

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from present State of California personal income taxes.*

**\$22,500,000**

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS  
VARIABLE RATE DEMAND REVENUE BONDS  
(THE BRANSON SCHOOL)  
SERIES 2008**

**Dated: Date of Delivery****CUSIP: 00037C NF3<sup>†</sup>****Due: July 1, 2038**

The Bonds will initially bear interest at a Weekly Rate payable on the first Business Day of each month, commencing August 1, 2008. The Bonds may be converted to a Term Mode or a Fixed Rate Mode. The Bonds are being issued pursuant to an Indenture, dated as of July 1, 2008 (the “Indenture”), by and between the ABAG Finance Authority for Nonprofit Corporations (the “Authority”) and The Bank of New York Mellon Trust Company, N.A. as trustee (the “Trustee”). The Authority will lend the proceeds of the Bonds to The Branson School (the “Corporation”), pursuant to a Loan Agreement, dated as of July 1, 2008 (the “Loan Agreement”), between the Authority and the Corporation. The Bonds are limited obligations of the Authority payable solely from and secured by certain Revenues pledged under the Indenture, consisting primarily of Loan Payments made by the Corporation under the Loan Agreement and certain other funds as provided in the Indenture.

The Corporation owns and operates a co-educational, independent, college-preparatory day school serving 9th through 12th grades in Ross, California (the “School”). The Bonds will finance the construction and acquisition of educational facilities, improvements and equipment at the School’s campus in Ross, California (the “Project”). See “THE PROJECT” herein.

The Bonds will be issued in fully registered form only and, 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 for the Bonds. Individual purchases will be made in book-entry form only. The Bonds will have denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 while in the Weekly Mode. Purchasers of the Bonds will not receive physical certificates representing their beneficial ownership interests in the Bonds purchased. Payments of principal of, premium, if any, and interest on the Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See “APPENDIX C – BOOK-ENTRY ONLY SYSTEM” herein.

**The Bonds are subject to optional and mandatory redemption and optional and mandatory tender, as described herein.**

Payment of the principal of and interest on, and purchase price of, the Bonds will initially have the benefit of an irrevocable direct-pay letter of credit (the “Letter of Credit”) to be issued by Allied Irish Banks, p.l.c., acting through its New York Branch (the “Bank”). The initial expiration date of the Letter of Credit is July 15, 2011 as extended or earlier terminated prior thereto as described herein. See “THE BANK AND THE LETTER OF CREDIT.”

**Allied Irish Bank**

**The Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank and not the operations, financial strength or condition of the Corporation or any other security. This Official Statement does not describe the financial condition of the Corporation. The rating assigned to the Bonds is based on the creditworthiness of the Bank.**

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE INDENTURE. NONE OF THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”) OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE AUTHORITY, ABAG OR ANY OF THEIR MEMBERS TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL THEREOF AND INTEREST AND ANY REDEMPTION PREMIUM THEREON DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE AUTHORITY OR ABAG, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES DESCRIBED HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

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. Potential investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

*The Bonds are offered by the Underwriter when, as and if issued by the Authority and accepted by the Underwriter, subject to the approval of legality and certain other legal matters by Hawkins Delafield & Wood LLP, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority by Chapman and Cutler LLP, San Francisco, California, for the Bank by Heller Ehrman LLP and for the Corporation by Folger Levin & Kahn LLP, San Francisco, California. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about July 17, 2008.*

**STONE & YOUNGBERG**

Dated: July 10, 2008

<sup>†</sup> Copyright 2008, American Bankers Association. CUSIP data is set forth herein for convenience of reference only. Neither the Corporation nor the Underwriter assumes responsibility for the accuracy of such numbers.

The information relating to the Authority contained herein under the headings “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION – The Authority” has been furnished by the Authority. All other information contained herein has been obtained from the Corporation, the Bank, DTC and other sources (other than Authority) that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by and is not to be relied upon or construed as a promise or representation by the Authority.

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

Certain statements contained in this Official Statement reflect not historical facts but forecasts and “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe,” and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

No dealer, broker, salesperson, or any other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby, and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the Bank, the Corporation or the Underwriter. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the Bank, or the Corporation since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT.

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## **OFFICIAL STATEMENT**

**\$22,500,000**

**ABAG FINANCE AUTHORITY FOR  
NONPROFIT CORPORATIONS  
VARIABLE RATE DEMAND REVENUE BONDS  
(THE BRANSON SCHOOL)  
SERIES 2008**

### **INTRODUCTION**

This Introduction is subject in all respects to the more complete information included and referred to elsewhere in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for summaries of various documents referred to herein and definitions of certain words and terms used herein.

#### **General**

This Official Statement, including the cover page and the appendices hereto, is provided to furnish certain information in connection with the sale and issuance by the ABAG Finance Authority for Nonprofit Corporations (the “Authority”) of \$22,500,000 aggregate principal amount of the Authority’s Variable Rate Demand Revenue Bonds (The Branson School) Series 2008 (the “Bonds”).

The Bonds will be issued pursuant to an Indenture, dated as of July 1, 2008 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A. as trustee (the “Trustee”). The Authority will lend the proceeds of the Bonds to The Branson School, a California nonprofit public benefit corporation (the “Corporation”), pursuant to a Loan Agreement, dated as of July 1, 2008 (the “Loan Agreement”), between the Authority and the Corporation.

