type described in Section 4 and 5 of this Disclosure Certificate with respect to the property acquired; provided that such transferee's obligations under such disclosure certificate shall terminate upon the same conditions as set forth in Section 6 herein.

SECTION 13. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 14. Developer as Independent Contractor. In performing under this Disclosure Certificate, it is understood that the Developer is an independent contractor and not an agent of the City or the District.

SECTION 15. Notices. Notices should be sent in writing to the following addresses by regular, overnight, or electronic mail. The following information may be conclusively relied upon until changed in writing.

Developer: Stockbridge/Wilson Meany YBI Investors, LLC
c/o Wilson Meany
Four Embarcadero Center, Suite 3330
San Francisco, CA 94111
Attention: Daniel Fedder
Email: dfedder@wilsonmeany.com
agalovich@wilsonmeany.com

Participating Underwriters: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attention: Municipal Bond Division
Email: egallagher@stifel.com

Backstrom McCarley Berry & Co., LLC
115 Sansome Street, Mezzanine A
San Francisco, California 94104
Attention: Leonard Berry
Email: lberry@bmcbbc.com
plangston@bmcbbc.com

City or District: City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94201
Attention: Luke Brewer
Email: anna.vandegna@sfgov.org
Bridget.katz@sfgov.org
Luke.brewer@sfgov.org
Jamie.querubin@sfgov.org

SECTION 16. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Developer, the City, the Dissemination Agent, the Participating Underwriters and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 17. Assignability. The Developer shall not assign this Disclosure Certificate or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 12 hereof. The Dissemination Agent may, with prior written notice to the Developer and the City, assign this Disclosure Certificate and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

STOCKBRIDGE/WILSON MEANY YBI INVESTORS, LLC,
A Delaware limited liability company

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC; and DTC's book-entry system has been obtained from sources that City believes to be reliable, but City takes no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2020 Bonds. The 2020 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 certificate will be issued for the each issue of the 2020 Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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 instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, 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 an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *Information on such website is not incorporated by reference herein.*

Purchases of 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2020 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 2020 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 the 2020 Bonds, except in the event that use of the book-entry system for the 2020 Bonds is discontinued.

To facilitate subsequent transfers, all 2020 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 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC

has no knowledge of the actual Beneficial Owners of the 2020 Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such 2020 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 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2020 Bond documents. For example, Beneficial Owners of 2020 Bonds may wish to ascertain that the nominee holding the 2020 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 notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2020 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 any other DTC nominee) will consent or vote with respect to the 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City 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 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2020 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 the City or Fiscal 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, Fiscal Agent, or City, 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 the City or the Fiscal 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 depository with respect to the 2020 Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

APPENDIX G
APPRAISAL REPORT

Integra Realty Resources

San Francisco

Appraisal of Real Property

City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)

Improvement Area No. 1 Special Tax Bonds, Series 2020

Vacant Land

Yerba Buena Rd.

San Francisco, San Francisco County, California 94130

Prepared For:

City and County of San Francisco

Effective Date of the Appraisal:

July 1, 2020

Report Format:

Appraisal Report – Standard Format

IRR - San Francisco

File Number: 192-2019-0140



DRAFT



**City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)
Improvement Area No. 1 Special Tax Bonds, Series 2020**
Yerba Buena Rd.
San Francisco, California



August 14, 2020

Ms. Anna Van Degna
Director, Controller's Office of Public Finance
City and County of San Francisco
1 Dr. Carlton B. Goodlett Pl.
San Francisco, CA 94102

SUBJECT: Market Value Appraisal
City and County of San Francisco Community Facilities District No. 2016-1
(Treasure Island) Improvement Area No. 1 Special Tax Bonds, Series 2020
Yerba Buena Rd.
San Francisco, San Francisco County, California 94130
IRR - San Francisco File No. 192-2019-0140

Dear Ms. Van Degna:

Integra Realty Resources – San Francisco is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, of the fee simple interest in the taxable properties within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1 (“CFD No. 2016-1”), under the assumptions and conditions set forth in the attached report. The client for the assignment is the City and County of San Francisco, and the intended use is for bond underwriting purposes. The appraisers understand and agree this Appraisal Report is expected to be, and may be, utilized by the City and County of San Francisco and CFD No. 2016-1 in the marketing of the Special Tax Bonds of CFD No. 2016-1 (“Bonds”) and to satisfy certain legal requirements in connection with issuing the Bonds.

The subject property represents the taxable land areas within CFD No. 2016-1 and includes three parcels of land located on Yerba Buena Island situated around a proposed public park. The parcels are entitled for the development of 261 for-sale residences and five homesites. The residences will include a mix of attached townhomes and flats, as well as a 124-unit condominium project known as The Bristol. Ownership of the three parcels is held by

Ms. Anna Van Degna
City and County of San Francisco
August 14, 2020
Page 2

entities associated with Stockbridge Capital Group, LLC and Wilson Meany, LP. A more detailed description of the subject property is described in the attached report.

Please note, there is a fourth parcel, Parcel 2Y, within the boundaries of the City and County of San Francisco Communities Facility District No. 2016-1 (Treasure Island) Improvement Area No. 1. A 50-key boutique hotel is proposed for the site. However, this parcel is not currently subject to the Lien of the Special Tax and is, therefore, excluded from this appraisal.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, applicable state appraisal regulations, and the appraisal guidelines of the City and County of San Francisco. The appraisal is also prepared in accordance with the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

We have been requested to provide the market value of the appraised properties as of the date of value (July 1, 2020). As the subject parcels are within entities related to the same owner, one value is reported. The market value of the appraised properties in CFD No. 2016-1 account for the impact of the Lien of the Special Tax securing the repayment of the Bonds.

As a result of the analyses herein, the market value in bulk of the appraised properties, subject to a hypothetical condition, as of July 1, 2020 is presented in the following table:



Value Conclusions

| Appraisal Premise | Interest Appraised | Date of Value | Value Conclusion |
|---|--------------------|---------------|------------------|
| Market Value of the CFD - Parcels 3Y & 4Y | Fee Simple | July 1, 2020 | \$46,200,000 |
| Market Value of the CFD - Parcel 1Y | Fee Simple | July 1, 2020 | \$40,360,000 |

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of the July 1, 2020. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.
-

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

INTEGRA REALTY RESOURCES - SAN FRANCISCO

DRAFT

Eric Segal, MAI
Certified General Real Estate Appraiser
California Certificate # AG026558
Telephone: 916-435-3883, ext. 228
Email: esegal@irr.com

DRAFT

Kevin Ziegenmeyer, MAI
Certified General Real Estate Appraiser
California Certificate # AG013567
Telephone: 916-435-3883, ext. 224
Email: kziegenmeyer@irr.com

DRAFT

Laura Diaz
Certified General Real Estate Appraiser
California Certificate # 3005037
Telephone: 415-715-4690
Email: ldiaz@irr.com



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Summary of Salient Facts and Conclusions

| | |
|---------------------------------|--|
| Property Name | City and County of San Francisco Community Facilities |
| Address | Yerba Buena Rd. San Francisco, San Francisco County, California 94130 |
| Property Type | Proposed Residential Property - Condo/Townhouse |
| Owner of Record | Treasure Island Series I, LLC, YBI Phase 1 Investors, LLC, |
| Tax ID | 8948-001, 8952-001 and 8954-002 |
| Land Area | 13.22 acres; 575,866 SF |
| Zoning Designation | YBI-R, Yerba Buena Island Residential |
| Highest and Best Use | Residential use |
| Exposure Time; Marketing Period | 12 months; 12 months |
| Effective Date of the Appraisal | July 1, 2020 |
| Date of the Report | August 14, 2020 |
| Property Interest Appraised | Fee Simple |

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than City and County of San Francisco and associated finance team may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our

None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of the July 1, 2020. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.

General Information

Identification of Subject

The subject property represents the taxable land areas within CFD No. 2016-1 and includes three parcels of land located on Yerba Buena Island situated around a proposed public park. The parcels are entitled for the development of 261 for-sale residences and five homesites. The residences will include a mix of attached townhomes and flats, as well as a 124-unit condominium project known as The Bristol. Ownership of the three parcels is held by entities associated with Stockbridge Capital Group, LLC and Wilson Meany, LP. A legal description of the property is included in the addenda to this report.

Please note, there is a fourth parcel, Parcel 2Y, within the boundaries of the City and County of San Francisco Communities Facility District No. 2016-1 (Treasure Island) Improvement Area No. 1. A 50-key boutique hotel is proposed for the site. However, this parcel is not currently taxable and is therefore excluded from this appraisal.

Property Identification

| | |
|-----------------|---|
| Property Name | City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1 Special Tax Bonds, Series 2020 |
| Address | Yerba Buena Rd. San Francisco, California 94130 |
| Tax ID | 8948-001, 8952-001 and 8954-002 |
| Owner of Record | Treasure Island Series I, LLC, YBI Phase 1 Investors, LLC, YBI Phase 2 Investors, LLC |

A summary of the three subject parcels is provided below. Further description of the land uses associated with each parcel will be provided later in the body of this report. Please note, YBI Phase 1 Investors, LLC and YBI Phase 2 Investors, LLC are entities of Stockbridge Capital Group, LLC and Wilson Meany, L.P., the merchant builders associated with the subject.

Land Area Summary

| Tax ID | Developable | | SF | Acres |
|----------|-------------|-------------------------------|---------|-------|
| | Parcel | Ownership Entity | | |
| 8948-001 | 1Y | Treasure Island Series I, LLC | 282,758 | 6.49 |
| 8952-001 | 3Y | YBI Phase 2 Investors, LLC | 61,345 | 1.41 |
| 8954-002 | 4Y | YBI Phase 1 Investors, LLC | 231,763 | 5.32 |
| Total | | | 575,866 | 13.22 |

Source: Public Records

Sale History

The most recent closed sale of a portion of the subject is summarized below. The transaction includes only Parcels 3Y and 4Y.

| | |
|-----------------------------|-----------------------------|
| Sale Date | June 22, 2018 |
| Seller | Treasure Island Series, LLC |
| Buyer | YBI Phase 1 Investors, LLC |
| Sale Price | \$61,216,000 |
| Recording Instrument Number | K629735 |

Development of Yerba Buena Island (Improvement Area No. 1) involves multiple City and County of San Francisco agencies, master developer entities, and merchant builders. Transfers of land are anticipated to occur at varying stages throughout the development process, the specific details of which have not been provided for consideration herein. The reported transaction price above is inconsistent with the estimate of market value derived herein, based on the condition of the appraised properties at this time, and may not be reflective of an arms-length market transaction with adequate exposure to the market.

In addition, Parcel 1Y, owned by Treasure Island Series 1, LLC, is the subject of an option agreement dated March 31, 2018. According to the agreement, the YBI Phase Parent Company may purchase Parcel 1Y for \$78,784,000 once certain public improvements are completed by the seller. It is anticipated the buyer will acquire the property in approximately June 2021.

To the best of our knowledge, no other sale or transfer of ownership has taken place within a three-year period prior to the effective appraisal date.

Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date.

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, of the fee simple interest in the taxable properties within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1, under the assumptions and conditions set forth in the attached report. The date of the report is August 14, 2020. The appraisal is valid only as of the stated effective date.

Definition of Market Value

Market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and

assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Definition of Property Rights Appraised

Fee simple estate is defined as, "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)

Intended Use and User

The intended use of the appraisal is for bond underwriting purposes. The client is the City and County of San Francisco. The intended users are the City and County of San Francisco and associated finance team. The appraisal is not intended for any other use or user. No party or parties other than City and County of San Francisco and associated finance team may use or rely on the information, opinions, and conclusions contained in this report.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004);
- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

Valuation Methodology

This appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This analysis is intended to be an “appraisal assignment,” as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions, or conclusion be that of a disinterested third party.

Several legal and physical aspects of the subject property were researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. The sales history was verified by consulting public records and a preliminary title report. Numerous documents were provided for the appraisal, including: developer’s budget, tentative map, project renderings, development timeline, and entitled land uses. The zoning, earthquake zone, flood zone and utilities were verified with applicable public agencies. Property tax information for the current tax year was obtained from the San Francisco County Assessor’s office.

Data relating to the subject’s neighborhood and surrounding market area were analyzed and documented. This information was obtained through personal inspections of portions of the neighborhood and market area, newspaper articles, and interviews with various market participants, including property owners, property managers, brokers, developers and local government agencies.

In this appraisal, the highest and best use of the subject property as though vacant was determined based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity).

It is not uncommon for appraisers to be asked to appraise properties at atypical times, relative to when market participants most often transfer properties. The market recognizes typical points during the development process when master planned projects often transfer, such as upon obtaining

entitlements, completion of spinal infrastructure and/or recordation of final subdivision maps, for example. In valuation assignments that involve value scenarios that do not coincide with the typical transaction points along the development timeline, the appraiser must apply market logic to the particular stage of the project. Since the subject is at one of these atypical points, we have employed market logic in the valuation of the subject in its hypothetical condition.

In the valuation of the subject property, which comprises the taxable land within the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1, subject to the Lien of the Special Tax securing the Bonds, the market value of the taxable components comprising CFD No. 2016-1 were estimated using multiple approaches to value. For the subject's residential land, a land residual analysis is the most applicable method of valuation and is utilized. Comparable bulk land sales are also considered as secondary support. The sales comparison approach to value is utilized for the subject land associated with the five homesites.

In the land residual analysis (a variation of the cost approach and income capitalization approaches combined), all direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the residual value of the land. In the direct sales comparison approach, we adjust the prices of comparable transactions in the region based on differences between the comparable sales and the subject property. It should be noted, a portion of The Bristol residential project, which is located on Parcel 4Y, will include 14 units set aside to meet inclusionary housing requirements. These 14 units will not be subject to the Lien of the Special Tax securing the Bonds. Since the subject comprises land at this time (under development), the obligation to construct (cost) and sell (at a restricted price) such inclusionary housing units will be considered in the valuation of the underlying land.

After the market value of the various land use components comprising the subject property is determined, the subdivision development method to value is also employed in the estimate of market value of CFD No. 2016-1, in bulk, by ownership. The subdivision development method is a form of discounted cash flow analysis (DCF) in which the expected revenue, absorption period, expenses, and internal rate of return associated with the development and sell-off of the various land use components comprising the subject property to end users was utilized.

Under the subdivision development method to value, it is common for surveys of market participants to reveal different estimations of anticipated absorption periods for the sell-off of multiple components comprising a master planned development, with some developers preferring to hasten the holding period in favor of mitigating exposures to fluctuations in market conditions; whereas, other developers prefer to manage the sell-off of the property over an extended period of time so as to minimize direct competition of product within the master planned project. The estimates of market values for the various land use components served as the revenue component of the subdivision development method (DCF analysis). In addition to the expected revenue, the absorption period, expenses and discount rate associated with the development and sell-off of the residential land components comprising the subject property to developers was utilized, the results of which provided an estimate of market value for the appraised property.

Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Inspection

Eric Segal, MAI, conducted an on-site inspection on July 11, 2020. Kevin Ziegenmeyer, MAI, and Laura Diaz have also inspected the subject property.

DRAFT

Economic Analysis

Area Analysis - San Francisco

Introduction

The worldwide outbreak of the COVID-19 virus and the subsequent chain of events enacted in an effort to minimize the impacts of the pandemic are still in process and evolving rapidly. Healthcare and economic responses to this crisis are unfolding in the present, with limited quantifiable data currently available to gauge the future impact on the local, state and national economies. The following analysis is largely based on historical information as a means of identifying past demographic and general economic trends, both of which will be impacted as more time passes and data becomes available for analysis.

San Francisco is one of nine counties that comprise the greater San Francisco Bay Area. Spanning 47 square miles of peninsula land between the Pacific Ocean and San Francisco Bay, San Francisco County is unique in that it also defines the boundaries of the city of San Francisco. San Mateo County lies directly to the south, Marin County lies to the north, across the Golden Gate Bridge, and Alameda County lies to the east, across the Bay Bridge. San Francisco is the geographic and economic center of the Bay Area. Each day more than 400,000 workers commute to the city.

The topography of the city/county consists generally of rolling hills. The peninsula that San Francisco County rests on is surrounded by three bodies of water – the Pacific Ocean, the Golden Gate strait, and the San Francisco Bay. The area has a mild climate, with a relatively comfortable temperature range year-round. Rarely does the overall temperature rise above 75 degrees or dip below 45 degrees Fahrenheit. Earthquakes are a common occurrence in the Bay Area due to the proximity to the San Andreas and Hayward Faults. The last major earthquake occurred in 1989 and measured 7.1 on the Richter scale.

Population

The nine-county Bay Area is home to more than 7.79 million residents and has shown moderate growth over the past five years, with an average annual growth rate of 0.5%. San Francisco County has had an average growth of 0.8%. The following table shows recent population trends for San Francisco County, as well as the other counties that make up the Bay Area.

| Population Trends | | | | | | | |
|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------|
| County | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | %/Yr |
| Alameda | 1,613,528 | 1,632,599 | 1,646,711 | 1,655,306 | 1,664,783 | 1,670,834 | 0.7% |
| Contra Costa | 1,113,341 | 1,128,405 | 1,138,861 | 1,145,141 | 1,150,621 | 1,153,561 | 0.7% |
| Marin | 262,743 | 263,327 | 263,018 | 262,652 | 262,240 | 260,831 | -0.1% |
| Napa | 141,010 | 141,607 | 141,444 | 140,528 | 139,970 | 139,088 | -0.3% |
| San Francisco | 863,623 | 872,723 | 880,646 | 888,575 | 891,021 | 897,806 | 0.8% |
| San Mateo | 761,748 | 767,921 | 770,785 | 772,984 | 774,231 | 773,244 | 0.3% |
| Santa Clara | 1,912,180 | 1,931,565 | 1,942,176 | 1,951,088 | 1,954,833 | 1,961,969 | 0.5% |
| Solano | 426,881 | 430,530 | 435,546 | 437,361 | 438,832 | 440,224 | 0.6% |
| Sonoma | 500,640 | 502,602 | 503,842 | 501,129 | 496,947 | 492,980 | -0.3% |
| Total | 7,595,694 | 7,671,279 | 7,723,029 | 7,754,764 | 7,773,478 | 7,790,537 | 0.5% |

Source: California Department of Finance

Employment & Economy

The California Employment Development Department has reported the following employment data for the City/County of San Francisco in the recent past.

| Employment Trends | | | | | | |
|--------------------------|---------|---------|---------|---------|---------|---------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Labor Force | 528,600 | 541,400 | 555,300 | 563,800 | 569,300 | 583,200 |
| Employment | 505,500 | 521,700 | 537,000 | 547,300 | 555,600 | 570,400 |
| Job Growth | 17,400 | 16,200 | 15,300 | 10,300 | 18,600 | 23,100 |
| Unemployment Rate | 4.4% | 3.6% | 3.3% | 2.9% | 2.4% | 2.2% |

Source: California Employment Development Department

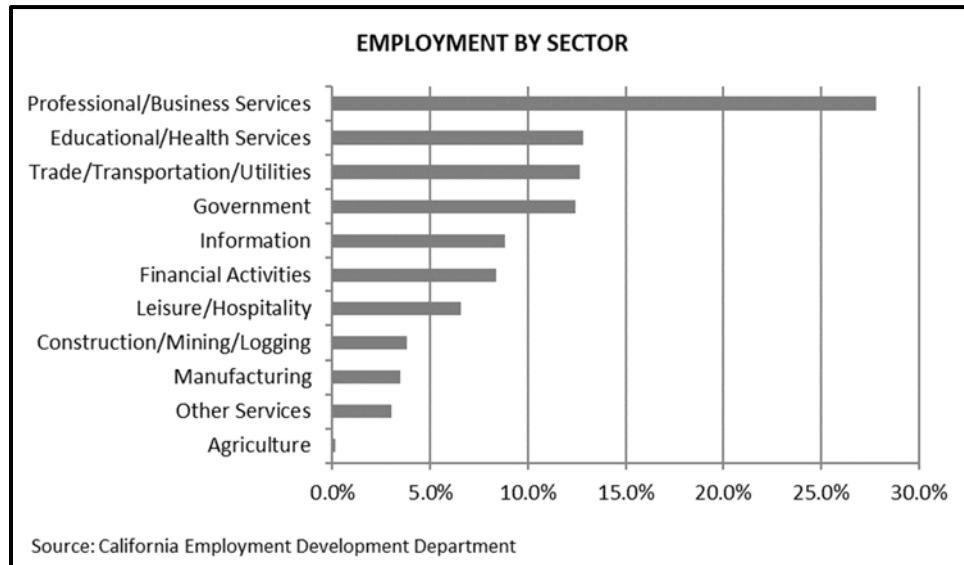
Most areas within the state and nation, including San Francisco County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, and declines between 2011 and 2019.

However, this downward trend has shifted as a result of the current COVID-19 crisis. In an effort to prevent the spread and impact of the virus, statewide Stay-At-Home Orders were issued by the governor on March 19th, which directed residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. These unprecedented measures left just "essential" businesses open. The closure of non-essential businesses has had a significant impact on employment.

The average annual unemployment rate in San Francisco County was 2.2% in 2019 and remained in the 2.3% to 3.1% range during the first quarter of 2020. However, the California Employment Development Department reported an unemployment rate of 12.6% in San Francisco County in both April and May 2020, compared to 15.9% for California and 13.0% for the nation.

As of May 2020, it was reported 162,000 jobs were lost (13.8%) year-over-year. The greatest job loss was in the Leisure/Hospitality sector with 81,700 jobs lost, followed by the Trade/Transportation/Utilities sector with 24,800 jobs lost.

The chart on the following page indicates the percentage of total employment for each sector within the city/county.



As illustrated above, San Francisco’s largest employment sector is Professional and Business Services, accounting for roughly 27.8% of all employment, having outpaced all other major industries in terms of job growth prior to the pandemic. The remainder of employment is divided among all other industry sectors, with Educational and Health Services, Trade/Transportation/Utilities (which includes wholesale and retail trade) and Government each accounting for roughly 12% - 13% of the total. The following table shows the largest employers in the city/county.

| Largest Employers | | | |
|-------------------|--|----------------------|-----------|
| | Employer | Industry | Employees |
| 1 | University of California San Francisco | Education | 34,690 |
| 2 | City and County of San Francisco | Government | 32,749 |
| 3 | San Francisco Unified School District | Education | 10,506 |
| 4 | Salesforce | Technology | 8,000 |
| 5 | Wells Fargo & Co. | Financial Activities | 7,747 |
| 6 | Kaiser Permanente | Healthcare | 6,659 |
| 7 | Sutter Health | Healthcare | 5,359 |
| 8 | Uber Technologies, Inc. | Technology | 5,000 |
| 9 | Gap, Inc. | Retail | 4,000 |
| 10 | PG&E Corporation | Utilities | 3,800 |

Source: City and County of San Francisco, Comprehensive Annual Financial Report, June 30, 2019

Transportation

Access to and through San Francisco is provided by Interstate 280, U.S. Highway 101 and State Highway 1. Interstate 280 runs northeast to Interstate 80, which traverses the Bay Bridge, connecting to Oakland (Alameda County) in the East Bay and heading north through Solano County and the city of Sacramento before continuing on through the Sierra Nevada Mountains and Reno, Nevada. Interstate 280 and U.S. Highway 101 run relatively parallel south of San Francisco, along the peninsula through San Mateo County and Silicon Valley to San Jose (Santa Clara County). U.S. Highway 101 runs north along the eastern side of San Francisco and connects to Interstate 80 at the Bay Bridge. U.S. Highway 101 also



leads from the northern edge of the county over the Golden Gate Bridge into Marin County and beyond. State Highway 1 travels along the Pacific coast of California from southern California to northern California where it merges with U.S. Highway 101 in Mendocino County.

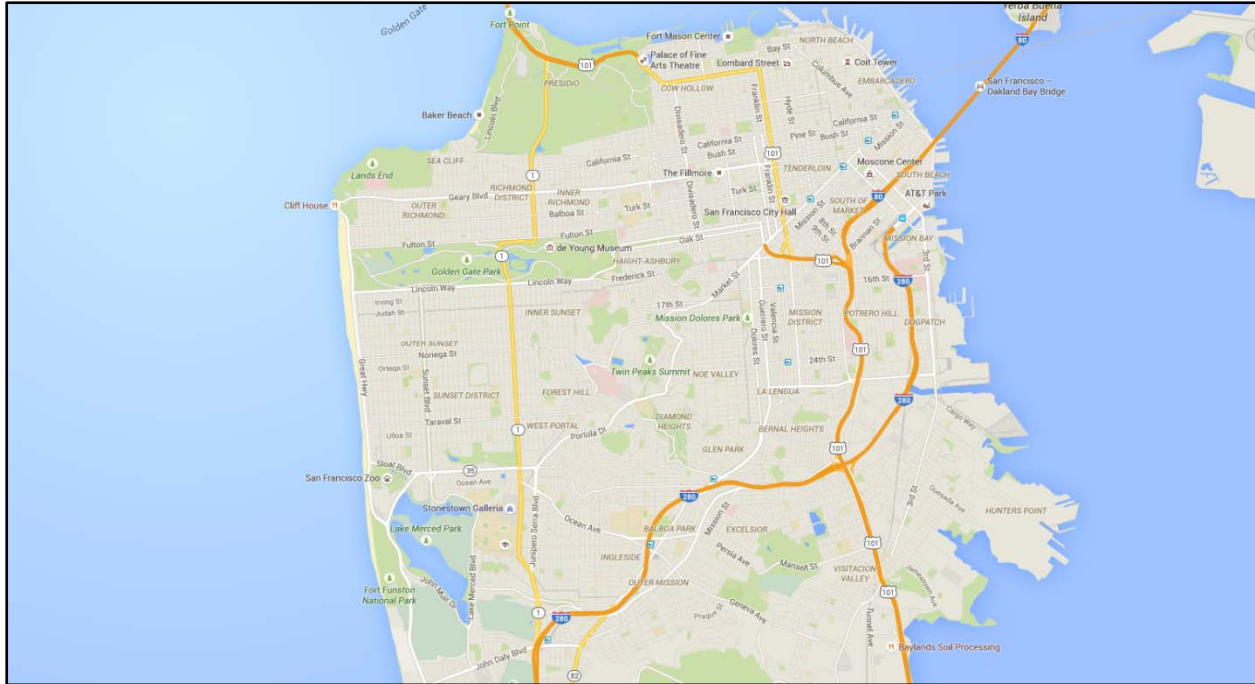
As indicated above, vehicular access to the city/county of San Francisco is provided by the Golden Gate Bridge from the north, the Bay Bridge from the east, and the southern peninsula (San Mateo and Santa Clara Counties) to the south. Public transportation is provided by Amtrak trains, bus service and the Bay Area Rapid Transit (BART), which links Pittsburg/Bay Point and Richmond (Contra Costa County), Dublin/Pleasanton and Fremont (Alameda County) and Millbrae and the San Francisco International Airport (San Mateo County) to the city/county of San Francisco. Cable-car, Muni and BART service provide public transportation within the city. BART and County Connection buses shuttle commuters to and from outlying areas. In addition, commuter ferry service is available from the Ferry Building in San Francisco to various cities in Marin County (Sausalito, Tiburon, Larkspur) and Alameda County (Oakland, Alameda, Richmond), as well as to the city of Vallejo. The aforementioned San Francisco International Airport lies about 12 miles south of the city.

Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. The U.S. Census Bureau estimates a median household income for San Francisco County of \$104,552 in 2018 dollars (most recent data available). This is significantly higher than the state of California's median income of \$71,228. The county's income is the fourth highest among California counties, trailing only Santa Clara, San Mateo and Marin counties.

Neighborhoods

San Francisco is identified by many smaller submarkets or neighborhoods. The main neighborhoods are described in the following paragraphs based on information from onlyinsanfrancisco.com and Urban Bay Properties.



Castro/Upper Market: San Francisco’s historic F-Line streetcars are one of the best ways to reach the Castro and Upper Market areas. The Castro, and nearby Noe Valley, offer village-like amenities including pedestrian-friendly streets, Victorian homes in historic Eureka Valley, an array of trendy stores and outdoor cafes for the “see and scene” crowd. The upper stretch of Market Street coils around the lower reaches of Twin Peaks. Noted for their sweeping vistas of the Bay Area, these crests are popular with sightseers. Glen Park on the lower slopes of Diamond Heights has a canyon park and is near a BART station.

Chinatown: The entrance to Chinatown at Grant Avenue and Bush Street is called the “Dragon’s Gate.” Inside are 24 blocks of hustle and bustle, most of it taking place along Grant, the oldest street in San Francisco. This city within a city is best explored on foot; exotic shops, food markets, temples and small museums are comprised within its boundaries. The former central telephone exchange of the Pacific Telephone and Telegraph Company stands at 743 Washington Street. Now a bank, it is the first Chinese-style building constructed in San Francisco, and the exact site where California’s first newspaper was printed.

Civic Center: San Francisco’s widest street, Van Ness Avenue, runs down the middle of Civic Center. A short distance from Civic Center is Hayes Valley, which boasts galleries, antique shops, restaurants and book nooks. A stretch of Larkin Street, starting just beyond the Asian Art Museum’s front door at Larkin and McAllister up to O’Farrell, has been designated Little Saigon. Some 250 Vietnamese-owned businesses are concentrated in this and the nearby Tenderloin areas. The Polk Street district parallels Van Ness Avenue and extends all the way to Fisherman’s Wharf, where it terminates in front of the historic Maritime Museum. Catering to a diverse population, Polk Street is one of the oldest shopping districts in San Francisco.

Embarcadero/Financial District: Lined with deep-water piers, The Embarcadero is literally where one embarks. At the foot of Market Street is the Ferry Building, which houses a food hall, restaurants and a farmer’s market. The Ferry Building is also the terminal for ferries to Marin County, Vallejo, Oakland and

Alameda. Across the bay is Treasure Island, a man-made island that was the site of the 1939 Golden Gate International Exposition. Much of Jackson Square, one of 11 historic districts, has many buildings dating from the mid-1800s.

Fisherman's Wharf: Fisherman's Wharf is home to fishing boats, seafood stalls, steaming crab cauldrons, seafood restaurants and sourdough French bread bakeries, as well as souvenir shops and museums. The historic F-Line streetcar and two cable car lines terminate in the area and sightseeing boats and boat charters link to Alcatraz, Angel Island and other points around San Francisco Bay.

Haight-Ashbury: One of the most photographed scenes in San Francisco, Alamo Square's famous "postcard row" at Hayes and Steiner Streets is a tight formation of Victorian houses back-dropped by downtown skyscrapers. The corner of Haight and Ashbury Streets still has its tie-dyed roots; vintage clothing, books and records are abundant here and along lower Haight Street. Locals will point out Buena Vista Park, with its city views, and, for architectural highlights, Masonic, Piedmont and Delmar Streets. Parnassus Heights is home to the University of California, San Francisco.

Japantown/Fillmore: Founded in 1906, Japantown is the oldest Japanese district in the United States and one of only three remaining. This small slice of Japanese life is near the Fillmore, the "Harlem of the West," which is witnessing a revival of its jazz heritage and is the setting for an annual open-air jazz festival.

Marina/Presidio: The Golden Gate Bridge is one of the world's most famous landmarks. Its southern approach via State Highway 1/U.S. Highway 101 traverses some of the city's most scenic and historic areas including the Presidio of San Francisco and the Marina, site of the 1915 Panama-Pacific International Exposition. The outdoor cafes of Union Street in Cow Hollow, former dairy land, are ideal spots for people watching and gazing up at the mansions of Pacific Heights. Outer Sacramento Street and Laurel Heights contain a variety of shopping areas.

Mission District: Boasting some of the best weather in the city, the Mission District, Bernal Heights and Potrero Hill take advantage of an abundance of fog-free days. New restaurants and night spots are a draw while Mission Dolores, 16th and Dolores Streets, is the oldest structure in San Francisco. Many of the city's pioneers are buried in an adjacent cemetery. The largest concentration of murals in the city adorns buildings, fences and walls throughout the District. Potrero Hill's Dogpatch neighborhood is one of 11 historic Districts in the city.

Nob Hill: Once the home of the silver kings and railroad barons, the "nabobs," Nob Hill's noble tenants include Grace Cathedral, a replica of Notre Dame in Paris; Huntington Park, site of many art shows and graced by a replica of a 16th century Roman fountain; Nob Hill Masonic Center, an architectural dazzler hosting various musical events; the Cable Car Barn, where the cable cars are stored when not in service, and grand hotels, including the Mark Hopkins (Intercontinental Hotel) and the famous Top Of The Mark restaurant/bar and the Fairmont. Russian Hill, named for burial sites of Russian hunters who were active in California waters in the early 1800s, is most famous for the winding curves of Lombard Street.

North Beach: North Beach is transformed into one of San Francisco's most electric playgrounds with live music and dancing. Many local residents practice tai chi in Washington Square. Coit Tower atop Telegraph Hill offers marvelous views of the city. Thirty local artists painted murals on its ground floor walls in 1933.

Richmond District: Laid out in a grid of multifamily houses all the way to the Great Highway and Ocean Beach, the area is bordered by Golden Gate Park, Lincoln Park/Presidio and Lone Mountain. Shopping is concentrated along major thoroughfares, including Geary Boulevard and Clement Street. The Richmond District sprouted a second Chinatown along Clement Street in the early 1970s thanks to the numerous Asian restaurants and retail stores.

Soma/Yerba Buena: Yerba Buena Gardens, “the largest concentration of art west of the Hudson River,” is an oasis in the heart of the city. Moscone Center and more than a dozen museums are located here as well as a memorial to Dr. Martin Luther King, Jr. The University of California San Francisco, Mission Bay is the largest biomedical university expansion in the United States. The home of the San Francisco Giants, AT&T Park, is nearby. The South Beach area, recently transformed into a mixed-use waterfront neighborhood, includes the restored warehouses in the South End Historic District and several marinas.

Union Square: Virtually every fashion label in the world has set up shop in and around Union Square, a landmark park in the heart of the downtown shopping and hotel district. Granite plazas, a stage, a café and four grand entrance corner plazas bordered by the park’s signature palms, pay tribute to the Square’s distinctive history and offer a forum for civic celebrations. The cable cars head up Powell Street from here and flower stands populate every corner. Thousands originally from Laos, Cambodia and Vietnam have given the Tenderloin, a 20-square-block district west of Union Square, new life. A landmark church, an experimental theatre house, jazz and blues clubs, restaurants and cafes point to a neighborhood renaissance.

Mission Bay: Established as a redevelopment area by the City and County of San Francisco in 1998, this neighborhood was primarily undeveloped for several years, with warehouses, shipping yards and factories the primary land uses in the area. Now, since the construction of AT&T Park, home to the San Francisco Giants baseball team, the Mission Bay and Central Waterfront area of San Francisco is developing as a biotech research hub for the Bay Area. California’s Stem Cell Research headquarters is located in Mission Bay, as is a new University of California San Francisco (UCSF) Mission Bay campus. Newly constructed and proposed residential lofts and condos are also part of the neighborhood resurgence.

Bayview/Candlestick Point/Hunters Point: This area is primarily south of Interstate 280 and is home to the former Hunters Point shipyard. The Point, located within the former shipyard, is hyped as “America’s largest art colony,” and hosts several open art events and exhibitions during the year. The Bayview Opera House is the city’s first opera house. Candlestick Point was the former home of Candlestick Park stadium.

Treasure Island/Yerba Buena Island: Treasure Island and Yerba Buena Island are located in the San Francisco Bay west of Interstate 80/The Bay Bridge. Treasure Island was artificially created with bay sand and became a U.S. Naval Station in 1941. After World War II, the island was utilized as a naval training and administrative center. Yerba Buena Island is a natural island which has historically been utilized by the U.S. Army, which established a post on the northeast portion of the island in 1867. In 1997, the Treasure Island Development Agency (TIDA) was created to oversee the reuse and redevelopment of the Treasure Island Naval Station, which had been closed by the Base Realignment and Closure Commission in 1993. Currently, the Treasure Island Development Project is underway which will eventually result in 461-acres of land across both islands being redeveloped for residential, office, retail, and hotel use with substantial infrastructure upgrades.

Recreation & Culture

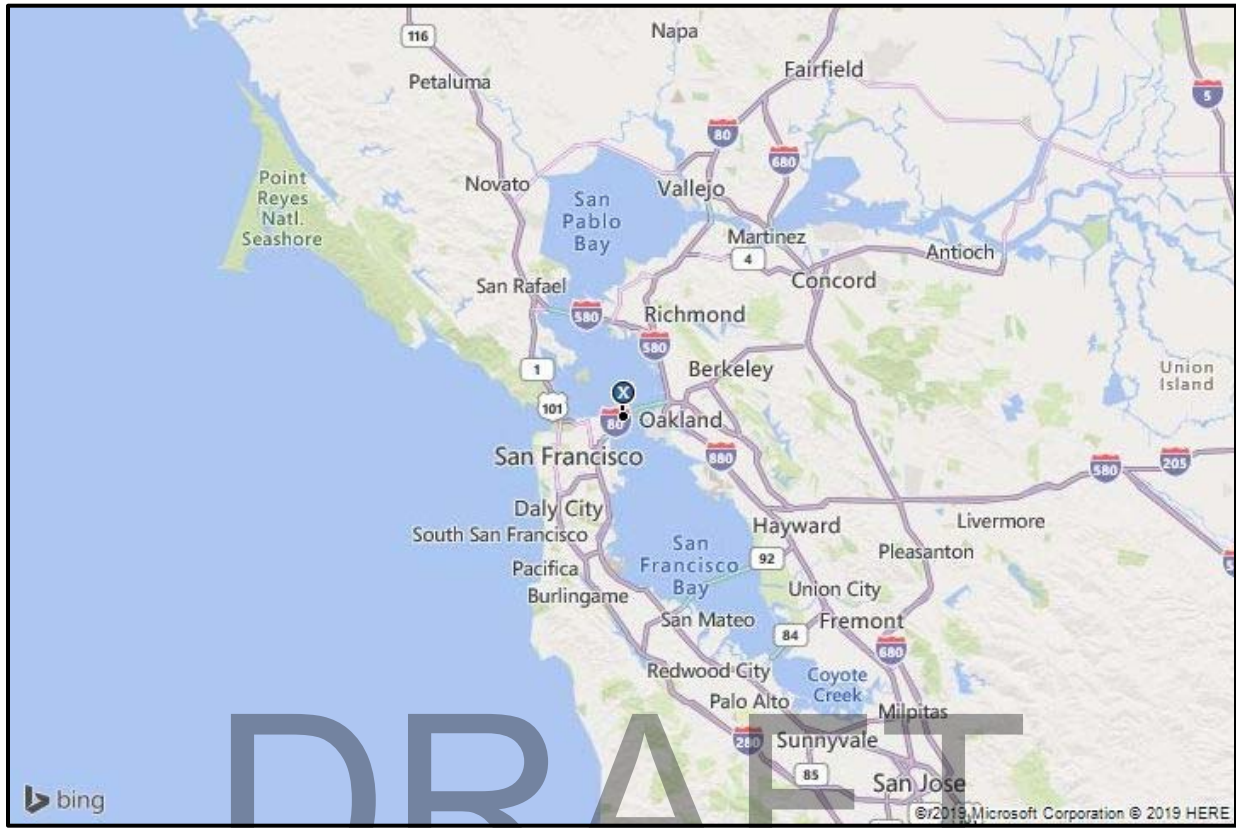
San Francisco is a city rich with cultural and recreational opportunities that attract residents and visitors alike. The city is home to live theater, symphony, ballet, opera, many diverse restaurants, professional sports teams, numerous public parks, a national recreation area, museums, beaches and a wide variety of residential neighborhoods. The city's main professional sports teams are the Golden State Warrior (NBA basketball) and San Francisco Giants (major league baseball). The San Francisco 49ers (NFL football) relocated from the city of San Francisco to Santa Clara in 2014.

San Francisco is known for drawing tourists from around the globe with its wide array of attractions. Major points of interest include Alcatraz Island, Angel Island, Fisherman's Wharf, the Embarcadero, the Aquarium of the Bay, and a city zoo. The 1,000-acre Golden Gate Park is San Francisco's largest park and offers a treasure trove of attractions, including Strybing Arboretum and Botanical Gardens, a biodiversity hub with 6,000 plant species and a towering display of California redwoods; the Japanese Tea Garden; a children's playground; MH de Young Memorial Museum; and the California Academy of Sciences.

Conclusion

San Francisco is one of the largest metropolitan areas in the U.S. and serves as a hub for international commerce, financial services and tourism. The city is densely built-out with a limited supply of developable land. After a period of contraction in the economy and real estate markets around 2008-2010, the region saw improvement in employment and economic conditions over the past few years. Unemployment was very low and represented one of the lowest rates in California. Most real estate sectors had moved beyond recovery to a stage of expansion. However, employment conditions declined sharply in April and May 2020 following stay-at-home mandates and business closures, and the near-term outlook is uncertain as a result of the COVID-19 pandemic. A better understanding of the potential impacts will be gained as economic policies aimed at financial relief and resuming business operations are implemented. The historical stability of the local economy bodes well for the long-term outlook for the region.

