



MEMORANDUM

TO: Brian Mayhew	FROM: Rudy Salo and Angelica Valencia
RE: Successor Agency for ABAG FAN	DATE: May 23, 2019

You asked us to prepare a description of our plan to determine whether ABAG Finance Authority for Nonprofit Corporations (the “Authority”) can appoint a successor agency for all of its outstanding bonds. We believe it may be feasible to appoint a successor agency, however, in order to determine the best solution for the Authority and the complexity of the endeavor, we must review and analyze the current outstanding bond transactions. Below is a description of the plan and cost estimate.

I. Document Review Process

The Authority has approximately 115 outstanding transactions in several different industries, including, but not limited to, education, housing, health care, community facilities districts and other 501(c)(3) organizations. In order to determine whether the Authority can appoint a successor agency, and the best procedure to accomplish this, we must review the transaction documents. We propose breaking up the review process into the following steps.

First, we will select 10 transactions to review, which will include a review of community facilities districts, private placement and public offering transactions. Performing an initial review will assist us in confirming whether the documents limit or prohibit the appointment of a successor agency or whether there is a process in place. We will focus on the primary bond documents, generally, the indenture and loan agreement, however, the documents that are reviewed will depend on the transaction. Additionally, reviewing transactions from each industry will hopefully provide us with some data on whether the documents are similar across industries.

The results of the initial review will dictate what happens as part of our second step. If in the initial review, the 10 transactions prohibit the appointment, we will have discussions with the Authority regarding other possible solutions. If there is nothing in the initial review that prohibit a successor agency or if the transactions are inconsistent, after a discussion with the Authority and with its permission, we will proceed to review the remaining transactions.

After completing the review of all 115 transactions, we will discuss with the Authority the best path forward, whether that is obtaining consent from bondholders, an amendment to the documents or something else. Additionally, depending on the results, we might have to approach each transaction slightly differently.

II. Cost

We are proposing a blended rate of \$600 per hour. We estimate that the review of the transaction documents will be approximately 5 hours per transaction. For step 1, that would be approximately \$30,000. If we proceed to step 2 and review all of the remaining transactions, that would be \$315,000 for step 2. Expecting possible differences in the documents, we are proposing a cap of \$400,000 for the review and analysis.

The cost for the implementation depends on the results of the review. At this moment, it is not clear how complex the implementation of a successor agency might be.