The Corporation owns and operates a co-educational, independent, college-preparatory day school in Ross, California serving 9th through 12th grades. The Bonds will finance the construction and acquisition of educational facilities, improvements and equipment at the Corporation’s campus in Ross, California (the “Project”). See “THE PROJECT” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

#### **The Corporation**

Incorporated in 1926, the Corporation is a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code that operates a co-educational, independent, college-preparatory day school in Ross, California serving 9th through 12th grades. See “THE CORPORATION” herein.

The Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank and not the operations, financial strength or condition of the Corporation or

any other security. This Official Statement does not describe the financial condition of the Corporation. The rating assigned to the Bonds is based on the creditworthiness of the Bank.

### **Security for the Bonds**

The Bonds are limited obligations of the Authority payable solely from and secured by certain Revenues pledged under the Indenture, consisting primarily of Loan Payments made by the Corporation under the Loan Agreement and certain other funds as provided in the Indenture. The Corporation's payment obligations under the Loan Agreement are unsecured, general obligations of the Corporation. The Loan Agreement contains certain covenants for the protection of the Authority and the Bondholders. See "SECURITY FOR THE BONDS" and "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein.

Payment of the principal of and interest on, and purchase price of, the Bonds will initially have the benefit of an irrevocable, direct-pay letter of credit (the "Letter of Credit") to be issued by Allied Irish Banks, p.l.c., acting through its New York Branch (the "Bank"). The initial expiration date of the Letter of Credit is July 15, 2011, as extended or earlier terminated prior thereto as described herein. See "THE BANK AND THE LETTER OF CREDIT." The Letter of Credit and any Alternate Credit Facility is defined under the Indenture as the "Credit Facility."

The Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank and not the operations, financial strength or condition of the Corporation or any other security. This Official Statement does not describe the financial condition of the Corporation. The rating assigned to the Bonds is based on the creditworthiness of the Bank. See "RATING" herein. Prospective purchasers of the Bonds that wish to make a full evaluation of the financial status of the Bank are advised to obtain financial statements of the Bank. See "THE BANK AND THE LETTER OF CREDIT" herein.

**The Bonds are special obligations of the Authority, payable solely from and secured by the pledge of revenues pursuant to the Indenture. None of the Authority, the Association of Bay Area Governments ("ABAG") or the members of the Authority or ABAG shall be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Authority, ABAG or any of their members to pay all or any portion of debt service due on the Bonds. The Bonds and the obligation to pay principal thereof and interest and any redemption premium thereon do not constitute an indebtedness or an obligation of the Authority or ABAG, the State of California or any political subdivision thereof, within the meaning of any Constitutional or statutory debt limitation, or a charge against the general credit or taxing powers of any of them, but shall be payable solely from the revenues described herein. No owner of the Bonds shall have the right to compel the exercise of the taxing power of the State of California or any political subdivision thereof to pay any principal of, purchase price, premium, if any, or interest on the Bonds. Neither the Authority nor ABAG has any taxing power.**

### **No Continuing Disclosure**

While in the Weekly Mode, the Bonds are exempt from the continuing disclosure requirements of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

## Other Matters

The brief descriptions of the Corporation, the Authority, the Project, the Bonds, the Indenture, the Loan Agreement, the Letter of Credit, the Reimbursement Agreement and other documents, statutes, reports, and other instruments included in this Official Statement do not purport to be complete, comprehensive, or definitive. All references to the Indenture, the Loan Agreement and other documents, statutes, reports, and other instruments are qualified in their entirety by reference to such document, statute, report, or instrument, and all references to the Bonds are qualified in their entirety by reference to the forms of the Bonds set forth in the Indenture.

During the period of the offering of the Bonds, copies of the Indenture, the Loan Agreement, the Letter of Credit and the Reimbursement Agreement may be obtained at the office of Stone & Youngberg LLC, One Ferry Building, San Francisco, CA 94111, and thereafter at the office of the Trustee, the Bank of New York Mellon Trust Company, N.A., 550 Kearny Street, San Francisco, California 94108.

## ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Bonds, exclusive of accrued interest.

Sources of Funds:	
Par Amount of the Bonds	\$22,500,000
Total Sources	<u>\$22,500,000</u>
Uses of Funds:	
Deposit to Project Fund	\$22,131,581
Costs of Issuance <sup>(1)</sup>	368,419
Total Uses	<u>\$22,500,000</u>

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<sup>(1)</sup> Includes underwriter's discount, fees of the Bank, legal fees, printing costs, fees of the Authority, the Trustee and the rating agency, Bond Counsel, Corporation's Counsel and other miscellaneous expenses.

## THE BONDS

### General Provisions

The Bonds will be issued in fully registered form only and, when initially issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive physical certificates representing their beneficial ownership interests in the Bonds purchased. Payments of principal, purchase price, premium, if any, and interest on the Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, purchase price, premium, if any, and interest to its DTC

Participants for subsequent disbursement to the beneficial owners of the Bonds. See “APPENDIX C – BOOK-ENTRY ONLY SYSTEM” herein.

## **Terms of the Bonds**

The Bonds will initially bear interest in the Weekly Mode, and interest will be calculated based on a 365 or 366 day year, as applicable, for the number of days actually elapsed during an Interest Period. Interest on the Bonds will be payable on the first Business Day of each month commencing August 1, 2008. The Bonds will continue to bear interest at a Weekly Rate until the conversion thereof to a different Term Mode or Fixed Rate Mode. Interest on the Bonds in a Term Mode or a Fixed Rate Mode will be calculated based on a 360-day year, consisting of twelve 30-day months. Ownership interests in the Bonds while in the Weekly Mode will be in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. Ownership interests in the Bonds while in the Term Mode or the Fixed Rate Mode will be in denominations of \$5,000 or any integral multiple of \$5,000.