Area Map



Surrounding Area Analysis

Boundaries

The subject is located on Yerba Buena Island, an island in the San Francisco Bay between the city of San Francisco and the city of Oakland. To the north, Yerba Buena Island is connected to the man-made Treasure Island via Treasure Island Road.

A map identifying the location of the property follows this section.

Access and Linkages

Vehicular access to Yerba Buena Island is provided by Interstate 80 via the Oakland-San Francisco Bay Bridge, which provides access to San Francisco and Oakland. Yerba Buena Tunnel runs through the island and connects it with the Bay Bridge. Interstate 80 connects to Highway 101 south of the subject property in San Francisco and connects to Interstates 580 and 880 east of the subject in Oakland. Access to the subject property from the I-80 ramp is provided by various local roads on Yerba Buena Island. San Francisco's central business district, the economic and cultural center of the region, is approximately three to four miles from the subject property. Downtown Oakland is located approximately eight miles east of Yerba Buena Island.

Upon completion of the proposed development, Yerba Buena Island is expected to enjoy bus service, with ferry service to San Francisco also available from Treasure Island. The San Francisco International Airport is approximately 18 miles south of the subject property, while the Oakland International Airport is 16 miles southeast of the subject.

Demand Generators

Access to employment centers in San Francisco and Oakland is a major demand generator. In San Francisco, the Financial District is a three to four mile drive from Yerba Buena Island. Employers in the Financial District represent significant concentrations in the utilities, retail, financial services, healthcare and technology industries. The adjacent SOMA neighborhood has become the premier location for technology employers, with a combination of large, established technology firms, growth stage firms and newer start-ups.

Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics

| 2020 Estimates | 10-Minute Drive Time | 15-Minute Drive Time | 20-Minute Drive Time | San Francisco County | San Francisco-Oakland MSA |
|--|----------------------|----------------------|----------------------|----------------------|---------------------------|
| Population 2010 | 58,852 | 598,124 | 1,391,597 | 805,235 | 4,335,391 |
| Population 2020 | 79,404 | 678,961 | 1,534,636 | 893,702 | 4,771,564 |
| Population 2025 | 84,997 | 711,529 | 1,599,545 | 933,038 | 4,969,844 |
| Compound % Change 2010-2020 | 3.0% | 1.3% | 1.0% | 1.0% | 1.0% |
| Compound % Change 2020-2025 | 1.4% | 0.9% | 0.8% | 0.9% | 0.8% |
| Households 2010 | 28,189 | 274,133 | 572,518 | 345,811 | 1,627,360 |
| Households 2020 | 39,677 | 316,821 | 639,862 | 389,167 | 1,794,339 |
| Households 2025 | 42,705 | 333,375 | 669,242 | 407,622 | 1,870,296 |
| Compound % Change 2010-2020 | 3.5% | 1.5% | 1.1% | 1.2% | 1.0% |
| Compound % Change 2020-2025 | 1.5% | 1.0% | 0.9% | 0.9% | 0.8% |
| Median Household Income 2020 | \$134,289 | \$99,716 | \$101,544 | \$121,916 | \$113,154 |
| Average Household Size | 1.8 | 2.1 | 2.3 | 2.2 | 2.6 |
| College Graduate % | 61% | 56% | 52% | 57% | 49% |
| Median Age | 39 | 40 | 39 | 39 | 40 |
| Owner Occupied % | 28% | 29% | 38% | 35% | 54% |
| Renter Occupied % | 72% | 71% | 62% | 65% | 46% |
| Median Owner Occupied Housing Value | \$1,030,012 | \$999,124 | \$975,228 | \$1,157,923 | \$965,899 |
| Median Year Structure Built | 2000 | 1956 | 1955 | 1943 | 1969 |
| Average Travel Time to Work in Minutes | 35 | 36 | 36 | 37 | 37 |

Source: Environics Analytics

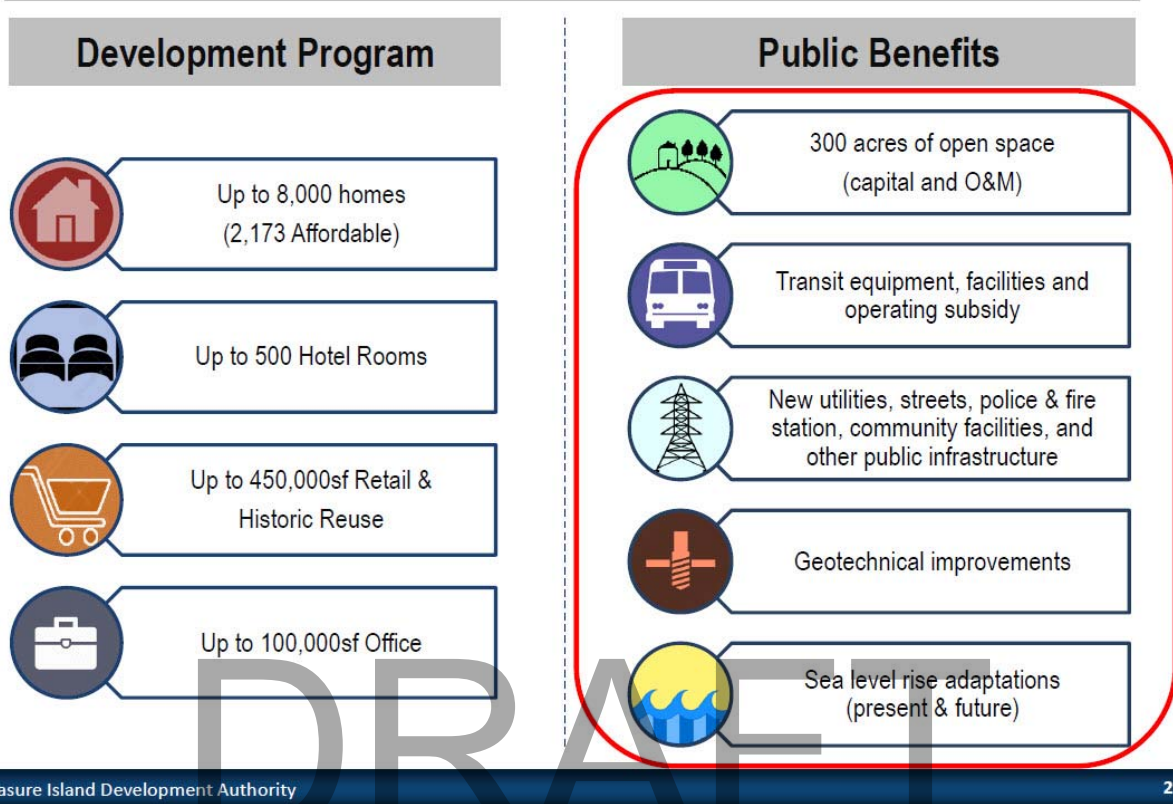
As shown above, the current population within a 15-minute drive time of the subject is 678,961, and the average household size is 2.1. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to San Francisco County overall, the population within a 15-minute drive time is projected to grow at a similar rate.

Median household income is \$99,716, which is lower than the household income for San Francisco County. Residents within a 15-minute drive time have a lower level of educational attainment than those of San Francisco County, while median owner occupied home values are considerably lower.

Land Use

The subject property is the first phase of the larger Treasure Island Development Program, a proposed 461-acre project which, upon completion, will include up to 8,000 homes, 500 hotel rooms, 450,000 square feet of retail space, 100,000 square feet of office space, a marina, ferry terminal, open space/public parks and pedestrian trails. The project is located on a portion of a former United States Navy base which includes Treasure Island (artificially created with bay sand) and 89-acres of Yerba Buena Island. The following chart summarizes the overall proposal for the Development Program.

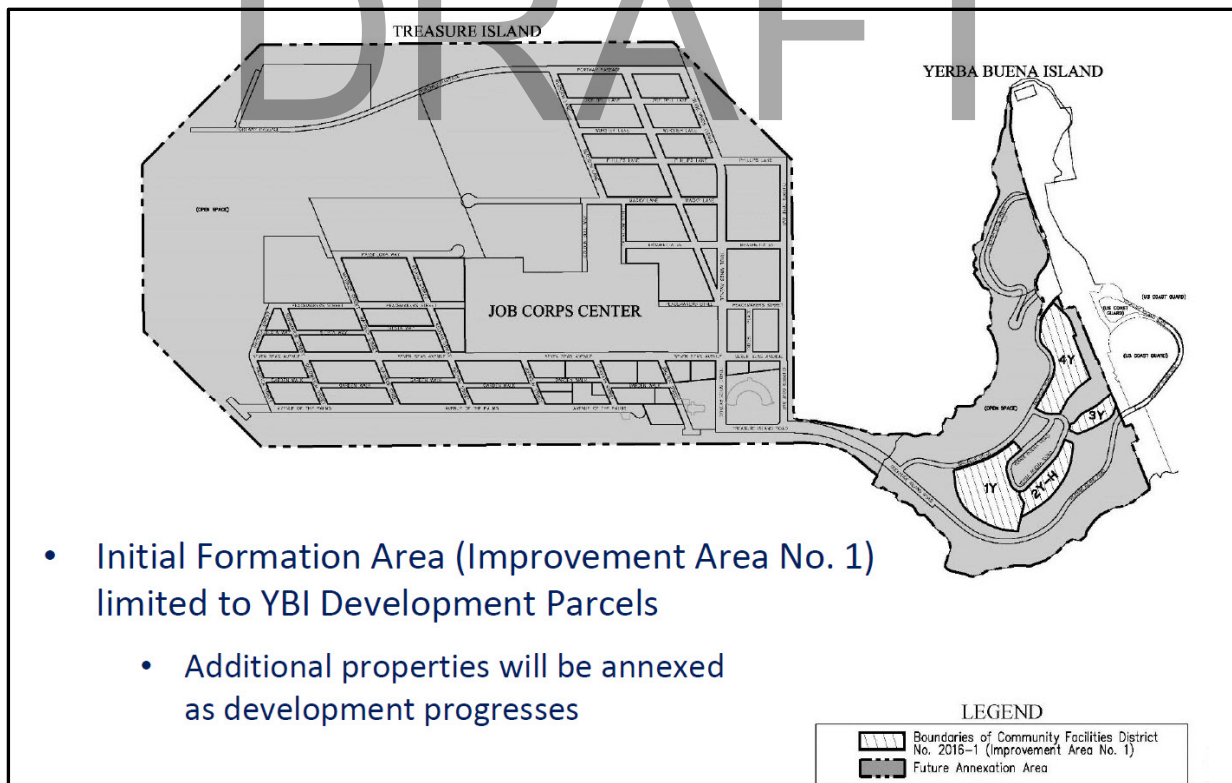
Treasure Island Development Program



The subject is the first of at least five phases associated with the planned development (Phase A on the following map). As discussed, Parcel 2Y is not a part of the subject property and is excluded from this appraisal.

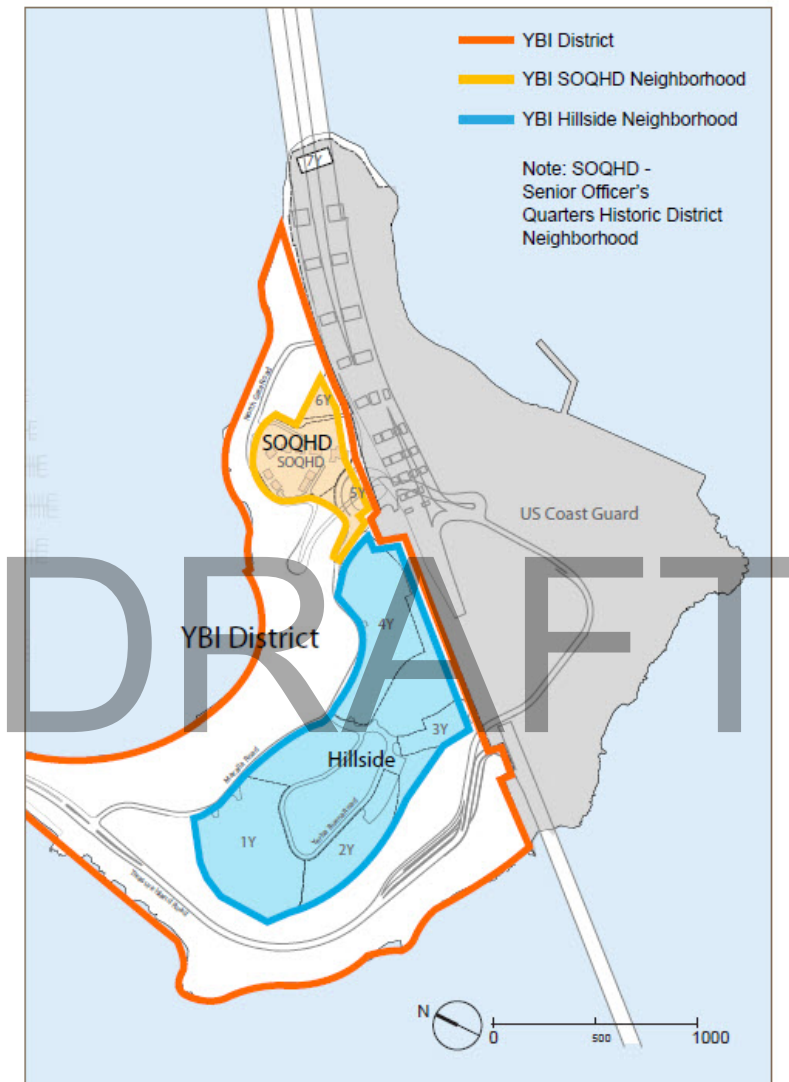


The boundaries of CFD No. 2016-1, which include the three subject parcels, are presented below.



Currently, land use on Treasure Island includes a mix of residential, retail, and office uses, as well the Treasure Island museum and marina. Yerba Buena Island includes former military offices and

improvements, many of which will be demolished for the subject development. There are reportedly approximately 1,005 existing residences on Treasure Island and Yerba Buena Island combined, and 100 non-residential improvements. The eastern portion of Yerba Buena Island, east of the Bay Bridge, remains utilized by the United States Coast Guard. The subject is part of the Hillside area designated on the below map.



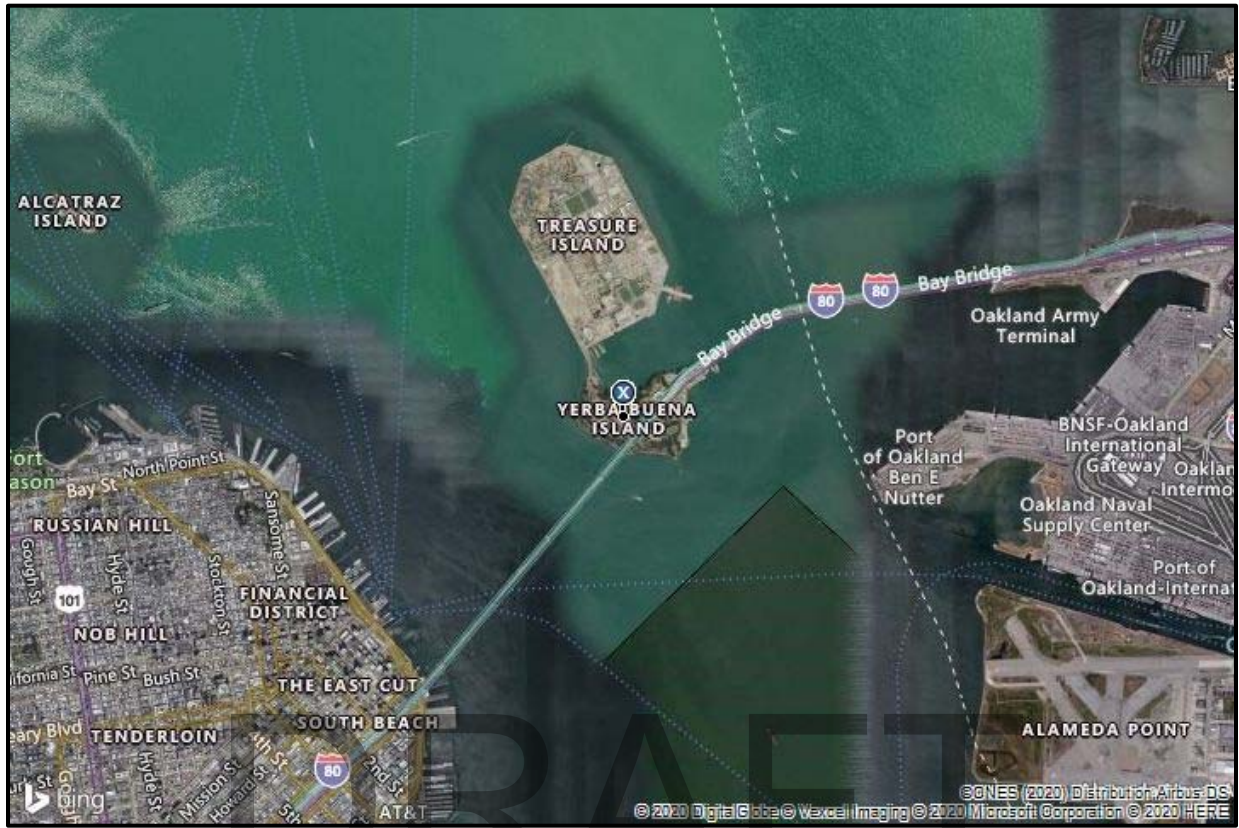
Note the U.S. Coast Guard on the eastern portion of the island; the historical Senior Officer’s Quarters on the west side of the Bay Bridge will also remain intact.

Outlook and Conclusions

The area is in the growth stage of its life cycle. The plans for Yerba Buena and Treasure Islands include substantial development to an area previously largely only utilized for military purposes. Given its steep sloping topography and location in the Bay, Yerba Buena Island in particular benefits from sweeping views of the San Francisco Bay and skyline, Golden Gate Bridge, Bay Bridge, Treasure Island, Alcatraz, and Angel Island State Park. Yerba Buena Island also benefits from proximity to employment centers in San Francisco and Oakland, while offering a more secluded setting. Given the history of the surrounding area and growth trends, it is anticipated that property values on Yerba Buena and Treasure Islands will increase in the future, though the current COVID-19 pandemic casts some uncertainty over the immediate near term.

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Surrounding Area Map



COVID-19 Impact On Valuation

The prior market analysis focuses on historical trends before the impact of the COVID-19 crisis began showing up in the numbers. The historical reference is significant in that many market participants believe the commercial real estate (CRE) markets will return to trend – the only question is the depth and duration of the current economic climate. At a minimum, near term economic performance will remain dreadful. Shelter-in-Place and Stay-at-Home executive orders are having a profound impact on GDP with elevated unemployment hurting economic performance and CRE sector. How bad will things get (depth) and how long will it last (duration) are questions that simply cannot be answered at this point in time. The curve is flattening and restrictions are slowly easing in California, but Governor Newsom has yet to offer a timeline as when restrictions will be further relaxed. Numerous counties are in Stage 3 of a four-stage re-opening schedule, which permits the opening of lower risk workplaces and retail establishments with social distancing protocols. The City and County of San Francisco is currently in Phase 2B of the four-phase re-opening plan, but has put the re-opening of salons, museums, indoor dining, and outdoor bars on-hold due to a recent uptick in cases. Some indoor retail and curbside pickup are permitted. Nevertheless, by all accounts business operations are significantly down with the exception of essential businesses such as distribution facilities, medical facilities and grocery stores. As the crisis evolves, the market will provide clarity.

In the absence of transaction data, there is empirical data in the market that can be gleaned and assist in estimating the valuation metrics and assessing their reliability in estimating current value. In the current phase of the pandemic, emerging trends include:

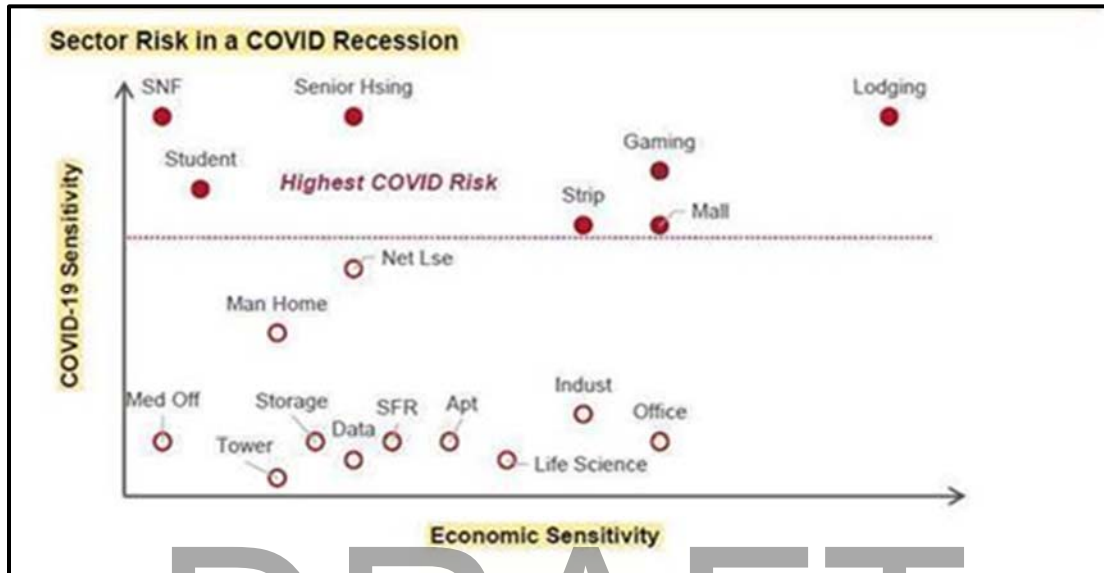
- Market confidence (fundamental economic fear)
- Expectations of impaired property/operating performance
- Re-pricing risk (debt and equity)
- Liquidity duration
- Impaired market and pricing activity

All or some of the above may be shorter-term issues, but others may linger and have a lasting impact on valuations in the CRE sector along a continuum of time. Our surveys of market participants indicate a focus in the following areas impacting value:

- Impact will vary by property type, class, and location
- Cost of capital (both debt and equity) is increasing but at different rates for different asset classes
- Declines in property operations/forecasts (NOI) vary in duration based on property type, class and location
- Capitalization rate premiums vary by property type, class and location
- Marketing times for most assets will increase

Impact by Property Type, Class & Location

Below is a graph from Greenstreet Advisors plotting the sensitivity (and risk) associated with various property types with the negative impact on value being greater for those assets with greater sensitivity. Those assets relating to essential business operations (grocery, medical, distribution) are less affected than for example lodging and malls where social distancing is challenging.



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Cost of Capital/Liquidity

The cost of capital, both for debt and equity, had been at near historic lows through early 1Q20. Borrowers had a myriad of options from a variety of capital sources. As the crisis began to unfold in early 2020, treasury rates were moving down as the Fed sought to keep the market liquid. When it became clear the global crisis had landed in the United States, the Fed moved rates to near zero. Many lending institutions instituted floors (spreads widened) because the fixed costs of doing a deal had to be covered.

As lenders came to grips with the severity of the economic outlook, many pulled back from the market altogether while others reacted by raising interest rates, lowering loan to values, increasing reserve requirements, or a combination thereof. Some lenders are “out” while others remain in the market. Clearly, there are fewer options in the market and those options are more expensive. The rise in cost varies notably by property type with agency lenders and HUD determined to provide liquidity to the multifamily market while at the other end of the spectrum, financing a hotel at this point is challenging.

The rising cost of debt and equity and its impact on capitalization rates is illustrated below:



| | | Equity Dividend Rate | | | | | |
|---------------|-------|----------------------|-------|-------|-------|--------|--------|
| | | 3.00% | 5.00% | 7.00% | 9.00% | 11.00% | 13.00% |
| Interest Rate | 3.50% | 5.11% | 5.71% | 6.31% | 6.91% | 7.51% | 8.11% |
| | 3.75% | 5.22% | 5.82% | 6.42% | 7.02% | 7.62% | 8.22% |
| | 4.00% | 5.33% | 5.93% | 6.53% | 7.13% | 7.73% | 8.33% |
| | 4.25% | 5.45% | 6.05% | 6.65% | 7.25% | 7.85% | 8.45% |
| | 4.50% | 5.57% | 6.17% | 6.77% | 7.37% | 7.97% | 8.57% |
| | 4.75% | 5.69% | 6.29% | 6.89% | 7.49% | 8.09% | 8.69% |
| | 5.00% | 5.81% | 6.41% | 7.01% | 7.61% | 8.21% | 8.81% |

An asset for example that historically attracted debt at 3.75 percent and equity (cash on cash) at 5 percent would see a rise in overall capitalization rate of 83bps (6.65% versus 5.82%) if the cost of debt rises to 4.25 percent (50 bp increase) and equity rates move to 7 percent (40 percent increase). All else equal, the rise in the overall rate would equate to a drop in value (potential market conditions adjustment) of 14 percent (.0083 / .0582).

Declines in Property Operations / Forecasts

The lodging, retail, student housing and senior sectors are expecting to suffer the greatest. Once again, this varies by location and type. Restaurant retail is generally viewed as having high risk but is expected to rebound quickly as pent-up demand explodes when social distancing requirements loosen. Grocery retail is performing well with big box stores setting record sales per square foot. Apartments should fare well but once again, varying by type and location depending on the tenant base employment and its ability to weather the crisis. Industrial distribution facilities are expected to perform well while multi-tenant industrial with non-essential businesses may struggle.

There is an expectation in the market that, for many retail centers in particular, tenants will not be paying rent. Without customers, particularly in states with stay-at-home orders, there simply is no revenue available. Tenants and owners alike are reviewing force majeure clauses in their leases.

Rent projections are being held flat in modeling many cash flows going forward with the length of time dependent on the asset type.

Premiums on Capitalization Rates

While many deals have fallen out of contract, other deals are still closing. Some are closing at their pre-crisis contract price levels while many deals are being re-traded in the market with discounts influenced by property type, location and buyer/seller motivations.

As the transaction market solidifies, the impact on capitalization rates will become more clear. The OAR sensitivity matrix presented earlier can be viewed as a potential leading indicator. Some market participants believe the answer to market value lies in the capitalization rates while others believe rates are not moving – only net operating income in the short run is being impacted. Once again, the answers vary by property type and location.

Marketing and Exposure Time

At the present time, there is consensus of declining market demand in CRE transactions, due to market conditions ensuing from COVID-19. It is natural to assume that marketing time on properties either for



sale or lease, will be extended for most assets. Comparing recent pre-COVID-19 market time (perhaps the best) to the banking crisis of 2008/2009 (perhaps the worst) can glean insight to potential market times going forward.

| Sector | Months on Market March 2008-09 | Months on Market March 2018-19 | Change in Months | % Change Peak to Trough |
|------------|-----------------------------------|-----------------------------------|------------------|----------------------------|
| Office | 29.6 | 14.8 | 14.8 | 100% |
| Retail | 15 | 11.4 | 3.6 | 32% |
| Industrial | 19.6 | 6.7 | 12.9 | 192% |
| Average | 21.4 | 11.0 | 10.4 | 95% |

Source: Costar – data presented in Months

Marketing time increased substantially in the last economic crisis of 2008-2009 from the prior boom with an average of 21 months for major property classes at the bottom of the market. Market times for the trailing 12 months preceding the COVID-19 crisis averaged 11 months. We note these are national averages with well located, better quality assets having substantially lower market times.

Based on this historical perspective, exposure time could potentially double from current levels. This would have to be tempered recognizing that the depth and duration of this current crisis is health centric and may return to more recent norms when a resolution becomes apparent.

Implication on Residential Land Market

The following was included in a recent market survey conducted by The Gregory Group.

“Before the COVID-19 crisis, the region’s housing market was expanding at the greatest pace since the Great Recession, ten years earlier. Despite the many economic concerns associated with the virus, there is some hope that housing will be one of the few bright spots in an economy hard hit by stay-at-home orders across the nation. Homebuilders are still engaging in sales and building activities, and most are operating and trying to market and sell homes (with altered and restrictive processes).

Never-the-less, new-home sales are anticipated to decrease significantly in the coming quarters based on the effects of COVID-19 and as the width and depth of the economic contraction becomes reality. While it is believed that an immediate reduction in sales is probable, the same cannot be said for pricing. There are currently no indications that new-home pricing is undergoing fundamental pricing pressure; this may change as some builders try to make up for slower sales with lower prices, but it is believed that the current lack of increased sales is not a demand issue, but more a disruption issue (the inability of buyer to physically visit new-home projects).

Other factors which would affect sales in the future:

- Shortages in labor for vertical construction and land development (infrastructure and grading);
- Increasing construction costs that are generally increasing at faster rates than home price appreciation;



- Longer, more difficult entitlement process;
- Buyers being more diligent and selective in what/where/why they buy;
- The inability and unwillingness of buyers to pay above and beyond a reasonable “perceived-value” for new-housing.

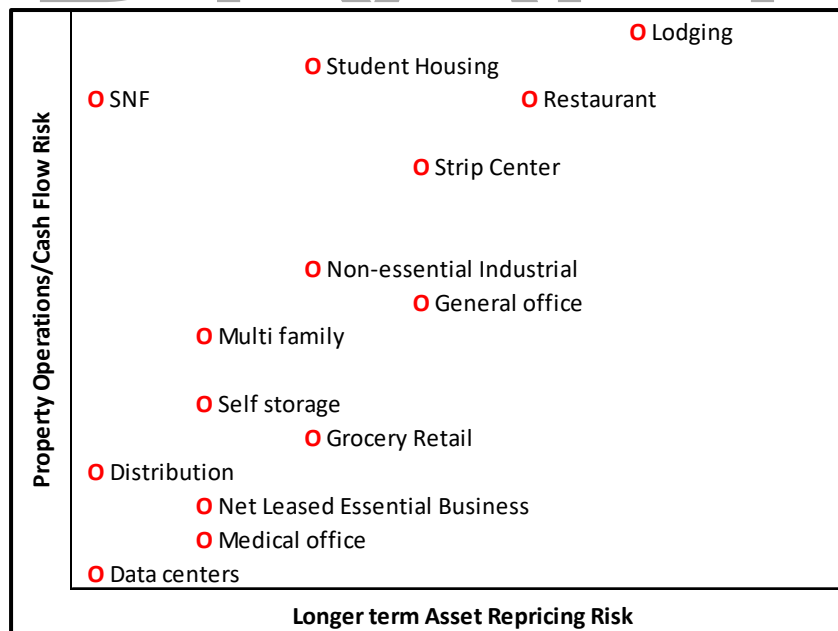
It’s worth noting, based on a survey of local and regional land developers and merchant builders, most were currently still pursuing new acquisitions and/or development deals, and none had witnessed lower prices for land or lots.”

Conclusion

Based on the above information, which is empirical more so than transactional, it is clear the market has changed and valuation parameters must be modified.

Many market participants believe the current disruption in the market is *operational* in nature with the impact on asset pricing limited to cash flow short falls until the market returns to “normal.” Others believe *repricing* risk exists due to the cost of capital (debt and equity) as well as a rethinking of CRE investments.

The following chart represents our understanding of market sentiment regarding operational and repricing risk by property class. Assets in the lower left portion of the chart reflect low near-term cash flow loss expectation and little longer-term repricing risk while the opposite is true for assets in the upper right corner. And as noted throughout, there are various risk profiles within each property type displayed.



This heightened uncertainty forms the basis of defined risk. The following section provides an overview of the Alameda County residential market.



Residential Market Analysis

In the following paragraphs, we examine supply and demand indicators for residential development in the subject's area.

The outbreak of the Novel Coronavirus (COVID-19), was declared an outbreak by the World Health Organization (WHO) on January 30, 2020 and subsequently reclassified as a worldwide pandemic on March 11, 2020. A Shelter-in-Place order was enacted for San Francisco County in mid-March, though the county is currently in Phase 2B of a 4 phase re-opening plan.

This analysis will begin with a summary of California homebuilding and market participant interviews in light of the current COVID-19 climate. This will be followed by an overview of the San Francisco market.

California Residential Building and Developer Market

We surveyed California market participants in the residential building and development sector, specifically land developers, land brokers, and builders (National and Regional), regarding the impact the pandemic is having on their business operations and forward planning. The following outlines the information requested from those surveyed, with the responses subsequently tabulated.

With regard to marketing of residential lots and homes, we asked participants:

- Has there been a change in the number of listings/offerings/sales?
- Have you experienced or heard of deals being cancelled or homebuyers cancelling their purchase?
- Are you still marketing properties?
- Do you know either firsthand or indirectly of sellers lowering prices for land or lots?

Regarding business operations, survey responders were asked:

- Do you have an interim plan in place or is it business as usual?
- Is there any effect on labor and/or materials that was not the case prior to March 11, 2020?
- Do you expect normal business operations to resume by the end of the second quarter?
- Will that resumption occur quickly or gradually?
- Are contractors attempting to retain their workers or are they being released/furloughed?

With regard to financing, survey responders were asked:

- Do you expect a significant number of bankruptcies to occur in the residential sector?
- Are you concerned about the level of leverage on your deals?
- Are you pursuing new acquisition or development deals at this time?
- Are you pursuing refinancing at this time?

The survey responses are compiled within the matrix on the following page.

| Market Participant | Region | Marketing | | Business Operations | | | | | | | Financial | | | |
|---------------------|-------------|------------------------|-----------------|----------------------------|------------------|-----------------------------|-----------------------------|--------------------------------|-------------------------|-----------------------|------------------------|------------------|--------------------|----------------------|
| | | Change in sales volume | Deals cancelled | Still marketing properties | Price reductions | Interim Plan | Change in Materials & Labor | Normal operations by end of Q2 | Gradual or quick resume | Employee retention | Bankruptcies | Leverage concern | Pursuing new deals | Pursuing Refinancing |
| Land Developer | Northern CA | Yes | No / Delayed | Yes | No | None | No | Yes / June 1 | Gradual | Yes | Yes - Apts & Hotels | No | Yes | Yes |
| Land Developer | Northern CA | Unsure | Yes / not many | Yes | No | Slight pause, but no change | Unsure | Yes | Unsure | Yes | No | No | No | No |
| Land Developer | Northern CA | -- | Yes | Yes | No | Staff working from home | Yes | Yes | Gradual | Yes | Possible | No | Yes | No |
| Land Developer | Northern CA | -- | No | Yes | No | None | No | Yes | Gradual | Yes | No | No | Yes | No |
| Land Developer | Northern CA | -- | No / Postponed | No | No | Yes / Wait and See | Yes | Yes-builders No-developers | Unsure | Yes | Unsure | No | No | No |
| Developer/Builder | Northern CA | No | Yes / Five | Yes | No | -- | No | Yes | Gradual | Yes | -- | No | Yes | -- |
| Land Developer | Southern CA | Yes | No | On Hold | No | Slowing down schedules | No | Yes | Unsure | -- | Unsure | Yes | No | No |
| Broker | Northern CA | No | No | Yes | No | Slight pause, but no change | No | Yes | Quick | Yes | No | -- | Yes | -- |
| Broker | Northern CA | Yes | Yes | Barely | No | None / Wait and See | -- | Yes | Gradual | -- | No | -- | No | -- |
| Broker | Northern CA | No | No | Yes | No | None / Pause for now | -- | Yes | Quick | Yes/possible furlough | Yes - small businesses | -- | Yes | -- |
| Broker | Northern CA | No | Yes / Two | Yes | No | -- | No | Unsure | Quick | Yes | -- | No | Yes | -- |
| Broker | Northern CA | Yes | Yes | Yes | No | -- | No | No | Gradual | Unsure | -- | No | No | -- |
| Broker | Northern CA | Unsure | No | Yes | No | Work from home / Usual | Unsure | No | Gradual | Yes | No | -- | Yes | -- |
| Broker / Consultant | Southern CA | -- | Yes / One | Yes | No | Work from home / Usual | No | Yes | Unsure | Yes | No | -- | Yes | -- |
| Broker / Consultant | Southern CA | -- | No | Yes | No | Work from home / Usual | No | Yes | Quick | Yes | No | -- | Yes | -- |
| Builder | Northern CA | No | Yes / not many | Yes | No | -- | No | Yes | Unsure | Yes | -- | No | Yes | -- |
| Builder | Southern CA | -- | No / Delayed | Yes | No | None | Yes / Lower | Yes | Quick | Yes | Yes | -- | No | -- |



Submarket Overview

Given prevailing land use patterns, the subject's entitlements for development of the Yerba Buena Island, and current market conditions, the maximally productive use of the property is for residential development. In the following paragraphs, we examine supply and demand indicators for residential development in the subject's area.

In this analysis of the residential market, we will analyze market trends within the regional area of San Francisco, and then focus on the subject's immediate neighborhood and similar communities.

The subject is located on Yerba Buena Island in the San Francisco Bay. The subject is considered to have good transportation linkages to both San Francisco and Oakland. The neighborhood is characterized as a suburban area that appeals those who want both proximity to and seclusion from the city. Based on the characteristics of Yerba Buena Island, the subject characteristics best support a project designed for established home buyers.

Single-Family Building Permits

Single-family building permits for San Francisco are shown in the table below. For comparison purposes, multifamily permits are also shown.

Building Permits - San Francisco

| Year | Single Family | Multi-family |
|------------|---------------|--------------|
| 2008 | 57 | 2,238 |
| 2009 | 17 | 283 |
| 2010 | 22 | 757 |
| 2011 | 31 | 1,787 |
| 2012 | 24 | 3,293 |
| 2013 | 54 | 4,420 |
| 2014 | 35 | 2,676 |
| 2015 | 64 | 2,601 |
| 2016 | 123 | 3,964 |
| 2017 | 43 | 4,211 |
| 2018 | 28 | 5,150 |
| 2019 | 22 | 3,178 |
| 2020 (May) | 8 | 1,163 |

Source: SOCDs Building Permits Database

Future Development – San Francisco

The following table summarizes the development pipeline according to the San Francisco Planning Department. The units are predominantly part of mixed-use buildings with ground-floor commercial space. It is noted that the pipeline data does not differentiate between for-sale and for-rent projects.

Development Pipeline (net units)

| Planning Status | Total No. of Residential Units | Total Affordable Units | % Affordable |
|-------------------------------|--------------------------------|------------------------|--------------|
| Planning Application Filed | 15,998 | 2,434 | 15% |
| Planning Application Approved | 30,641 | 6,609 | 22% |
| Building Permit Filed | 9,648 | 1,022 | 11% |
| Building Permit Approved | 1,403 | 127 | 9% |
| Building Permit Issued | 5,936 | 1,769 | 30% |
| Under Construction | 10,198 | 2,411 | 24% |
| Total | 73,824 | 14,372 | 19% |

Source: San Francisco 4Q 2019 Development Pipeline data

Active New Home Projects Pricing and Absorption

The following tables include active and recently sold out newly constructed condominium projects for which we were able to obtain absorption data. The comparables are located in various neighborhoods but all reflect recent construction.

Active Projects - Year End 2019

| Project | Neighborhood | Developer | No. of Units | Year Bld | Sale Price (Low) | Sale Price (High) | Avg. \$/SF | Stories | Monthly HOA | Sales per Month |
|---------------------------------|------------------|------------------------|--------------|----------|------------------|-------------------|--------------------|-------------------|--------------------|-----------------|
| Four Seasons Private Residences | Yerba Buena | Westbrook Partners | 146 | 2021 | \$2,300,000 | \$13,000,000 | \$1,356 to \$2,198 | -- | \$3,140 to \$6,200 | 4.1 |
| 1433 Bush Street | Lower Nob Hill | J\$ Sullivan | 40 | 2019 | \$580,000 | \$1,435,000 | \$1,286 to \$1,514 | 8 | \$470 to \$615 | 7.6 |
| The Avery | Yerba Buena | Related | 118 | 2019 | \$1,785,000 | \$5,100,000 | \$1,890 to \$2,124 | 55 | \$1,530 to \$1,900 | 1.1 |
| 950 Tennessee | Leap Development | Leap Development | 100 | 2019 | \$664,000 | \$1,430,000 | \$1,278 to \$1,659 | 4 | \$435 to \$680 | 12.0 |
| The Westerly | Sunset | Propriis | 56 | 2019 | \$797,000 | \$1,354,000 | \$998 to \$1,223 | 5 | \$450 to \$550 | 3.3 |
| 2177 Third Street | Dogpatch | Align Partners | 114 | 2019 | \$795,000 | \$2,150,000 | \$1,377 to \$1,590 | 6 | -- | 15.0 |
| One Eleven | SOMA | Z&L Properties | 39 | 2019 | \$825,000 | \$1,171,000 | \$1,199 to \$1,647 | 9 | \$525 to \$640 | 4.0 |
| 99 Rausch | SOMA | Belrich Partners | 112 | 2018 | \$580,000 | \$2,600,000 | \$1,285 to \$1,545 | 6 | \$515 to \$900 | 3.6 |
| One Mission Bay | Mission Bay | CIM Group | 348 | 2017 | \$582,000 | \$3,000,000+ | \$1,221 to \$1,569 | 16 | \$622 to \$825 | 7.9 |
| The Austin | Lower Nob Hill | Pacific Eagle | 103 | 2017 | \$615,000 | \$2,045,000 | \$1,340 to \$1,428 | 12 | \$650 to \$1,050 | 3.1 |
| 181 Fremont | Yerba Buena | Jay Paul Company | 67 | 2017 | \$1,400,000 | \$8,750,000 | \$2,275 to \$3,176 | 17 of residential | \$2,000 to \$3,500 | 1.7 |
| Stage 1075 | Mid Market | Encore Housing | 90 | 2017 | \$539,000 | \$1,259,000 | \$1,294 to \$1,336 | 8 | \$585 to \$820 | 3.5 |
| 555 Fulton | Hayes Valley | Fulton Street Ventures | 139 | 2016 | \$691,380 | \$1,344,801 | \$1,097 to \$1,388 | 5 | \$490 to \$600 | 0.9 |
| The Harrison | Rincon Hill | Maximus Real Estate | 278 | 2016 | \$740,000 | \$7,500,000 | \$1,359 to \$2,163 | 49 | \$1,240 to \$1,480 | 7.0 |
| Lumina | Rincon Hill | Tishman Speyer | 656 | 2016 | \$7,375,000 | \$11,495,000 | -- | 37 to 42 | \$930 to \$1,350 | -- |
| Average | | | | | | | | | | 5.3 |

The average absorption rate for active condominium projects is 5.3 sales per month. With the exception of Pacific Heights, the subject's location is also superior to many of the comparable neighborhoods. The projects with units with lower price points generally tend to reflect higher absorption rates, and few of the projects offer units over \$3,000,000. Four Seasons Private Residences reflects the highest absorption rate for higher priced units, at 4.1 sales per month. However, this is somewhat offset by 181 Fremont and The Avery, which are averaging 1.7 and 1.1 units per month, respectively. Projects which offer homes under \$1,000,000 (at the low end of the sale price range) are generally reporting absorption rates between 3 and 8 units per month. However, it should be noted, at the time of survey (year end 2019) 950 Tennessee and 2177 Third Street had recently commenced selling and were reporting only one month of data. It is unlikely these projects will maintain an absorption rates of 12 and 15 units per month over the entire sell-out period.