### ***Weekly Mode***

Determination of Weekly Rate. When the Bonds are in the Weekly Mode, the Bonds will bear interest at the Weekly Rate, which will be determined by the Remarketing Agent not later than 2:00 p.m. (California time) on each Wednesday, or if Wednesday is not a Business Day, the following Business Day at 9:00 a.m. (California time) (the “Rate Determination Date” with respect to Bonds in the Weekly Mode). The Weekly Rate will be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds on such day at a price equal to the principal amount thereof plus accrued interest; provided, however, that if for any reason the Weekly Rate cannot be determined, the Weekly Rate for the next succeeding Weekly Rate Accrual Period is required to remain at the then-existing rate, and if the Weekly Rate cannot be determined for a second consecutive Weekly Rate Accrual Period then the Alternate Rate will be effective as provided in the Indenture. The Weekly Rate will in no event exceed the Maximum Rate (12%).

Adjustment to Weekly Mode. The Corporation, by written direction to the Trustee and the Remarketing Agent, and with the written consent of the Bank, may elect to adjust the Mode for the Bonds from a Term Mode to a Weekly Mode. Such direction will specify the effective date of such adjustment to a Weekly Mode, which will be (a) the final Interest Payment Date of the then current Term Rate Period not less than 30 days following the date of receipt by the Trustee of such direction, or (b) any date on which such Bonds may be optionally redeemed at a Purchase Price of 100% of the principal amount thereof, plus accrued interest, pursuant to the Indenture not less than 30 days following the date of receipt by the Trustee of such direction.

Notice of Adjustment to Weekly Mode. The Trustee is required to give notice by mail of an adjustment to the Bonds in a Weekly Mode to the Owners of such Bonds, with copies to the Bank and the Corporation, not less than 15 days prior to the effective date of such Weekly Mode. Such notice is required to state (1) that the interest rate on the Bonds will be adjusted to a Weekly Rate, (2) the effective date of such Weekly Mode, (3) that the Bonds are required to be

purchased on such effective date pursuant to the Indenture, (4) the procedures for such purchase as provided in (3) above, (5) that, subsequent to such effective date, the DTC Participants or the Owners of Bonds will have the right to tender and demand purchase of Bonds upon not less than seven days' notice, (6) the procedures for a demand for tender and purchase as provided in (5) above and (7) that such portion of Bonds not in Authorized Denominations on such Mode Change Date will be purchased as provided in the Indenture.

### ***Term Mode***

Determination of Term Rate. When the Bonds are in the Term Mode, the Bonds will bear interest at the Term Rate, which is required to be determined by the Remarketing Agent not later than 2:00 p.m. (California time) on a Rate Determination Date for each Term Rate Period. The Term Rate for each Term Rate Period will be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Bonds known to the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds at a price equal to the principal amount thereof; provided, however, that if for any reason the Term Rate cannot be determined for any Term Rate Period, the interest rate on the Bonds is required to convert to a Weekly Rate. In no event is the Term Rate allowed to exceed the Maximum Rate.

Adjustment to and Continuation of a Term Rate Period. The Corporation, by written direction to the Trustee and the Remarketing Agent, and with the written consent of the Bank, may elect to adjust the Mode for the Bonds from a Weekly Mode to a Term Mode or continue in the Term Mode and designate a new Term Rate Period. Such direction (1) will specify the effective date of such Term Rate Period, which is required to be (a) in the case of an adjustment from a Weekly Mode, an Interest Payment Date on which interest is payable for the Weekly Mode from which the adjustment is to be made, which Interest Payment Date will not be earlier than 30 days following the date of receipt by the Trustee of such direction and (b) in the case of a continuation of a Term Mode, the last Interest Payment Date for the then current Term Rate Period not less than 30 days following the date of receipt by the Trustee of such direction, and (2) will specify the last day of such new Term Rate Period, which is required to be a day immediately preceding a Business Day. At least 30 days prior to the last day of any Term Rate Period, the Corporation will elect whether the Bonds will bear interest at a Weekly Rate or a Term Rate after the then effective Term Rate Period.

Notice of Term Rate Periods. The Trustee is required to give notice by mail of each Term Rate Period to the Owners of the Bonds in such Term Mode, with copies to the Bank and the Corporation, not less than 15 days prior to the effective date of such Term Rate Period. Such notice is required to state (1) that the interest rate on the Bonds will be adjusted to or continue to be a Term Rate, (2) the effective date of such Term Rate Period, (3) the day by which the Term Rate for such Term Rate Period will be determined, (4) the Bonds will be purchased on such effective date pursuant to the Indenture and (5) the procedures of such purchase.

### ***Fixed Rate Mode***

Determination of Fixed Rate. When the Bonds are to be converted to the Fixed Rate Mode, the Bonds will bear interest at the Fixed Rate, which is required to be determined by the Remarketing Agent not later than 2:00 p.m. (California time) on a Rate Determination Date. The Fixed Rate will be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Bonds known to the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds at a price equal to the principal amount thereof; provided, however, that if for any reason the Fixed Rate cannot be determined, the interest rate on the Bonds is required to convert to a Weekly Rate. In no event is the Fixed Rate allowed to exceed the Maximum Rate.