We have also obtained absorption data for Mira, a high-rise, 40-story project with 392 units between \$900,000 and \$3,000,000. The project is located in the Transbay neighborhood. As of July 2020, the

project has closed escrow on 40 homes. Given the October 2018 opening of the project, this implies an absorption rate of 1.9 sales per month.

In addition, the following table reflects recently constructed condominium projects which achieved sell out over the past several years.

| Recently Sold Out Projects (2016 or later) | | | | | | | | | | | | |
|--|-----------------------|-------------------------------|--------|----------|------------------|-----------------|-----------------|--------------------|---------|---------------|-----------------|-----|
| Project | Neighborhood | Developer | No. of | | Monthly HOA | Sale Price | | Avg. \$/SF | Stories | Sold Out Date | Sales per Month | |
| | | | Units | Year Blt | | (Low) | (High) | | | | | |
| 719 Larkin | Tenderloin | JS Sullivan | 42 | 2019 | \$517 to \$548 | \$650,000 | \$815,000 | \$1,194 to \$1,206 | 8 | Nov-19 | 6.0 | |
| 901 Tennessee | Dogpatch | Local Development Group | 44 | 2019 | \$622 to \$825 | \$499,000 | \$1,779,000 | \$1,327 to \$1,675 | 4 | Nov-19 | 4.9 | |
| Sutter North | Lower Nob Hill | Marc Dimalanta | 37 | 2018 | \$490 to \$575 | \$599,000 | \$999,000 | -- | 9 | Aug-19 | 1.5 | |
| 1868 Van Ness | Nob Hill | Peter Iwate | 35 | 2017 | \$695 to \$842 | \$789,000 | \$1,189,000 | \$1,276 to \$1,371 | 8 | Jun-19 | 1.2 | |
| The Alexandria | Central Richmond | Time Space San Francisco | 43 | 2018 | \$410 to \$540 | \$780,000 | \$1,200,000 | \$1,185 to \$1,370 | 4 | May-19 | 3.0 | |
| 288 Pacific | Jackson Square | Grosvenor | 33 | 2018 | -- | +/- \$2,300,000 | +/- \$2,300,000 | +/- \$1,906 | 7 | Apr-19 | 2.4 | |
| 1598 Bay St | Marina | Presidio Development Partners | 28 | 2018 | \$700 to \$865 | \$845,000 | \$1,950,000 | \$1,365 to \$1,577 | 4 | Mar-19 | 2.5 | |
| 815 Tennessee | Dogpatch | DM Development | 68 | 2017 | -- | -- | -- | -- | 5 | Nov-18 | 5.2 | |
| 1188 Valencia | Mission | JS Sullivan | 49 | 2018 | \$480 to \$620 | -- | -- | -- | 5 | Sep-18 | 4.7 | |
| The Pacific | Pacific Heights | Trumark Urban | 76 | 2016 | -- | -- | -- | -- | 9 | Jul-18 | 3.3 | |
| 1450 Franklin | Lower Pacific Heights | Village Properties | 67 | 2016 | \$700 to \$875 | -- | -- | -- | 13 | Jun-18 | 3.1 | |
| The District | Lower Pacific Heights | KB Homes | 81 | 2016 | \$680 to \$950 | \$860,000 | \$1,562,500 | \$1,084 to \$1,192 | 6 | May-18 | 2.8 | |
| 72 Townsend | South Beach | KB Homes | 74 | 2016 | \$700 to \$1,100 | -- | -- | -- | 9 | Mar-18 | 2.0 | |
| The Rockwell | Lower Pacific Heights | Oyster Development | 259 | 2016 | \$500 to \$900 | \$784,500 | \$3,100,000 | \$1,240 to \$1,467 | 13 | Jan-18 | 8.0 | |
| La Maison | SOMA | JS Sullivan | 28 | 2017 | -- | -- | -- | -- | 5 | Jan-18 | 2.3 | |
| Knox | Dogpatch | Trumark Urban | 91 | 2016 | -- | -- | -- | -- | 4 to 5 | Nov-17 | 11.1 | |
| Rowan | Inner Mission | Trumark Urban | 70 | 2015 | \$572 to \$778 | -- | -- | -- | 9 | Nov-17 | 5.3 | |
| Luxe | Pacific Heights | Belrich Partners | 34 | 2016 | \$800 to \$1,000 | -- | -- | -- | 7 | Mar-17 | 0.5 | |
| Summit 800 | Duboce Triangle | Comestock Homes | 182 | 2016 | \$180 to \$300 | -- | -- | -- | 3 | Feb-17 | 6.0 | |
| 388 Fulton | Civic Center | 7x7 Development | 69 | 2016 | \$345 to \$500 | -- | -- | -- | 6 | Dec-16 | 7.5 | |
| 450 Hayes | Hayes Valley | DM Development | 41 | 2016 | \$700 to \$1,000 | -- | -- | -- | 4 | Nov-16 | 4.4 | |
| One Franklin | Hayes Valley | JS Sullivan | 35 | 2016 | \$550 to \$650 | -- | -- | -- | 8 | Oct-16 | 8.6 | |
| 1001 17th St | Potrero Hill | Eamonn Herlihy | 26 | 2016 | \$400 to \$750 | -- | -- | -- | 4 | Aug-16 | 2.8 | |
| | | | | | | | | | | | Average (2019) | 3.1 |
| | | | | | | | | | | | Average (all) | 4.3 |

The average rate of absorption for all projects in the above table is 4.3 sales per month. Projects which sold out in 2019 reflect an absorption rate of 3.1 sales per month.

The previous absorption tables presented include data through the end of December 2019, which reflects a pre-COVID-19 market. The following paragraphs present our conclusions for the subject based upon this data. Further analysis of the impact of COVID-19 on the San Francisco residential market will be provided next.

The subject's residential product will range from condominiums within a five-story improvement (The Bristol) to townhomes and flats between three and four stories. Therefore, the subject is most similar to comparables with eight stories or less. Our market value conclusion for The Bristol's average unit reflects a price point of around \$1,700,000, which falls within the range of comparable sale prices. Given the price point and size of the proposed units, and the previous data on active and recently sold out projects, we project an absorption rate of between **4.0** and **5.0** sales per month is appropriate for The Bristol units (1,175 square feet). Therefore, we conclude at an absorption rate of **14.0** sales per quarter.

However, at 2,850 to 2,890 square feet, the subject's average townhome and flat will be considerably larger than The Bristol units. The price point for these units is also expected to be significantly higher, with our market value conclusion around \$4,250,000. Given this higher price point, and the pool of buyers with interest in this product type, we project an absorption rate of **2.0** sales per month for these units. This is toward the lower end of the comparable range, but is consistent with active and recently sold out projects with higher priced units.

Absorption Projection - Parcels 1Y, 3Y, & 4Y

| | Units/Month | Units/Quarter |
|-----------------|-------------|---------------|
| The Bristol | 4.7 | 14 |
| Townhomes/Flats | 2.0 | 6 |

COVID-19 Impact on Local Market

As part of this analysis, we have interviewed multiple sales agents throughout the Bay Area in recent months regarding the impact of COVID-19 on home sales. The following is a summary of these interviews:

- The majority of agents we spoke with indicate there has been little (under 5%) to no reduction in sale prices for homes priced below the \$2 million price point. This is particularly true for new homes, many of which continue to achieve pre-COVID-19 asking prices. However, there are some reports of overall condo sales dropping approximately 4% in San Francisco from 2019.
- Though sale prices have not been heavily impacted, the pace of sales slowed dramatically in the second quarter due to shelter-in-place orders, as well as restrictions in place which forbade showings of occupied homes. Some sellers chose to take their homes off the market during the second quarter of 2020. Conversations with agents are consistent with data from brokerage Vanguard, as reported by the SF Chronicle, which indicated a 57.7% decline in closed condo sales from 2Q 2019 to 2Q 2020, and a 42.3% decline on in-contract units over the same period.
- Despite the slowed pace of sales in March and April due to shelter-in-place restrictions and a reduced number of listings, most sales agents reported continued interest in newly listed homes, particularly in June. According to the agents we spoke with, it continues to be common to quickly receive multiple offers on newly listed homes.
- Some sales agents also noted that new construction is currently enjoying an advantage due to buyer sentiments; because of COVID-19, a new home is more desirable to many buyers than a home which has been previously occupied.
- Multiple sales agents reported an increased interest in private outdoor space, either balconies, rooftop terraces, or yards. Buyers are also often looking for additional square footage above their current living space. The shelter-in-place orders and the increased prevalence of working from home have made private outdoor space and larger living spaces more attractive to homebuyers. Many Bay Area employees have been told not to return to the office at least through 2020, with Google recently announcing employees may work from home through July 2021.
- During the course of this process, we analyzed new home developments in desirable submarkets throughout the Bay Area. Overwhelmingly, these projects saw a dip in homes

sales in March and April due to strict shelter-in-place orders, followed by a strong rebound in sales in May, June, and July. Projects considered as part of our analysis include the following:

- Attached townhome new construction on the island of Alameda, which is undergoing significant redevelopment. Model homes for the project are not yet open, and pre-sales for new homes began in March 2020. From March through June, the project averaged 4 homes going into contract per month, despite shelter-in-place orders. No dip in sales prices was reported due to COVID-19. Price points range from approximately \$900,000 to \$1,200,000.
- Project in the city of Santa Clara offering new attached townhomes and new detached single family residences. Since model homes opened in November 2019, the project overall has averaged 13.1 closings per month, with townhome product lines outperforming detached product with an average absorption rate of 11.5 sales per month. No dip in sale prices was reported due to the pandemic, and the developer has been moving forward with scheduled price increases. The price point for this project is \$1.2 million to \$2+ million.
- New attached townhome project in the city of Fremont; project is approaching sellout with price points between \$850,000 and \$1,030,000. Developer reported no drop in sale prices due to COVID-19, and project has supported scheduled increases in pricing. Project averaged 3 homes entering into contract a week in January 2020, followed by a slowdown to 1 sale per month in March and April due to shelter-in-place orders. Sales rebounded in May and June, with an average of 1 home entering contract per week in May (4 per month) and 1.5 sales per week in June (6 per month).
- New single family residential project with homes on small lots in Marin County. Local sales agents noted very little price discounting to homes under the \$2 million price point. Homes continued to enter into contract in Marin County with multiple offers throughout the spring. Project had recently started offering units for sale when the pandemic hit. The developer revised absorption expectations from 4 to 5 homes per month to 3 to 4 homes per month during Spring 2020.
- New single family residential project in coastal San Mateo County with price points over \$2 million. Project was under construction in April 2020 and homes have not yet been offered for sale. However, the developer does not plan to revise pricing or absorption projections due to COVID-19, as homes will not be complete until 2021. Local sales agents reported an initial dip in coastal San Mateo County home prices over \$2 million in March, followed by a rebound in April to prices consistent with the pre-COVID market. Sales agents gave anecdotal evidence of multiple homes in the \$2 to \$5 million price range in escrow (which came on the market in the midst of COVID-19). Agents noted new construction commands a premium, but sales activity slowed in March and April due to shelter-in-place orders.

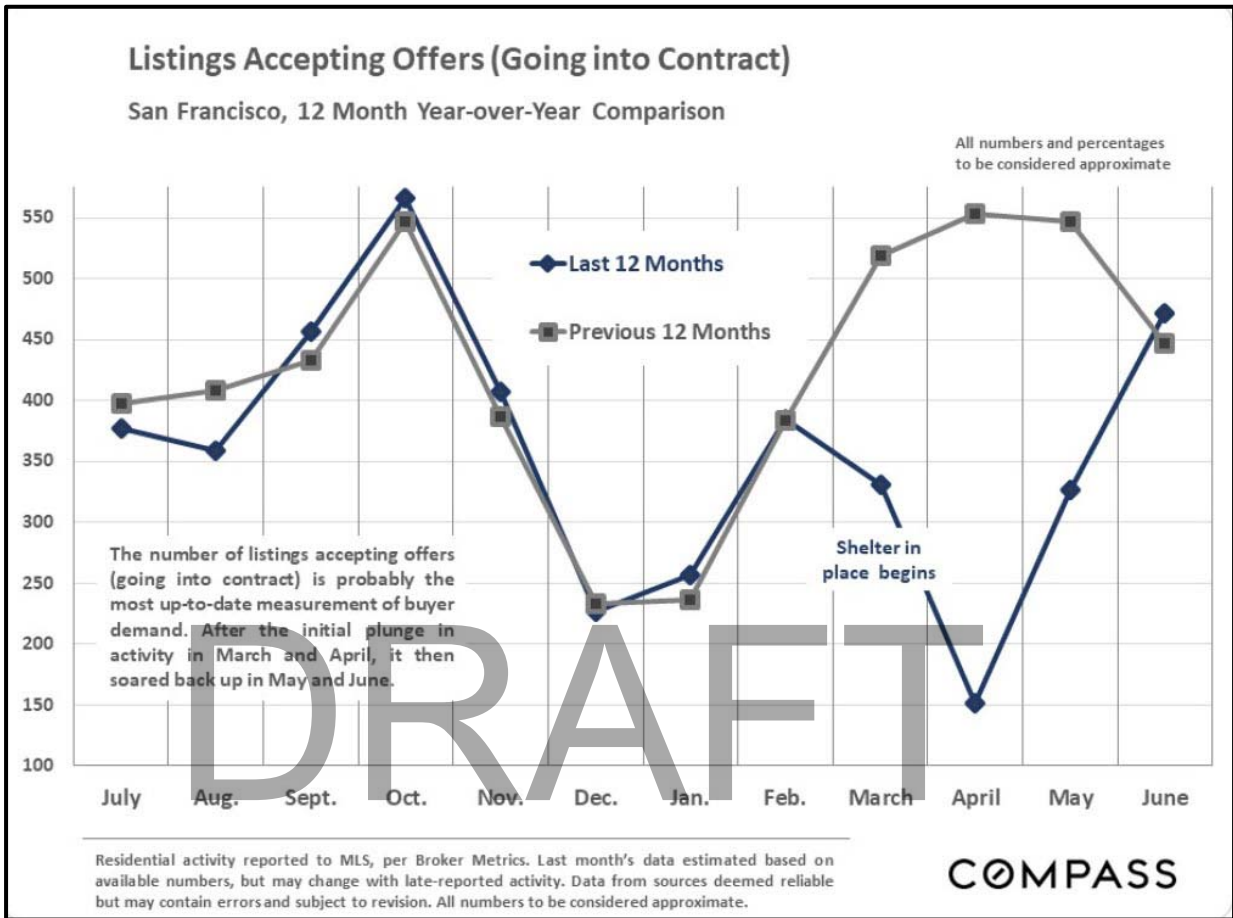
In addition to the above market participant interviews and analysis, we also consider data from real estate firm Compass, which publishes quarterly reports on San Francisco's housing market. The upcoming charts and data are courtesy of a Compass July 2020 report, entitled "*San Francisco Market Continues to Rebound.*" Compass reports the single family residential market in San Francisco is showing many positive indicators; though, the condominium market lags somewhat behind. The following is an excerpt from the article:

"Despite the ongoing health and economic crisis precipitated by COVID-19, the SF real estate market made a large recovery from the steep declines in March and April. The SF median house price hit a new monthly high in June (\$1,800,000), and high-end houses, in particular, have seen very strong demand—this applies to virtually every market in the Bay Area. More affluent buyers—the demographic least affected by COVID-19, unemployment, and also having the greatest financial resources—have been jumping back into the market to a greater degree than other segments.

The condo market has been weaker than the house market, as measured by both supply and demand metrics and median sales price. It may be that prospective condo buyers—often younger and less affluent than house owners—have been more affected by the huge jump in unemployment."

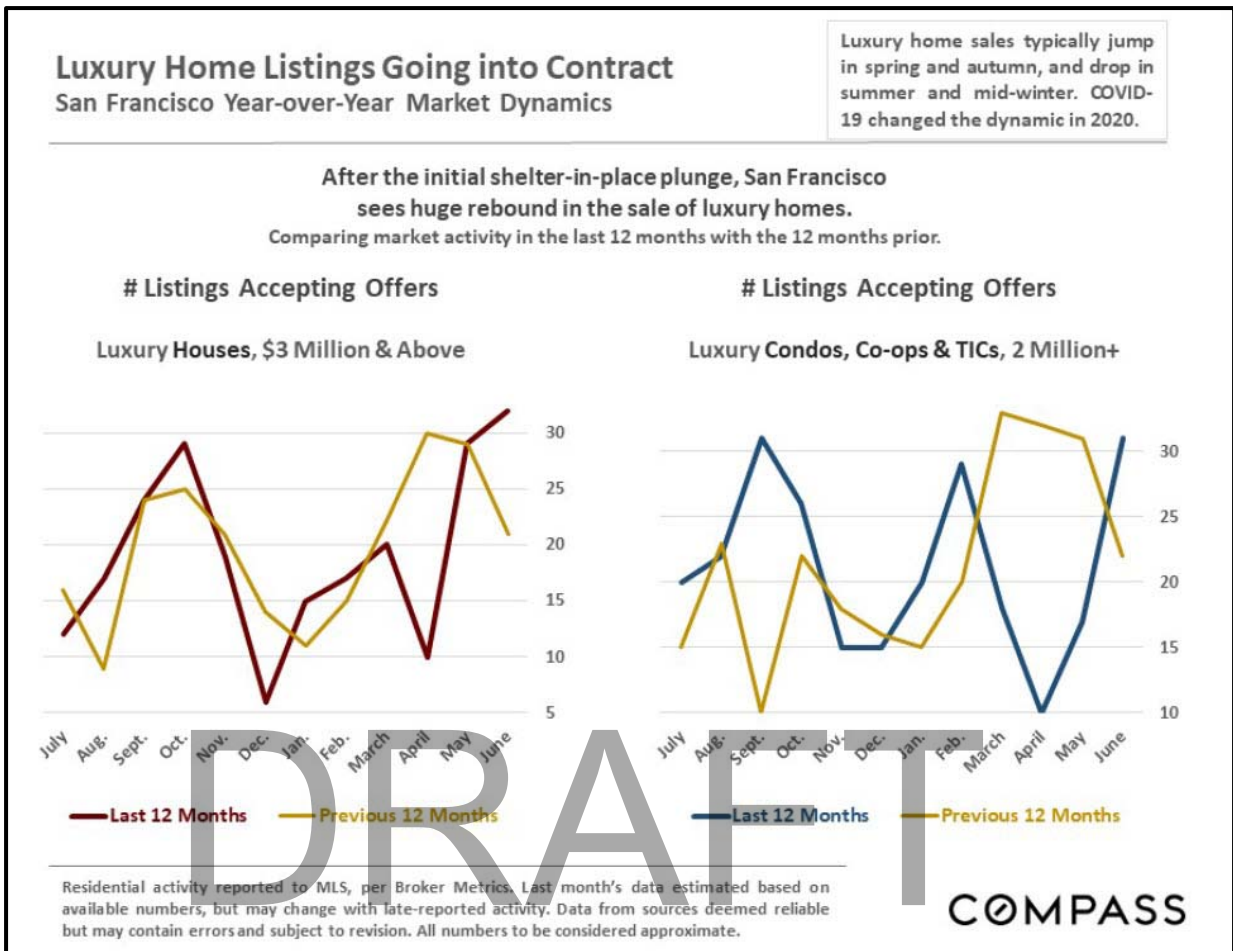
Although the condominium market has not achieved the same metrics as the house market, it remains that condominium metrics are trending upward. For example, luxury condominium sales activity in May and June 2020 surpassed sales activity over the same time period in 2019. Condo sale prices as of the second quarter of 2020, though lower than 2019 averages, are higher than 2018 averages. Further data is provided on the following pages.

The following graphic compares sales activity between 2020 and 2019 and demonstrates the impact of shelter-in-place orders, as well as the subsequent rebound.



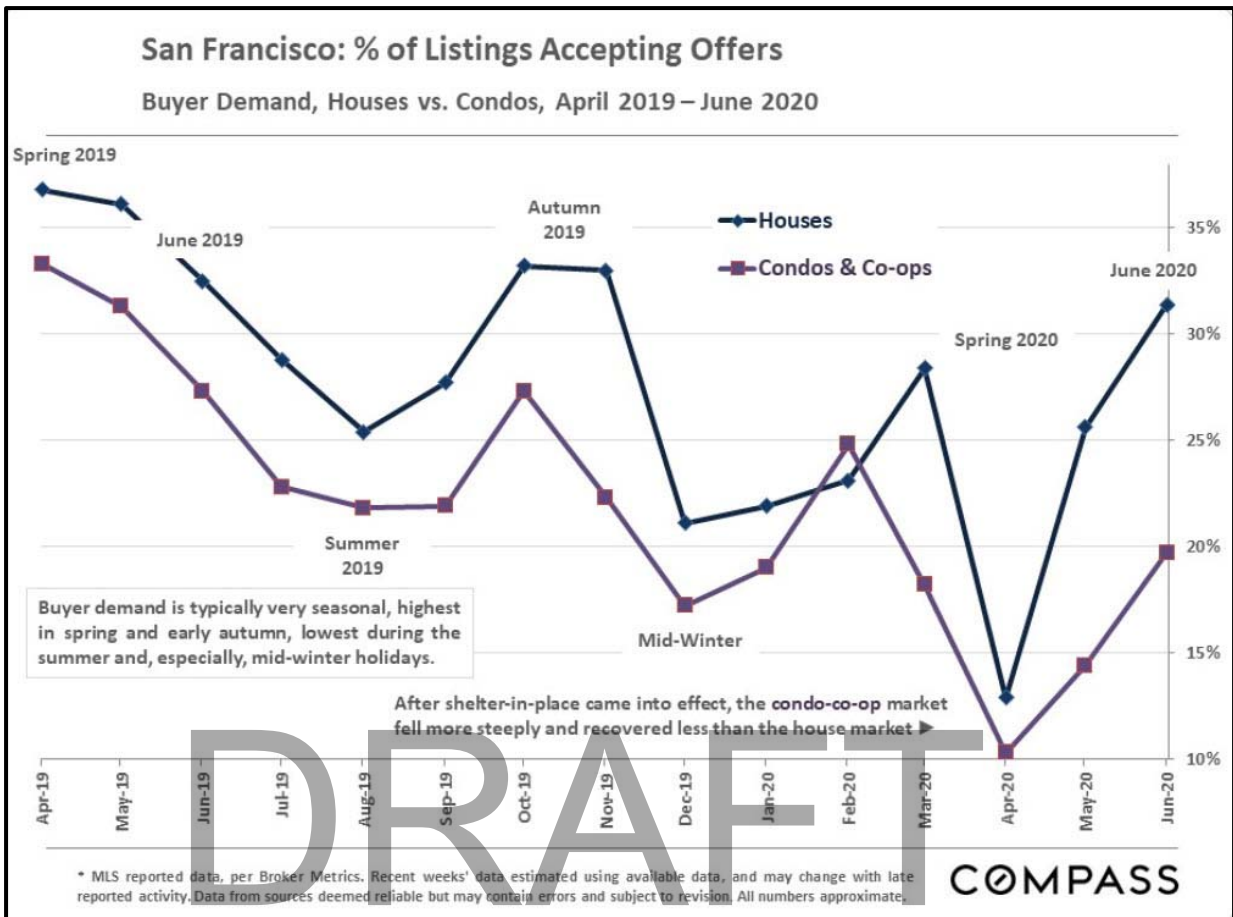
The following table demonstrates the May and June rebound of luxury product in San Francisco.





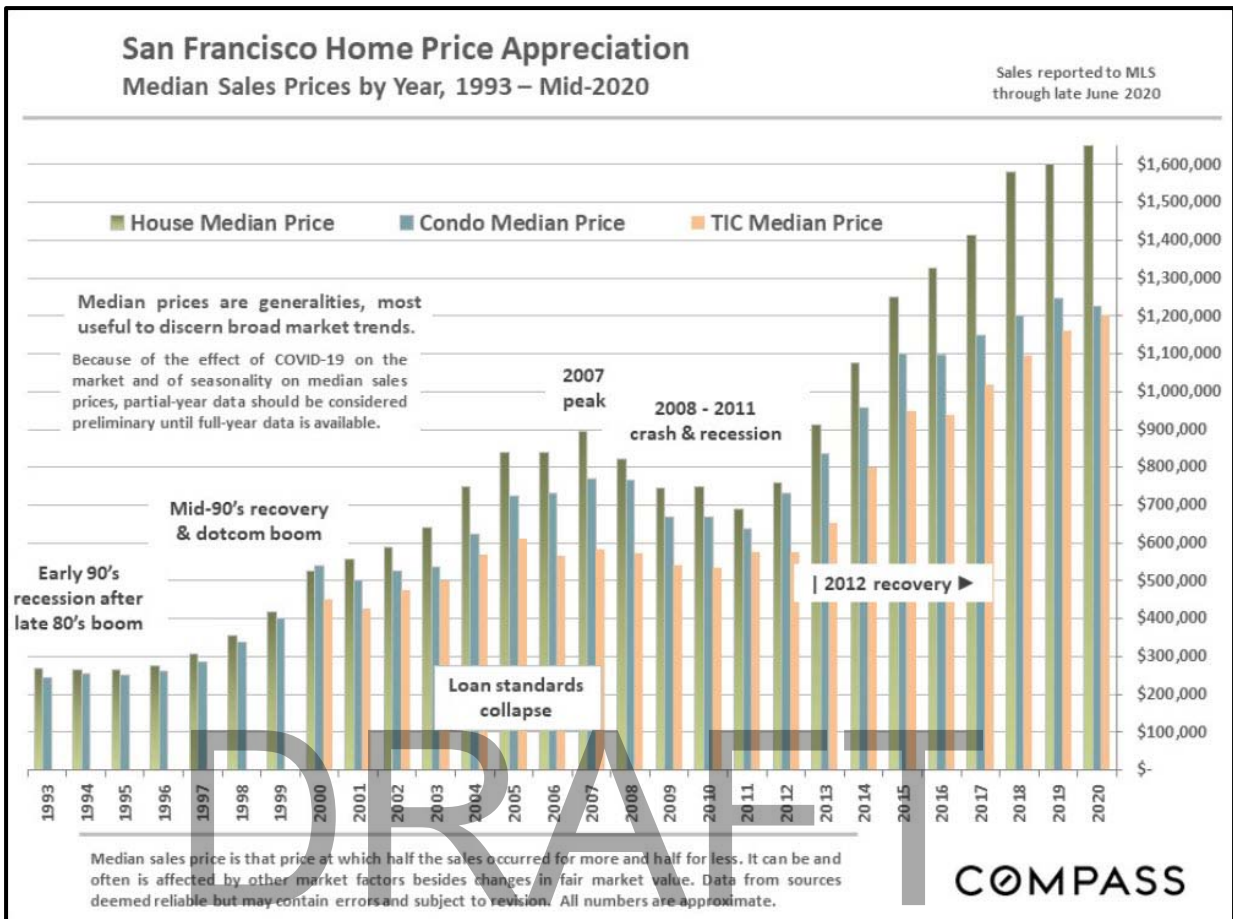
With the exception of The Bristol, the subject's other units would fall into the luxury condo category based upon price point. Both luxury homes and condos saw higher May and June sales activity over the previous year, after dramatic drops in March and April. As indicated in the following table, the condo market has lagged behind the house market; though, both have rebounded since April. Median condo sales have not reached 2019 highs, however.





Though the percentage of condo listings accepting offers is lower than houses, it remains the percentage has trended upward following April. The following table demonstrates home appreciation over the past few decades.

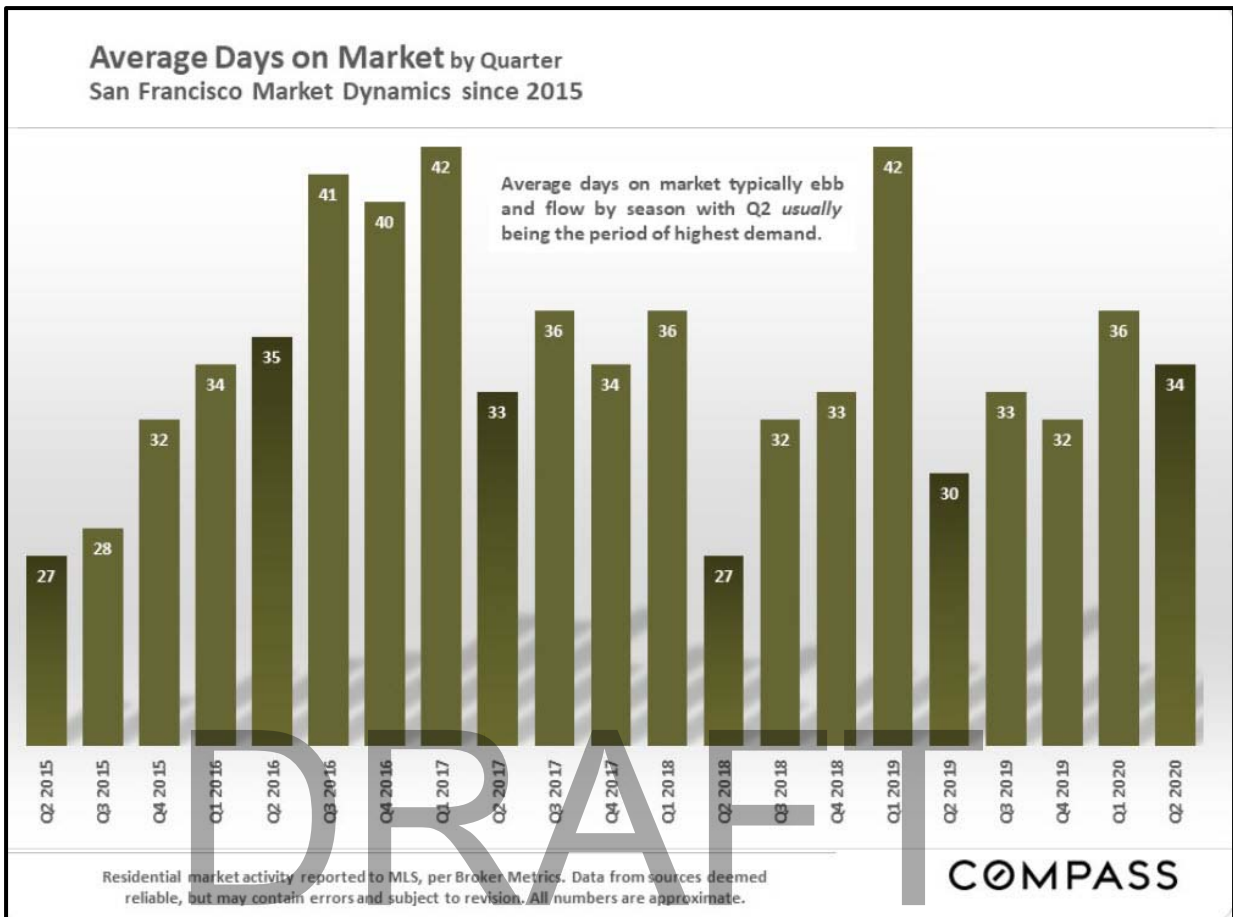




The 2020 data is preliminary, as it runs through June. Median house prices have exceeded 2019 highs, while median condo prices are slightly lower than 2019 numbers, but higher than 2018.

The following table depicts average days on market by quarter.

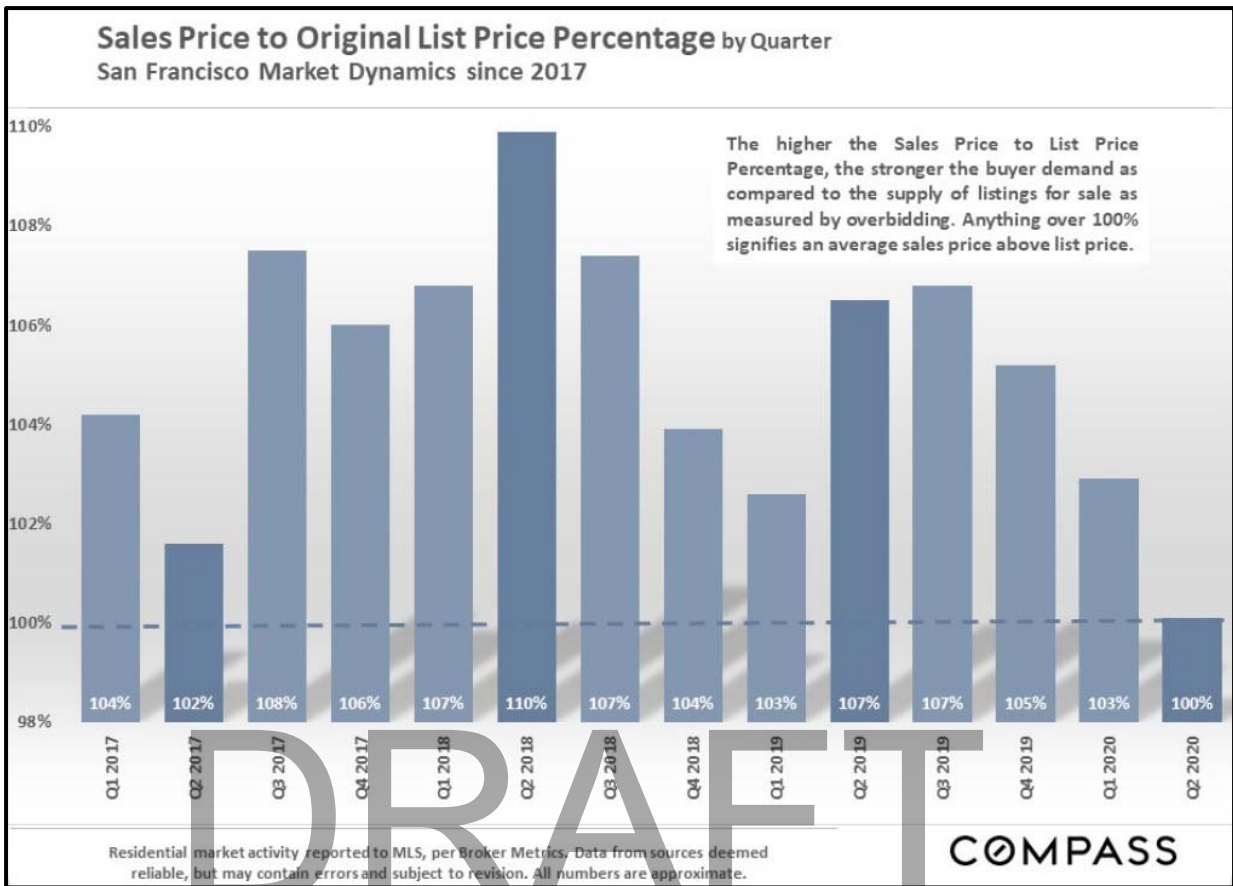




Despite the lower sales volume in the second quarter of 2020, the average days on market is only four days higher (34 days) than the average of the second quarter of 2019 (30 days).

Finally, the following table demonstrates trends in sale prices as a percentage of listing prices.





Though average sale prices in relation to list prices have dropped, it remains the average sale price is at 100% of listing price in the second quarter of 2020.

Conclusion of Absorption Projection

After reduced sales activity in March and April, San Francisco sales activity rebounded in May, June, and July. Based upon conversations with sales agents and the previous Compass data, it appears sale prices have been impacted downward between 0% to 5%, and average days one market are approximately 4 days longer than the second quarter of 2019.

The subject benefits from several attributes, which are expected to make the product attractive to homebuyers in the current environment. First, the townhomes and flats offer floor plans toward the larger end of the market, and additional living space is currently appealing to many buyers due to the increased prevalence of working from home. In addition, commuting time becomes less of a concern to those primarily working from home; though, the subject is well positioned between San Francisco and Oakland employment centers. In addition, the subject is located on Yerba Buena Island, which may be attractive to some buyers preferring to live outside the urban core due to heightened by the pandemic; many of San Francisco’s amenities remain closed for the foreseeable future. Finally, the subject reflects new construction, which is currently preferred to previously occupied housing by some buyers.



Given the characteristics of the subject, and the rebounding of the local market after the shelter-in-place orders, it is our opinion the following absorption conclusions remain reasonable for the subject product moving forward. Reduced absorption in March and April appears to have been temporary, and we have seen multiple newly constructed townhome projects throughout the Bay Area return to pre-COVID-19 sale levels in recent months. In addition, many of the subject homes will not be offered for sale until 2021.

Absorption Projection - Parcels 1Y, 3Y, & 4Y

| | Units/Month | Units/Quarter |
|-----------------|-------------|---------------|
| The Bristol | 4.7 | 14 |
| Townhomes/Flats | 2.0 | 6 |

Ability to Pay

In this section, we will examine the ability to pay among prospective buyers for a representative price point among the developer's various product types. As previously discussed, the average unit size for The Bristol's market rate units is 1,175 square feet; we have estimated a corresponding sale price at \$1,700,000.

First, we will estimate the required annual household income based on typical mortgage parameters in the subject's market area. Specifically, we will employ a loan-to-value ratio of 80% (down payment of 20%), mortgage interest rate of 4.50%, 360 monthly payments, and a 40% ratio for the housing costs as a percent of monthly income (inclusive of principal, interest, all taxes and insurance). Property tax payments are accounted for in the analysis as well as homeowner's insurance. The following table shows the estimate of the annual household income that would be required to afford homes priced at the representative price point.

Income Required

| | |
|---------------------------------|-------------|
| Home Price | \$1,700,000 |
| Loan % of Price (Loan to Value) | 80% |
| Loan Amount | \$1,360,000 |
| Interest Rate | 4.50% |
| Mortgage Payment | \$6,891 |
| Ad Valorem Taxes | \$1,672 |
| Bond Payments | |
| CFD No. 1 | \$650 |
| Property Insurance | \$354 |
| Total Monthly Obligation | \$9,567 |
| Mortgage Payment % of Income | 40% |
| Monthly Income | \$23,918 |
| Annual Income | \$287,012 |

We also conduct the same analysis for the subject's townhomes and flats. We have estimated a representative price point of \$4,250,000 for these units, which are between 2,800 and 2,900 square feet.

Income Required

| | |
|---------------------------------|-------------|
| Home Price | \$4,250,000 |
| Loan % of Price (Loan to Value) | 80% |
| Loan Amount | \$3,400,000 |
| Interest Rate | 4.50% |
| Mortgage Payment | \$17,227 |
| Ad Valorem Taxes | \$4,180 |
| Bond Payments | |
| CFD No. 1 | \$1,507 |
| Property Insurance | \$885 |
| Total Monthly Obligation | \$23,799 |
| Mortgage Payment % of Income | 40% |
| Monthly Income | \$59,497 |
| Annual Income | \$713,970 |

We have obtained income data from Esri Business Analyst Online (Esri), formerly STDB Online, for a 20-mile radius surrounding the subject property, which is considered representative of typical buyers for the subject property. In the following table we show the income brackets within the noted area, along with estimates of the percentage of households able to afford homes priced at the representative price point within each income bracket.