Adjustment to the Fixed Rate Mode. The Corporation, by written direction to the Trustee and the Remarketing Agent, and with the written consent of the Bank and the Authority, may adjust the Mode for the Bonds to a Fixed Rate. Such direction will specify the effective date of such Fixed Rate Mode, which is required to be (a) in the case of an adjustment from a Weekly Mode, an Interest Payment Date on which interest is payable for the Weekly Mode from which the adjustment is to be made, which Interest Payment Date may not be earlier than 30 days following the date of receipt by the Trustee of such direction and (b) in the case of an adjustment from a Term Rate Mode, the last Interest Payment Date for the then current Term Rate Period not less than 30 days following the date of receipt by the Trustee of such direction.

Notice of Conversion to Fixed Rate Mode. The Trustee is required to give notice by mail of the conversion of the Bonds to the Fixed Rate Mode to the Owners of such Bonds, with copies to the Bank and the Corporation, not less than 15 days prior to the effective date of such Fixed Rate Mode. Such notice is required to state (1) that the interest rate on the Bonds will be adjusted to a Fixed Rate, (2) the effective date of such Fixed Rate Mode, (3) the day by which the Fixed Rate will be determined, (4) the Bonds will be purchased on such effective date pursuant to the Indenture and (5) the procedures of such purchase.

***Alternate Rate for Interest Calculation.*** If (a) the Remarketing Agent fails or is unable to determine the interest rate(s) with respect to the Bonds, or (b) the method of determining the interest rate(s) with respect to the Bonds is held to be unenforceable by a court of law of competent jurisdiction, the Bonds will thereupon bear interest at the Alternate Rate in a Weekly Mode from the last date on which such rate was determined. The Bonds may resume to bear interest at a Weekly Rate or a Term Rate at such time as the Remarketing Agent is able to determine the interest rates with respect to the Bonds or an Opinion of Bond Counsel is delivered to the effect that the method of determining interest hereunder is legally enforceable, as applicable.

***Interest Rate Conclusive.*** The determination of the interest rate on the Bonds by the Remarketing Agent will be conclusive and binding upon the Owners of the Bonds, the Authority, the Tender Agent, the Bank, and the Trustee.

***Letter of Credit Coverage.*** The Corporation may not convert the Bonds to a Term Mode or a Weekly Mode unless (i) the Letter of Credit provides, or has been modified to provide

coverage sufficient to maintain the then current rating on the Bonds and (ii) in the case of conversion of the Bonds to a Term Mode, the remaining term of the Letter of Credit is at least equal to the length of the initial Term Rate Period.

**RATE AND TENDER SUMMARY TABLE  
FOR THE BONDS\***

	WEEKLY MODE	TERM MODE	FIXED MODE
Interest Payment Date	First Business Day of each month; any Mode Change Date; the maturity date	(i) If 12 months or less, the Business Day next succeeding the last day of the Term Rate Period; (ii) if greater than 12 months, January 1 and July 1; and the Business Day next succeeding the last day of the Term Rate Period	Each January 1 and July 1
Record Date	Business Day immediately preceding the applicable Interest Payment Date	Fifteenth day of the month prior to an Interest Payment Date	Fifteenth day of the month prior to an Interest Payment Date
Date of Interest Rate Determination	Not later than 2:00 p.m. California time each Wednesday, or if Wednesday is not a Business Day, 9:00 a.m. California time the next Business Day	Not later than 2:00 p.m. California time at least one Business Day prior to the first day of a Term Rate Period	Not later than 2:00 p.m. California time on a day determined by Remarketing Agent but at least one Business Day prior to the Mode Change Date
Weekly Rate Accrual Period	Thursday to following Wednesday	N/A	N/A
Commencement of Rate Period	Day of conversion to the Weekly Mode and each Thursday thereafter	Day of conversion to the Term Mode and first day of each Term Rate Period thereafter	Day of Conversion to the Fixed Mode
Optional Tender Date	Any Business Day	N/A	N/A
Notice Period for Optional Tender	Written or telephonic notice not later than 9:00 a.m. on any Business Day not less than seven days prior to the Optional Tender Date	N/A	N/A

\*The information in this table is subject to DTC settlement procedures and is provided for the convenience of the Bondholders and is not meant to be comprehensive.

## Redemption of the Bonds

The Bonds are subject to redemption prior to maturity as set forth below.

### *Optional Redemption*

Optional Redemption During Weekly Mode and Upon Change of Mode. On any date while the Bonds are in a Weekly Mode and on any Mode Change Date or the last day of a Term Rate Period, the Bonds are subject to optional redemption prior to maturity (provided that any optional redemption on a Mode Change Date shall not affect the requirement to have a mandatory tender and purchase pursuant to “Mandatory and Optional Tender - Mandatory Tender for Purchase of Bonds” below), as a whole or in part from any prepayments made by the Corporation to the Trustee at a redemption price equal to the principal amount thereof, without premium, plus accrued interest, if any, to the date fixed for redemption.