Household Ability

| Household Income | Households | Percent of Households | Percent Able to Pay | Households | Households Able to Pay |
|-----------------------|----------------|-----------------------|---------------------|----------------|------------------------|
| < \$15,000 | 88,202 | 7.1% | 0.0% | 0 | 0.0% |
| \$15,000 - \$24,999 | 71,546 | 5.8% | 0.0% | 0 | 0.0% |
| \$25,000 - \$34,999 | 65,009 | 5.3% | 0.0% | 0 | 0.0% |
| \$35,000 - \$49,999 | 93,265 | 7.5% | 0.0% | 0 | 0.0% |
| \$50,000 - \$74,999 | 140,080 | 11.3% | 0.0% | 0 | 0.0% |
| \$75,000 - \$99,999 | 126,779 | 10.2% | 0.0% | 0 | 0.0% |
| \$100,000 - \$124,999 | 113,734 | 9.2% | 0.0% | 0 | 0.0% |
| \$125,000 - \$149,999 | 98,973 | 8.0% | 0.0% | 0 | 0.0% |
| \$150,000 - \$199,999 | 136,786 | 11.1% | 0.0% | 0 | 0.0% |
| \$200,000 - \$249,999 | 86,567 | 7.0% | 0.0% | 0 | 0.0% |
| \$250,000 - \$499,999 | 112,173 | 9.1% | 85.2% | 95,571 | 7.7% |
| \$500,000 | <u>104,359</u> | <u>8.4%</u> | 100.0% | <u>104,359</u> | <u>8.4%</u> |
| | 1,237,473 | 100.0% | | 199,930 | 16.2% |

Household Ability

| Household Income | Households | Percent of Households | Percent Able to Pay | Households | Households Able to Pay |
|-----------------------|----------------|-----------------------|---------------------|---------------|------------------------|
| < \$15,000 | 88,202 | 7.1% | 0.0% | 0 | 0.0% |
| \$15,000 - \$24,999 | 71,546 | 5.8% | 0.0% | 0 | 0.0% |
| \$25,000 - \$34,999 | 65,009 | 5.3% | 0.0% | 0 | 0.0% |
| \$35,000 - \$49,999 | 93,265 | 7.5% | 0.0% | 0 | 0.0% |
| \$50,000 - \$74,999 | 140,080 | 11.3% | 0.0% | 0 | 0.0% |
| \$75,000 - \$99,999 | 126,779 | 10.2% | 0.0% | 0 | 0.0% |
| \$100,000 - \$124,999 | 113,734 | 9.2% | 0.0% | 0 | 0.0% |
| \$125,000 - \$149,999 | 98,973 | 8.0% | 0.0% | 0 | 0.0% |
| \$150,000 - \$199,999 | 136,786 | 11.1% | 0.0% | 0 | 0.0% |
| \$200,000 - \$249,999 | 86,567 | 7.0% | 0.0% | 0 | 0.0% |
| \$250,000 - \$499,999 | 112,173 | 9.1% | 0.0% | 0 | 0.0% |
| \$500,000 | <u>104,359</u> | <u>8.4%</u> | 80.0% | <u>83,487</u> | <u>6.7%</u> |
| | 1,237,473 | 100.0% | | 83,487 | 6.7% |

Conclusions

Demand for homes in the subject's market area is considered to be strong at the current time as indicated by the overall trend of building permit activity, new home sales prices, and activity in recent quarters as well as the absorption rate within new home projects in the subject's area. In addition, home sales have rebounded in San Francisco and the Bay Area after two months of sluggish sales activity due to the COVID-19 pandemic and Shelter-in-Place orders.

While there are no existing comparables on Yerba Buena Island, there is demand in established, residential neighborhoods in San Francisco for upscale condominiums and townhomes from buyers who do not wish to reside in busier areas closer to the central business district. Yerba Buena Island's seclusion, sweeping Bay views, and convenient interstate access to San Francisco and Oakland is expected to be appealing to buyers. However, some of these attributes may be tempered by the fact that some San Francisco buyers prefer to live on the San Francisco Peninsula, within the broader city limits of San Francisco.

Property Analysis

Land Description and Analysis

Location

The subject property is comprised of three parcels located on Yerba Buena Island. A map of the parcels follows this section.

Land Area

The following table summarizes the subject's land area.

Land Area Summary

| Tax ID | Developable | | SF | Acres |
|----------|-------------|-------------------------------|---------|-------|
| | Parcel | Ownership Entity | | |
| 8948-001 | 1Y | Treasure Island Series I, LLC | 282,758 | 6.49 |
| 8952-001 | 3Y | YBI Phase 2 Investors, LLC | 61,345 | 1.41 |
| 8954-002 | 4Y | YBI Phase 1 Investors, LLC | 231,763 | 5.32 |
| Total | | | 575,866 | 13.22 |

Source: Public Records

Shape and Dimensions

The subject parcels are irregular in shape, given the topography of the island. However, site utility based on shape and dimensions remains average.

Topography

The subject sites are generally steep. The developer's proposal utilizes the landscape to maximize views of the Bay and San Francisco skyline when possible. The topography does not result in any particular development limitations, though it obviously influences the development of the subject.

Off-site Improvements

At the time of inspection, backbone infrastructure and some on-site work of Parcel 4Y was underway. In addition to roads and street improvements, infrastructure includes development associated with Hilltop Park, pedestrian trails, Treasure Island Causeway improvements, and utility infrastructure and upgrades. Yerba Buena Island will also be receiving three 1.4-million-gallon water tanks.

According to the development budget provided by the master developer, total infrastructure costs associated with development of Improvement Area No. 1 are \$164,207,974. Further, according to the master developer, the total infrastructure costs directly attributable to YBI are \$131,276,863, the difference representing such infrastructure costs proportionately obligated by future development of Treasure Island. It is noted, however, the YBI costs (\$131,276,863) are attributable to Parcels, 1Y, 2Y, 3Y and 4Y of Improvement Area No. 1; whereas, Parcel 2Y, as previously noted, is not a part of this

Appraisal. As such, the proportionate share of infrastructure costs for YBI attributable to the subject property (Parcels 1Y, 3Y and 4Y) will be considered in the valuation analysis herein. The following table provides an allocation of backbone infrastructure costs for YBI.

Pro Rata Share of Infrastructure by Parcel

| Parcel | Acreage | Pro Rata Share | Total Infrastructure Cost - YBI | Costs Spent to Date | Remaining Costs to Spend |
|-----------|--------------|----------------|---------------------------------|---------------------|--------------------------|
| Parcel 1Y | 6.49 | 41.9% | \$54,973,325 | \$19,640,860 | \$35,332,464 |
| Parcel 2Y | 2.28 | 14.7% | \$19,317,984 | \$6,901,926 | \$12,416,058 |
| Parcel 3Y | 1.41 | 9.1% | \$11,926,590 | \$4,261,130 | \$7,665,460 |
| Parcel 4Y | 5.32 | 34.3% | \$45,058,965 | \$16,098,659 | \$28,960,305 |
| | 15.50 | 100.0% | \$131,276,863 | \$46,902,576 | \$84,374,287 |

Remaining Costs Left to Spend - Parcels 1Y, 3Y, 4Y

\$71,958,229

| Parcel | Revenue | Pro Rata Share | - | - | Remaining Costs to Spend |
|---------|----------------------|----------------|---|---|--------------------------|
| 3Y & 4Y | \$87,980,000 | 49.9% | | | \$35,879,201 |
| 1 Y | \$88,470,000 | 50.1% | | | \$36,079,028 |
| | \$176,450,000 | 100.0% | | | \$71,958,229 |

On-site Improvements

Development of Parcel 4Y has commenced, while development of Parcels 3Y and 1Y has not yet begun. To date, approximately \$23,000,000 has been spent on the construction of The Bristol.

Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

Flood Hazard Status

According to the Federal Emergency Management Agency, a study has not been completed to determine the flood hazard for the subject property. No FEMA flood hazard maps have been published for the City and County of San Francisco. Therefore, mandatory flood insurance purchase requirements do not apply to the subject property.

Flood Hazard Status

| | |
|------------------------|------------|
| Community Panel Number | Not Mapped |
| Insurance Required? | No |

The City and County of San Francisco also notes the existing elevation of Yerba Buena Island is above the 100-year flood plain, and will remain so in the future given the projected sea level rise estimates.

Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject’s soil bearing capacity is sufficient to support the existing improvements.

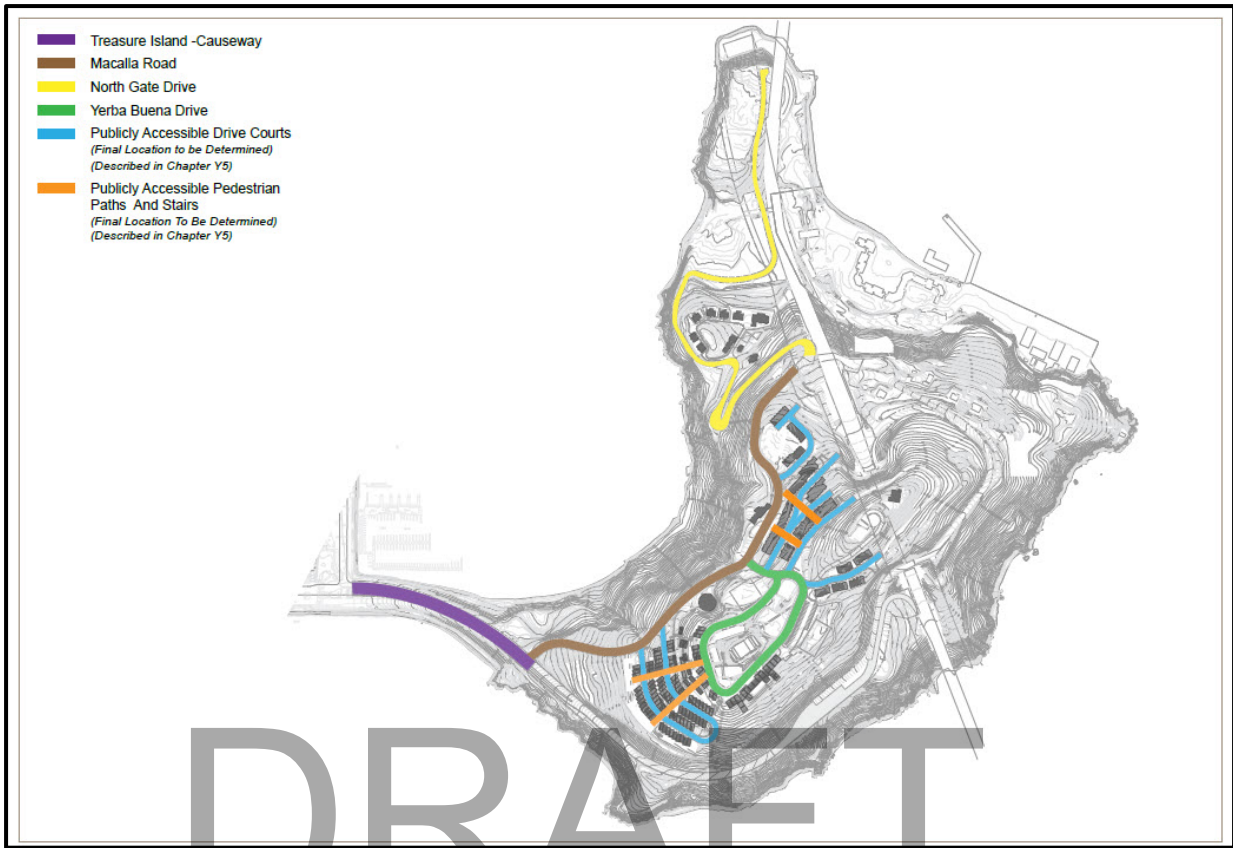
Streets, Access and Frontage

Details pertaining to street access and frontage are provided in the following table.

| Streets, Access and Frontage (as proposed) | |
|---|--------------------------|
| Street | Yerba Buena Rd |
| Paving | Asphalt |
| Curbs | Yes |
| Sidewalks | Yes |
| Lanes | 1 way, 1 lane |
| Direction of Traffic | Loop around Hilltop Park |
| Traffic Levels | Low |
| Access/Curb Cuts | Yes |
| Visibility | Average |

Yerba Buena Road is one of the primary proposed streets which will provide vehicular access between the subject parcels. A map of the existing and proposed roads for the island is provided on the following page.





Utilities

The availability of utilities to the subject is summarized in the following table.

| Utilities | |
|-------------|---|
| Service | Provider |
| Water | San Francisco Public Utilities Commission |
| Sewer | San Francisco Public Utilities Commission |
| Electricity | San Francisco Public Utilities Commission |
| Natural Gas | Pacific Gas & Electric |
| Local Phone | Various Providers |

Zoning

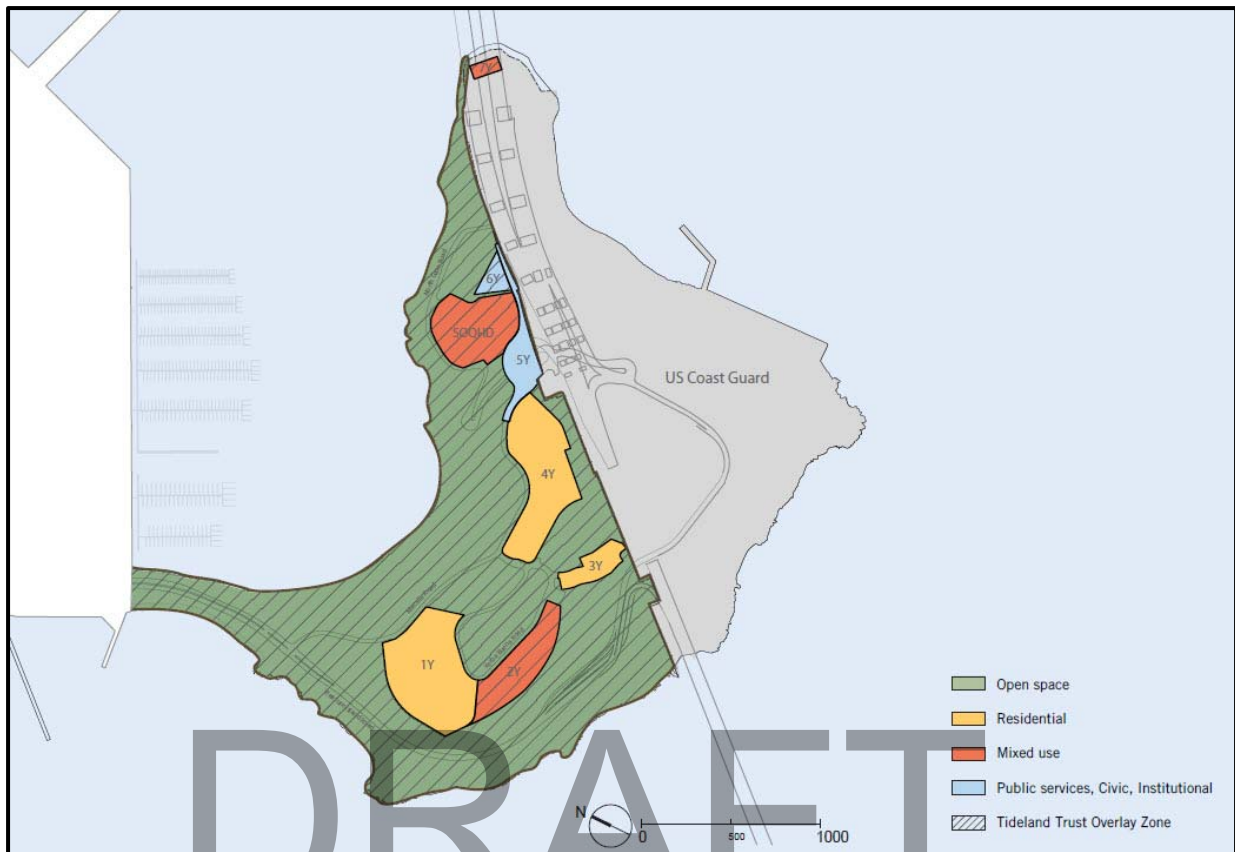
The subject is zoned YBI-R, Yerba Buena Island Residential, by City and County of San Francisco. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

| Zoning Summary | 1Y, 3Y, 4Y |
|--------------------------|---|
| Zoning Jurisdiction | City and County of San Francisco |
| Zoning Designation | YBI-R |
| Description | Yerba Buena Island Residential |
| Legally Conforming? | Appears to be legally conforming |
| Zoning Change Likely? | No |
| Permitted Uses | Primarily residential with limited retail and office uses |
| Category | Zoning Requirement |
| Minimum Lot Area | NA |
| Minimum Setbacks (Feet) | 10 (Yerba Buena Rd) to 20 ft (all other public streets) |
| Maximum Building Height | 35 ft above grade; 10 ft step back required after |
| Maximum Density | NA |
| Maximum Floor Area Ratio | NA |
| Parking Requirement | No minimum requirement; maximum 1 space per dwelling |

Source: City and County of San Francisco Planning and Zoning

The subject parcels are fully entitled for 261 attached residences and five homesites. Further detail on the proposed improvements will be presented in upcoming sections. As Yerba Buena Island is encumbered with its own specific zoning regulations, and because the subject parcels are entitled, it appears the proposed use of the subject parcels are legally conforming uses.

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required. A zoning map is provided below. The subject parcels—4Y, 3Y, and 1Y—are shaded yellow.



Other Land Use Regulations

We are not aware of any other land use regulations that would affect the property.

Seismic Hazards

All properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was enacted by the State of California in 1972 to regulate development near active earthquake faults. The Act required the State Geologist to delineate “Earthquake Fault Zones” (formerly known as “Special Studies Zones”) along known active faults in California. Cities and counties affected by the identified zones must limit certain development projects within the zones unless geologic investigations demonstrate that the sites are not threatened by surface displacement from future faulting.

According to information from the California Geological Survey (formerly known as the Division of Mines and Geology), the subject is not located within an Alquist-Priolo Special Studies Zone. (California Geological Survey, Official Map, Oakland West Quadrangle (2000)). However, the Working Group on California Earthquake Probabilities reported in 2015 that there is a 72% chance at least one 6.7 magnitude earthquake (or larger) will occur in the San Francisco Bay Area by 2045. It should be noted portions of Yerba Buena Island lie within a liquefaction zoning and/or a landslide zone. It appears that all or most of the subject’s proposed development does not lie within a liquefaction zone, though parts of Parcels 3Y and 1Y are within landslide zones.



Source: California Department of Conservation

The yellow shading indicates all or a portion of the area is within a liquefaction and landslide zone. The blue shading indicates all or a portion of the area is within a landslide zone, but not a liquefaction zone. The light blue/gray shading indicates the area is not impacted for a liquefaction or landslide zone.

Inclusionary Housing

Fourteen of the subject's Bristol units will reflect inclusionary housing; the sale price of these units will be restricted. The buyer's housing costs, including mortgage (assuming a 10% down payment), taxes, insurance, and HOA fees must not exceed 33% of 120% of San Francisco's median household income. Maximum pricing based upon the San Francisco Mayor's Office of Housing and Community Development (MOHCO) requirements are shown on the following page.

| ASSUMED HOUSEHOLD SIZE | | 1 Person | 2 Person | 3 Person | 4 Person | 5 Person |
|------------------------|----------------|-----------|-----------|-----------|-----------|-----------|
| MEDIAN INCOME @ | 120% OF MEDIAN | \$103,450 | \$118,200 | \$133,000 | \$147,800 | \$159,600 |
| AVAIL FOR HOUSING @ | 33% | \$34,139 | \$39,006 | \$43,890 | \$48,774 | \$52,668 |
| ANNUAL CONDO FEE | | \$7,056 | \$7,908 | \$8,748 | \$9,948 | \$11,172 |
| TAXES @ | 1.1630% | \$4,911 | \$5,640 | \$6,373 | \$7,041 | \$7,525 |
| AVAILABLE FOR P+I | | \$22,171 | \$25,458 | \$28,769 | \$31,785 | \$33,971 |
| SUPPORTABLE MORT | | \$380,081 | \$436,435 | \$493,189 | \$544,891 | \$582,362 |
| DOWN PAYMENT | 10% | \$42,231 | \$48,493 | \$54,799 | \$60,543 | \$64,707 |
| AFFORDABLE PRICE | | \$422,312 | \$484,928 | \$547,988 | \$605,434 | \$647,069 |
| BEDROOM SIZE | | STUDIO | ONE | TWO | THREE | FOUR |

Notes:

- Median Income on this chart is from 2019 SF MOHCD Inclusionary Income Limits (AMI Chart).
- Interest rate is based on FreddieMac 10 yr rolling average of annual average rates for 30 yr Fixed Rate
See URL: <http://www.freddiemac.com/pmms/pmms30.htm>
- FY2019-2020 Annual Tax Rate is 1.163%, see: <http://sftreasurer.org/property-taxes>

It should be noted, the subject's below market units are not subject to the special tax associated with the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1. The below market units are a developer obligation under the subject's entitlements.

Easements, Encroachments and Restrictions

We have reviewed a preliminary title report prepared by First American Title Company dated October 11, 2019. The report identifies exceptions to title, which include various utility and access easements that are typical for a property of this type. Such exceptions would not appear to have an adverse effect on value. Our valuation assumes no adverse impacts from easements, encroachments or restrictions and further assumes that the subject has clear and marketable title.

Permits and Fees

Permits and fees for The Bristol are approximately \$23,700 per unit, while permits and fees for the flats and townhomes are approximately \$74,900 per unit.

Timeline

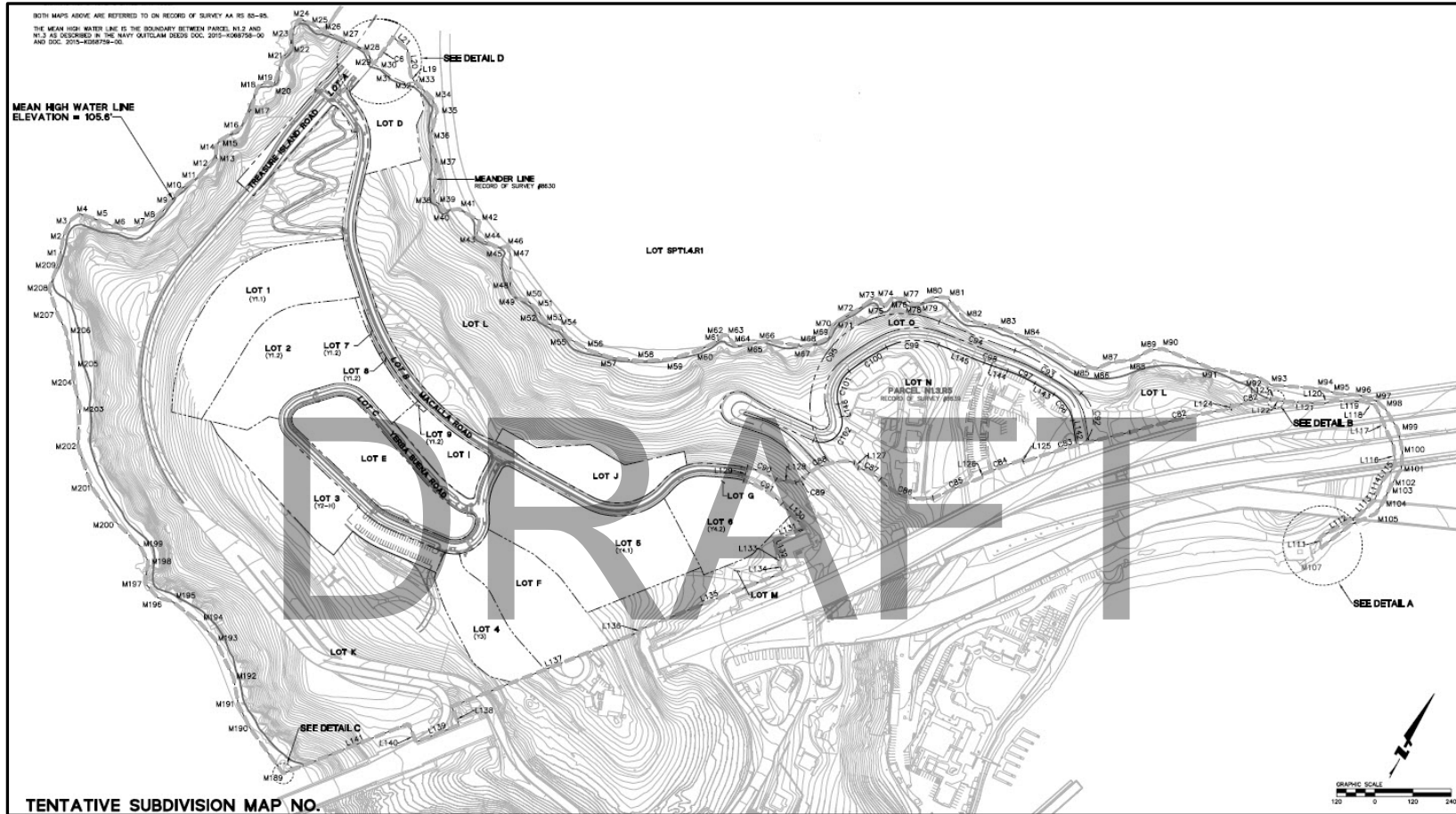
Backbone infrastructure work has commenced and site work has also begun on Parcel 4Y. The Bristol condominiums will be completed first, likely in late 2021. The development of townhomes and flats on Parcels 3Y and 4Y are projected to commence in late 2020 or early 2021, followed by the development of Parcel 1Y.

According to the master developer, total infrastructure costs associated with Yerba Buena Island (YBI) are approximately \$131,280,000. This includes infrastructure needs associated with YBI alone, such as Hilltop Park, pedestrian trails, and street improvements, as well as a pro rata share of overall Treasure Island infrastructure costs necessary for the development of YBI. Examples of these costs include the Treasure Island causeway, which provides access between YBI and Treasure Island, and utility infrastructure. The majority of backbone infrastructure costs are expected to be incurred in 2020, with the remaining infrastructure completed in 2021.

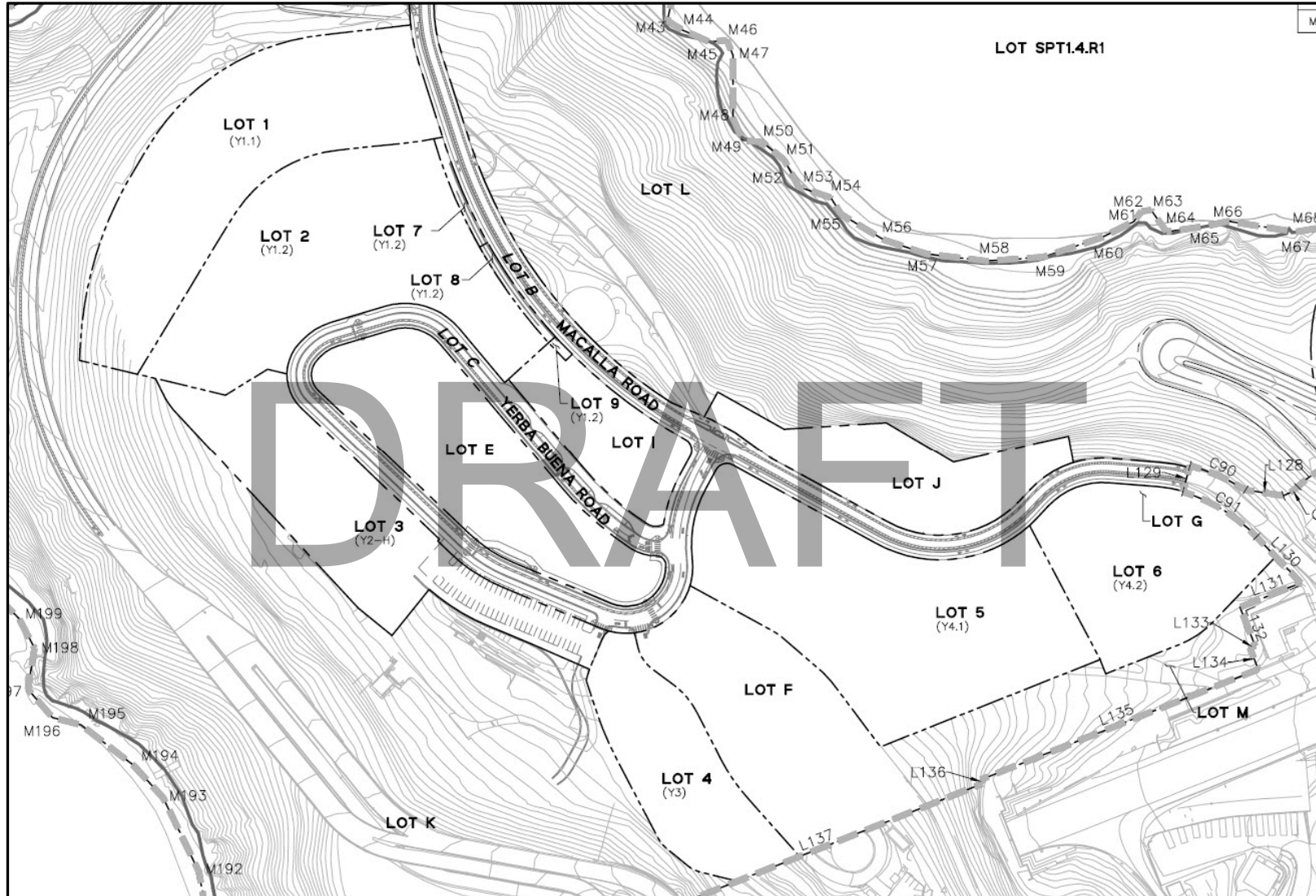
Conclusion of Site Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning and those for which the subject is entitled. We are not aware of any other particular restrictions on development.

Tentative Map



Tentative Map – Close Up



Lots 5 and 6 are associated with Parcel 4Y, Lot 4 with 3Y, and Lots 1 and 2 with 1Y.



Assessor Aerials



Parcel 4Y



Parcel 3Y



Parcel 1Y

DRAFT

Proposed Improvements Description

Overview

The subject property represents the taxable land areas within CFD No. 2016-1 and includes three parcels of land located on Yerba Buena Island situated around a proposed public park. The parcels are entitled for the development of 261 for-sale residences and five homesites. The residences will include a mix of attached townhomes and flats, as well as a 124-unit condominium project known as The Bristol. Ownership of the three parcels is held by entities associated with Stockbridge Capital Group, LLC and Wilson Meany, LP.

A summary of the proposed improvements by parcel is provided below.

Summary of Land Uses by Parcel

| Parcel | Acreage | Units | SF of Land Area | Use | Market Units | Stories |
|---------------|---------|------------|-----------------|--------------------------------|--------------|---------|
| 1Y | 6.49 | 32 | -- | Townhomes | -- | 3 to 4 |
| | | 41 | -- | Flats | -- | 3 to 4 |
| | | 5 | -- | SFR Homesites | -- | NA |
| 3Y | 1.41 | 11 | -- | Townhomes | -- | 3 |
| 4Y | 5.32 | 39 | -- | Townhomes | -- | 3 to 4 |
| | | 14 | -- | Flats | -- | 4 |
| | | 124 | 144,812 | The Bristol (flats) | 14 | 5 |
| Totals | | | | | | |
| | | 82 | | Townhomes | | |
| | | 179 | | Flats | | |
| | | 5 | | SFR Homesites | | |
| | | 266 | | Total Residential Units | | |

The only below market units associated with the subject will be located in The Bristol, the five-story, 124-unit condominium improvements. The remaining townhomes and flats will be market rate.

The subject's 14 below market units are not subject to the special tax associated with the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1. The below market units are a developer obligation under the subject's entitlements.

| Summary of Residential Units | | | |
|---|-----------------|------------------------|-------------------|
| Plan | Bedrooms | Number of Units | Average SF |
| <i>The Bristol (Flats) - 124 Units (110 Market Rate) - Parcel 4Y</i> | | | |
| Plan A | 0 | 14 | 650 |
| Plan B | 1 | 53 | 900 |
| Plan C | 2 | 46 | 1,350 |
| Plan D | 3 | 11 | 2,100 |
| Average SF - All Units | | | 1,168 |
| Average SF - Market Rate Units | | | 1,175 |
| <i>Townhomes/Flats - Parcels 3Y and 4Y</i> | | | |
| Plan A | 3+ | 8 | 3,700 |
| Plan B | 3 | 8 | 3,000 |
| Plan C | 2 to 3 | 21 | 2,300 |
| Plan D | 4 | 11 | 3,450 |
| Plan E | 2 to 4 | 14 | 2,750 |
| Plan F | 1 | 2 | 1,200 |
| Average SF - All Units | | | 2,850 |
| <i>Townhomes/Flats - Parcel 1Y</i> | | | |
| Plan A | 3 | 16 | 3,500 |
| Plan B | 4+ | 16 | 2,900 |
| Plan C | 2 to 4 | 41 | 2,650 |
| Average SF - All Units | | | 2,890 |
| <i>*The subject will also include 5 residential lots, or homesites, which are excluded from the above table</i> | | | |

The Bristol's Plan A reflects a studio layout.

As discussed, the subject parcels will be situated around a public park, known as Hilltop, and the island will include multiple pedestrian trails. In addition, the developer is planning to construct a community amenity center adjacent to Parcel 3Y. Although the community center is not part of the property valued in this appraisal, it influences the proposed pricing for the subject residences.

A complete interior finish profile was not provided and is assumed to be of a typical quality for new upscale condominiums and townhomes in San Francisco, area, which are generally very good to excellent quality.

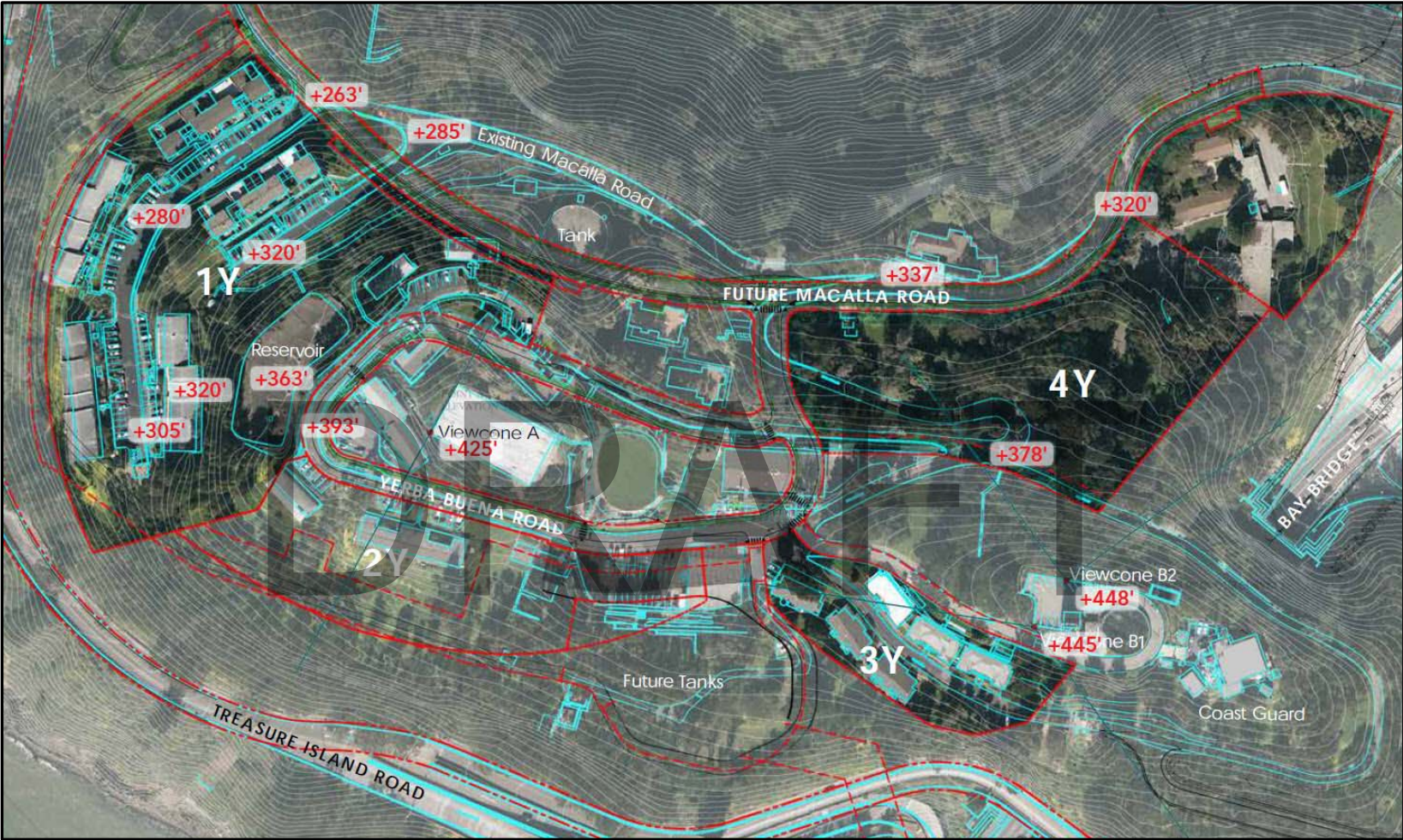
It is noted the subject property will have a Homeowner's Association (HOA) that will include bus and ferry services, a security patrol, and maintenance of Hilltop Park. Based upon the range of HOA fees found among comparable properties, we estimate a monthly HOA fee of \$1,500 per unit.

For the reader's reference, the renderings of the subject property are provided on the following pages.

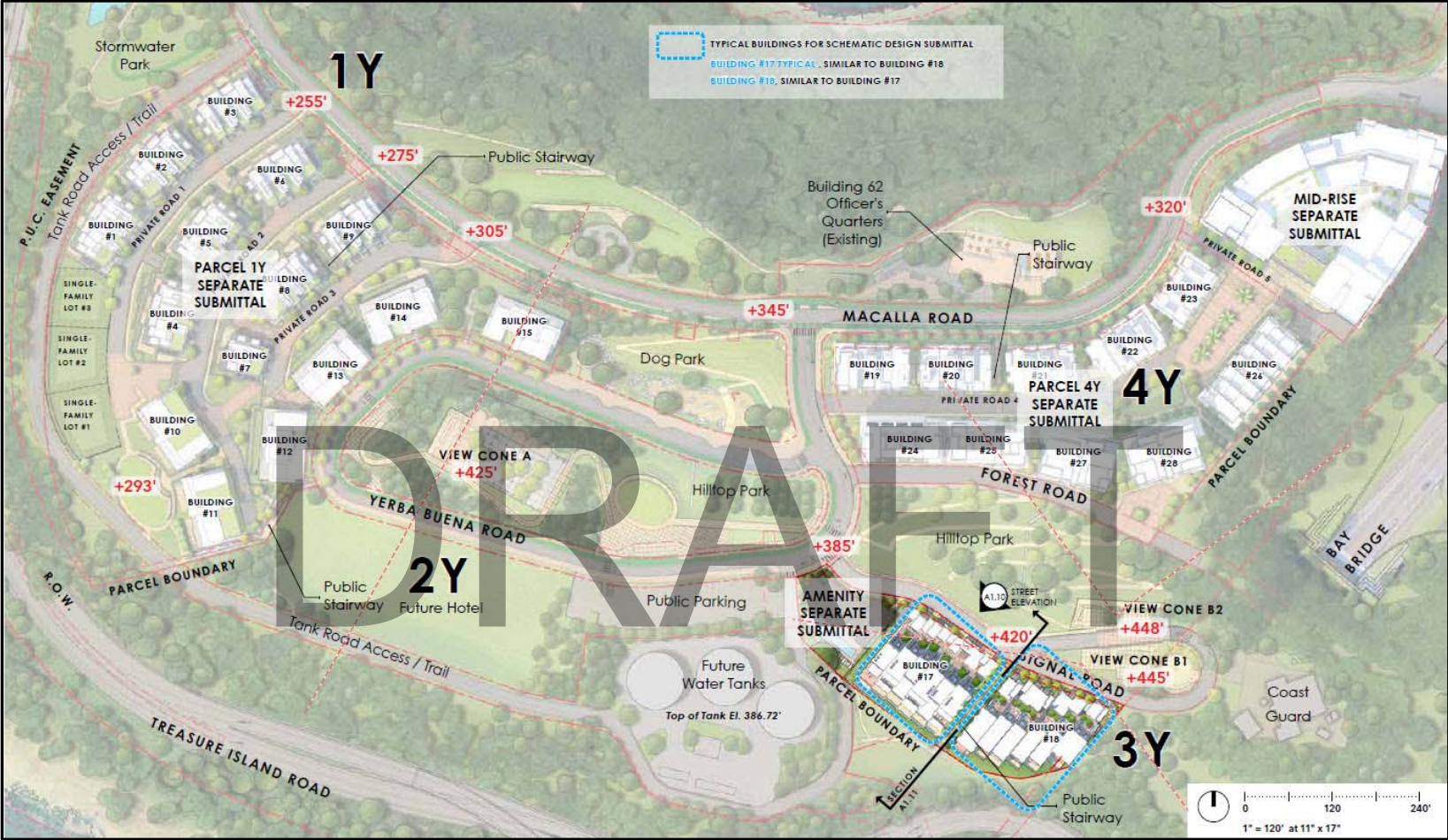
Site Plan



Site Plan



Site Plan



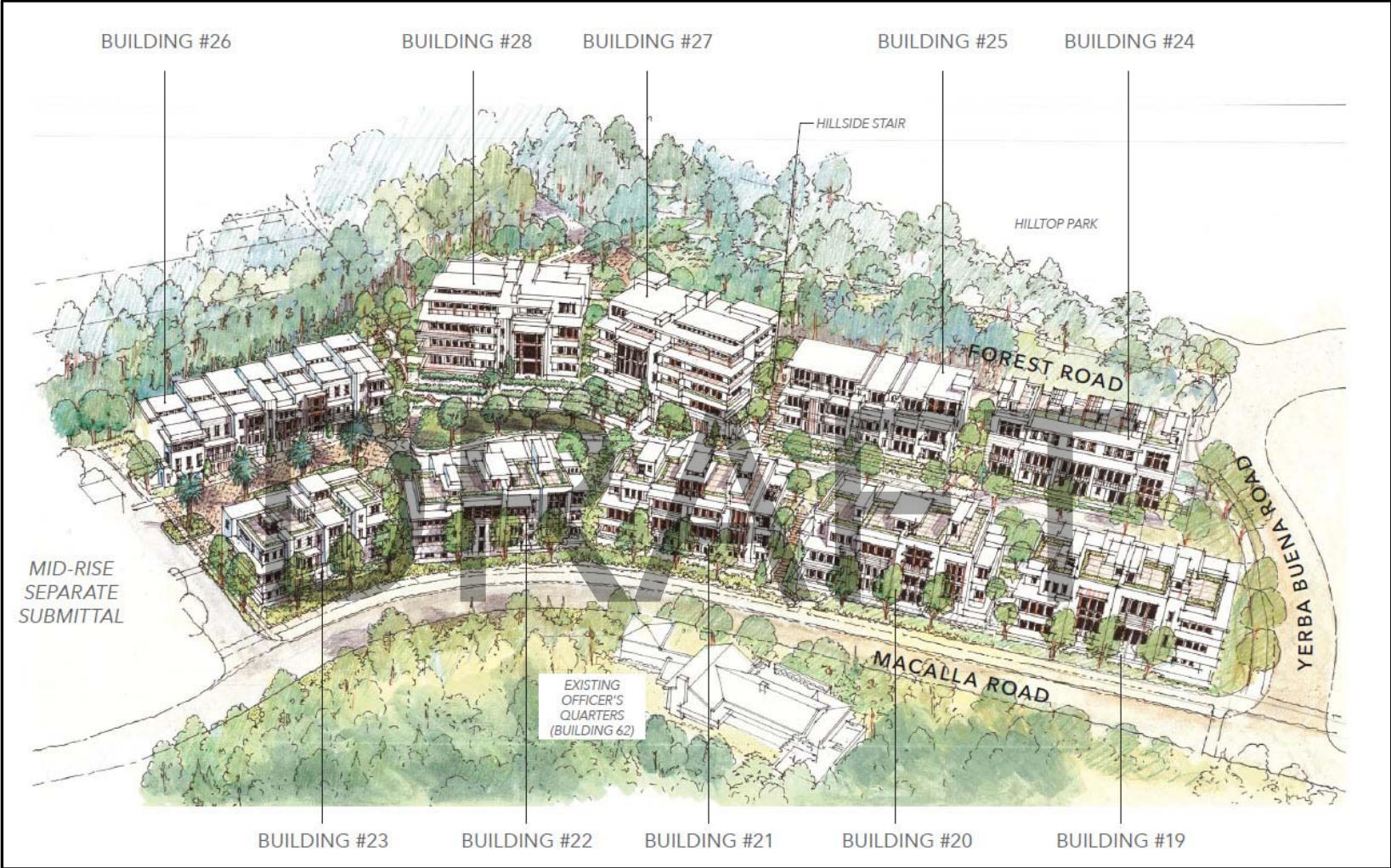
The Bristol is the improvement labeled “mid-rise.”