Optional Redemption During any Term Rate Period and During Fixed Rate Mode. During any Term Rate Period and after a conversion to the Fixed Rate Mode, the Bonds are subject to optional redemption prior to the stated maturity, as a whole or in part on any date from any prepayments made by the Corporation to the Trustee, at the times (measured from the applicable Mode Change Date to the next Mode Change Date or the final maturity of Fixed Rate Bonds (the “Applicable Period”)), and at the following redemption prices (expressed as a percentage of the principal amount to be redeemed) plus accrued interest, if any, to the date fixed for redemption (the maturity or mandatory sinking fund payment date and amount of Bonds to be redeemed from the amount so prepaid and the redemption date will be as specified in the Request of the Corporation given pursuant to the Loan Agreement):

<u>Length of Term of Interest Period</u>	<u>Redemption Dates and Prices</u>
Greater than 10 years	At any time on or after the 5th anniversary of the applicable Mode Change Date at 102% declining 1/2% annually to 100%
Greater than 6 and less than or equal to 10 years	At any time on or after the 3rd anniversary of the applicable Mode Change Date at 101-1/2 % declining 1/2 % annually to 100%
Greater than 4 and less than or equal to 6 years	At any time on or after the 2nd anniversary of the applicable Mode Change Date at 101% declining 1/2% annually to 100%
Greater than 3 and less than or equal to 4 years	At any time on or after the 2nd anniversary of the applicable Mode Change Date at 100-1/2 % declining 1/2 annually to 100%
Greater than 2 and less than or equal to 3 years	At any time on or after the 1st anniversary of the applicable Mode Change Date at 100-1/2% declining 1/2% annually to 100%
Greater than 1 and less than or equal to 2 years	At any time on or after the 1st anniversary of the applicable Mode Change Date at 100%
Less than or equal to 1 year	On the Interest Payment Date which is six months after the applicable Mode Change Date at 100%

***Mandatory Redemption from Sinking Fund Payments.*** Prior to conversion to a Term Rate or a Fixed Rate, the Bonds are not subject to mandatory sinking fund redemption.

After conversion to a Term Rate or a Fixed Rate, the Bonds will be subject to mandatory sinking fund redemption on July 1 in each year, at 100% of the principal amount thereof, plus accrued interest to the redemption date, without premium, in accordance with a mandatory sinking fund schedule to be submitted by the Authority at the direction of the Corporation to the Trustee.

## **Redemption Procedures**

***Notice of Redemption.*** Provided the Trustee has received payment therefor, notice of redemption is required to be given by the Trustee as provided in the Indenture to (i) the Holders of any Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee (*i.e.*, Cede & Co., as nominee for DTC so long as the Bonds are subject to the DTC book-entry system), with a copy to the Bank, (ii) the Information Services and (iii) the Securities Depositories. Each notice of redemption is required to state the date of such notice, the redemption date, the redemption price (including any premium), the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities (provided that the Corporation will supply the CUSIP numbers and to the extent a Bond is redeemed or not because the CUSIP number designations of redeemed bond was incorrect, such event will not, under any circumstances, result in any liability to the Trustee in identifying a Bond by its CUSIP number) and, if less than all the Bonds of any maturity of a particular Bond are to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of the Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will to cease to accrue, and will require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Conditional notice of optional redemption may be given at the direction of the Corporation. Prior to any withdrawal or rescission of any notice of redemption, the Trustee and the Tender Agent will receive written confirmation from the Bank of the full reinstatement, if any, of the Letter of Credit.

Any notice of redemption is required to be mailed by first-class mail, postage prepaid, to Bondholders and the Bank not less than 30 days or more than 60 days prior to the date fixed for redemption. Notices to the Information Services is required to be mailed by the Trustee by certified, registered or overnight mail at the time of the mailing of notices to Bondholders. Notices to the Securities Depositories is required to be given by telecopy or by certified, registered or overnight mail at least one Business Day before the mailing of notices to Bondholders.

Failure by the Trustee to give notice pursuant to the Indenture, or the insufficiency of any such notice, will not affect the sufficiency of the proceedings for redemption.

***Effect of Redemption.*** Moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date, interest on the Bonds so called for redemption will cease to accrue from and after the redemption date, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Holders of said Bonds will have no rights in respect thereof except to receive payment of said Redemption Price. All Bonds redeemed pursuant to the provisions of the Indenture will be cancelled upon surrender thereof.

***Selection of Bonds for Redemption.*** Whenever less than all of the Outstanding Bonds are to be redeemed on any one date, the Trustee is required to select the Bonds to be redeemed by lot in any manner that the Trustee deems fair and appropriate, which decision will be final and binding upon the Authority, the Corporation and the Owners. Notwithstanding the foregoing, all Bank Bonds shall be prepaid prior to the redemption of any other Bonds.

## **Mandatory and Optional Tender**

### ***Optional Tender***

**Purchase of Bonds During Weekly Mode.** While the Bonds are in the Weekly Mode, the Beneficial Owner (or if the Bonds are not Book-Entry Bonds, the Holder) of any Bond may elect to tender such Bonds, or portion thereof in an Authorized Denomination, for purchase at a purchase price equal to 100% of the principal amount of such Bond (or portion thereof to be tendered), plus accrued and unpaid interest thereon to but not including the date of purchase, on any Business Day (the “Optional Tender Date”), but only upon (i) receipt by the Remarketing Agent by not later than 9:00 a.m. (California time) at least seven (7) calendar days, but not more than thirty (30) days, prior to such Optional Tender Date of telephonic (followed, if requested by the Remarketing Agent, by written or facsimile confirmation delivered to the Remarketing Agent no later than the close of business on the next succeeding Business Day) or other written notice from the DTC Participant through whom such Beneficial Owner holds such Bonds (or if the Bonds are not Book-Entry Bonds, the Holder) stating (1) the principal amount of the Bond (or portion thereof) to be tendered, (2) the Bond number or other identification satisfactory to the Remarketing Agent, and (3) the Optional Tender Date on which such Bond will be tendered; and (ii) if the Bonds are not Book-Entry Bonds, delivery of such Bond (with an appropriate instrument of transfer duly executed in blank) to the Tender Agent by 9:30 a.m. (California time) on such Optional Tender Date. Upon receipt by the Remarketing Agent of a notice of optional tender for purchase, the Remarketing Agent is required to give prompt telephonic notice to the Trustee (and the Tender Agent if the Bonds are not Book-Entry Bonds). Such notice is irrevocable.

***Mandatory Tender for Purchase of Bonds.*** The Bonds will be purchased pursuant to a mandatory tender (i) on each Mode Change Date, (ii) on the Business Day next succeeding the last day of a Term Rate Period and (iii) during a Weekly Mode, on the effective date of an Alternate Credit Facility, (iv) on any Business Day within five (5) days after receipt by the Trustee of written notification from the Bank that an event of default under the Reimbursement

Agreement has occurred and is continuing and instructing the Trustee to call for a mandatory tender of the Bonds, (v) during a Weekly Mode, on any Business Day within five days after receipt by the Trustee of written notification from the Corporation that the Loan Agreement or Indenture will be amended upon a tender and remarketing pursuant to certain sections of the Indenture and (vi) on any date pursuant to a failure to renew the Letter of Credit as provided in “Mandatory Tender Upon Failure to Renew Letter of Credit” below (each a “Purchase Date”), and the Owner or Direct Participant of such Bond is required to tender such Bond for purchase as provided below and such Bond will be purchased or deemed purchased at a Purchase Price equal to the principal amount thereof plus accrued interest thereon. Payment of the Purchase Price of such Bond is required to be made by 1:30 p.m. (California time), in the same manner as payment of interest on the Bonds, to the Direct Participant with respect to Book-Entry Bonds (or the Owner of record if the Bonds are not Book-Entry Bonds), on the Record Date. If the Bonds are Book-Entry Bonds, the tendering Direct Participant is required to transfer, on the registration books of DTC, the beneficial ownership interests in such Bonds tendered for purchase to the account of the Trustee or a Direct Participant acting on behalf of the Trustee. If the Bonds are not Book-Entry Bonds, the Owner is required to deliver such Bonds no later than 9:30 a.m. (California time) on the Purchase Date to the Tender Agent at its corporate trust office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, with the signature guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs.

***Mandatory Tender Upon Failure to Renew Letter of Credit.*** The Bonds are required to be purchased pursuant to a mandatory tender in the event that a notice of renewal of the Letter of Credit or a notice of expected delivery of an Alternate Credit Facility is not delivered by the Bank or the provider of the Alternate Credit Facility, as applicable, to the Trustee at least thirty (30) days prior to the scheduled expiration of the Letter of Credit or if the Letter of Credit is not actually renewed or such Alternate Credit Facility is not actually delivered on a Business Day at least ten (10) days prior to such expiration date. Such purchase date is required to be on a date selected by the Trustee that is a Business Day at least five (5) days preceding the expiration date of the Letter of Credit (provided that no such tender will occur if the Bonds are converted to the Fixed Rate Mode and successfully remarketed on a Business Day at least ten (10) days prior to such expiration date).

### **Purchase and Remarketing of Bonds**

***Bonds Delivered for Purchase.*** Except as provided in the Indenture, the Trustee (or the Tender Agent if the Bonds are not Book-Entry Bonds) will purchase, but only from the sources listed below, Bonds required to be purchased by the Trustee (or the Tender Agent if the Bonds are not Book-Entry Bonds) not later than the close of business (California time) on the date such Bonds are required to be purchased at the Purchase Price. Funds for the payment of such Purchase Price by the Trustee (or the Tender Agent if the Bonds are not Book-Entry Bonds) will be derived from the following sources in the order of priority indicated:

- (a) the remarketing proceeds of the sale of the Bonds as are received from purchasers of the Bonds.

(b) moneys furnished to the Trustee representing the proceeds of a draw under the Letter of Credit.

If moneys sufficient to pay the Purchase Price of Bonds to be purchased are held by the Trustee, the Tender Agent or the Remarketing Agent, as applicable, on the date such Bonds are to be purchased, any Bonds to be so purchased will be deemed to have been transferred on the registration books of DTC or delivered for purchase, as applicable, on such date and to have been purchased. The DTC Participants with respect to Book-Entry Bonds or former holders with respect to the Bonds that are not Book-Entry Bonds, will thereafter have no rights with respect to such Bonds except to receive payment of the Purchase Price therefor upon transfer, on the registration books of DTC, of the beneficial interest in such Book-Entry Bonds or upon surrender of such Bonds that are not Book-Entry Bonds to the Tender Agent.

***Delivery of Remarketed Bonds and Bank Bonds.*** The Trustee and the Tender Agent, as applicable, are required to each hold all Bonds delivered to it in trust for the benefit of the DTC Participants who have transferred their interests in the Book-Entry Bonds or the Owners which will have so delivered such Bonds until moneys representing the Purchase Price of such Bonds will have been delivered to or for the account of or to the order of such DTC Participants or Owners. The Trustee and the Tender Agent are required to each hold all moneys for the purchase of Bonds uninvested in trust for the benefit of the person or entity which will have so delivered such moneys until Bonds purchased with such moneys will have been delivered to or for the account of such person or entity. Neither the Authority nor the Corporation will have any right, title, or interest in or to any remarketing proceeds held by the Trustee, the Tender Agent or the Remarketing Agent.