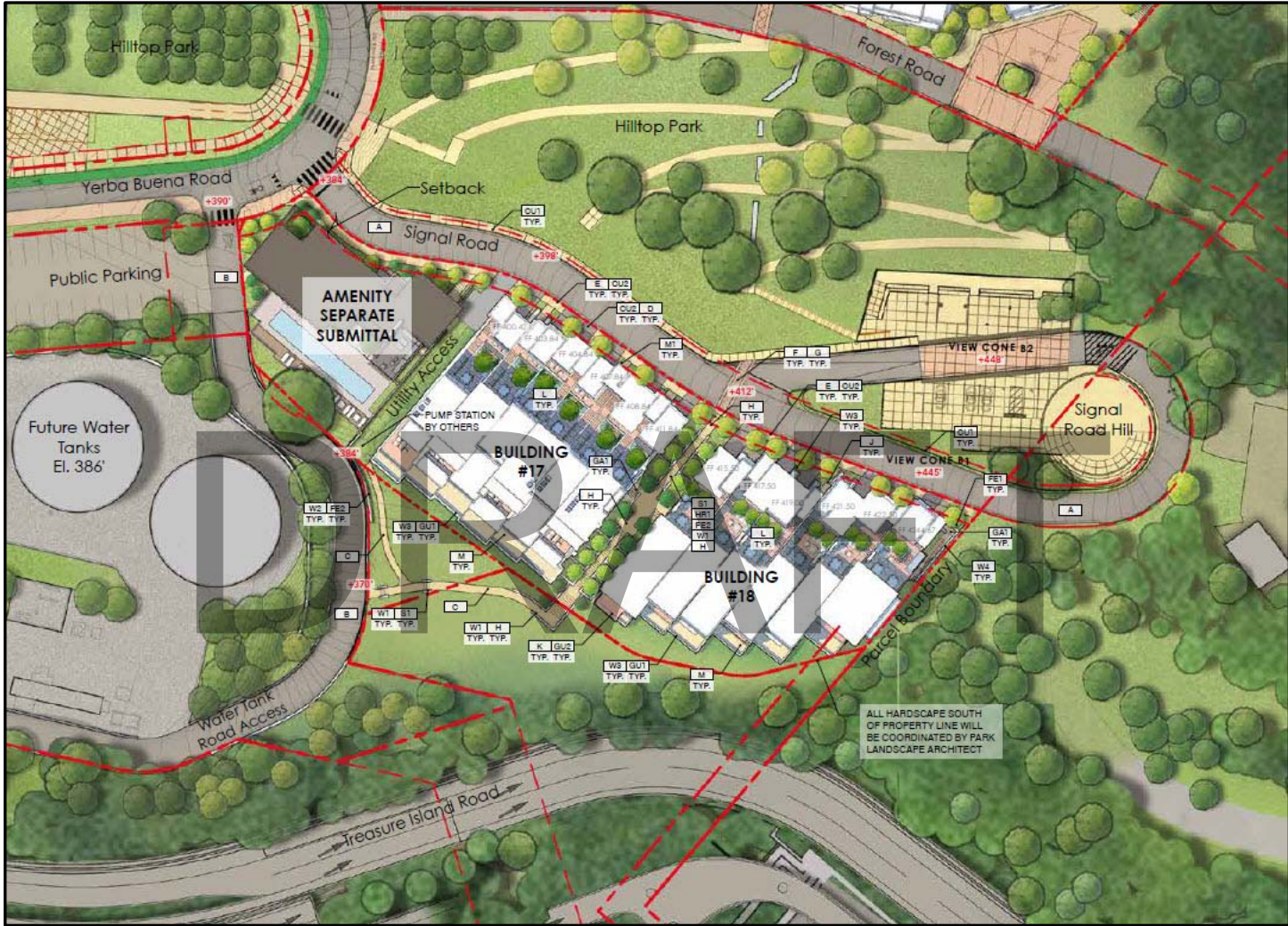
Flats and Townhomes – Parcel 4Y



Flats and Townhomes – Parcel 4Y



Townhomes – Parcel 3Y



Townhomes – Parcel 3Y





View of Bay Bridge and San Francisco Skyline



Yerba Buena Island



Yerba Buena Island



View of Treasure Island and Connector Road



Yerba Buena Island



The Bristol Construction



The Bristol Construction



Yerba Buena Island



Causeway

Real Estate Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and direct charges. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted as subdivision and development continues. According to the San Francisco County Treasurer-Tax Collector's Office, the appraised properties have a cumulative annual tax rate of 1.1801%. This tax rate does not include the CFD tax, which is discussed below.

As previously discussed, the subject property is situated within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1, with a Special Tax lien for Facilities and a Special Tax lien for Services. According to the Rate and Method of Apportionment, the assigned Special Tax for Developed Property is presented in the following table (proposed for the Fiscal Year 2020-21):

Table 1
Improvement Area No. 1 of the
City and County of San Francisco
Community Facilities District No. 2016-1
(Treasure Island)
Expected Land Use and Expected Maximum Special Tax Revenues⁽¹⁾

| | Sub-Block Expected Land Use | Expected Number of Residential Units | Expected Square Footage | FY 2020-21 Base Facilities Special Tax Rate | FY 2020-21 Expected Maximum Special Tax Revenues |
|--------------|------------------------------------|---|--------------------------------|--|---|
| 1Y | Yerba Buena Townhome Project | | | | |
| | Market Rate Unit ⁽²⁾ | 32 | 123,035 | \$6.30 | |
| | Low Rise Project | | | | |
| | Market Rate Unit | 41 | 108,986 | \$6.64 | |
| | Subtotal | 73 | 232,021 | | |
| 3Y | Yerba Buena Townhome Project | | | | |
| | Market Rate Unit | 11 | 46,438 | \$6.30 | |
| | Subtotal | 11 | 46,438 | | |
| 4Y | Yerba Buena Townhome Project | | | | |
| | Market Rate Unit | 39 | 105,767 | \$6.30 | |
| | Low Rise Project | | | | |
| | Market Rate Unit | 124 | 170,338 | \$6.64 | |
| | Inclusionary Unit | 14 | 16,025 | \$0.0 | |
| | Subtotal | 177 | 292,130 | | |
| TOTAL | | 261 | 570,589 | | |

The subject's inclusionary units are not subject to the special tax.



Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

Highest and Best Use As If Vacant

Legally Permissible

The site is zoned YBI-R, Yerba Buena Island Residential. Permitted uses include primarily residential with limited retail and office uses. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. The subject property has an approved tentative map for 261 for-sale, attached, residential units and five homesites. The subject's present entitlements are the result of significant planning and review, and any rezone or land use different than currently approved is unlikely. Given prevailing land use patterns in the area, only residential use is given further consideration in determining highest and best use of the sites, as though vacant.

Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development, though subject's steep topography must be considered. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses, including residential use.

Financially Feasible

Based on our analysis of the market, there is currently adequate demand for attached, for-sale residential use in the subject's area. Based on the analyses herein, coupled with an analysis of the market, it appears the proposed development commensurate with the entitlements associated with Yerba Buena Island is financially feasible. The COVID-19 pandemic temporarily slowed sales activity in the local market; though, it appears sale prices have been temporarily impacted and the luxury housing market has rebounded in recent months.

Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than such land uses permitted by the entitlements for Yerba Buena Island. Accordingly, it is our opinion that for-sale residential development commensurate with the development agreement for Yerba Buena Island is the maximally productive use of the property and, thus, the highest and best use as vacant.

Conclusion

Development of the site for the proposed residential use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

As Improved (Proposed)

As of the effective appraisal date, backbone infrastructure and site work has commenced at the subject property. The planned infrastructure improvements are necessary for development. The existing improvements have been constructed according to the subject entitlements and are consistent with the highest and best use of the subject property as if vacant.

Most Probable Buyer

Taking into account the size and characteristics of the property, the probable buyer of the subject property is a land developer and/or builder familiar with the region.

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Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Additional analyses often undertaken in the valuation of subdivisions include **extraction, land residual analysis**, and the **subdivision development method**.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

Market Valuation – Representative Floor Plans

As previously discussed in the *Valuation Methodology* section, in order to estimate the market value of the developable, taxable land within the boundaries of City and County of San Francisco CFD No. 2016-1 (Treasure Island) Improvement Area No. 1, a land residual analysis will be performed, which considers the anticipated, or projected, sale price of the residential units to be constructed on Parcels/Blocks 1Y, 3Y and 4Y. To estimate the anticipated, or projected, sale price for the varying unit types (flats and townhomes) within the development, an analysis of comparable, or similar, residential developments within the subject’s market area will be considered in this section using the sales comparison approach to value. The objective of the analysis is to estimate the base price for representative floor plans comprising each of the subject parcels/blocks.

This approach is based on the economic principle of substitution. According to *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), “*The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time.*” The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining recent sales data for comparison with the appraised properties. The objective of the analyses is to estimate the base value of each floor plan, net of incentives, upgrades and lot premiums. As discussed, the subject project will offer three different residential layouts. A summary of residential use by parcel is recreated below.

| Summary of Residential Units | | | |
|--|-----------------|------------------------|-------------------|
| Plan | Bedrooms | Number of Units | Average SF |
| <i>The Bristol (Flats) - 124 Units (110 Market Rate) - Parcel 4Y</i> | | | |
| Plan A | 0 | 14 | 650 |
| Plan B | 1 | 53 | 900 |
| Plan C | 2 | 46 | 1,350 |
| Plan D | 3 | 11 | 2,100 |
| Average SF - All Units | | | 1,168 |
| Average SF - Market Rate Units | | | 1,175 |
| <i>Townhomes/Flats - Parcels 3Y and 4Y</i> | | | |
| Plan A | 3+ | 8 | 3,700 |
| Plan B | 3 | 8 | 3,000 |
| Plan C | 2 to 3 | 21 | 2,300 |
| Plan D | 4 | 11 | 3,450 |
| Plan E | 2 to 4 | 14 | 2,750 |
| Plan F | 1 | 2 | 1,200 |
| Average SF - All Units | | | 2,850 |
| <i>Townhomes/Flats - Parcel 1Y</i> | | | |
| Plan A | 3 | 16 | 3,500 |
| Plan B | 4+ | 16 | 2,900 |
| Plan C | 2 to 4 | 41 | 2,650 |
| Average SF - All Units | | | 2,890 |

**The subject will also include 5 residential lots, or homesites, which are excluded from the above table*

The subject property will include a mix of for-sale flats and townhomes. The unit sizes reported above, including the average square footage, are courtesy of the developer. Please note, in some cases the average square footage varies slightly from the implied weighted average based upon the reported unit mix. For the purposes of this analysis, the reported average square footages are considered representative of the typical proposed units.

The Bristol, which will be located on Parcel 4Y, will include a 110 market rate flats and 14 below market rate units. For this portion of the analysis, only the market rate units will be considered. Because The Bristol reflects a different product type than the rest of the subject's residential units, a separate sales analysis will be provided based upon the average size of the market rate units, 1,175 square feet.

The remaining residential units reflect a mix of larger flats and townhomes located on Parcels 4Y, 3Y, and 1Y. Parcels 4Y and 1Y will offer both flats and townhomes, while 3Y will offer only townhomes. As indicated in the previous table, the average unit size on Parcel 1Y exceeds the average unit size associated with Parcels 3Y and 4Y by approximately 40 square feet. It should be noted, while the developer's proposed pricing varies by parcel, we were not provided a pricing breakdown differentiating between flats and townhomes. Therefore, the upcoming analysis will consider a representative residential unit of **2,870 square feet**, regardless of layout. The indicated value of the base unit will be utilized in determining the aggregate retail value by parcel, with parcel-specific locational and view premiums considered at the end of the analysis.

Presented below are comparable new home sales considered the best indicators of market value for the subject's residential units. While an effort was made to utilize only sales of newly constructed homes, we found a limited number of comparable townhomes/flats with unit sizes similar to the subject's larger square footage. Therefore, we expanded our search to include larger townhomes/flats constructed with effective ages of 15 years or less. Some of the comparables reflect turn-of-the-century construction with renovations.

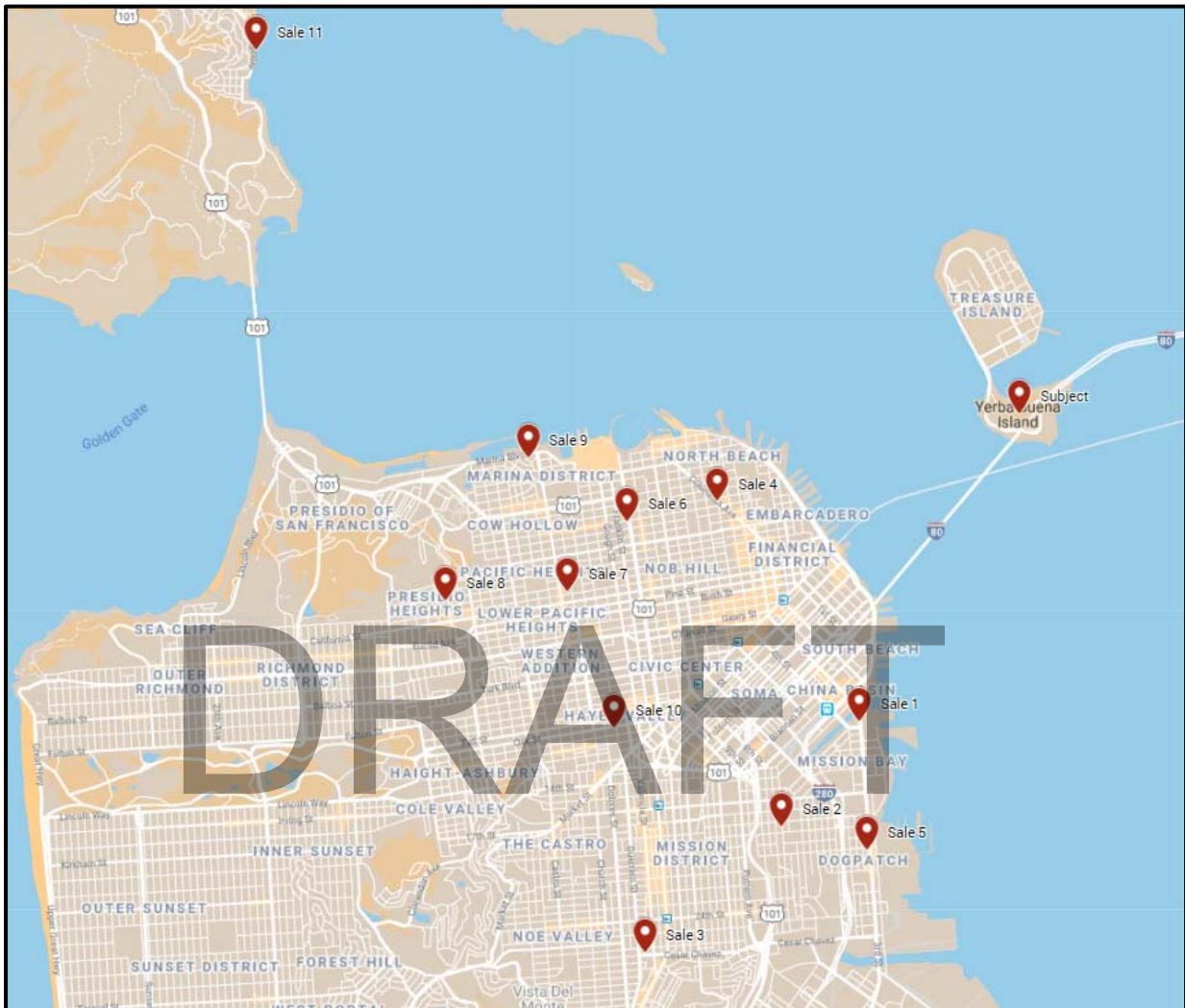
In addition, our sales search primarily focused on comparables located in lower density neighborhoods characterized by residential use. With the exception of Comparables 1 and 5, which reflect new or recent construction in Mission Bay or Dogpatch, we avoided neighborhoods with higher-density characteristics. We also restricted our search for flats to those located in improvements with ten to fifteen stories or less. The majority of sale comparables are located in San Francisco, with one comparable located in Sausalito.

Sales Summary

| No. | Location | Neighborhood | Date | Sale Price | Listing Price | Living Area (SF) | Bedroom/Bath | Covered Parking |
|-----|--|------------------|-------------|-------------|---------------|------------------|------------------|-----------------|
| 1 | One Mission Bay 1000 3rd St #821 | Mission Bay | 7/14/2020 | \$1,639,000 | \$1,560,000 | 1,173 | 2 bdrm, 2 bath | 1-car |
| 2 | 540 De Haro St 540 De Haro St #403 | Potrero Hill | 7/14/2020 | \$1,650,000 | \$1,650,000 | 1,180 | 2 bdrm, 2 bath | 1-car |
| 3 | The Thirty Six 3620 Cesar Chavez #304 | Inner Mission | In-Contract | \$1,169,000 | \$1,169,000 | 1,038 | 2 bdrm, 2 bath | 1-car |
| 4 | 1731 Powell St 1731 Powell St #205 | North Beach | 3/17/2020 | \$1,680,000 | \$1,750,000 | 1,262 | 2 bdrm, 2 bath | 1-car |
| 5 | 901 Tennessee 901 Tennessee #211 | Dogpatch | 1/15/2020 | \$1,579,000 | \$1,579,000 | 1,228 | 3 bdrm, 2 bath | 1-car |
| 6 | 1515 Union St 1515 Union St #PH2 | Cow Hollow | 7/10/2020 | \$6,075,000 | \$6,075,000 | 2,015 | 3 bdrm, 2.5 bath | 1-car |
| 7 | The Pacific 2121 Webster St #401 | Pacific Heights | In-Contract | \$4,998,000 | \$4,998,000 | 2,112 | 3 bdrm, 2.5 bath | 2-car |
| 8 | 3539 Washington St | Presidio Heights | 7/8/2020 | \$3,175,000 | \$3,495,000 | 2,761 | 4 bdrm, 2.5 bath | 2-car |
| 9 | 56 Casa Way | Marina | 3/3/2020 | \$3,300,000 | \$3,275,000 | 2,537 | 3 bdrm, 3 bath | 2-car |
| 10 | 423 Oak St | Hayes Valley | 2/28/2020 | \$3,200,000 | \$2,995,000 | 3,045 | 3 bdrm, 3 bath | 1-car |
| 11 | 525 Bridgeway | Sausalito | 5/22/2020 | \$4,500,000 | \$4,995,000 | 2,449 | 4 bdrm, 3.5 bath | 2-car |

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Comparable Sale Map



Discussion of Adjustments

In order to estimate the market values for the subject floor plans, the comparable transactions were adjusted to reflect the subject with regard to categories that affect market value. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject and are adjusted upward. In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers whether adjustments are necessary pertaining to these items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions
- Location
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. Even so, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors and the value conclusion for each unit follows.

Upgrades and Incentives

The objective of the analysis is to estimate the base value per floor plan, net of incentives. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. None of the comparables reported incentives and upgrades.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. If the seller provides incentives in the form of paying for closing costs or an interest rate buy down, a discount has been obtained by the buyer for financing terms. This discount price must then be adjusted to a cash equivalent basis. Also, any incentives applicable toward closing costs would have been reflected in the incentives adjustments previously considered. No adjustments were required for this factor.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding

The comparables did not involve any non-market or atypical conditions of sale. Adjustments for this factor do not apply.

Market Conditions (Date of Sale, Phase Adjustment)

The market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic economy – one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline – extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a neighborhood, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

The comparable sales transferred between January 2020 and July 2020 and are primarily reflective of current market conditions; therefore, no consideration for market conditions is warranted.

Location

Location is a very important factor to consider when making comparisons. The comparables need not be in the same neighborhood but should be in neighborhoods that offer the same advantage and have, in general, the same overall desirability to the most probable buyer or user. The majority of comparables are located in San Francisco. Sale 11, however, is located in Sausalito and has been

adjusted upward. Additional adjustments for the location of the San Francisco comparables within specific neighborhoods will be considered in the following community appeal section.

Community Appeal

In addition to market location adjustments, we consider community appeal adjustments. Even within a specific market location, often specific community characteristics influence sale prices. Often, prices on one street may be significantly higher or lower than the next, despite similar home characteristics. Community characteristics that may influence sale prices include a gated amenity or the condition of surrounding development.

Ten of the eleven comparables are located in San Francisco. We made an effort to locate comparables in neighborhoods with a similar community appeal to the subject property. Comparables located in Cow Hollow, Pacific Heights, Presidio Heights, and the Marina (all within the townhome and condo analysis) reflect established, desirable neighborhoods and required downward adjustments. However, the comparables utilized in The Bristol analysis are located in Mission Bay, Potrero Hill, Inner Mission, North Beach, and Dogpatch and required upward adjustments.

Lot Size

The lot size adjustment pertains to the differences between the subjects' typical lot size and comparables with either larger or smaller lots. It does not include any lot premium adjustments, which are adjusted for separately. The subject and majority of the comparables reflect attached product. However, Sale 11, though a two-story condominium, is technically detached and has been adjusted downward for lot size.

Lot Premiums

Properties sometimes achieve premiums for corner or cul-de-sac positioning, or proximity to open space or views. Several of the comparables include views of the San Francisco Bay. While many of the subject units will offer Bay and San Francisco skyline views, these views will vary by parcel. Therefore, comparables with views are adjusted downward for consistency with the subject's base unit, net of any premiums. Upward adjustments to the subject's base unit value for view premiums will be considered on a parcel-by-parcel basis at the end of this analysis. Therefore, Comparables 6, 9, and 11 have been adjusted downward for views of the San Francisco Bay.

Design and Appeal/Quality of Construction

Design and appeal of a floor plan is consumer specific. One exterior may appeal to one buyer, while another appeals to a different buyer. These types of features for new homes with similar functional utility are not typically noted in the base sales prices. The comparables are similar to the subject in regard to design and appeal.

Construction quality can differ from slightly to substantially between projects and is noted in the exterior and interior materials and design features of a standard unit. In terms of quality of construction, the subject and majority of comparables represent good construction quality. Comparable 6 is a penthouse unit which reflects a superior quality/appeal and has been adjusted downward.

Age/Condition

When comparing resale to resale, the market generally reflects a difference of 1% per year of difference in effective age. We have applied a similar adjustment factor to the estimated effective age of the comparable sales. While an effort was made to include only comparables that reflected new construction at the time of sale, it was necessary to expand our search in order to find properties comparable to the subject product type, particularly for the townhome and condo (non-Bristol) units. Therefore, we considered turn-of-the-century construction when effective ages were within 15 years. Sale 1 was constructed in 2018 and was adjusted upward. Sales 7 and 11 were constructed in 2016 and 2010, respectively, and have been adjusted upward as necessary 1% per year for differences in effective age. In addition, Sales 8, 9, and 10 reflect early 1900's construction with effective ages of approximately 15 years; these sales have also been adjusted upward.

Functional Utility

The appraised properties and comparables represent traditional attached single-family residential construction. No consideration for this factor is necessary.

Room Count

For similar size units the differences between room count is a buyer preference. One buyer might prefer two bedrooms and a den versus a three-bedroom unit. Extra rooms typically result in additional building area and are accounted for in the size adjustment. Therefore, no adjustments are made for number of total rooms or bedrooms. Because bathrooms are a functional item for each floor plan and add substantial cost due to the number of plumbing fixtures, an adjustment is made for the difference in the number of fixtures between the subject and the comparable sales. The adjustment is based on an amount of \$12,500 per fixture (or half-bath) and is supported by cost estimates for a good quality home in the Residential Cost Handbook, published by the Marshall and Swift Corporation. Considering the fact that plumbing upgrades for existing bathrooms generally range from \$5,000 to over \$25,000 for the various fixtures, the \$12,500 per fixture, or half-bath, is supported. Consequently, a factor of \$25,000+ per full bath is also applied in our analysis.

Unit Size/Living Area

Units similar (in the same development), except for size, were compared to derive the applicable adjustment for unit size. Those used for comparison purposes, are units within similar projects. Units within the same project were used since they have a high degree of similarity in quality, workmanship, design and appeal. Other items such as a single level or two-story designs, number of bathrooms and number of garage spaces were generally similar in these comparisons, in order to avoid other influences in price per square foot. Where differences exist, they are minor and do not impact the overall range or average concluded. Based on this data, the comparables were adjusted on a per square foot basis to account for differences in living area from the subject units.

Number of Stories

For similar size units, the differences between the number of stories is a buyer preference. One buyer might prefer a flat versus a townhome layout. The subject and comparables include a mix of similarly sized flats and townhomes. No adjustments are necessary.

Parking/Garage

Each of the subject comparables offer one covered parking space per unit, though the type of parking varies by home. The Bristol and the larger flats will offer a subterranean parking garage, while the townhome units will include a one-car attached garage. The subject's floor plans and the majority of the comparables offer a two-car garage. The majority of the comparables also offer one covered parking space. Comparables which include two parking spaces have been adjusted downward.

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| Adjustment Grid - The Bristol - Parcel 4Y | | | | | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|------------------------|--------------------|---------------------|--------------------|--------------------|--|
| Project Information: | | Subject Property | Comparable 1 | | Comparable 2 | | Comparable 3 | | Comparable 4 | | Comparable 5 | |
| Project Name | | Yerba Buena Island | Mission Bay | | 540 De Haro St | | The Thirty Six | | 1731 Powell St | | 901 Tennessee | |
| Address/Lot Number | | Base Plan | 1000 3rd St #821 | | 540 De Haro St #403 | | 3620 Cesar Chavez #304 | | 1731 Powell St #205 | | 901 Tennessee #211 | |
| City/Area | | Yerba Buena Island | Mission Bay | | Potrero Hill | | Inner Mission | | North Beach | | Dogpatch | |
| Price | | NA | \$1,639,000 | | \$1,650,000 | | \$1,169,000 | | \$1,680,000 | | \$1,579,000 | |
| Price Per SF | | NA | \$1,397.27 | | \$1,398.31 | | \$1,126.20 | | \$1,331.22 | | \$1,285.83 | |
| Total Consideration | | | \$1,639,000 | | \$1,650,000 | | \$1,169,000 | | \$1,680,000 | | \$1,579,000 | |
| Data Source | | MLS | MLS | | MLS | | MLS | | MLS | | MLS | |
| Incentives | | None | None | | None | | None | | None | | None | |
| Upgrades | | Base | None | | None | | None | | None | | None | |
| Effective (Base) Total Consideration | | | \$1,639,000 | | \$1,650,000 | | \$1,169,000 | | \$1,680,000 | | \$1,579,000 | |
| Adjustments: | Factor | Description | +/- | Description | +/- | Description | +/- | Description | +/- | Description | +/- | |
| Property Rights | Fee Simple | Fee Simple | | Fee Simple | | Fee Simple | | Fee Simple | | Fee Simple | | |
| Financing Terms | Cash Equivalent | Cash Equivalent | | Cash Equivalent | | Cash Equivalent | | Cash Equivalent | | Cash Equivalent | | |
| Conditions of Sale | Market | Market | | Market | | Market | | Market | | Market | | |
| Market Conditions | | | | | | (In Contract) | | | | | | |
| Date of Sale (Contract Date) | 7/1/2020 | 7/14/2020 | | 7/14/2020 | | 6/19/2020 | | 3/17/2020 | | 1/15/2020 | | |
| Project Location | Yerba Buena Island | Mission Bay | | Potrero Hill | | Inner Mission | | North Beach | | Dogpatch | | |
| Community Appeal | Good | Average | + | Average | + | Average | +++ | Average | + | Average | ++ | |
| HOA Dues | | \$779 | | \$509 | | \$550 | | \$837 | | \$787 | | |
| Lot Size | Attached | Attached | | Attached | | Attached | | Attached | | Attached | | |
| Lot Premium | None | None | | None | | None | | None | | None | | |
| Design and Appeal | Good | Good | | Good | | Good | | Good | | Good | | |
| Quality of Construction | Good | Good | | Good | | Good | | Good | | Good | | |
| Age (Total/Effective) | New | 2018 | + | New | | New | | New | | New | | |
| Condition | Good/New | Similar | | Similar | | Similar | | Similar | | Similar | | |
| Functional Utility | Average | Similar | | Similar | | Similar | | Similar | | Similar | | |
| Room Count | | | | | | | | | | | | |
| Bedrooms | 2 | 2 | | 2 | | 2 | | 2 | | 3 | | |
| Baths | 2 | 2 | | 2 | | 2 | | 2 | | 2 | | |
| Baths | \$25,000 | | | | | | | | | | | |
| Living Area (SF) | \$180.00 | 1,175 | + | 1,180 | - | 1,038 | + | 1,262 | - | 1,228 | - | |
| Number of Stories | One | Two | | One | | One | | One | | One | | |
| Heating/Cooling | Central | Central | | Central | | Central | | Central | | Central | | |
| Garage | \$10,000 | Garage/1 space | | Similar | | Similar | | Similar | | Similar | | |
| Landscaping | | Trees + Shrubs | | Similar | | Similar | | Similar | | Similar | | |
| Pool/Spa | | None | | Similar | | Similar | | Similar | | Similar | | |
| Patios/Balconies | | Balcony / Terrace | | Similar | | Similar | | Similar | | Similar | | |
| Fireplace(s) | \$8,000 | None | | None | | None | | None | | None | | |
| Kitchen Equipment | | Average | | Similar | | Similar | | Similar | | Similar | | |
| Other | | | | | | | | | | | | |
| Net Adjustments | | | ++ | | + | | +++ | | + | | ++ | |
| Concluded Base Retail Value | | \$1,700,000 | | | | | | | | | | |
| Indicated Value Per SF | | \$1,447 | | | | | | | | | | |



| Adjustment Grid - Townhomes & Flats - Parcels 1Y, 3Y, 4Y | | | | | | | | | | | | | | | |
|--|--------------------|-------------------------|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|
| Project Information: | | Subject Property | | Comparable 6 | | Comparable 7 | | Comparable 8 | | Comparable 9 | | Comparable 10 | | Comparable 11 | |
| Project Name | Yerba Buena Island | 1515 Union St | The Pacific | 3539 Washington St | 56 Casa Way | 423 Oak St | 525 Bridgeway | | | | | | | | |
| Address/Lot Number | Base Plan | 1515 Union St #PH2 | 2121 Webster St #401 | 3539 Washington St | 56 Casa Way | 423 Oak St | 525 Bridgeway | | | | | | | | |
| City/Area | Yerba Buena Island | Cow Hollow | Pacific Heights | Presidio Heights | Marina | Hayes Valley | Sausalito | | | | | | | | |
| Price | NA | \$6,075,000 | \$4,998,000 | \$3,175,000 | \$3,300,000 | \$3,200,000 | \$4,500,000 | | | | | | | | |
| Price Per SF | NA | \$3,014.89 | \$2,366.48 | \$1,149.95 | \$1,300.75 | \$1,050.90 | \$1,837.48 | | | | | | | | |
| Total Consideration | | \$6,075,000 | \$4,998,000 | \$3,175,000 | \$3,300,000 | \$3,200,000 | \$4,500,000 | | | | | | | | |
| Data Source | | MLS | MLS | MLS | | | | | | | | | | | |
| Incentives | NA | None | None | None | None | None | None | | | | | | | | |
| Upgrades | Base | None | None | None | None | None | None | | | | | | | | |
| Effective (Base) Total Consideration | | \$6,075,000 | \$4,998,000 | \$3,175,000 | \$3,300,000 | \$3,200,000 | \$4,500,000 | | | | | | | | |
| Adjustments: | Factor | Description | + / (-) | Description | + / (-) | Description | + / (-) | Description | + / (-) | Description | + / (-) | Description | + / (-) | Description | + / (-) |
| Property Rights | Fee Simple | Fee Simple | | Fee Simple | | Fee Simple | | Fee Simple | | Fee Simple | | Fee Simple | | Fee Simple | |
| Financing Terms | Cash Equivalent | Cash Equivalent | | Cash Equivalent | | Cash Equivalent | | Cash Equivalent | | Cash Equivalent | | Cash Equivalent | | Cash Equivalent | |
| Conditions of Sale | Market | Market | | Market | | Market | | Market | | Market | | Market | | Market | |
| Market Conditions | | | | (In-Contract) | | | | | | | | | | | |
| Date of Sale (Contract Date) | 7/1/2020 | 7/10/2020 | | 6/18/2020 | | 7/8/2020 | | 3/3/2020 | | 2/28/2020 | | 5/22/2020 | | | |
| Project Location | Yerba Buena Island | Cow Hollow | | Pacific Heights | | Presidio Heights | | Marina | | Hayes Valley | | Sausalito | | | ++ |
| Community Appeal | Good | Very Good | - | Very Good | - | Very Good | - | Very Good | - | Average | ++ | Good | | | |
| HOA Dues | | \$1,504 | | \$1,980 | | \$417 | | \$1,059 | | None | | \$400 | | | |
| Lot Size | Attached | Attached | | Attached | | Attached | | Attached | | Attached | | 2,134 | | | - |
| Lot Premium | None | Bay Views | -- | None | | None | | Bay Views | -- | None | | Bay Views | | | -- |
| Design and Appeal | Good | Good | | Good | | Good | | Good | | Good | | Good | | | |
| Quality of Construction | Good | Very Good | - | Good | | Good | | Good | | Good | | Good | | | |
| Age (Total/Effective) | New | New | | 2016 | | 1912 | | 1926 | +++ | 1900 | +++ | 2010 | | | + |
| Condition | Good/New | Similar | | Similar | | Similar | | Similar | | Similar | | Similar | | | |
| Functional Utility | Average | Similar | | Similar | | Similar | | Similar | | Similar | | Similar | | | |
| Room Count | | | | | | | | | | | | | | | |
| Bedrooms | 3 | 3 | | 3 | | 4 | | 3 | | 3 | | 4 | | | |
| Baths | \$25,000 | 3 | | 2.5 | +2.5 | +2.5 | | 3 | +3 | 3 | | 3.5 | | | - |
| Living Area (SF) | \$200.00 | 2,870 | | 2,015 | +2,112 | +2,761 | | 2,537 | +3,045 | 2,000 | | 2,449 | | | + |
| Number of Stories | Three to Four | Two | | One | | One | | Two | | Two | | Two | | | |
| Heating/Cooling | Central | Central | | Central | | Central | | Central | | Central | | Central | | | |
| Garage | \$10,000 | 1-Car | | Similar | | 2-car | | 2-car | | Similar | | 2-car | | | - |
| Landscaping | | Trees + Shrubs | | Similar | | Similar | | Similar | | Similar | | Similar | | | |
| Pool/Spa | | None | | Similar | | Similar | | Similar | | Similar | | Similar | | | |
| Patios/Balconies | | Balcony + Rooftop Patio | | Similar | | Similar | | Similar | | Similar | | Similar | | | |
| Fireplace(s) | \$8,000 | None | | None | | Yes | | Yes | | Yes | | Yes | | | - |
| Kitchen Equipment | | Average | | Similar | | Similar | | Similar | | Similar | | Similar | | | |
| Other | | Townhome/Flats | | Two-Story Condo | | Flat | | Townhome | | Two-Story Condo | | Two-Story Condo | | | |
| Net Adjustments | | | --- | | + | | ++ | | +- | | +++ | | | | +- |
| Concluded Base Retail Value | | \$4,250,000 | | | | | | | | | | | | | |
| Indicated Value Per SF | | \$1,481 | | | | | | | | | | | | | |



Conclusion of Home Values

In the first analysis, the comparable set adjusts upward overall due to the subject’s superior location. Sale 3 requires the largest adjustment, and is given least weight in our reconciliation. Overall, the comparable range narrows after adjustment, and the remaining four comparables are considered reasonable indicators of value for the subject.

In the second analysis, Sales 6 and 10 required the highest net adjustments, but provide good secondary support for our indication of value. The remaining four comparables are given greatest weight in our reconciliation.

Based on the analysis herein, the market value conclusions for the homes are summarized in the following table.

| Retail Value - Base Units | | | |
|----------------------------------|---------------|-----------------------|-------------------|
| Unit | Parcel | Square Footage | Base Value |
| The Bristol | 4Y | 1,175 | \$1,700,000 |
| Townhomes/Flats | 4Y, 3Y, 1Y | 2,870 | \$4,250,000 |

In addition, consideration must be given for the subject’s corner/end units and view premiums. As the upcoming analysis will value the subject property by parcel, we will apply premiums on a parcel by parcel basis in the next section.