Book-Entry Bonds purchased with remarketing proceeds pursuant to an optional tender or mandatory tender are required to be transferred on the registration books of DTC on the date of such purchase or the date the ownership interest will be transferred to the new DTC Participants on the books of DTC, against payment to the Remarketing Agent in immediately available funds or evidence of immediately available funds in the form of a federal reserve wire number.

Bonds purchased with moneys obtained by a drawing on the Letter of Credit (“Bank Bonds”) are required to be registered in the name of the Bank or its nominee on the registration books of DTC, with respect to Book-Entry Bonds, or held by the Tender Agent in the case of Bonds that are not Book-Entry Bonds as directed in writing by the Bank. The Remarketing Agent is required to seek to remarket any Bank Bonds prior to remarketing any other Bonds tendered for purchase. The proceeds of any remarketing of Bank Bonds are required to be delivered to the Trustee and transferred to the Bank. Upon receipt by the Trustee of funds representing the proceeds of the remarketing of Bank Bonds, Bonds in place of such Bank Bonds so purchased will be made available for pick-up by the Remarketing Agent for subsequent delivery to the purchasers thereof, or the ownership interest will be transferred to the new DTC Participants on the books of DTC. Prior to such delivery, the proceeds of such remarketing will have been or will be delivered to the Trustee and transferred to the Bank, and the Trustee and the Tender Agent will have received written confirmation from the Bank of the reinstatement of the Letter of Credit.

If any Bond is tendered after a notice of redemption for such Bond has been given, the Remarketing Agent will give the redemption notice to any purchaser of such Bond or to DTC if a Book-Entry Bond.

***Draws Upon the Letter of Credit.*** The Trustee is required to draw on the Letter of Credit prior to 8:00 a.m. (California time) on the Purchase Date in the amount necessary to provide to the Trustee or the Tender Agent the balance of the funds needed to purchase tendered Bonds on the Purchase Date, such balance will be determined based upon notification provided to the Trustee by the Remarketing Agent. Such moneys will be used only to pay the Purchase Price as provided in the Indenture, and if not so used are required to be promptly returned to the Bank. In the event that the Bonds are not Book-Entry Bonds, all amounts received from a draw under the Letter of Credit will be transferred immediately by the Trustee to the Tender Agent to purchase tendered Bonds on the Purchase Date.

***Delivery of Proceeds of Sale Held by Remarketing Agent.*** So long as the Bonds are Book-Entry Bonds, if the Remarketing Agent has received from the purchasers thereof remarketing proceeds for the remarketing of all Bonds to be remarketed pursuant to an optional tender on an Optional Tender Date, the Remarketing Agent will promptly forward such remarketing proceeds to the Trustee and the Trustee shall forward, by not later than 3:00 p.m. (California time) on the Purchase Date, such remarketing proceeds by wire transfer to the Beneficial Owners tendering such Bonds for purchase. Until such transfer, all such remarketing proceeds is required to be deposited in a separate, segregated account of the Trustee and until so applied will be held uninvested in trust for the benefit of the Beneficial Owners tendering such Bonds for purchase

If the Remarketing Agent has not received remarketing proceeds with respect to all of the Bonds to be remarketed on a Purchase Date or the Bonds are not Book-Entry Bonds or the Bonds are Bank Bonds, the proceeds of the remarketing of such Bonds received by the Remarketing Agent will be transferred by the Remarketing Agent to the Tender Agent or the Trustee, as applicable, no later than 9:00 a.m. (California time) on the Purchase Date and, upon receipt thereof, the Tender Agent or the Trustee, as applicable, is required by not later than 3:00 p.m. (California time) to apply such proceeds to the payment of the Purchase Price of Bonds to the Beneficial Owners or Owners or, in the case of the remarketing of Bonds which constitute Bank Bonds, to the Bank. In making payments to the Bank, the Trustee may conclusively assume that the Bank has not been repaid from any other sources.

***Notices Upon Delivery of Alternate Credit Facility.*** Whenever the Corporation has delivered to the Trustee notice of delivery of an Alternate Credit Facility pursuant to the Loan Agreement, the Trustee will mail a notice to all Holders of the Bonds stating: (i) the name of the issuer of the Alternate Credit Facility, (ii) the date on which the Alternate Credit Facility will become effective, (iii) the rating expected to apply to the Bonds after the Alternate Credit Facility is delivered, and (iv) if the Bonds are in the Weekly Mode, notice that such Bonds will be subject to mandatory tender for purchase on the effective date of the Alternate Credit Facility. Such notice will be mailed at least fifteen (15) days prior to the effective date of the Alternate Credit Facility.

## **REMARKETING AGREEMENT**

The Corporation has entered into a Remarketing Agreement for the Bonds, dated as of July 1, 2008 (the “Remarketing Agreement”), with Stone & Youngberg LLC as the Remarketing Agent (the “Remarketing Agent”). Under the Remarketing Agreement, the Remarketing Agent has agreed to use its best efforts to offer for sale all Bonds tendered in accordance with the provisions of the Indenture.

### **The Remarketing Agent Is Paid by the Corporation**

The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing the Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement and the Indenture), as further described in this Official Statement. The Remarketing Agent is appointed by the Corporation, with the consent of the Authority and the Bank, and is paid by the Corporation for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of the Bonds.

### **The Remarketing Agent Routinely Purchases the Bonds for Its Own Account**

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered the Bonds for its own account and, in its sole discretion, routinely acquires such tendered the Bonds in order to achieve a successful remarketing of the Bonds (*i.e.*, because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase the Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling the Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any of the Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of the Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer the Bonds being tendered in a remarketing.