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Below Market Rate Units – The Bristol, Parcel 4Y

The Bristol will also include 14 inclusionary units, the sale price of which will be restricted. The buyer’s housing costs, including mortgage (assuming a 10% down payment), taxes, insurance, and HOA fees must not exceed 33% of 120% of San Francisco’s median household income. The following table provides 2020 sample pricing from the San Francisco Mayor’s Office of Housing and Community Development (MOHCO). Actual pricing for the subject will be determined by MOHCO at a later date.

| | | 1 Person | 2 Person | 3 Person | 4 Person | 5 Person |
|------------------------|----------------|-----------|-----------|-----------|-----------|-----------|
| ASSUMED HOUSEHOLD SIZE | | | | | | |
| MEDIAN INCOME @ | 120% OF MEDIAN | \$103,450 | \$118,200 | \$133,000 | \$147,800 | \$159,600 |
| AVAIL FOR HOUSING @ | 33% | \$34,139 | \$39,006 | \$43,890 | \$48,774 | \$52,668 |
| ANNUAL CONDO FEE | | \$7,056 | \$7,908 | \$8,748 | \$9,948 | \$11,172 |
| TAXES @ | 1.1630% | \$4,911 | \$5,640 | \$6,373 | \$7,041 | \$7,525 |
| AVAILABLE FOR P+I | | \$22,171 | \$25,458 | \$28,769 | \$31,785 | \$33,971 |
| SUPPORTABLE MORT | | \$380,081 | \$436,435 | \$493,189 | \$544,891 | \$582,362 |
| DOWN PAYMENT | 10% | \$42,231 | \$48,493 | \$54,799 | \$60,543 | \$64,707 |
| AFFORDABLE PRICE | | \$422,312 | \$484,928 | \$547,988 | \$605,434 | \$647,069 |
| BEDROOM SIZE | | STUDIO | ONE | TWO | THREE | FOUR |

Notes:
 1. Median Income on this chart is from 2019 SF MOHCD Inclusionary Income Limits (AMI Chart).
 2. Interest rate is based on FreddieMac 10 yr rolling average of annual average rates for 30 yr Fixed Rate
 See URL: <http://www.freddiemac.com/pmms/pmms30.htm>
 3. FY2019-2020 Annual Tax Rate is 1.163%, see: <http://sftreasurer.org/property-taxes>

Based on this information, and the unit mix of The Bristol, our estimate of the subject’s below market rate sale prices is as follows:

Inclusionary Housing - The Bristol

| Layout | Inclusionary Housing | | |
|---------------|----------------------|-----------------|-------------|
| | Affordable Price | Number of Units | Value |
| Studio | \$422,312 | 2 | \$844,624 |
| One Bedroom | \$484,928 | 6 | \$2,909,568 |
| Two Bedroom | \$547,988 | 5 | \$2,739,940 |
| Three Bedroom | \$605,434 | 1 | \$605,434 |
| | | 14 | \$7,099,566 |

The subject’s 14 inclusionary units will not be subject to the Lien of the Special Tax securing the Bonds. Since the subject comprises land at this time (under development), the obligation to construct (cost) and sell (at a restricted price) such inclusionary housing units will be considered in the upcoming valuation of the underlying land.



Market Valuation – Parcel 1Y Homesites

In addition to offering townhomes and flats, Parcel 1Y will also offer five homesites between approximately 5,000 and 8,000 square feet. It is our understanding the homesites will offer views of the San Francisco skyline and Bay. The developer plans to market the homesites with approved plans for single family homes around 8,000 square feet. The characteristics of the subject homesites are unique given their location. Homesite sales in San Francisco reflect infill development within established neighborhoods. To find comparables for the subject, we searched for single family residential land sales located in San Francisco and Marin County communities located along the Bay. A summary of comparables considered is provided next, followed by a description of adjustments.

Homesite Comparable Sales

| Address | County | Neighborhood | Square Footage | Sale Date | Sale Price | Views | Notes |
|--------------------|---------------|-----------------|----------------|----------------|--------------|------------------|--|
| 36 Nevada St | San Francisco | Bernal Heights | 1,750 | 11/19/2018 | \$1,000,000 | City | Unentitled |
| 80 Thor Ave | San Francisco | Glen Park | 2,657 | 6/6/2019 | \$1,700,000 | City | Approved for 4,000 SF 4 BD/5.5 BA home |
| 2921 Vallejo St | San Francisco | Pacific Heights | 4,008 | 7/25/2019 | \$8,000,000 | Bay; Golden Gate | Approved for 6,814 SF, 6 BR/8 BA home |
| 46 Cliff Rd | Marin | Belvedere | 16,601 | 5/23/2019 | \$2,100,000 | Bay | Approved for 4BR/4.5 BA home |
| 12 Crest Rd | Marin | Belvedere | 29,412 | 12/30/2019 | \$6,100,000 | Bay; Golden Gate | Auction, approved for 8,286 SF home |
| 3265 Shoreline Hwy | Marin | Stinson Beach | 15,298 | 3/5/2020 | \$2,500,000 | Bay | In entitlement process for SF home |
| 63 Carmel St | San Francisco | Cole Valley | 3,323 | Active Listing | \$3,650,000 | City; Bay | Approved for 4,588 SF home, 4BR/4.5 BA; has been on market 34 days |
| 67-69 Belcher St | San Francisco | Duboce Triangle | 12,500 | Active Listing | \$10,000,000 | City | Approved for single family home; has been on market 14 days |

Homesite Comparable Adjustments

| Address | Neighborhood | Square Footage | Sale Date | Sale Price | Overall Adjustmen | Adjustments |
|---------------------------|--------------------|----------------|----------------|--------------------|-------------------|---|
| 36 Nevada St | Bernal Heights | 1,750 | 11/19/2018 | 1,000,000 | +++ | Upward for location, views, lot size, entitlements |
| 80 Thor Ave | Glen Park | 2,657 | 6/6/2019 | 1,700,000 | +++ | Upward for location, views, lot size |
| 2921 Vallejo St | Pacific Heights | 4,008 | 7/25/2019 | 8,000,000 | - | Downward for location |
| 46 Cliff Rd | Belvedere | 16,601 | 5/23/2019 | 2,100,000 | -+ | Downward for lot size, upward for views |
| 12 Crest Rd | Belvedere | 29,412 | 12/30/2019 | 6,100,000 | - | Downward for lot size |
| 3265 Shoreline Hwy | Stinson Beach | 15,298 | 3/5/2020 | 2,500,000 | +++ | Downward for lot size, upward for location, views, entitlements |
| 63 Carmel St | San Francisco | 3,323 | Active Listing | 3,650,000 | +++ | Downward for listing status, upward for location, views |
| 67-69 Belcher St | San Francisco | 12,500 | Active Listing | 10,000,000 | -+ | Downward for listing status, lot size, upward for views |
| Subject Conclusion | Yerba Buena Island | 5,000 to 8,000 | | \$5,000,000 | | |

The comparables have been adjusted as necessary for location, view premiums, lot size, entitlements at the time of sale, and listing status. The comparable sales prices vary widely. Based on the characteristics of the subject, and given the adjusted range of data, a sale price of \$5,000,000 per homesite appears reasonable for the subject property.

We also discussed the subject homesites with brokers active in the San Francisco residential market. One broker with Compass Real was particularly familiar with the subject property and has experience with both homesites and upscale residential product in San Francisco. While he noted Yerba Buena Island is considered inferior to many of San Francisco's desirable, established neighborhoods, the subject's views are expected to help offset locational differences. San Francisco Bay and skyline views are highly sought after by buyers, yet are difficult to obtain in San Francisco. Further, homesites in San

San Francisco are incredibly rare, particularly in desirable neighborhoods. The scarcity of land for single family residential development impacts the subject favorably, while the subject's entitlements will also contribute value. Overall, the market participants we spoke with were of the opinion a range of \$4,000,000 to \$6,000,000 would be reasonable for the subject homesites.

Please note, the homesites are not expected to be offered for sale until at least 2021; the current pandemic is not expected to have a long-term effect on the homesites.

Land Residual Analysis – Parcels 4Y, 3Y, and 1Y

The land residual analysis is employed to derive the market value for the subject's residential parcels. This valuation method is used in estimating land value when subdivision and development are the highest and best use of the land being appraised. All direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the value of the land. The land residual analysis is conducted on a quarterly basis. As a discounted cash flow analysis, the land residual analysis consists of four primary components summarized as follows:

Revenue – the gross income is based on the individual component values.

Absorption Analysis – the time frame required for sell off. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).

Expenses – the expenses associated with the sell-off are calculated in this section – including infrastructure costs, administration, marketing and commission costs, as well as taxes and special taxes.

Discount Rate – an appropriate discount rate is derived employing a variety of data.

Discussions of these four concepts follows below, with the discounted cash flow analysis offered at the end of this section.

Revenue

The projected sales price for the average unit within the project will vary, as the ultimate sales price is affected by unit size, location within the project, site influences, construction costs, anticipated premiums achievable at the point of retail sale, as well as external influences such as adjacent land uses.

Base values for the subject's representative units are summarized below.

| Retail Value - Base Units | | | |
|----------------------------------|---------------|-----------------------|-------------------|
| Unit | Parcel | Square Footage | Base Value |
| The Bristol | 4Y | 1,175 | \$1,700,000 |
| Townhomes/Flats | 4Y, 3Y, 1Y | 2,870 | \$4,250,000 |

The upcoming land residual analyses will be conducted on a parcel-by-parcel basis. Therefore, it is necessary to project revenue for each parcel. In addition to the base unit price, total revenue will include adjustments for corner/end townhome units and model units. A residential unit premium factor of 5% of sale price is considered reasonable for end/corner townhomes.

As will be discussed in the expense section that follows, given the product line at the subject, it is anticipated a builder will construct several model homes. We have projected three model homes for Parcel 4Y, one model home for Parcel 3Y, and two model homes for Parcel 1Y. Upgrade amenity costs are projected at \$250,000 per model home. Typically, builders capture approximately 50% of the cost through the sale of the model and the furniture. Although furnishings are a real cost of the model improvements, they are personal property, not real estate. Thus, furnishings are not included in the opinion of value for the model home premiums. Given this consideration, the recapture cost for model homes are typically reduced to 25% to 40% of model improvement costs. Considering the anticipated foot traffic for the subject property, a recapture amount of 35%, is considered reasonable. Using this percentage, a recapture of \$87,500 per model (35% x \$250,000) is concluded, which will be considered in the estimate of aggregate retail value.

The following tables reflect retail value by parcel.

Aggregate Retail Value - Parcel 4Y

| Layout | Number of Units | Base Unit | Aggregate Value | Corner Unit Adjustment | Model Recapture | Total Revenue |
|-----------------------------|-----------------|-------------|----------------------|------------------------|------------------|----------------------|
| The Bristol - Market | 110 | \$1,700,000 | \$187,000,000 | | \$87,500 | \$187,087,500 |
| The Bristol - BMR Townhomes | 14 | Varies | \$7,099,566 | | | \$7,099,566 |
| Flats | 39 | \$4,250,000 | \$165,750,000 | \$3,400,000 | \$87,500 | \$169,237,500 |
| | 14 | \$4,250,000 | \$59,500,000 | | \$87,500 | \$59,587,500 |
| | | | \$419,349,566 | \$3,400,000 | \$262,500 | \$423,012,066 |

Aggregate Retail Value - Parcel 3Y

| Layout | Number of Units | Base Unit | Aggregate Value | Corner Unit Adjustment | Model Recapture | View Premium | Total Revenue |
|-----------|-----------------|-------------|---------------------|------------------------|-----------------|--------------|---------------------|
| Townhomes | 11 | \$4,250,000 | \$46,750,000 | \$850,000 | \$87,500 | \$2,337,500 | \$50,025,000 |

Parcel 3Y is located on the south side of Yerba Buena Island and is expected to have superior views to Parcel 4Y. Units located on Parcel 3Y have been adjusted upward 5% for view premiums.

Aggregate Retail Value - Parcel 1Y

| Layout | Number of Units | Base Unit | Aggregate Value | Corner Unit Adjustment | Model Recapture | View Premium | Total Revenue |
|-----------|-----------------|-------------|----------------------|------------------------|------------------|---------------------|----------------------|
| Townhomes | 32 | \$4,250,000 | \$136,000,000 | \$3,400,000 | \$87,500 | \$13,600,000 | \$153,087,500 |
| Flats | 41 | \$4,250,000 | \$174,250,000 | | \$87,500 | \$17,425,000 | \$191,762,500 |
| Homesites | 5 | \$5,000,000 | \$25,000,000 | | | | \$25,000,000 |
| | | | \$335,250,000 | \$3,400,000 | \$175,000 | \$31,025,000 | \$369,850,000 |

Parcel 1Y is located on the western portion of Yerba Buena Island and will have excellent views of the San Francisco skyline and Bay. Residential units on Parcel 1Y have been adjusted upward 10% for view premiums.

Closing Projections

For the attached product, the typical time required for the construction of units is estimated at approximately nine months from start to closing. This assumption is reflected in the projected construction schedules shown in the land residual model's project activity table in the section titled direct construction and phasing. Since the land residual analysis is conducted on a quarterly basis, closings are reflected in the second period following the period of sale.

Changes in Market Conditions (Price Increases or Decreases)

Based on market surveys, responses are mixed whether market participants trend revenues and expenses. Generally, market participants prefer not to price trend, but sometimes they will trend when trying to justify a sale price when there is strong competition for land. Or, participants have indicated they may trend if the sell-off period is anticipated to be protracted. Under current market conditions, and given the uncertainty surrounding the COVID-19 climate, we have chosen not to trend home prices in this analysis.

Absorption

Typically, multiple product lines would be marketed in a residential product to create characteristics appealing to as many potential purchasers as possible. Offering home products within a subdivision to different market segments is done with the aim of increasing absorption and reducing the overall development holding period for a project. The subject's townhomes and larger flats are expected to appeal to similar buyer segments based upon typical unit size and price point. However, The Bristol's smaller unit sizes and lower price point indicate it will be marketed to a different buyer type; a different absorption rate is expected for this product compared to the other larger homes.

Based on the typical marketing and absorption rate data presented in the *Residential Market Overview*, absorption for the subject's townhomes and flats is projected at 2 units per month, or 6 units per quarter. Absorption for The Bristol is estimated at 14 units per quarter, or 4.7 units per month.

Parcel 4Y - With sales of The Bristol beginning in Period 1 on Parcel 4Y, the units will sell out in 9 periods and require two additional periods to close escrow. There are also 53 townhomes and flats proposed for Parcel 4Y. Construction of these units is not scheduled to begin until construction of The Bristol is significantly underway. Therefore, we anticipate sales of these units will commence two periods (six months) after sales of The Bristol units. At an absorption rate of 6 units per quarter, these units will sell out in Period 11, with two additional periods needed to complete construction and close escrow. A summary of revenue and absorption for this parcel will be presented prior to the land residual analysis.

Parcel 3Y – This parcel includes 11 townhomes; at an absorption rate of 6 units per quarter, the homes will sell out in Period 2, with Periods 3 and 4 needed to complete construction and close

escrow. Because the homes will be sold within one year, we have elected not to discount the cash flow.

Parcel 1Y - This parcel includes 73 townhomes and flats and 5 homesites. With an absorption rate of 6 units per quarter, residences will sell out in Period 13, with Periods 14 and 15 needed to complete construction and close escrow. We have projected the 5 homesites will sell over two periods in Quarters 13 and 14, near the end of the construction period for the residences.

Expense Projections

As part of an ongoing effort to assemble market information, we routinely compile budget information for single family residential subdivisions from developers throughout California. Information from our developer cost database contributes to the estimate of development expenses classified as follows.

General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.5% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. We have used 3.0% for general and administrative expenses.

Marketing and Sale

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. A figure of 5.0%, or 2.5% for marketing and 2.5% for sales, is estimated in the marketing and sales expense category.

Property Taxes (Ad Valorem and Special Taxes)

The subject is located within an area with an effective tax rate of 1.1801%. This amount is applied to the estimated market values and divided by the total number of units to yield an estimate of ad valorem taxes/unit/year for each phase. The tax amounts are applied to unclosed inventory over the sell-off period. Property taxes are increased by 2% per year. Direct assessments applicable to the subject property are nominal and are not considered in the upcoming proforma.

As referenced, the appraised properties are located within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island). According to the Rate and Method of Apportionment, provided in the *Real Estate Taxes* section, the annual special taxes applicable to the subject's facilities are \$6.64 per square foot for The Bristol and flats and \$6.30 per square foot for the townhomes. We have applied these special taxes to the average unit square footage in the upcoming analysis. It should be noted, the inclusionary units associated with The Bristol are not subject to the special tax.

Calculation of CFD Tax - Parcel 4Y

| Unit Type | Tax per SF | Number of Units | Average SF | Total SF (Market) | Total Tax |
|------------------------------------|------------|-----------------|------------|-------------------|-----------------|
| The Bristol - Market Rate Units | \$6.64 | 110 | 1,175 | 129,250 | \$858,220 |
| Townhomes | \$6.30 | 39 | 2,850 | 111,150 | \$700,245 |
| Flats | \$6.64 | 14 | 2,850 | 39,900 | \$264,936 |
| | | 163 | | | \$1,823,401 |
| Total Units - Market and BMR Units | | | | | 177 |
| CFD Tax per Unit | | | | | \$10,302 |

Calculation of CFD Tax - Parcel 3Y

| Unit Type | Tax per SF | Number of Units | Average SF | Tax per Unit |
|-----------|------------|-----------------|------------|---------------|
| Townhomes | \$6.30 | 11 | 2,850 | 17,955 |

Calculation of CFD Tax - Parcel 1Y

| Unit Type | Tax per SF | Number of Units | Average SF | Total SF (Market) | Total Tax |
|------------------|------------|-----------------|------------|-------------------|-----------------|
| Townhomes | \$6.30 | 32 | 2,890 | 92,480 | \$582,624 |
| Flats | \$6.64 | 41 | 2,890 | 118,490 | \$786,774 |
| | | 73 | | | \$1,369,398 |
| Total Units - | | | | | 73 |
| CFD Tax per Unit | | | | | \$18,759 |

The total tax expense is gradually reduced over the absorption period, as the units are sold off.

Homeowners' Association

A homeowners association is planned for the subject. According to the developer, the HOA fee for the subject units will include bus and ferry services, a security patrol, and maintenance of Hilltop Park. Based upon the range of HOA fees found among comparable properties, we estimate a monthly HOA fee of \$1,500 per unit.

Remaining Site Development Costs

In this analysis, we are determining the value of a finished site/parcel; therefore, no deduction is made for remaining site development costs (including on-site and infrastructure) in the valuation.

Permits and Fees

Permits and fees represent all fees payable upon obtaining building permit for the construction of the proposed units and include school fees and any impact fees. Permits and fees for The Bristol are approximately \$23,700 per unit, while permits and fees for the flats and townhomes are approximately \$74,900 per unit. A blended rate will be applied to Parcel 4Y based upon the proposed unit mix, while the fees applicable to the townhomes and flats are utilized for the valuation of Parcels 3Y and 1Y.

Direct and Indirect Construction Costs

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

The developer has provided a construction budget for both The Bristol and the subject's townhomes and flats. Based on this information, a direct cost range of \$750 to \$900 per square foot is applicable to the subject. The subject reflects a unique product type and recent conversations with homebuilders confirm construction costs have increased over the past few years. As the developer's budget best considers the intricacies of the subject construction, the developer's costs are relied upon in the upcoming analyses. It should be noted the average cost for Parcel 4Y considers both The Bristol and the proposed townhomes/flats.

In addition, vertical construction is underway at The Bristol and approximately \$23,000,000 in costs have been incurred by the Builder to date. Costs spent to date are deducted from the overall direct construction cost estimate.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator
- Interest reserve

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 10% is considered reasonable for the subject.

Model Complex

For the purposes of this analysis, we have assumed the developer will build several model homes, depending on the parcel. The upcoming analyses assume three model homes for Parcel 4Y, one model home for Parcel 3Y, and two model homes for Parcel 1Y. Model upgrade expenses can vary widely depending upon construction quality, targeted market and anticipated length of time on the market. These upgrades, exterior and interior, including furniture, can range from \$20,000 per model to over \$250,000 per model for executive homes.

Based on the quality of the subject’s proposed improvements and the targeted buyer segment, a model upgrade cost of \$250,000 is considered reasonable for the subject’s lots. Of this amount, approximately 35% will be recaptured with the sale of the models reflecting a model recapture of \$87,500. Model costs will be applied over the initial periods, while recapture costs will be applied at the end of the projection period.

Summary

The following charts summarize the revenue and expenses discussed on the preceding pages.

| <u>Revenue & Expense Summary - Parcel 4Y</u> | | | |
|--|-----------------|----------------------|---|
| Revenue | | | |
| Aggregate Retail Value | | \$419,349,566 | |
| Number of Units | | 177 | |
| Average Value per Unit | | \$2,369,207 | |
| Average Home Size (SF) | | 1,672 | |
| Home Revenue (Before Appreciation): | | \$419,349,566 | |
| Home Revenue (After Appreciation): | | \$419,349,566 | |
| Home Revenue (Per Lot - from cash flow): | | \$2,369,207 | |
| Lot Premiums | | \$3,400,000 | \$19,209 (per unit) |
| Model Recapture | (@ 35% of cost) | \$262,500 | \$87,500 (per model) |
| Total Revenue (After Appreciation): | | \$423,012,066 | \$2,389,899 (per unit) |
| Expenses | | | |
| <u>Non-Appreciated Expenses</u> | | | |
| General and Administrative | 3.0% | of total revenue | \$12,690,362 |
| Marketing and Sales | 6.0% | of total revenue | \$25,380,724 |
| Ad Valorem Real Estate Taxes | \$5,145 | /unit/year | \$1,502,012 (from cash flow) |
| CFD No. 2016-1 (Treasure Island) | \$10,302 | /unit/year | \$2,977,191 (from cash flow) |
| HOA | \$1,500 | /unit/month | \$5,202,000 (from cash flow) |
| Model Costs | 3 | models | \$750,000 \$250,000 (per model) |
| Site Development Costs | | | \$0 \$0 (per unit) |
| Permits and Fees | | | \$6,909,195 \$39,035 (per unit) |
| Subtotal: | | | \$55,411,484 |
| <u>Appreciated Expenses</u> | | | |
| Direct Constructon Costs (Before Appeciation) | | | \$244,086,150 \$1,379,018 (per unit) \$825 per SF |
| Less Costs Spent to Date | | | (\$23,000,000) |
| Remaining Direct Construction Costs | | | \$221,086,150 |
| Direct Constructon Costs (After Appreciation) | | | \$221,086,150 \$1,249,074 (per unit) (from cash flow) |
| Indirect Constructon Costs (Total) | 10.0% | of Direct Costs | \$22,108,615 \$124,907 (per unit) (from cash flow) |
| Subtotal: | | | \$243,194,765 |
| Total Expenses: \$298,606,249 | | | |



Revenue & Expense Summary - Parcel 3Y

Revenue

| | | | |
|--|-----------------|---------------------|-------------------------------|
| Aggregate Retail Value | | \$46,750,000 | |
| Number of Units | | 11 | |
| Average Value per Unit | | \$4,250,000 | |
| Average Home Size (SF) | | 2,850 | |
| Home Revenue (Before Appreciation): | | \$46,750,000 | |
| Home Revenue (After Appreciation): | | \$46,750,000 | |
| Home Revenue (Per Lot - from cash flow): | | \$4,250,000 | |
| Lot Premiums | | \$3,187,500 | \$289,773 (per unit) |
| Model Recapture | (@ 35% of cost) | \$87,500 | \$87,500 (per model) |
| Total Revenue (After Appreciation): | | \$50,025,000 | \$4,547,727 (per unit) |

Expenses

Non-Appreciated Expenses

| | | | | | |
|----------------------------------|----------|------------------|----------------------------|-------------|-----------------------|
| General and Administrative | 3.0% | of total revenue | Total Over Sell-Off Period | \$1,500,750 | |
| Marketing and Sales | 6.0% | of total revenue | | \$3,001,500 | |
| Ad Valorem Real Estate Taxes | \$11,600 | /unit/year | | \$79,171 | (from cash flow) |
| CFD No. 2016-1 (Treasure Island) | \$17,955 | /unit/year | | \$121,196 | (from cash flow) |
| HOA | \$1,500 | /unit/month | | \$121,500 | (from cash flow) |
| Model Costs | 1 | models | | \$250,000 | \$250,000 (per model) |
| Site Development Costs | | | | \$0 | \$0 (per unit) |
| Permits and Fees | | | | \$823,900 | \$74,900 (per unit) |
| Subtotal: | | | | \$5,898,017 | |

Appreciated Expenses

| | | | | | |
|---|-------|-----------------|---------------------|------------------------|------------------|
| Direct Constructon Costs (Before Appeciation) | | | \$26,647,500 | \$2,422,500 (per unit) | \$850 per SF |
| Direct Constructon Costs (After Appreciation) | | | \$26,647,500 | \$2,422,500 (per unit) | (from cash flow) |
| Indirect Constructon Costs (Total) | 10.0% | of Direct Costs | \$2,664,750 | \$242,250 (per unit) | (from cash flow) |
| Subtotal: | | | \$29,312,250 | | |
| Total Expenses: | | | \$35,210,267 | | |

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| Revenue & Expense Summary - Parcel 1Y | | | |
|---|---------------|----------------------|---|
| Revenue | | | |
| Aggregate Retail Value - Townhomes & Flats | | \$310,250,000 | |
| Number of Units | | 73 | |
| Average Value per Unit | | \$4,250,000 | |
| Average Home Size (SF) | | 2,890 | |
| | | | |
| Home Site Revenue | | \$25,000,000 | |
| Number of Home Sites | | 5 | |
| Average Value per Lot | | \$5,000,000 | |
| | | | |
| Home Revenue (Before Appreciation): | | \$335,250,000 | |
| Home Revenue (After Appreciation): | | \$335,250,000 | |
| Home Revenue (Per Lot - from cash flow): | | \$4,298,077 | |
| | | | |
| Lot Premiums | | \$34,425,000 | \$471,575 (per unit) |
| Model Recapture | @ 35% of cost | \$175,000 | \$87,500 (per model) |
| | | | |
| Total Revenue (After Appreciation): | | \$369,850,000 | |
| Expenses | | | |
| <u>Non-Appreciated Expenses</u> | | | |
| General and Administrative | 3.0% | of total revenue | \$11,095,500 |
| Marketing and Sales | 6.0% | of total revenue | \$22,191,000 |
| Ad Valorem Real Estate Taxes | \$13,385 | /unit/year | \$1,624,111 (from cash flow) |
| CFD No. 2016-1 (Treasure Island) | \$18,759 | /unit/year | \$2,598,104 (from cash flow) |
| HOA | \$1,500 | /unit/month | \$2,493,000 (from cash flow) |
| Model Costs | 2 | models | \$500,000 (\$250,000 (per model) |
| Site Development Costs | | | \$0 \$0 (per unit) |
| Permits and Fees | | | \$5,467,700 \$74,900 (per unit) |
| Subtotal: | | | \$45,969,415 |
| <u>Appreciated Expenses</u> | | | |
| Direct Constructon Costs (Before Appeciation) | | | \$174,050,250 \$2,384,250 (per unit) \$825 per SF |
| Direct Constructon Costs (After Appreciation) | | | \$174,050,250 \$2,384,250 (per unit) (from cash flow) |
| Indirect Constructon Costs (Total) | 10.0% | of Direct Costs | \$17,405,025 \$238,425 (per unit) (from cash flow) |
| Subtotal: | | | \$191,455,275 |
| Total Expenses: \$237,424,690 | | | |

Developer’s Incentive and Discount Rate

Developer’s Incentive

When employing a land residual analysis, most market participants (homebuilders) analyze projects based on an expected increment of profit and a cost-of-funds discount rate. The developer’s profit is expressed as a percent of sales revenue and is included as an expense deduction. The cost-of-funds rate is used to discount each year of net income to present value. This methodology differs from the subdivision development method, in which most market participants (typically land developers) employ a yield rate or internal rate of return (IRR) inclusive of developer’s profit, and do not deduct profit as a line item expense.

According to industry sources, developer’s incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period or the product type is considered weak or untested.



Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Based on the characteristics of the subject property, including its location and perceived level of risk, we will employ a developer's profit factor of 8.0% of sales revenue.

Discount Rate (Cost of Funds)

A discount rate will be employed to convert future cash flows to present value, thus reflecting the time value of money. An appropriate discount rate should reflect the cost of funds under current market conditions. For a cost of funds index, we will use the 11th District Cost of Funds Index (COFI), which is a standard financial index widely used in U.S. capital markets as a benchmark for adjustable-rate loans. Lenders use such an index to adjust interest rates as economic conditions change. Lenders add a certain number of percentage points, or margin, to the index to establish interest rates. The 11th District COFI was 0.76% as of July 2020. A typical margin used by banks is about 250 to 350 basis points, or 2.5% to 3.5% not including additional points or fees. We will employ a discount rate (cost of funds) of 5.0% in the land residual analysis.

Conclusion

The land residual analysis is presented as follows:

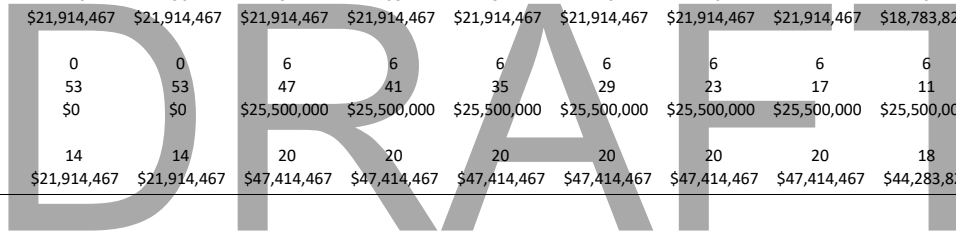
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Parcel 4Y – Revenue Schedule

As discussed, Parcel 4Y includes The Bristol and 53 townhomes/flats. Absorption is projected at different rates for the two product types, with sales of the townhomes and flats commencing after construction of The Bristol is well underway. The following table demonstrates the revenue schedule utilized in the upcoming analysis.

Estimate of Absorption and Revenue - Parcel 4Y Base Units

| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | Total |
|------------------------------|-------------|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Absorption - The Bristol | 14 | units/quarter | | | | | | | | | | | |
| Absorption - Townhomes/Flats | 6 | units/quarter | | | | | | | | | | | |
| Revenue - The Bristol | \$1,565,319 | per unit (Market and BMR units) | | | | | | | | | | | |
| Revenue - Townhomes/Flats | \$4,250,000 | per unit | | | | | | | | | | | |
| Sales - The Bristol | 0 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 12 | 0 | 0 | 124 |
| Unsold Inventory | 124 | 110 | 96 | 82 | 68 | 54 | 40 | 26 | 12 | 0 | 0 | 0 | |
| Revenue | | \$21,914,467 | \$21,914,467 | \$21,914,467 | \$21,914,467 | \$21,914,467 | \$21,914,467 | \$21,914,467 | \$21,914,467 | \$18,783,829 | \$0 | \$0 | \$194,099,566 |
| Sales - Townhomes/Flats | 0 | 0 | 0 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 53 |
| Unsold Inventory | 53 | 53 | 53 | 47 | 41 | 35 | 29 | 23 | 17 | 11 | 5 | 0 | |
| Revenue | | \$0 | \$0 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$21,250,000 | \$225,250,000 |
| Total Absorption | | 14 | 14 | 20 | 20 | 20 | 20 | 20 | 20 | 18 | 6 | 5 | 177 |
| Total Revenue | | \$21,914,467 | \$21,914,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$44,283,829 | \$25,500,000 | \$21,250,000 | \$419,349,566 |



Parcel 4Y – Land Residual Analysis

| Land Residual Analysis - Parcel 4Y | | | | | | | | | | | | | | | |
|--|----------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------------|
| Quarter: | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | Total |
| REVENUE AND SALES | | | | | | | | | | | | | | | |
| Sales | 0 | 14 | 14 | 20 | 20 | 20 | 20 | 20 | 20 | 18 | 6 | 5 | 0 | 0 | 177 |
| Unsold Inventory | 177 | 163 | 149 | 129 | 109 | 89 | 69 | 49 | 29 | 11 | 5 | 0 | 0 | 0 | |
| Close of Escrow (COE) | 0 | 0 | 0 | 14 | 14 | 20 | 20 | 20 | 20 | 20 | 20 | 18 | 6 | 5 | 177 |
| Pending/Under Construction | 0 | 14 | 28 | 48 | 54 | 60 | 60 | 60 | 60 | 58 | 44 | 29 | 11 | 5 | |
| Under Construction by % | | 2.6% | 5.3% | 9.0% | 10.2% | 11.3% | 11.3% | 11.3% | 11.3% | 10.9% | 8.3% | 5.5% | 2.1% | 0.9% | 100.0% |
| Undclosed Inventory | | 177 | 177 | 163 | 149 | 129 | 109 | 89 | 69 | 49 | 29 | 11 | 5 | 0 | |
| Contracted Base Revenue (Before Appreciation) | | \$21,914,467 | \$21,914,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$44,283,829 | \$25,500,000 | \$21,250,000 | \$0 | \$0 | \$419,349,566 |
| Quarterly Appreciation Factor | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | |
| Appreciated Contracted Home Revenue | | \$21,914,467 | \$21,914,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$44,283,829 | \$25,500,000 | \$21,250,000 | \$0 | \$0 | \$419,349,566 |
| Appreciated Closing Home Revenue | | \$0 | \$0 | \$21,914,467 | \$21,914,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$47,414,467 | \$44,283,829 | \$25,500,000 | \$21,250,000 | \$419,349,566 | |
| Model Recapture Revenue | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$87,500 | \$0 | \$87,500 | \$87,500 | \$262,500 |
| Lot Premium Revenue | | \$0 | \$0 | \$268,927 | \$268,927 | \$384,181 | \$384,181 | \$384,181 | \$384,181 | \$384,181 | \$345,763 | \$115,254 | \$96,045 | \$96,045 | \$3,400,000 |
| Total Revenue | | \$0 | \$0 | \$22,183,394 | \$22,183,394 | \$47,798,648 | \$47,798,648 | \$47,798,648 | \$47,798,648 | \$47,798,648 | \$47,886,148 | \$44,629,592 | \$25,702,754 | \$21,433,545 | \$423,012,066 |
| EXPENSES AND CASH FLOWS | | | | | | | | | | | | | | | |
| Fixed or Percentage Expenses | | | | | | | | | | | | | | | |
| General and Administrative | 3.0% | (\$976,182) | (\$976,182) | (\$976,182) | (\$976,182) | (\$976,182) | (\$976,182) | (\$976,182) | (\$976,182) | (\$976,182) | (\$976,182) | (\$976,182) | (\$976,182) | (\$976,182) | (\$12,690,362) |
| Marketing and Sales | 6.0% | \$0 | \$0 | (\$1,331,004) | (\$1,331,004) | (\$2,867,919) | (\$2,867,919) | (\$2,867,919) | (\$2,867,919) | (\$2,867,919) | (\$2,873,169) | (\$2,677,776) | (\$1,542,165) | (\$1,286,013) | (\$25,380,724) |
| Ad Valorem Real Estate Taxes | \$5,145 | (\$227,679) | (\$227,679) | (\$209,670) | (\$191,662) | (\$169,254) | (\$143,013) | (\$116,772) | (\$90,531) | (\$65,551) | (\$38,795) | (\$14,716) | (\$6,689) | \$0 | (\$1,502,012) |
| CFD No. 2016-1 (Treasure Island) | \$10,302 | (\$455,850) | (\$455,850) | (\$419,794) | (\$383,738) | (\$332,230) | (\$280,721) | (\$229,213) | (\$177,704) | (\$126,196) | (\$74,687) | (\$28,330) | (\$12,877) | \$0 | (\$2,977,191) |
| HOA per Month | \$1,500 | (\$796,500) | (\$796,500) | (\$733,500) | (\$670,500) | (\$580,500) | (\$490,500) | (\$400,500) | (\$310,500) | (\$220,500) | (\$130,500) | (\$49,500) | (\$22,500) | \$0 | (\$5,202,000) |
| Model Costs | | (\$250,000) | (\$250,000) | \$0 | \$0 | \$0 | (\$250,000) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$750,000) |
| Site Development Costs | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Building Permits | | (\$546,490) | (\$546,490) | (\$780,700) | (\$780,700) | (\$780,700) | (\$780,700) | (\$780,700) | (\$780,700) | (\$702,630) | (\$234,210) | (\$195,175) | \$0 | \$0 | (\$6,909,195) |
| Subtotal: | | (\$3,252,701) | (\$3,252,701) | (\$4,450,850) | (\$4,333,786) | (\$5,706,785) | (\$5,789,035) | (\$5,371,286) | (\$5,203,536) | (\$4,958,977) | (\$4,327,543) | (\$3,941,677) | (\$2,560,413) | (\$2,262,194) | (\$55,411,484) |
| Appreciated Expenses | | | | | | | | | | | | | | | |
| Direct Construction Costs | | (\$5,829,013) | (\$11,658,027) | (\$19,985,189) | (\$22,483,337) | (\$24,981,486) | (\$24,981,486) | (\$24,981,486) | (\$24,981,486) | (\$24,148,770) | (\$18,319,756) | (\$12,074,385) | (\$4,579,939) | (\$2,081,790) | (\$221,086,150) |
| Quarterly Appreciation Factor | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | |
| Appreciated Direct Costs | | (\$5,829,013) | (\$11,658,027) | (\$19,985,189) | (\$22,483,337) | (\$24,981,486) | (\$24,981,486) | (\$24,981,486) | (\$24,981,486) | (\$24,148,770) | (\$18,319,756) | (\$12,074,385) | (\$4,579,939) | (\$2,081,790) | (\$221,086,150) |
| Indirect Construction Costs | 10.0% | (\$582,901) | (\$1,165,803) | (\$1,998,519) | (\$2,248,334) | (\$2,498,149) | (\$2,498,149) | (\$2,498,149) | (\$2,498,149) | (\$2,414,877) | (\$1,831,976) | (\$1,207,438) | (\$457,994) | (\$208,179) | (\$22,108,615) |
| Subtotal: | | (\$6,411,915) | (\$12,823,829) | (\$21,983,708) | (\$24,731,671) | (\$27,479,634) | (\$27,479,634) | (\$27,479,634) | (\$27,479,634) | (\$26,563,647) | (\$20,151,732) | (\$13,281,823) | (\$5,037,933) | (\$2,289,970) | (\$243,194,765) |
| Total Expenses | | (\$9,664,616) | (\$16,076,530) | (\$26,434,558) | (\$29,065,457) | (\$33,186,419) | (\$33,268,670) | (\$32,850,920) | (\$32,683,171) | (\$31,522,624) | (\$24,479,275) | (\$17,223,501) | (\$7,598,346) | (\$4,552,164) | (\$298,606,249) |
| NET INCOME BEFORE DEVELOPER'S INCENTIVE | | | | | | | | | | | | | | | |
| | | (\$9,664,616) | (\$16,076,530) | (\$4,251,164) | (\$6,882,063) | \$14,612,229 | \$14,529,978 | \$14,947,728 | \$15,115,477 | \$16,276,024 | \$23,406,873 | \$27,406,091 | \$18,104,408 | \$16,881,381 | \$124,405,817 |
| Total Project Incentive | 8.0% | \$0 | \$0 | (\$1,774,671) | (\$1,774,671) | (\$3,823,892) | (\$3,823,892) | (\$3,823,892) | (\$3,823,892) | (\$3,823,892) | (\$3,830,892) | (\$3,570,367) | (\$2,056,220) | (\$1,714,684) | (\$33,840,965) |
| NET INCOME (BEFORE DISCOUNTING) | | (\$9,664,616) | (\$16,076,530) | (\$6,025,835) | (\$8,656,734) | \$10,788,337 | \$10,706,087 | \$11,123,836 | \$11,291,585 | \$12,452,132 | \$19,575,981 | \$23,835,724 | \$16,048,188 | \$15,166,698 | \$90,564,852 |
| Present Value Factors | | | | | | | | | | | | | | | |
| Discount Rate (Cost of Borrowed Funds) | 5.00% | 0.98765 | 0.97546 | 0.96342 | 0.95152 | 0.93978 | 0.92817 | 0.91672 | 0.90540 | 0.89422 | 0.88318 | 0.87228 | 0.86151 | 0.85087 | |
| Discounted Cash Flow | | (\$9,545,299) | (\$15,682,029) | (\$5,805,400) | (\$8,237,093) | \$10,138,632 | \$9,937,121 | \$10,197,398 | \$10,223,384 | \$11,134,954 | \$17,289,133 | \$20,791,364 | \$13,825,652 | \$12,904,929 | \$77,172,744 |
| Net Present Value | | | | | | | | | | | | | | | \$77,170,000 |
| Per Unit | | | | | | | | | | | | | | | \$435,989 |



Parcel 3Y – Land Residual Analysis

| Land Residual Analysis - Parcel 3Y | | | | | | |
|--|----------|---------------|----------------|----------------|---------------|---------------------|
| Quarter: | 0 | 1 | 2 | 3 | 4 | Total |
| REVENUE AND SALES | | | | | | |
| Sales | 0 | 6 | 5 | 0 | 0 | 11 |
| Unsold Inventory | 11 | 5 | 0 | 0 | 0 | |
| Close of Escrow (COE) | 0 | 0 | 0 | 6 | 5 | 6 |
| Pending/Under Construction | 0 | 6 | 11 | 11 | 5 | |
| Under Construction by % | | 18.2% | 33.3% | 33.3% | 15.2% | 100.0% |
| Unclosed Inventory | | 11 | 11 | 5 | 0 | |
| Contracted Base Revenue (Before Quarterly Appreciation Factor) | 1.0000 | \$25,500,000 | \$21,250,000 | \$0 | \$0 | \$46,750,000 |
| Appreciated Contracted Home Revenue | | \$25,500,000 | \$21,250,000 | \$0 | \$0 | \$46,750,000 |
| Appreciated Closing Home Revenue | | \$0 | \$0 | \$25,500,000 | \$21,250,000 | \$46,750,000 |
| Model Recapture Revenue | | \$0 | \$0 | \$0 | \$87,500 | \$87,500 |
| Lot Premium Revenue | | \$0 | \$0 | \$1,738,636 | \$1,448,864 | \$3,187,500 |
| Total Revenue | | \$0 | \$0 | \$27,238,636 | \$22,786,364 | \$50,025,000 |
| EXPENSES AND CASH FLOWS | | | | | | |
| Fixed or Percentage Expenses | | | | | | |
| General and Administrative | 3.0% | (\$375,188) | (\$375,188) | (\$375,188) | (\$375,188) | (\$1,500,750) |
| Marketing and Sales | 6.0% | \$0 | \$0 | (\$1,634,318) | (\$1,367,182) | (\$3,001,500) |
| Ad Valorem Real Estate Taxes | \$11,600 | (\$31,900) | (\$31,900) | (\$15,370) | \$0 | (\$79,171) |
| CFD No. 2016-1 (Treasure Island) | \$17,955 | (\$49,376) | (\$49,376) | (\$22,444) | \$0 | (\$121,196) |
| HOA per Month | \$1,500 | (\$49,500) | (\$49,500) | (\$22,500) | \$0 | (\$121,500) |
| Model Costs | | (\$250,000) | \$0 | \$0 | \$0 | (\$250,000) |
| Site Development Costs | | \$0 | \$0 | \$0 | \$0 | \$0 |
| Building Permits | | (\$449,400) | (\$374,500) | \$0 | | (\$823,900) |
| Subtotal: | | (\$1,205,364) | (\$880,464) | (\$2,069,820) | (\$1,742,369) | (\$5,898,017) |
| Appreciated Expenses | | | | | | |
| Direct Construction Costs | | (\$4,845,000) | (\$8,882,500) | (\$8,882,500) | (\$4,037,500) | (\$26,647,500) |
| Quarterly Appreciation Factor | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | |
| Appreciated Direct Costs | | (\$4,845,000) | (\$8,882,500) | (\$8,882,500) | (\$4,037,500) | (\$26,647,500) |
| Indirect Construction Costs | 10.0% | (\$484,500) | (\$888,250) | (\$888,250) | (\$403,750) | (\$2,664,750) |
| Subtotal: | | (\$5,329,500) | (\$9,770,750) | (\$9,770,750) | (\$4,441,250) | (\$29,312,250) |
| Total Expenses | | (\$6,534,864) | (\$10,651,214) | (\$11,840,570) | (\$6,183,619) | (\$35,210,267) |
| NET INCOME BEFORE DEVELOPER'S INCENTIVE | | (\$6,534,864) | (\$10,651,214) | \$15,398,067 | \$16,602,744 | \$14,814,733 |
| Total Project Incentive | 8.0% | \$0 | \$0 | (\$2,179,091) | (\$1,822,909) | (\$4,002,000) |
| NET INCOME (BEFORE DISCOUNTING) | | (\$6,534,864) | (\$10,651,214) | \$13,218,976 | \$14,779,835 | \$10,812,733 |
| Net Present Value | | | | | | \$10,810,000 |
| Per Unit | | | | | | \$982,727 |

| Land Residual Analysis - Parcel 1Y | | | | | | | | | | | | | | | | | | |
|--|----------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|------------------------|-----------------|
| Quarter: | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | Total | |
| REVENUE AND SALES | | | | | | | | | | | | | | | | | | |
| Sales - Townhomes and Flats | 0 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 1 | 0 | 0 | 73 | |
| Unsold Inventory | 73 | 67 | 61 | 55 | 49 | 43 | 37 | 31 | 25 | 19 | 13 | 7 | 1 | 0 | 0 | 0 | | |
| Close of Escrow (COE) | 0 | 0 | 0 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 1 | 73 | |
| Pending/Under Construction | 0 | 6 | 12 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 13 | 7 | 1 | | |
| Under Construction by % | | 2.7% | 5.5% | 8.2% | 8.2% | 8.2% | 8.2% | 8.2% | 8.2% | 8.2% | 8.2% | 8.2% | 8.2% | 5.9% | 3.2% | 0.5% | 100.0% | |
| Unclosed Inventory | | 73 | 73 | 67 | 61 | 55 | 49 | 43 | 37 | 31 | 25 | 19 | 13 | 7 | 1 | 0 | | |
| Home Site Sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 2 | 0 | 0 | 5 | |
| Unsold Homesites | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 2 | 0 | 0 | 0 | | |
| Close of Escrow (COE) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 2 | 5 | |
| Unclosed Inventory | | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 2 | 0 | | |
| Contracted Base Revenue (Before Appreciation) | | | | | | | | | | | | | | | | | | |
| Townhomes & Flats | | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$4,250,000 | \$0 | \$0 | \$310,250,000 |
| Home Sites | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$15,000,000 | \$10,000,000 | \$0 | \$25,000,000 |
| Total Revenue (Before Appreciation) | | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$40,500,000 | \$14,250,000 | \$0 | \$335,250,000 |
| Quarterly Appreciation Factor | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | |
| Appreciated Contracted Home Revenue | | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$40,500,000 | \$14,250,000 | \$0 | \$335,250,000 |
| Appreciated Closing Home Revenue | | \$0 | \$0 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$25,500,000 | \$40,500,000 | \$14,250,000 | \$335,250,000 | |
| Model Recapture Revenue | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$87,500 | \$175,000 |
| Lot Premiums | | \$0 | \$0 | \$2,829,452 | \$2,829,452 | \$2,829,452 | \$2,829,452 | \$2,829,452 | \$2,829,452 | \$2,829,452 | \$2,829,452 | \$2,829,452 | \$2,829,452 | \$2,829,452 | \$2,829,452 | \$2,829,452 | \$471,575 | \$34,425,000 |
| Total Revenue | | \$0 | \$0 | \$28,329,452 | \$28,329,452 | \$28,329,452 | \$28,329,452 | \$28,329,452 | \$28,329,452 | \$28,329,452 | \$28,329,452 | \$28,329,452 | \$28,329,452 | \$28,329,452 | \$43,416,952 | \$14,809,075 | \$369,850,000 | |
| EXPENSES AND CASH FLOWS | | | | | | | | | | | | | | | | | | |
| Fixed or Percentage Expenses | | | | | | | | | | | | | | | | | | |
| General and Administrative | 3.0% | (\$739,700) | (\$739,700) | (\$739,700) | (\$739,700) | (\$739,700) | (\$739,700) | (\$739,700) | (\$739,700) | (\$739,700) | (\$739,700) | (\$739,700) | (\$739,700) | (\$739,700) | (\$739,700) | (\$739,700) | (\$739,700) | (\$11,095,500) |
| Marketing and Sales | 6.0% | \$0 | \$0 | (\$1,699,767) | (\$1,699,767) | (\$1,699,767) | (\$1,699,767) | (\$1,699,767) | (\$1,699,767) | (\$1,699,767) | (\$1,699,767) | (\$1,699,767) | (\$1,699,767) | (\$1,699,767) | (\$1,699,767) | (\$1,699,767) | (\$1,699,767) | (\$22,191,000) |
| Ad Valorem Real Estate Taxes | \$13,385 | (\$227,540) | (\$227,540) | (\$207,463) | (\$187,386) | (\$166,974) | (\$146,897) | (\$126,820) | (\$106,743) | (\$86,325) | (\$66,248) | (\$46,171) | (\$26,093) | (\$5,668) | \$3,756 | \$0 | (\$1,624,111) | |
| CFD No. 2016-1 (Treasure Island) | \$18,759 | (\$342,349) | (\$342,349) | (\$314,211) | (\$286,073) | (\$257,934) | (\$229,796) | (\$201,658) | (\$173,520) | (\$145,381) | (\$117,243) | (\$89,105) | (\$60,966) | (\$32,828) | (\$4,690) | \$0 | (\$2,598,104) | |
| HOA per Month | \$1,500 | (\$328,500) | (\$328,500) | (\$301,500) | (\$274,500) | (\$247,500) | (\$220,500) | (\$193,500) | (\$166,500) | (\$139,500) | (\$112,500) | (\$85,500) | (\$58,500) | (\$31,500) | (\$4,500) | \$0 | (\$2,493,000) | |
| Model Costs | | (\$250,000) | (\$250,000) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$500,000) | |
| Site Development Costs | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Building Permits | | (\$449,400) | (\$449,400) | (\$449,400) | (\$449,400) | (\$449,400) | (\$449,400) | (\$449,400) | (\$449,400) | (\$449,400) | (\$449,400) | (\$449,400) | (\$449,400) | (\$449,400) | (\$449,400) | (\$449,400) | (\$5,467,700) | |
| Subtotal: | | (\$2,337,489) | (\$2,337,489) | (\$3,712,041) | (\$3,636,826) | (\$3,561,276) | (\$3,486,060) | (\$3,410,845) | (\$3,335,630) | (\$3,260,415) | (\$3,185,200) | (\$3,109,985) | (\$3,034,770) | (\$2,959,555) | (\$3,350,151) | (\$1,628,245) | (\$45,969,415) | |
| Appreciated Expenses | | | | | | | | | | | | | | | | | | |
| Direct Construction Costs | | (\$4,768,500) | (\$9,537,000) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$10,331,750) | (\$5,563,250) | (\$794,750) | (\$174,050,250) |
| Quarterly Appreciation Factor | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | | |
| Appreciated Direct Costs | | (\$4,768,500) | (\$9,537,000) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$14,305,500) | (\$10,331,750) | (\$5,563,250) | (\$794,750) | (\$174,050,250) |
| Indirect Construction Costs | 10.0% | (\$476,850) | (\$953,700) | (\$1,430,550) | (\$1,430,550) | (\$1,430,550) | (\$1,430,550) | (\$1,430,550) | (\$1,430,550) | (\$1,430,550) | (\$1,430,550) | (\$1,430,550) | (\$1,430,550) | (\$1,430,550) | (\$1,033,175) | (\$556,325) | (\$79,475) | (\$17,405,025) |
| Subtotal: | | (\$5,245,350) | (\$10,490,700) | (\$15,736,050) | (\$15,736,050) | (\$15,736,050) | (\$15,736,050) | (\$15,736,050) | (\$15,736,050) | (\$15,736,050) | (\$15,736,050) | (\$15,736,050) | (\$15,736,050) | (\$15,736,050) | (\$11,364,925) | (\$6,119,575) | (\$874,225) | (\$191,455,275) |
| Total Expenses | | (\$7,582,839) | (\$12,828,189) | (\$19,448,091) | (\$19,372,876) | (\$19,297,326) | (\$19,222,110) | (\$19,146,895) | (\$19,071,680) | (\$18,996,423) | (\$18,920,908) | (\$18,845,692) | (\$18,770,477) | (\$18,699,248) | (\$18,469,726) | (\$2,502,470) | (\$237,424,690) | |
| NET INCOME BEFORE DEVELOPER'S INCENTIVE | | (\$7,582,839) | (\$12,828,189) | \$8,881,361 | \$8,956,576 | \$9,032,126 | \$9,107,342 | \$9,182,557 | \$9,257,772 | \$9,333,329 | \$9,408,544 | \$9,483,760 | \$9,558,975 | \$14,380,164 | \$33,947,226 | \$12,306,606 | \$132,425,310 | |
| Total Project Incentive | 8.0% | \$0 | \$0 | (\$2,266,356) | (\$2,266,356) | (\$2,266,356) | (\$2,266,356) | (\$2,266,356) | (\$2,266,356) | (\$2,266,356) | (\$2,266,356) | (\$2,266,356) | (\$2,266,356) | (\$2,266,356) | (\$2,266,356) | (\$2,266,356) | (\$1,184,726) | (\$29,588,000) |
| NET INCOME (BEFORE DISCOUNTING) | | (\$7,582,839) | (\$12,828,189) | \$6,615,005 | \$6,690,220 | \$6,765,770 | \$6,840,986 | \$6,916,201 | \$6,991,416 | \$7,066,973 | \$7,142,188 | \$7,217,404 | \$7,292,619 | \$12,113,807 | \$30,473,870 | \$11,121,880 | \$102,837,310 | |
| Present Value Factors | | | | | | | | | | | | | | | | | | |
| Discount Rate (Cost of Borrowed Funds) | 5.00% | 0.98765 | 0.97546 | 0.96342 | 0.95152 | 0.93978 | 0.92817 | 0.91672 | 0.90540 | 0.89422 | 0.88318 | 0.87228 | 0.86151 | 0.85087 | 0.84037 | 0.82999 | | |
| Discounted Cash Flow | | (\$7,489,224) | (\$12,513,399) | \$6,373,017 | \$6,365,907 | \$6,358,316 | \$6,349,631 | \$6,340,192 | \$6,330,017 | \$6,319,433 | \$6,308,444 | \$6,297,078 | \$6,285,324 | \$6,273,181 | \$6,260,648 | \$9,231,084 | \$88,467,627 | |
| Net Present Value | | | | | | | | | | | | | | | | | \$88,470,000 | |
| | | | | | | | | | | | | | | | | | \$1,134,231 | |



Summary of Lot Values

Based on the preceding analysis, a summary of finished lot values for Parcels 4Y, 3Y, and 1Y is provided below:

| Aggregate Finished Lot Value - All Parcels | | | |
|---|--------------|-------------------|---------------------------|
| Parcel | Value | Units/Lots | Value per Unit/Lot |
| Parcel 4Y | \$77,170,000 | 177 | \$435,989 |
| Parcel 3Y | \$10,810,000 | 11 | \$982,727 |
| Parcel 1Y | \$88,470,000 | 78 | \$1,134,231 |

As a test of reasonableness for the above finished lot values, we also recent consider bulk residential land sales for proposed attached product throughout the Bay Area. The sales are considered below, unadjusted, on a loaded lot basis meaning the price per lot is inclusive of remaining site development costs, permits and fees, and special taxes. Permits and fees are then deducted to include a price per lot which considers site development and special taxes. The sales are ranked compared to the subject in the following table.

| Bulk Lot Ranking Summary | | | | | | |
|--|---------------|------------------|-----------------------|------------------------------------|--------------------------------|--|
| Property | City | Sale Date | Number of Lots | \$/ Loaded Lot (Unadjusted) | Less Permits & Fees | \$/Loaded Lot Less Permits and Fees |
| Subject Property | San Francisco | -- | | | -- | |
| Mission Blvd & Tennyson Rd | Hayward | In-Contract | 59 | \$405,000 | (\$62,000) | \$343,000 |
| 280 7th Street | San Francisco | Jun-16 | 21 | \$272,095 | (\$23,809) | \$248,286 |
| Dublin Crossing - Fillmore | Dublin | Dec-16 | 80 | \$428,846 | (\$86,286) | \$342,560 |
| Dublin Crossing IA 2 - Downing | Dublin | Dec-17 | 48 | \$402,772 | (\$78,220) | \$324,552 |
| Dublin Crossing Improvement Area (IA) 2 - Broadway | Dublin | Sep-18 | 110 | \$356,662 | (\$80,602) | \$276,060 |
| Dublin Crossing IA 2 - Skyline | Dublin | Sep-18 | 114 | \$348,174 | (\$78,862) | \$269,312 |
| Dublin Crossing IA 2 - Hyde Park | Dublin | Dec-17 | 102 | \$318,296 | (\$79,343) | \$238,953 |

In addition to the loaded lot analysis above, we have also considered a bulk lot sale in San Mateo County which closed on June 5, 2020. The buyer, Pulte Group, purchased two parcels at 1-3 Waters Park Drive for development of 190 residential units. The property was entitled at the time of sale, and Pulte paid \$106,000,000, or \$557,895 per lot.

Based on the data above, the value per lot conclusion for Parcel 4Y appears reasonable. Parcels 3Y and 1Y will be entirely comprised of higher priced townhomes, flats, and homesites; bulk land sales for attached product comparable to the subject are scarce.

Subdivision Development Method

In order to estimate the market value of the subject in bulk, a discounted cash flow analysis will be employed; whereby, the expected revenue, absorption period, expenses and discount rate associated with the sell-off of the holdings will be taken into account. A discounted cash flow analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser/analyst specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate.

As a discounted cash flow analysis, the subdivision development method consists of four primary components summarized as follows:

Revenue – the gross income is based on the individual component values.

Absorption Analysis – the time frame required for sell off. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).

Expenses – the expenses associated with the sell-off are calculated in this section – including infrastructure costs, administration, marketing and commission costs, as well as taxes and special taxes.

Discount Rate – an appropriate discount rate is derived employing a variety of data.

Discussions of these four concepts follows below, with the discounted cash flow analysis offered at the end of this section. Due to the ownership structure of the subject parcels, two different discounted cash flows will be presented to provide value by ownership. The first will include Parcels 4Y and 3Y, while the second will include Parcel 1Y.

Revenue

The revenue component associated with the subject includes the concluded values for the various land use components derived in the previous section, which is summarized below. The revenue is summarized in the following table.

| Aggregate Finished Lot Value - All Parcels | | | |
|---|--------------|-------------------|---------------------------|
| Parcel | Value | Units/Lots | Value per Unit/Lot |
| Parcel 4Y | \$77,170,000 | 177 | \$435,989 |
| Parcel 3Y | \$10,810,000 | 11 | \$982,727 |
| Parcel 1Y | \$88,470,000 | 78 | \$1,134,231 |

Absorption

Absorption rates are best measured by looking at historic absorption rates for similar properties in the region. In developing an appropriate absorption period for the disposition of the parcels, we have considered historic absorption rates for similar properties and also attempted to consider the impacts

of present market conditions, as well as the anticipated changes in the market. Real estate is cyclical in nature, and it is difficult to accurately forecast specific demand over a projected absorption period.

A number of assumptions are made in the discounted cash flow analysis, not the least of which is the forecast of absorption, or disposition, of the various land use components comprising the subject properties. It is common for surveys of market participants to reveal different estimations of anticipated absorption periods for the sell-off of multiple components comprising a master planned development, or large land holding, with some developers preferring to hasten the holding period in favor of mitigating exposures to fluctuations in market conditions; whereas, other developers prefer to manage the sell-off of the property over an extended period of time so as to minimize direct competition of product within the master planned project.

The subject community will include 261 for-sale residential units and five homesites. The project will also include a community amenities building, a public park, and various pedestrian paths. In addition, Parcel 2Y will eventually be developed with a 50-key boutique hotel; however, as previously noted, this parcel is not presently subject to the Lien of the Special Tax and is, therefore, not part of the subject property. Currently, construction is underway on Parcel 4Y, which will include The Bristol and 53 townhomes/flats. The majority of backbone infrastructure associated with Yerba Buena Island is expected to be completed in 2020, with the remaining infrastructure anticipated to be finished the following year.

In the analysis that follows, we estimate a total absorption (sell-off) period of 18 months, or 1.5 years, for the holdings in each of the discounted cash flows.

Parcels 4Y and 3Y are expected to be sold off first, with the revenue considered in the first period and the second and third periods needed to complete backbone infrastructure.

Parcel 1Y is projected to be sold off in the second period, with the third period needed to complete backbone infrastructure.

Expense Projections

Changes in Expenses (Expense Increases or Decreases)

Market participants widely expect expenses to increase either from inflation or labor increases (as workers become less willing to accept lower pay as more sources of work become available). General and administrative and marketing and sale expenses are calculated in this section as a fixed percentage of revenue. Property tax expenses are trended upward, as will be discussed in a later section.

General and Administrative

General and administrative expenses would include management of project entitlements and Community Facilities District financing, as well as coordination with others. This expense category typically ranges from 2.0% to 4.0%, depending on length of the project and if all of the categories are included in a builder's budget. For purposes of this analysis, we have estimated this expense at 2.0% of revenue, which is spread evenly over the sell-off period.

Marketing and Sale

The costs associated with marketing, commissions and closing costs relative to the disposition of the subjects' components are estimated at 2% of the total gross sale proceeds. Although this rate is somewhat negotiable, it is consistent with current industry trends. Larger transactions, such as the subject, typically have a lower sales commission as a percentage of sale price. For the sell-off of residential parcels (Units) to builders, marketing costs would be negligible, since master developers often contact builders directly and indicate lots are available, rather than openly list properties and have marketing costs.

Property Taxes (Ad Valorem and Special Taxes)

This appraisal is predicated on, and assumes, a sale of the appraised property in bulk. Interim ad valorem real estate taxes are based on a tax rate of 1.1801%. This rate is applied to the estimated market value (in bulk) and divided by the total number of lots to yield an estimate of ad valorem taxes/lot/year. The ad valorem taxes are appreciated by 2% per year and the total tax expense is gradually reduced over the absorption period, as the land components are sold off.

The subject is within the boundary of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1. According to the Rate and Method of Apportionment, the special tax for facilities is \$256,451 per acre for Parcels 4Y, 3Y, and 1Y for Fiscal Year 2020-21. The maximum annual special tax for facilities is subject to an annual increase of 2%, beginning on July 1, 2021. For purposes of estimating the annual interim special tax lien, the total taxes will be estimated based on information provided by the City and County of San Francisco and Stifel. As with the ad valorem tax, the special tax expense is gradually reduced over the absorption period as the land components are sold off.

The purpose of this analysis is to estimate the market value of the underlying land, which serves as the collateral to the Bond issuance. As components of the appraised properties are sold off in this analysis, the balance of the special tax obligations necessary to service the debt associated with the bonds are presumed to be collected from the new owners (buyers of the various land parcels) in the CFD.

Backbone Infrastructure

The appraised properties comprise a portion of the larger Treasure Island Development Program, a proposed 461-acre project which, upon completion, will include up to 8,000 homes, 500 hotel rooms, 450,000 square feet of retail space, 100,000 square feet of office space, a marina, ferry terminal, open space/public parks and pedestrian trails. The project is located on a portion of a former United States Navy base which includes Treasure Island (artificially created with bay sand) and 89-acres of Yerba Buena Island (YBI). Development of the subject property, City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1, requires the completion of significant backbone infrastructure serving not only Improvement Area No. 1, but future development on Treasure Island.

According to the development budget provided by the master developer, total infrastructure costs associated with development of Improvement Area No. 1 is \$164,207,974. Further, according to the master developer, the total infrastructure costs directly attributable to YBI is \$131,276,863, the difference representing such infrastructure costs proportionately obligated by future development of

Treasure Island. It is noted, however, the YBI costs (\$131,276,863) are attributable to Parcels, 1Y, 2Y, 3Y, and 4Y of Improvement Area No. 1; whereas, Parcel 2Y, as previously noted, is not a part of this Appraisal. As such, the proportionate share of infrastructure costs for YBI attributable to the subject property (Parcels 1Y, 3Y, and 4Y) will be considered in the valuation analysis herein, along with consideration for the costs incurred to date. The following table provides an allocation of backbone infrastructure costs for YBI. Costs are first allocated by pro rata share of acreage; based on this distribution, the remaining costs applicable to Parcels 1Y, 3Y, and 4Y are identified. These costs are then allocated by pro rata share of revenue generated by the parcels by ownership.

| Pro Rata Share of Infrastructure by Parcel | | | | | |
|---|----------------------|-----------------------|--|----------------------------|---------------------------------|
| Parcel | Acreage | Pro Rata Share | Total Infrastructure Cost - YBI | Costs Spent to Date | Remaining Costs to Spend |
| Parcel 1Y | 6.49 | 41.9% | \$54,973,325 | \$19,640,860 | \$35,332,464 |
| Parcel 2Y | 2.28 | 14.7% | \$19,317,984 | \$6,901,926 | \$12,416,058 |
| Parcel 3Y | 1.41 | 9.1% | \$11,926,590 | \$4,261,130 | \$7,665,460 |
| Parcel 4Y | 5.32 | 34.3% | \$45,058,965 | \$16,098,659 | \$28,960,305 |
| | 15.50 | 100.0% | \$131,276,863 | \$46,902,576 | \$84,374,287 |
| Remaining Costs Left to Spend - Parcels 1Y, 3Y, 4Y | | | | | \$71,958,229 |
| Parcel | Revenue | Pro Rata Share | - | - | Remaining Costs to Spend |
| 3Y & 4Y | \$87,980,000 | 49.9% | | | \$35,879,201 |
| 1 Y | \$88,470,000 | 50.1% | | | \$36,079,028 |
| | \$176,450,000 | 100.0% | | | \$71,958,229 |

For purposes of this analysis, the remaining infrastructure development costs associated with the subject property (Parcels 1Y, 3Y and 4Y) are estimated to be \$71,958,229 [\$84,374,287 - \$12,416,058 (excluding Parcel 2Y's obligation, which is not a part of the appraisal)], and will be considered in the discounted cash flow analyses by ownership on a pro rata share as shown above. Additionally, the infrastructure costs will be disbursed during the sell-out period, with 60% of the costs presumed to be incurred in Period 1 (6 months), followed by a descending cost expenditure through Period 3 (18 months), based on information provided by the master developer.

Internal Rate of Return

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the "base" equity position when a portion of the development is financed. The "base" equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the threshold project yield requirement is about 20% to 30% for production home type projects. Instances in which project yields may be less than 20% often involve profit participation arrangements in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the PwC Real Estate Investor Survey^[1], discount rates for land development projects ranged from 10.00% to 20.00%, with an average of 15.20% during the Second Quarter 2020, which is 70 basis points lower than the average reported in the Fourth Quarter 2019, the last time the survey was conducted and 30 basis points lower than a year ago. Without entitlements in place, certain investors will increase the discount rate between 100 and 1,500 basis points (the average increase is 338 basis points). These rates are free-and-clear of financing, are inclusive of developer's profit, and assume entitlements are in place. The surveyed investors have mixed opinions regarding value trends for the national development land market; their expectations range from negative 40.0% to positive 5.0% with an average expected value change of negative 6.9%. This average is far below where it was six months ago (+2.3%), as well as one year ago (+3.2%)

According to the data presented in the survey prepared by PwC, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Additionally, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. As such, the range of rates presented above is inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

Excerpts from recent PwC surveys are copied below.

Amid the COVID-19 crisis, participants in the national development land market are looking to reduce leverage, lessen their holding costs, and preserve cash flow. "These are highly uncertain times, and we are moving in a direction no one thought we'd be headed a few months ago," shares a participant. Although some investors are looking to acquire distressed properties, it is difficult to ascertain pricing amid such uncertainty. For now, most investors are content to wait on the sidelines for a clearer path to emerge before they formulate new strategies for the rest of 2020 and beyond. (Second Quarter 2020)

While investors are more optimistic about development opportunities for the year ahead in the apartment, office, warehouse, and even retail sectors, they are less enthusiastic about the hotel sector, where the annual score drops from 3.21 to 2.94 (on a scale of 1 being abysmal and 5 being excellent). (Fourth Quarter 2019)

Over the next 12 months, surveyed investors hold mixed opinions regarding value trends for the national development land market. Their expectations range from -5.0% to +10.0% with an average expected value change of +3.2%. This average is slightly below where it was six months ago (+3.8%), but ahead of the rate from a year ago (+1.2%). (Second Quarter 2019)

[1] [PwC Real Estate Investor Survey](#), PricewaterhouseCoopers, 2nd Quarter 2020, Volume 33, Number 2.

Looking ahead over the next 12 months, surveyed investors forecast property values in the national development land market to either increase as much as 10.0% or decrease as much as 5.0%. Their average expected appreciation rate is 3.8% – just above the rate of 3.5% six months ago. (Fourth Quarter 2018)

Compared to investors' responses six months ago, a greater sense of caution is evident among our participants due to heightened uncertainty as it related to the current political environment, capital markets, and the industry's position in the real estate cycle... "the further path of interest rates and inflation, the longevity of the current cycle [*are we near the peak?*], and the high degree of uncertainty with regard to the overall stability of the decision makers in the federal government. (Second Quarter 2018)

The largest increase over the past year occurs for the retail sector, where the rating rises from 2.42 to 2.55. The retail sector's development rating took a big hit between 2016 and 2017 and it appears that developers are now becoming more comfortable with this sector's evolution. Ironically, the only two sectors to see their development ratings decline this year, albeit slightly, are apartments and industrial, where concerns of oversupply issues have been expressed... Single-family development also gets a nod, as well as senior housing, where favorable demographics, compelling returns, greater liquidity, rising transparency, and mounting understanding of the benefits for residents appeal to investors... (Fourth Quarter 2017)

This quarter, most surveyed investors note that the industrial sector presents the best opportunities for development land investing in the near term. Other top choices include restaurant and high-end luxury residential... Total spending on U.S. private construction was up 7.0% on a year-over basis in March 2017, according to the U.S. Census Bureau. When looking more closely, private residential spending was up 7.5% while private nonresidential spending was up 6.4% – still positive, but below its year-over-year growth for March 2016 (9.3%). In the nonresidential sector, communication, office, and education reported the highest year-over-year gains in spending as of March 2017. In contrast, spending for health care, religious, and transportation construction declined year over year in March 2017... (Second Quarter 2017)

Project Yield Rate Survey

| Data Source | Yield / IRR Expectations (Inclusive of Profit) |
|--|---|
| PwC Real Estate Investor Survey - Second Quarter 2020 (updated semi-annually) | Range of 10.0% to 20.0%, with an average of 15.2%, inclusive of profit and assuming entitlements in place, for land development (national average) |
| National Builder | 20% to 25% for entitled lots |
| Regional Builder | 18% to 25%. Longer term, higher risk projects on higher side of the range, shorter term, lower risk projects on the lower side of the range. Long term speculation properties (10 to 20 years out) often closer to 30%. |
| National Builder | 18% minimum, 20% target |
| Developer | Minimum IRR of 20-25%; for an 8 to 10 year cash flow, mid to upper 20% range |
| Developer | 25% IRR for land development is typical (no entitlements); slightly higher for properties with significant infrastructure costs |
| Land Management Company | 20% to 30% IRR for land development deals on an unleveraged basis |
| Land Developer | 35% for large land deals from raw unentitled to tentative map stage, unleveraged or leveraged. 25% to 30% from tentative map to pad sales to merchant builders, unleveraged |
| Land Developer | 18% to 22% for land with some entitlements, unleveraged. 30% for raw unentitled land |
| Real Estate Consulting Firm | Low 20% range yield rate required to attract capital to longer-term land holdings |
| Land Developer | Merchant builder yield requirements in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30%. Environmentally challenged or politically risky development could well run in excess of 35%. |
| Regional Builder | 10% discount rate excluding profit for single-family subdivisions |
| National Builder | 10% to 40% for single-family residential subdivisions with 1-2 year development timelines |
| Regional Builder | 15% to 20% IRR |
| Regional Builder | No less than 20% IRR for land development, either entitled or unentitled |
| Land Developer | 20% to 30% for an unentitled property; the lower end of the range would reflect those properties close to tentative maps |
| Regional Builder | No less than 30% when typical entitlement risk exists |

There are several positive attributes associated with the subject property that we consider in our selection of a discount rate, including (but not necessarily limited to):

- Entitlement status of the subject property
- Demand for residential and hotel land use components within the market area; the lack of available land for development in San Francisco
- Yerba Buena Island's good interstate access to both Oakland and San Francisco; the planned ferry service to San Francisco
- The sweeping San Francisco Bay and skyline views for many of the subject units
- Substantial costs (approximately \$23,000,000) have been spent on the vertical construction of The Bristol as of the effective appraisal date.

Even though much of the entitlement risk and the extent of the development and mitigation costs have been mitigated and quantified, there is risk associated with estimating the timing that the subject components will be sold off. In addition, there is risk associated with unforeseen factors such as broad economic declines. Finally, there remains a significant amount of backbone infrastructure to be completed during the sell-off period; additionally, the sell-off period (18 months) is considered somewhat protracted, which increases overall risk. Considering these factors, and the positive and negative characteristics previously described, a discount rate of **15%** is estimated for the subject property.

Conclusion

The subdivision development method is presented as follows:

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| Subdivision Development Method - Parcels 4Y and 3Y | | | | | | |
|---|-----------------|-----------------------|--|----------------------|-----------------------|------|
| Inputs | | | | | | |
| Revenue & Expenses | | | Ad Valorem Tax Table | | | |
| Taxable Land Acreage - Parcels 4Y and 3Y | 6.73 | | Annual Increase in Property Taxes | | 2% | |
| Total Land Revenue | \$87,980,000 | | First Year Annual Taxes/Acre | | \$81,025 | |
| Total Revenue per Acre | \$13,075,074 | | | | | |
| Parcel 4Y Land Acreage | 5.32 | | Special Assessments - Treasure Island CFD No.2016-1 | | Max Escalation | |
| Parcel 4Y Revenue | \$77,170,000 | | Townhomes | | | |
| Parcel 3Y Land Acreage | 1.41 | | Treasure Island CFD #1 | \$6.30 /psf | 2% | |
| Parcel 3Y Revenue | \$10,810,000 | | Flats | | | |
| | | | Treasure Island CFD #1 | \$6.64 /psf | 2% | |
| | | | The Bristol | | | |
| | | | Treasure Island CFD #1 | \$6.64 /psf | 2% | |
| Annual Revenue Appreciation | 0% | | Average Special Tax per Acre - All Uses | | \$300,335 /acre | 2% |
| General & Administrative | 2.0% | | | | | |
| Marketing and Commissions | 2.0% | | | | | |
| Remaining Infrastructure Costs | \$35,879,201 | | | | | |
| Revenue, Expenses and Valuation | | | | | | |
| Revenue | Period (6 mths) | 1 | 2 | 3 | Total | |
| Sales (Acreage): | | 6.73 | 0.00 | 0.00 | 6.73 | |
| End of Period Inventory | | 0.00 | 0.00 | 0.00 | | |
| Total Period Inventory (acres) | | 6.73 | 0.00 | 0.00 | | |
| Land Sales Revenue Unappreciated | | \$87,980,000 | \$0 | \$0 | \$87,980,000 | |
| Land Sales Revenue Appreciated | | \$87,980,000 | \$0 | \$0 | \$87,980,000 | |
| Total Revenue | | \$87,980,000 | \$0 | \$0 | \$87,980,000 | |
| Expenses | All Categories | | | | | |
| General & Administrative | | (\$586,533) | (\$586,533) | (\$586,533) | (\$1,759,600) | |
| Marketing/Commissions | | (\$1,759,600) | \$0 | \$0 | (\$1,759,600) | |
| Backbone Infrastructure | 60% | (\$21,527,521) | (\$10,763,760) | (\$3,587,920) | (\$35,879,201) | 100% |
| Ad Valorem Taxes | | (\$272,603) | \$0 | \$0 | (\$272,603) | |
| Treasure Island CFD#1 | | \$0 | \$0 | \$0 | \$0 | |
| Total Expenses | | (\$24,146,257) | (\$11,350,294) | (\$4,174,453) | (\$39,671,004) | |
| Net Income | | \$63,833,743 | (\$11,350,294) | (\$4,174,453) | 48,308,996 | |
| Internal Rate of Return | 15.00% | 0.93023 | 0.86533 | 0.80496 | | |
| Discounted Cash Flow | | \$59,380,226 | (\$9,821,779) | (\$3,360,270) | \$46,198,176 | |
| Net Present Value | | \$46,198,176 | | | | |
| Conclusion of Value by Discounted Cash Flow Analysis (Rd.) | | | | | \$46,200,000 | |



| Subdivision Development Method - Parcel 1Y | | | | | |
|---|--------------------------|-----------------------|--|----------------------|-----------------------|
| Inputs | | | | | |
| Revenue & Expenses | | | Ad Valorem Tax Table | | |
| Taxable Land Acreage - Parcel 1Y | 6.49 | | Annual Increase in Property Taxes | 2% | |
| Total Land Revenue | \$88,470,000 | | First Year Annual Taxes/Acre | \$73,374 | |
| Total Revenue per Acre | \$13,629,157 | | | | |
| | | | Special Assessments - Treasure Island CFD No.2016-1 | | Max Escalation |
| Parcel 1Y Land Acreage | 6.49 | | Townhomes | | |
| Parcel 1Y Revenue | \$88,470,000 | | Treasure Island CFD #1 | \$6.30 /psf | 2% |
| | | | Flats | | |
| | | | Treasure Island CFD #1 | \$6.64 /psf | 2% |
| | | | Average Special Tax per Acre - All Uses | | \$210,961 /acre 2% |
| Annual Revenue Appreciation | 0% | | | | |
| General & Administrative | 2.0% | | | | |
| Marketing and Commissions | 2.0% | | | | |
| Remaining Infrastructure Costs | \$36,079,028 | | | | |
| Revenue, Expenses and Valuation | | | | | |
| Revenue | Period (6 mths) | 1 | 2 | 3 | Total |
| Sales (Acreage): | | 0.00 | 6.49 | 0.00 | 6.49 |
| End of Period Inventory | | 6.49 | 0.00 | 0.00 | |
| Total Period Inventory (acres) | | 6.49 | 6.49 | 0.00 | |
| Land Sales Revenue Unappreciated | | \$0 | \$88,470,000 | \$0 | \$88,470,000 |
| Land Sales Revenue Appreciated | | \$0 | \$88,470,000 | \$0 | \$88,470,000 |
| Total Revenue | | \$0 | \$88,470,000 | \$0 | \$88,470,000 |
| Expenses | All Categories | | | | |
| | General & Administrative | (\$589,800) | (\$589,800) | (\$589,800) | (\$1,769,400) |
| | Marketing/Commissions | \$0 | (\$1,769,400) | \$0 | (\$1,769,400) |
| | Backbone Infrastructure | 60% | 30% | 10% | 100% |
| | | (\$21,647,417) | (\$10,823,708) | (\$3,607,903) | (\$36,079,028) |
| | Ad Valorem Taxes | (\$238,144) | (\$238,144) | \$0 | (\$476,288) |
| | Treasure Island CFD#1 | \$0 | (\$339,302) | \$0 | (\$339,302) |
| Total Expenses | | (\$22,475,361) | (\$13,760,355) | (\$4,197,703) | (\$40,433,419) |
| Net Income | | (\$22,475,361) | \$74,709,645 | (\$4,197,703) | 48,036,581 |
| Internal Rate of Return | 15.00% | 0.93023 | 0.86533 | 0.80496 | |
| Discounted Cash Flow | | (\$20,907,313) | \$64,648,692 | (\$3,378,985) | \$40,362,394 |
| Net Present Value | | \$40,362,394 | | | |
| Conclusion of Value by Discounted Cash Flow Analysis (Rd.) | | | | | \$40,360,000 |

Conclusion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusions

| Appraisal Premise | Interest Appraised | Date of Value | Value Conclusion |
|---|--------------------|---------------|------------------|
| Market Value of the CFD - Parcels 3Y & 4Y | Fee Simple | July 1, 2020 | \$46,200,000 |
| Market Value of the CFD - Parcel 1Y | Fee Simple | July 1, 2020 | \$40,360,000 |

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our

None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of the July 1, 2020. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.

Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local proposed residential property market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 12 months.

Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject in bulk is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 12 months.

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Eric Segal, MAI, Kevin Ziegenmeyer, MAI, and Laura Diaz made a personal inspection of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Eric Segal, MAI, and Kevin Ziegenmeyer, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.

15. As of the date of this report, Laura Diaz has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.

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Eric Segal, MAI
Certified General Real Estate Appraiser
California Certificate # AG026558

DRAFT

Kevin Ziegenmeyer, MAI
Certified General Real Estate Appraiser
California Certificate # AG013567

DRAFT

Laura Diaz
Certified General Real Estate Appraiser
California Certificate # 3005037

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Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
 8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
 9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
 10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
 11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
 12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
 13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
 14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
 15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
 16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
 17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

- conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
 19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
 20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – San Francisco, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
 21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
 22. Integra Realty Resources – San Francisco is not a building or environmental inspector. Integra San Francisco does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
 23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
 24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

- appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra Realty Resources – San Francisco, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client’s use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our

None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of the July 1, 2020. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.
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Addendum A
Appraiser Qualifications

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Eric Segal, MAI

Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office and Senior Managing Director of the Integra-Sacramento office.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

Licenses

California, Certified General, AG026558, Expires February 2021

Nevada, Certified General, A.0207666-CG, Expires January 2021

Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice

Appraisal Principles

Basic Income Capitalization

Highest & Best Use and Market Analysis

Advanced Income Capitalization

Report Writing and Valuation Analysis

Self-Storage Economics and Appraisal Seminar

Appraisal Litigation Practice and Courtroom Management

Hotel Valuations: New Techniques for today's Uncertain Times

Computer Enhanced Cash Flow Modeling

Advanced Sales Comparison & Cost Approaches

Advanced Applications

Supervisor-Trainee Course for California

Integra Realty Resources
Sacramento

3825 Atherton Rd
500
Rocklin, CA 95765

T 916-435-3883
F 916-435-4774

irr.com

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Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Eric A. Segal

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2019
Date Expires: February 18, 2021


Jim Martin, Bureau Chief, BREA

3044479

Kevin Ziegenmeyer, MAI

Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2021

Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications

IRS Valuation Summit I & II

2008, 2009, 2010 & 2011 Economic Forecast

Business Practices and Ethics

Contemporary Appraisal Issues with Small Business Administration Financing

General Demonstration Appraisal Report Writing Seminar

7-Hour National USPAP Update Course

Valuation of Easements and Other Partial Interests

2009 Summer Conference

Uniform Appraisal Standards for Federal Land Acquisitions

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

2005 Annual Fall Conference

General Comprehensive Exam Module I, II, III & IV

Advanced Income Capitalization

Advanced Sales Comparison & Cost Approaches

2004 Central CA Market Update

Computer-Enhanced Cash Flow Modeling

Forecast 2000, 2001, 2002, 2003 & 2004

Land Valuation Assignments

Integra Realty Resources
San Francisco

San Francisco, CA 95765

T 916-435-3883

F 916-435-4774

irr.com

kziegenmeyer@irr.com - 916-435-3883 x224



Kevin Ziegenmeyer, MAI

Education (Cont'd)

Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

Integra Realty Resources
San Francisco

San Francisco, CA 95765

T 916-435-3883

F 916-435-4774

irr.com

DRAFT





Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Kevin K. Ziegenmeyer

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2019
Date Expires: June 4, 2021

Jim Martin
Jim Martin, Bureau Chief, BREA

3045137

Laura Diaz

Experience

Ms. Diaz is a Certified General real estate appraiser. She began her career in real estate as a research analyst with Integra - Kentucky-Southern Indiana as she pursued her Master of Urban Planning degree. Since graduating in 2013, Ms. Diaz has been writing narrative appraisal reports for a variety of property types, including office, retail, industrial, multifamily housing, and commercial and agricultural land. She has also worked with special-purpose properties, including self-storage facilities, religious facilities, student housing projects, hotels, and data centers. In addition, Ms. Diaz has experience in multifamily market analysis, including development and analysis of survey techniques and models of demand for proposed multifamily projects. In 2017, Ms. Diaz relocated to the San Francisco Bay Area and joined the Integra - San Francisco office.

Licenses

California, Certified General Real Estate Appraiser, 3005037, Expires January 2020
Kentucky, Certified General Real Property Appraiser, 5233, Expires June 2019

Education

Academic:

Bachelor of Arts in English, University of Louisville
Master of Urban Planning, University of Louisville
Graduate Certificate in Real Estate Development, University of Louisville

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice
Basic Appraisal Principles
Basic Appraisal Procedures
Real Estate Finance Statistics and Valuation Modeling
Site Valuation and Cost Approach
General Market Analysis and Highest and Best Use
Sales Comparison Approach
Income Capitalization Approach Part I
Income Capitalization Approach Part II
General Appraiser Report Writing and Case Studies
Expert Witness for Commercial Appraisers
Basic Hotel Appraising – Limited Service Hotels

Integra Realty Resources
San Francisco

315 Montgomery Street, Ninth
Floor

San Francisco, CA 94104

T 415-715-4690
F

irr.com





Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Laura B. Diaz

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3005037

Effective Date: January 3, 2020
Date Expires: January 2, 2022


Jim Martin, Bureau Chief, BREA

3050185

About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

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Addendum B
Definitions

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Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

Entitlement

In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

Entrepreneurial Profit

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of

development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.

2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Highest and Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

Investment Value

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

Lease

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.



Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.



Addendum C
Property Information

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First American Title

First American Title Company
1001 Galaxy Way, Suite 101
Concord, CA 94520

Title Officer: Jim Benson
Phone: (925)356-7194
Fax No.: (866)493-5440
E-Mail: jbenenson@firstam.com

Buyer: Treasure Island Series 1, LLC etal
Property: Portions of Yerba Buena Island
San Francisco, California

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Exhibit A attached. *The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties.* Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit A. Copies of the policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of October 11, 2019 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

ALTA Standard Owner Policy - 2006

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

YBI Phase 2 Investors, LLC, a Delaware limited liability company, as to Parcel One,
YBI Phase 1 Investors, LLC, a Delaware limited liability company, as to Parcel Two, and
Treasure Island Series 1, LLC, a Delaware limited liability company, as to Parcel Three

The estate or interest in the land hereinafter described or referred to covered by this Report is:

A fee.

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The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

- 1. General and special taxes and assessments for the fiscal year 2019-2020.
 - First Installment: \$77,860.95, OPEN
 - Penalty: \$0.00
 - Second Installment: \$77,860.95, OPEN
 - Penalty: \$0.00
 - Tax Rate Area: 01-000
 - A. P. No.: 8952-001

Affects: Parcel One

- 2. General and special taxes and assessments for the fiscal year 2019-2020.
 - First Installment: \$708,712.75, OPEN
 - Penalty: \$0.00
 - Second Installment: \$708,712.75, OPEN
 - Penalty: \$0.00
 - Tax Rate Area: 01-000
 - A. P. No.: 8954-002

Affects: Parcel Two

3. General and special taxes and assessments for the fiscal year 2019-2020.

First Installment: \$44,613.25, OPEN
Penalty: \$0.00
Second Installment: \$44,613.25, OPEN
Penalty: \$0.00
Tax Rate Area: 01-000
A. P. No.: 8948-001

Affects: Parcel Three

4. Supplemental taxes for the year 2018-2019 assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

First Installment: \$74,024.95, PAID
Penalty: \$0.00
Second Installment: \$74,024.95, OPEN
Penalty: \$0.00
Tax Rate Area: 01-000
A. P. No.: 8952-001

Affects: Parcel One

5. Supplemental taxes for the year 2018-2019 assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

First Installment: \$281,943.26, PAID
Penalty: \$0.00
Second Installment: \$281,943.26, OPEN
Penalty: \$0.00
Tax Rate Area: 01-000
A. P. No.: 8954-002

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Affects: Parcel Two

6. Assessment liens, if applicable, collected with the general and special taxes, including but not limited to those disclosed by the reflection of the following on the tax roll:

Community Facilities District SFUSD Facilities District.

Affects: Parcels One and Three

Community Facilities District IA1 CFD 2016 (Treasure Island CFD #1).

Affects: Parcel Two

7. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

8. The Land lies within the boundaries of Community Facilities District No. 90-1 of the San Francisco Unified School District, as disclosed by a notice recorded July 5, 1990 as Instrument No. E573343 of Official Records.

9. The lien of special tax assessed pursuant to Chapter 2.5 commencing with Section 53311 of the California Government Code for Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island), as disclosed by Notice of Special Tax Lien recorded February 9, 2017 as Instrument No. 2017-K406814 of Official Records.
10. An easement for communication cable lines and incidental purposes, recorded January 7, 1966 as Book B6, Page 29 of Official Records.
In Favor of: The Pacific Telephone and Telegraph Company
Affects: A portion of Parcel One

Document(s) declaring modifications thereof recorded February 10, 2016 as Instrument No. 2016K200003 of Official Records.

11. An easement for communication cable and related facilities and incidental purposes, recorded April 19, 1977 as Instrument No. Z096273, Book C350, Page 552 of Official Records.
In Favor of: Pacific Telephone and Telegraph Company
Affects: A portion of Parcel Three
12. The following matters as set forth in the Quitclaim Deed executed by and between the United States of America, acting by and through the Department of Transportation, Federal Highway Administration and State of California, acting by and through the Department of Transportation, recorded October 26, 2000 as Instrument No: 2000-G855531-00 in Reel H751, Image 410 of Official Records:
An easement as contained in the above document.
For: Ingress, egress, utilities and incidental purposes and incidental purposes.

Affects: Portions of the Land

Abutter's rights of ingress and egress to Interstate 80 were relinquished in the above Quitclaim Deed except at existing on- and off-ramps and/or at such on- and off-ramps to the freeway as may be constructed or otherwise specified in said Quitclaim Deed.

Affects: Parcel One

13. The terms and provisions of the unrecorded Interagency Cooperation Agreement (Treasure Island/Yerba Buena Island) dated as of June 28, 2011, executed by and between the City and County of San Francisco and the Treasure Island Development Authority, together with the terms and provisions of the Developer's Consent to ICA Agreement dated as of June 28, 2011, executed by Treasure Island Community Development, LLC, as disclosed by the Assignment and Assumption Agreement referred to below.

The terms and provisions contained in the document entitled "Assignment and Assumption Agreement (Treasure Island/Yerba Buena Island)" recorded November 24, 2015 as Instrument No. 2015-K159593 of Official Records.

14. The terms and provisions contained in the document entitled Disposition and Development Agreement, executed by and between Treasure Island Development Authority and Treasure Island Community Development, LLC,, recorded August 10, 2011, as Instrument No. Book K457, Page 142 as Instrument No. 2011-J235239 of Official Records.

Said document includes a notice of Federal Facility Site Remediation Agreement.

Document(s) declaring modifications thereof recorded November 5, 2015 as Instrument No. 2015-K153304 of Official Records.

The terms and provisions contained in the document entitled "Assignment and Assumption Agreement (Treasure Island/Yerba Buena Island)" recorded November 24, 2015 as Instrument No. 2015-K159593 of Official Records.

The terms and provisions contained in the document entitled "Reverter Release (Treasure Island/Yerba Buena Island)" recorded February 22, 2016 as Instrument No. 2016-K206337 of Official Records.

Document(s) declaring modifications thereof recorded January 22, 2018 as Instrument No. 2018-K569072 of Official Records.

Affects: Parcel Three

15. The terms and provisions contained in the document entitled Development Agreement, executed by and between City and County of San Francisco and Treasure Island Community Development, LLC, recorded August 10, 2011, in Book K457, Page 143 as Instrument No. 2011-J235240 of Official Records.

The terms and provisions contained in the document entitled "Assignment and Assumption Agreement (Treasure Island/Yerba Buena Island)" recorded November 24, 2015 as Instrument No. 2015-K159593 of Official Records.

The terms and provisions contained in the document entitled "Partial Assignment and Assumption of Development Agreement (Yerba Buena Island - Parcels 21 and 23 of Transfer Map No. 8674)" recorded June 22, 2018 as Instrument No. 2018-K629739 of Official Records.

The terms and provisions contained in the document entitled "Partial Assignment and Assumption of Development Agreement (Yerba Buena Island – Lot 21 of Transfer Map No. 8674)" recorded May 14, 2019 as Instrument No. 2019-K766276 of Official Records.

16. Covenants, terms and provisions as contained in the Economic Development Conveyance Memorandum of Agreement between the United States of America and the Treasure Island Development Authority for the Conveyance of the Naval Station Treasure Island, as disclosed by the Short Form Notice of Agreement recorded July 9, 2014 as Instrument No. 2014-J905758 of Official Records, including but not limited to the right of a party thereto to exercise any and all of the remedies for breach which are provided therein, as well as any other remedies to which the party is entitled at law or in equity.

The terms and provisions contained in the document entitled "Release of Agreement for Vertical Development" recorded May 29, 2015 as Instrument No. 2015-K068763 of Official Records.

Affects: Parcel Three

17. The terms and provisions contained in the document entitled Compromise Title Settlement and Land Exchange Agreement for Treasure Island and Yerba Buena Island recorded January 14, 2015 as Instrument No. 2015-K005565 of Official Records.

Document(s) declaring modifications thereof recorded October 23, 2015 as Instrument No. 2015-K148759 of Official Records.

18. The notices, terms, provisions, covenants, conditions and restrictions (including notices of the existence of hazardous waste) contained in the "Quitclaim Deed for the Initial Conveyance Yerba Buena Island and Environmental Restriction Pursuant to Civil Code Section 1471", recorded May 29, 2015 as Instrument No. 2015-K068759 of Official Records.

An easement as contained in the above document.

For: Ingress, egress, utilities, access for remedial action or corrective action, and incidental purposes.

19. The fact that the United States of America reserved the fee title to the Utility Infrastructure located within the Key Infrastructure Easement Areas in Section III.C. of the "Quitclaim Deed for the Initial Conveyance Yerba Buena Island and Environmental Restriction Pursuant to Civil Code Section 1471", recorded May 29, 2015 as Instrument No. 2015-K068759 of Official Records.

20. The terms and provisions of the following matters disclosed by the Assignment of Easements, Contracts, Licenses and Permits recorded May 29, 2015 as Instrument No. 2015-K068761 of Official Records:

- A. An unrecorded permit dated August 5, 1937 for cable purposes in favor of the Postal Telegraph-Cable Company.

Affects: Portions of the Land

- B. An unrecorded license dated December 30, 1886 for telephone submarine cable, poles and wires in favor of Sunset Telephone-Telegraph Company.

Affects: Portions of the Land

- C. Revocable permits dated May 17, 1938 to Pacific Telephone and Telegraph Company.

Affects: Portions of Parcels One and Three

21. The terms and provisions of the unrecorded Memorandum of Understanding dated as of October 1, 2015, executed by and among the Treasure Island Development Authority, the City and County of San Francisco, acting by and through its First Source Hiring Administration and Treasure Island Community Development, LLC, as disclosed by the Assignment and Assumption Agreement referred to below.

The terms and provisions contained in the document entitled "Assignment and Assumption Agreement (Treasure Island/Yerba Buena Island)" recorded November 24, 2015 as Instrument No. 2015-K159593 of Official Records.

22. A Deed of Trust to secure an original indebtedness of \$155,000,000.00 recorded March 4, 2016 as Instrument No. 2016-K211537 of Official Records.
Dated: March 4, 2016
Trustor: Treasure Island Series 1, LLC, a Delaware limited liability company
Trustee: First American Title Company
Beneficiary: Treasure Island Development Fund 1, LLC, a Delaware limited liability company

Affects: Parcel Three

Document(s) declaring modifications thereof recorded April 19, 2018 as Instrument No. 2018-K602993 of Official Records.

Document(s) declaring modifications thereof recorded June 22, 2018 as Instrument No. 2018-K629724 of Official Records.

Document(s) declaring modifications thereof recorded September 13, 2018 as Instrument No. 2018-K672609 of Official Records.

23. An easement for storm drain and low-pressure water improvements and incidental purposes, recorded April 19, 2018 as Instrument No. 2018-K602948 of Official Records.
In Favor of: The City and County of San Francisco, a municipal corporation,
acting by and through its Public Utilities Commission
Affects: Portions of Parcel Three

Terms and provisions contained in the above document.

24. An easement for a joint trench vault and incidental purposes, recorded April 19, 2018 as Instrument No. 2018-K602949 of Official Records.
In Favor of: The City and County of San Francisco, a municipal corporation,
acting by and through its Public Utilities Commission
Affects: Portions of Parcel Two

Terms and provisions contained in the above document.

25. An easement for a joint trench vault and incidental purposes, recorded April 19, 2018 as Instrument No. 2018-K602950 of Official Records.
In Favor of: The City and County of San Francisco, a municipal corporation,
acting by and through its Public Utilities Commission
Affects: A portion of Parcel Two

Terms and provisions contained in the above document.

26. An easement for low-pressure water improvements and incidental purposes, recorded April 19, 2018 as Instrument No. 2018-K602951 of Official Records.
In Favor of: The City and County of San Francisco, a municipal corporation,
acting by and through its Public Utilities Commission
Affects: A portion of Parcel Two

Terms and provisions contained in the above document.

27. The terms and provisions contained in the document entitled "Offer of Improvements" recorded April 19, 2018 as Instrument No. 2018-K602987 of Official Records.

Affects: Portions of Parcel Three

28. The terms and provisions contained in the document entitled "Offer of Improvements" recorded April 19, 2018 as Instrument No. 2018-K602988 of Official Records.

Affects: Portions of Parcel Two

29. The terms and provisions contained in the document entitled "Offer of Improvements" recorded April 19, 2018 as Instrument No. 2018-K602989 of Official Records.

Affects: A portion of Parcel Two

30. The terms and provisions contained in the document entitled "Offer of Improvements" recorded April 19, 2018 as Instrument No. 2018-K602990 of Official Records.

Affects: A portion of Parcel Two

31. Covenants, conditions, restrictions and easements in the document entitled "Declaration of Development Covenants, Conditions and Restrictions" recorded June 22, 2018 as Instrument No. 2018-K629725 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or applicable state law. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

Affects: Parcels One and Two

The terms and provisions contained in the document entitled "Partial Assignment and Assumption of Each of: Declaration of Development Covenants, Conditions and Restrictions; Agreement of Right of First Refusal; Option to Repurchase Property and Construction Covenants, Conditions and Restrictions; and Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Yerba Buena Island – Lot 21 of Transfer Map No. 8674)" recorded May 14, 2019 as Instrument No. 2019-K766277 of Official Records.

32. An easement for shoring, grading, stockpiling, construction, equipment storage, right-of-way, public and private utilities, and incidental purposes, recorded June 22, 2018 as Instrument No. 2018-K629735 of Official Records.
In Favor of: Treasure Island Series 1, LLC
Affects: Parcels One and Two as described in said document

Terms and provisions contained in the above document.

33. The terms and provisions contained in the document entitled "Vertical Disposition and Development Agreement" recorded June 22, 2018 as Instrument No. 2018-K629738 of Official Records.

Affects: Parcels One and Two

The terms and provisions contained in the document entitled "Assignment and Assumption of Vertical Disposition and Development Agreement (Yerba Buena Island - Transferred Parcels: Lot 21)" recorded May 14, 2019 as Instrument No. 2019-K766275 of Official Records.

The terms and provisions contained in the document entitled "Collateral Assignment and Assumption of Vertical Disposition and Development Agreement" recorded May 14, 2019 as Instrument No. 2019-K766280 of Official Records.

34. The terms and provisions contained in the document entitled "Option to Repurchase Property and Construction Covenants, Conditions and Restrictions" recorded June 22, 2018 as Instrument No. 2018-K629740 of Official Records.

Said document includes an option to repurchase in favor of Treasure Island Series 1, LLC, a California limited liability company.

Affects: Parcels One and Two

The terms and provisions contained in the document entitled "Partial Assignment and Assumption of Each of: Declaration of Development Covenants, Conditions and Restrictions; Agreement of Right of First Refusal; Option to Repurchase Property and Construction Covenants, Conditions and Restrictions; and Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Yerba Buena Island – Lot 21 of Transfer Map No. 8674)" recorded May 14, 2019 as Instrument No. 2019-K766277 of Official Records.

The terms and provisions contained in the document entitled "Subordination Agreement (Parcel: Yerba Buena Parcel 4Y Builder: YBI Phase I Investors, LLC)" recorded May 14, 2019 as Instrument No. 2019-K766279 of Official Records.

35. The terms and provisions contained in the document entitled "Agreement of Right of First Refusal" recorded June 22, 2018 as Instrument No. 2018-K629741 of Official Records.

Said document includes a right of first refusal in favor of Treasure Island Series 1, LLC, a California limited liability company.

Affects: Parcels One and Two

The terms and provisions contained in the document entitled "Partial Assignment and Assumption of Each of: Declaration of Development Covenants, Conditions and Restrictions; Agreement of Right of First Refusal; Option to Repurchase Property and Construction Covenants, Conditions and Restrictions; and Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Yerba Buena Island – Lot 21 of Transfer Map No. 8674)" recorded May 14, 2019 as Instrument No. 2019-K766277 of Official Records.

The terms and provisions contained in the document entitled "Subordination Agreement (Parcel: Yerba Buena Parcel 4Y Builder: YBI Phase I Investors, LLC)" recorded May 14, 2019 as Instrument No. 2019-K766279 of Official Records.

36. A deed of trust to secure the performance of an agreement or other obligation, recorded June 22, 2018 as Instrument No. 2018-K629742 of Official Records.

Dated: June 22, 2018
Trustor: YBI Phase 1 Investors, LLC, a Delaware limited liability company
Trustee: First American Title Insurance Company
Beneficiary: Treasure Island Series 1, LLC, a Delaware limited liability company

Affects: Parcels One and Two

The terms and provisions contained in the document entitled "Partial Assignment and Assumption of Each of: Declaration of Development Covenants, Conditions and Restrictions; Agreement of Right of First Refusal; Option to Repurchase Property and Construction Covenants, Conditions and Restrictions; and Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Yerba Buena Island – Lot 21 of Transfer Map No. 8674)" recorded May 14, 2019 as Instrument No. 2019-K766277 of Official Records.

The terms and provisions contained in the document entitled "Subordination Agreement (Parcel: Yerba Buena Parcel 4Y Builder: YBI Phase I Investors, LLC)" recorded May 14, 2019 as Instrument No. 2019-K766279 of Official Records.

37. A Deed of Trust to secure an original indebtedness of \$99,000,000.00 recorded May 14, 2019 as Instrument No. 2019-K766278 of Official Records.

Dated: May 14, 2019
Trustor: YBI Phase 1 Investors, LLC, a Delaware limited liability company
Trustee: First American Title Insurance Company, a Nebraska corporation
Beneficiary: Pacific Western Bank, a California state-chartered bank

Affects: Parcel Two

Prior to the issuance of any policy of title insurance, the Company will require:

38. With respect to YBI Phase 1 Investors, LLC, a Delaware limited liability company:
- a. A copy of its operating agreement and any amendments thereto;
 - b. If it is a California limited liability company, that a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) be recorded in the public records;
 - c. If it is a foreign limited liability company, that a certified copy of its application for registration (LLC-5) be recorded in the public records;
 - d. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, that such document or instrument be executed in accordance with one of the following, as appropriate:
 - (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such document must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
 - (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.
 - e. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require
39. With respect to YBI Phase 2 Investors, LLC, a Delaware limited liability company:
- a. A copy of its operating agreement and any amendments thereto;
 - b. If it is a California limited liability company, that a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) be recorded in the public records;
 - c. If it is a foreign limited liability company, that a certified copy of its application for registration (LLC-5) be recorded in the public records;
 - d. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, that such document or instrument be executed in accordance with one of the following, as appropriate:
 - (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such document must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
 - (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.
 - e. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require

40. With respect to Treasure Island Series 1, LLC, a Delaware limited liability company:
- a. A copy of its operating agreement and any amendments thereto;
 - b. If it is a California limited liability company, that a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) be recorded in the public records;
 - c. If it is a foreign limited liability company, that a certified copy of its application for registration (LLC-5) be recorded in the public records;
 - d. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, that such document or instrument be executed in accordance with one of the following, as appropriate:
 - (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such document must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
 - (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.
 - e. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require

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INFORMATIONAL NOTES

Note: The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than the certain dollar amount set forth in any applicable arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. If you desire to review the terms of the policy, including any arbitration clause that may be included, contact the office that issued this Commitment or Report to obtain a sample of the policy jacket for the policy that is to be issued in connection with your transaction.

1. According to the public records, there has been no conveyance of the land within a period of twenty four months prior to the date of this report, except as follows:

A document recorded June 22, 2018 as Instrument No. 2018-K629735 of Official Records.

From: Treasure Island Series 1, LLC, a Delaware limited liability company
To: YBI Phase 1 Investors, LLC, a Delaware limited liability company

Affects: Parcels One and Two

The map attached, if any, may or may not be a survey of the land depicted hereon. First American expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

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LEGAL DESCRIPTION

Real property in the City and County of San Francisco, State of California, described as follows:

PARCEL ONE:

Lot 21, as shown on Final Transfer Map No. 8674, filed for record in the Office of the Recorder of the City and County of San Francisco, in Book FF of Survey Maps at Pages 177-192 on December 7, 2015.

Excepting therefrom any and all oil, oil rights, minerals, mineral rights, natural gas rights and other hydrocarbons by whatsoever name known, geothermal steam or other resources, and all product derived from any of the foregoing, that may be within or under the foregoing land, together with the perpetual right of drilling, mining or exploring and operating therefor and storing in and removing the same from the land or any other land, including the right to whipstock or directionally drill and mine from lands other than those conveyed hereby, oil or gas wells, tunnels and shafts into, through or across the subsurface of the land, and to bottom such whipstocked or directionally drilled wells, tunnels and shafts under and beneath or beyond the exterior limits thereof, and to redrill, retunnel, equip, maintain, repair, deepen and operate any such wells or mines; without, however, the right to enter upon, drill, mine, store, explore and operate through the surface or the upper 500 feet of the subsurface of the land, as reserved in the Grant Deed from Treasure Island Series 1, LLC to YBI Phase 1 Investors, LLC recorded June 22, 2018 as Instrument No. 2018-K629735 of Official Records.

PARCEL TWO:

Lot 23, as shown on Final Transfer Map No. 8674, filed for record in the Office of the Recorder of the City and County of San Francisco, in Book FF of Survey Maps at Pages 177-192 on December 7, 2015.

Excepting therefrom, that portion within Lot G as shown on Subdivision Map No. 9228, filed for record in the Office of the Recorder of the City and County of San Francisco on April 19, 2018 in Book 134 of Condominium Maps at Pages 7 through 23.

Also excepting therefrom any and all oil, oil rights, minerals, mineral rights, natural gas rights and other hydrocarbons by whatsoever name known, geothermal steam or other resources, and all products derived from any of the foregoing, that may be within or under the foregoing land, together with the perpetual right of drilling, mining or exploring and operating therefor and storing in and removing the same from the land or any other land, including the right to whipstock or directionally drill and mine from lands other than those conveyed hereby, oil or gas wells, tunnels and shafts into, through or across the subsurface of the land, and to bottom such whipstocked or directionally drilled wells, tunnels and shafts under and beneath or beyond the exterior limits thereof, and to redrill, retunnel, equip, maintain, repair, deepen and operate any such wells or mines; without, however, the right to enter upon, drill, mine, store, explore and operate through the surface or the upper 500 feet of the subsurface of the land, as reserved in the Grant Deed from Treasure Island Series 1, LLC to YBI Phase 1 Investors, LLC recorded June 22, 2018 as Instrument No. 2018-K629735 of Official Records.

PARCEL THREE:

Lot 19, as shown on Final Transfer Map No. 8674, filed for record in the Office of the Recorder of the City and County of San Francisco, in Book FF of Survey Maps at Pages 177-192 on December 7, 2015.

APN: 8952-001 (Affects Lot 21)
8954-002 (Affects Lot 23)
8948-001 (Affects Lot 19)

NOTICE

Section 12413.1 of the California Insurance Code, effective January 1, 1990, requires that any title insurance company, underwritten title company, or controlled escrow company handling funds in an escrow or sub-escrow capacity, wait a specified number of days after depositing funds, before recording any documents in connection with the transaction or disbursing funds. This statute allows for funds deposited by wire transfer to be disbursed the same day as deposit. In the case of cashier's checks or certified checks, funds may be disbursed the next day after deposit. In order to avoid unnecessary delays of three to seven days, or more, please use wire transfer, cashier's checks, or certified checks whenever possible.

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EXHIBIT A
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS (BY POLICY TYPE)

CLTA STANDARD COVERAGE POLICY – 1990
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material unless such lien is shown by the public records at Date of Policy.

CLTA/ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (12-02-13)
EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - a. building;
 - b. zoning;
 - c. land use;

- d. improvements on the Land;
 - e. land division; and
 - f. environmental protection.
- This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
 3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
 4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
 5. Failure to pay value for Your Title.
 6. Lack of a right:
 - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.

This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
 7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.
 8. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
 9. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:
For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.
The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

| | <u>Your Deductible Amount</u> | <u>Our Maximum Dollar Limit of Liability</u> |
|------------------|---|--|
| Covered Risk 16: | 1% of Policy Amount Shown in Schedule A or \$2,500 (whichever is less) | \$10,000 |
| Covered Risk 18: | 1% of Policy Amount Shown in Schedule A or \$5,000 (whichever is less) | \$25,000 |
| Covered Risk 19: | 1% of Policy Amount Shown in Schedule A or \$5,000 (whichever is less) | \$25,000 |
| Covered Risk 21: | 1% of Policy Amount Shown in Schedule A or \$2,500 (whichever is less) | \$5,000 |

2006 ALTA LOAN POLICY (06-17-06)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;

or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

 - (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

- (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
 5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
 6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
 7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

[Except as provided in Schedule B - Part II, [t[or T]his policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:

[PART I

[The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material unless such lien is shown by the Public Records at Date of Policy.

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:]

2006 ALTA OWNER'S POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;

or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

- (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 or 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
 5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of: [The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material unless such lien is shown by the Public Records at Date of Policy.
7. [Variable exceptions such as taxes, easements, CC&R's, etc. shown here.]

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (07-26-10)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;

or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.

(b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.

2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the

Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.

7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.
10. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
11. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

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First American Title

Privacy Information

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our subsidiaries we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information that you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's Fair Information Values. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

Information Obtained Through Our Web Site

First American Financial Corporation is sensitive to privacy issues on the Internet. We believe it is important you know how we treat the information about you we receive on the Internet. In general, you can visit First American or its affiliates' Web sites on the World Wide Web without telling us who you are or revealing any information about yourself. Our Web servers collect the domain names, not the e-mail addresses, of visitors. This information is aggregated to measure the number of visits, average time spent on the site, pages viewed and similar information. First American uses this information to measure the use of our site and to develop ideas to improve the content of our site. There are times, however, when we may need information from you, such as your name and email address. When information is needed, we will use our best efforts to let you know at the time of collection how we will use the personal information. Usually, the personal information we collect is used only by us to respond to your inquiry, process an order or allow you to access specific account/profile information. If you choose to share any personal information with us, we will only use it in accordance with the policies outlined above.

Business Relationships

First American Financial Corporation's site and its affiliates' sites may contain links to other Web sites. While we try to link only to sites that share our high standards and respect for privacy, we are not responsible for the content or the privacy practices employed by other sites.

Cookies

Some of First American's Web sites may make use of "cookie" technology to measure site activity and to customize information to your personal tastes. A cookie is an element of data that a Web site can send to your browser, which may then store the cookie on your hard drive.

FirstAm.com uses stored cookies. The goal of this technology is to better serve you when visiting our site, save you time when you are here and to provide you with a more meaningful and productive Web site experience.

Fair Information Values

Fairness We consider consumer expectations about their privacy in all our businesses. We only offer products and services that assure a favorable balance between consumer benefits and consumer privacy.

Public Record We believe that an open public record creates significant value for society, enhances consumer choice and creates consumer opportunity. We actively support an open public record and emphasize its importance and contribution to our economy.

Use We believe we should behave responsibly when we use information about a consumer in our business. We will obey the laws governing the collection, use and dissemination of data.

Accuracy We will take reasonable steps to help assure the accuracy of the data we collect, use and disseminate. Where possible, we will take reasonable steps to correct inaccurate information. When, as with the public record, we cannot correct inaccurate information, we will take all reasonable steps to assist consumers in identifying the source of the erroneous data so that the consumer can secure the required corrections.

Education We endeavor to educate the users of our products and services, our employees and others in our industry about the importance of consumer privacy. We will instruct our employees on our fair information values and on the responsible collection and use of data. We will encourage others in our industry to collect and use information in a responsible manner.

Security We will maintain appropriate facilities and systems to protect against unauthorized access to and corruption of the data we maintain.

CONTINUING DISCLOSURE CERTIFICATE

IMPROVEMENT AREA NO. 1 OF THE CITY AND COUNTY OF SAN FRANCISCO COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TREASURE ISLAND) SPECIAL TAX BONDS, SERIES 2020

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City and County of San Francisco (the “City”) with respect to the Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) in connection with the issuance of the above captioned Bonds (the “Bonds”). The Bonds are issued pursuant to Resolution No. _____, which was adopted by the Board of Supervisors on _____, 2020 and approved by the Mayor on _____, 2020 (the “Resolution”) and Fiscal Agent Agreement, dated as of _____ 1, 2020, by and between the City and _____, as fiscal agent, and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean Goodwin Consulting Group, Inc., acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Holder” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made

through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters or purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Fiscal Agent Agreement.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City’s fiscal year (which is June 30), commencing with the report for the 2020-21 Fiscal Year (which is due not later than March 31, 2022), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to such date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities. The financial statements required by this subsection (a) shall be accompanied by the following statement:

THE CITY’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 CITY ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) the principal amount of the Bonds of each series outstanding as of June 30 next preceding the date of the Annual Report.

(c) the balances in the Improvement Fund as of June 30 next preceding the date of the Annual Report.

(d) the balance in the 2020 Reserve Fund for the Bonds as of June 30 next preceding the date of the Annual Report.

(e) the total assessed value of all parcels subject to the Special Taxes and the current year's assessed value for the District.

(f) concerning delinquent parcels:

- number of parcels delinquent in payment of Special Tax,
- amount of total delinquency and as a percentage of total Special Tax levy, and
- status of the District's actions on covenants to pursue foreclosure proceedings upon delinquent properties.

(g) identity of any delinquent taxpayer obligated for more than 10% of the annual Special Tax levy, together with the assessed value of the applicable properties and a summary of the results of any foreclosure sales, if available.

(h) to the extent not otherwise provided pursuant to the preceding items a-h, annual information required to be filed with respect to the District since the last Annual Report with the California Debt and Investment Advisory Commission pursuant to Sections 50075.1, 50075.3, 53359.5(b), 53410(d) or 53411 of the California Government Code.

(i) any changes to the Rate and Method since the filing of the prior Annual Report.

(j) updated information of the type set forth in Table 1 in the Official Statement, dated _____, 2020 relating to the Bonds.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-10 with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;
8. Rating changes;

9. Bankruptcy, insolvency, receivership or similar event of the obligated person; or

10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the District, any which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 10-17 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

10. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

11. Modifications to rights of Bond holders;

12. Unscheduled or contingent Bond calls;

13. Release, substitution, or sale of property securing repayment of the Bonds;

14. Non-payment related defaults;

15. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

16. Appointment of a successor or additional trustee or the change of name of a trustee; OR

17. Incurrence of a Financial Obligation of the District or agreement to covenants, events of default, remedies, priority rights or similar terms of Financial Obligation of the District, any of which affect security holders.

(c) Within ten (10) business days after the District is removed from the Teeter Plan, the City will post, or cause to be posted, notice of such event with the MSRB.

(d) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(e) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(f) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under

applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(12) 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 Resolution.

SECTION 6. Termination of Reporting Obligation. The City'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 City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The City 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 Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City 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 City 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 City 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. Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

[Remainder of page intentionally left blank.]

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2020

CITY AND COUNTY OF SAN FRANCISCO

Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

AGREED AND ACCEPTED:

GOODWIN CONSULTING GROUP, INC., as Dissemination Agent

By: _____
Name: _____
Title: _____

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

**FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of City: CITY AND COUNTY OF SAN FRANCISCO

Name of Bond Issue: Improvement Area No. 1 of the City and County of San Francisco Community
Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated _____, 2020. The City anticipates that the Annual Report will be filed by _____.

Dated: _____, 20__

CITY AND COUNTY OF SAN FRANCISCO

By: _____ [to be signed only if filed]
Title: _____

1 [Authorizing Issuance and Sale of Special Tax Bonds - Community Facilities District
2 No. 2016-1 (Treasure Island) - Not to Exceed \$250,000,000]

3 **Resolution authorizing the issuance and sale of special tax bonds for Improvement**
4 **Area No. 1 of the City and County of San Francisco Community Facilities District**
5 **No. 2016-1 (Treasure Island) in an aggregate principal amount not to exceed**
6 **\$250,000,000; and determining other matters in connection therewith.**

7
8 WHEREAS, This Board of Supervisors (“Board of Supervisors”) of the City and County
9 of San Francisco (“City”), State of California, has conducted proceedings under and pursuant
10 to the Mello-Roos Community Facilities Act of 1982, constituting Chapter 2.5 of Part 1 of
11 Division 2 of Title 5, commencing with Section 53311, of the California Government Code
12 (“Act”), to, among other matters, (i) form “City and County of San Francisco Community
13 Facilities District No. 2016-1 (Treasure Island)” (“CFD”) and “Improvement Area No. 1 of the
14 City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)”
15 (“Improvement Area No. 1”), (ii) authorize the levy of a special tax on property within
16 Improvement Area No. 1 and (iii) issue bonds and other debt (as defined in the Act) secured
17 by said special tax for the purpose of financing certain public improvements (“Facilities”), all
18 as described in those proceedings; and

19 WHEREAS, This Board of Supervisors now wishes to provide for the issuance of
20 special tax bonds for the CFD with respect to Improvement Area No. 1 to finance a portion of
21 the Facilities and related costs and expenses, and wishes to direct City staff to prepare and
22 return to this Board of Supervisors for approval of certain documents providing for the
23 issuance and sale of the special tax bonds; now, therefore, be it

24 RESOLVED, That pursuant to the Act and this Resolution, special tax bonds
25 designated the “Improvement Area No. 1 of the City and County of San Francisco Community

1 Facilities District No. 2016-1 (Treasure Island), Special Tax Bonds, Series 2017” (the
2 “Bonds”), or such other designation as determined by the Director of the Office of Public
3 Finance, are hereby authorized to be issued in one or more series in an aggregate principal
4 amount not to exceed \$250 million; and, be it

5 FURTHER RESOLVED, That the Bonds shall be secured by and payable from special
6 taxes levied and collected in Improvement Area No. 1; and, be it

7 FURTHER RESOLVED, That City staff is hereby directed to work with the City’s
8 consultants to prepare the documentation required for the issuance and sale of the Bonds and
9 to return to this Board of Supervisors for its approval of such documentation; and, be it

10 FURTHER RESOLVED, That the Director of the Office of Public Finance and the City
11 Attorney, in consultation with bond counsel, are hereby authorized to initiate a judicial
12 validation action with respect to the CFD and the Bonds pursuant to Code of Civil Procedure
13 Section 860 et seq.; and, be it

14 FURTHER RESOLVED, That if any section, subsection, sentence, clause, phrase, or
15 word of this Resolution, or any application thereof to any person or circumstance, is held to be
16 invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision
17 shall not affect the validity of the remaining portions or applications of this Resolution, this
18 Board of Supervisors hereby declaring that it would have passed this Resolution and each
19 and every section, subsection, sentence, clause, phrase, and word not declared invalid or
20 unconstitutional without regard to whether any other portion of this Resolution or application
21 thereof would be subsequently declared invalid or unconstitutional; and, be it

22 FURTHER RESOLVED, That the Mayor, the Controller, the Director of the Office of
23 Public Finance, the Clerk of the Board of Supervisors and any and all other officers of the City
24
25

1 are hereby authorized, for and in the name of and on behalf of the City, to do any and all
2 things and take any and all actions, including execution and delivery of any and all
3 documents, assignments, certificates, requisitions, agreements, notices, consents,
4 instruments of conveyance, warrants and documents, which they, or any of them, may deem
5 necessary or advisable in order to effectuate the purposes of this Resolution; provided
6 however that any such actions be solely intended to further the purposes of this Resolution,
7 and are subject in all respects to the terms of the Resolution; and, be it

8 FURTHER RESOLVED, That all actions authorized and directed by this Resolution,
9 consistent with any documents presented herein, and heretofore taken are hereby ratified,
10 approved and confirmed by this Board of Supervisors; and, be it

11 FURTHER RESOLVED, That this Resolution shall take effect upon its enactment.
12 Enactment occurs when the Mayor signs the resolution, the Mayor returns the resolution
13 unsigned or does not sign the resolution within ten days of receiving it, or the Board of
14 Supervisors overrides the Mayor's veto of the resolution.

15
16 APPROVED AS TO FORM:
17 DENNIS J. HERRERA, City Attorney

18
19 By: 
20 Mark D. Blake
21 Deputy City Attorney
22 n:\spec\as2016\0600537\01143577.docx
23
24
25



City and County of San Francisco

Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 161127

Date Passed: January 24, 2017

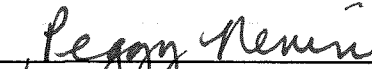
Resolution authorizing the issuance and sale of special tax bonds for Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) in an aggregate principal amount not to exceed \$250,000,000; and determining other matters in connection therewith.

January 24, 2017 Board of Supervisors - ADOPTED


Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

File No. 161127

I hereby certify that the foregoing Resolution was ADOPTED on 1/24/2017 by the Board of Supervisors of the City and County of San Francisco.



Angela Calvillo
Clerk of the Board



Mayor

2/3/2017

Date Approved

From: [Peacock, Rebecca \(MYR\)](#)
To: [BOS Legislation, \(BOS\)](#); [BLAKE, MARK \(CAT\)](#)
Cc: [Kittler, Sophia \(MYR\)](#); [Brewer, Luke \(CON\)](#); [Katz, Bridget \(CON\)](#); [Querubin, Jamie \(ADM\)](#); [Beck, Bob \(ADM\)](#); [Hirschhorn, Liz \(ADM\)](#); [Van Degna, Anna \(CON\)](#)
Subject: Mayor -- [Resolution] -- [Resolution Authorizing the Issuance of Special Tax Bonds – Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)----Not to Exceed Aggregate Principal Amount of]
Date: Tuesday, August 25, 2020 4:41:21 PM
Attachments: [\(3\) Reso_CON_TI_Special_Tax_Bonds.zip](#)

Attached for introduction to the Board of Supervisors is a **resolution Supplementing Resolution No. 12-17 authorizing the issuance and sale of one or more series of Special Tax Bonds for City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) in the aggregate principal amount not to exceed \$17,990,000, approving related documents, including an Official Statement, Fiscal Agent Agreement, Bond Purchase Agreement and Continuing Disclosure Certificate, clarifying certain terms of the Rate and Method of Apportionment of Special Tax, and determining other matters in connection therewith.**

[@BLAKE, MARK \(CAT\)](#), can you reply-all to indicate your approval? Thanks!

Please let me know if you have any questions.

Rebecca Peacock ([they/she](#))
(415) 554-6982 | Rebecca.Peacock@sfgov.org
Office of Mayor London N. Breed
City & County of San Francisco