### **The Bonds May Be Offered at Different Prices on Any Date Including a Rate Determination Date**

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase the Bonds for its own account). There may or may not be Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to

remarket Bonds tendered for purchase on such date at par and the Remarketing Agent may sell the Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event the Remarketing Agent owns any of the Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

### **The Ability to Sell the Bonds Other Than through Tender Process May Be Limited**

The Remarketing Agent may buy and sell the Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

### **Under Certain Circumstances, the Remarketing Agent May be Removed, Resign or Cease Remarketing the Bonds, Without a Successor Being Named**

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent, the Trustee may assume such duties as described in the Indenture.

## **SECURITY FOR THE BONDS**

**The Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank and not the operations, financial strength or condition of the Corporation or any other security. This Official Statement does not describe the financial condition of the Corporation. The rating assigned to the Bonds is based on the creditworthiness of the Bank. See “RATING” herein. Prospective purchasers of the Bonds that wish to make a full evaluation of the financial status of the Bank are advised to obtain financial statements of the Bank. See “THE BANK AND THE LETTER OF CREDIT” herein.**

### **General**

The Bonds are limited obligations of the Authority payable solely from and secured by certain Revenues pledged under the Indenture, consisting primarily of Loan Payments made by the Corporation under the Loan Agreement and certain other funds as provided by the Indenture, including proceeds of draws under the Letter of Credit then in effect. Pursuant to the terms of the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of such Indenture, all of the Revenues and other amounts (including proceeds of the sale of Bonds) held in certain funds or accounts established pursuant

to such Indenture (other than the Rebate Fund, the Letter of Credit Account and remarketing proceeds held under the Indenture). “Revenues” is defined under the Indenture to include all payments received by the Authority or the Trustee from the Corporation with respect to the Bonds (except Additional Payments paid by the Corporation pursuant to the Loan Agreement and any amounts paid by the Corporation pursuant to the indemnification provisions of the Loan Agreement), including, without limiting the generality of the foregoing, Loan Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments of all or any part of the Loan Payments and all interest, profits or other income derived from the investment of any money in any fund or account established pursuant to such Indenture (except with respect to the Bonds to the extent such interest, profits or other income is required to be transferred to or retained in the Rebate Fund pursuant to the Indenture or the Tax Agreement). See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Indenture – Pledge and Assignment of Revenues and Rights under the Loan Agreement; Revenue Fund” herein.

Pursuant to the Loan Agreement, the obligation of the Corporation to make payments under the Loan Agreement is an unsecured, general obligation of the Corporation. The Purchase Price of the Bonds tendered or deemed tendered for purchase pursuant to the Indenture is payable only from the proceeds of the remarketing of such Bonds and draws on the Credit Facility then in effect. **While the Bonds are in a Weekly Mode or Term Mode, investors should make any decision with respect to the purchase, holding or tender of the Bonds based on the credit of the provider of the Credit Facility, rather than the credit of the Corporation.**

The Bonds are special obligations of the Authority, payable solely from and secured by the pledge of revenues pursuant to the Indenture. None of the Authority, the Association of Bay Area Governments (“ABAG”) or the members of the authority or ABAG shall be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Authority, ABAG or any of its members to pay all or any portion of debt service due on the Bonds. The Bonds and the obligation to pay principal and interest thereon and any redemption premium with respect thereto do not constitute an indebtedness or an obligation of the Authority or ABAG, the State of California or any political subdivision thereof, within the meaning of any Constitutional or statutory debt limitation, or a charge against the general credit or taxing powers of any of them, but shall be payable solely from the revenues described herein. No owner of the Bonds shall have the right to compel the exercise of the taxing power of the State of California or any political subdivision thereof to pay any principal of, purchase price, premium, if any, or interest on the Bonds. Neither the Authority nor ABAG has any taxing power.

See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein for a summary of certain provisions of the Indenture and the Loan Agreement.

### **Assignment**

Pursuant to the Indenture, the Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, and to the Bank, all of the Revenues and other amounts pledged under the Indenture and all of the right, title and interest of the Authority in the Loan Agreement (except with respect to the Bonds for

any deposits to the Rebate Fund, and except for the right to receive any administrative fees and expenses payable to the Authority, the right of the Authority to receive any indemnification and the right to receive any notices and reports). Under the Indenture, the Trustee is entitled to and is required to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and is required to forthwith be paid by the Authority to the Trustee without any set-off whatsoever.

### **Enforceability of Remedies**

The remedies available to the Trustee or the Bondholders upon an Event of Default under the Indenture or the Loan Agreement are in many respects dependent upon judicial actions that are often subject to discretion and delay, and such remedies may not be readily available or may be limited. In particular, under the United States Bankruptcy Code, a bankruptcy case may be filed with respect to the Authority or the Corporation. In general, the filing of any such petition operates as a stay against enforcement of the terms of the agreements to which the bankrupt entity is a party, and, in the bankruptcy process, executory contracts such as the Loan Agreement or the Indenture may be subject to assumption or rejection by the bankrupt party. In the event of any such rejection, the non-rejecting party or its assigns may become an unsecured claimant of the rejecting party. The various legal opinions to be delivered concurrently with the Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion.

### **Amendment of Indenture and Loan Agreement**

So long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any draws thereunder, the Indenture and the Loan Agreement may be amended with Bank consent and without Bondholder consent.

## **THE BANK AND THE LETTER OF CREDIT**

Allied Irish Banks, p.l.c., acting through its New York Branch (the "Bank") will serve as the provider of the initial Credit Facility.

### **The Letter of Credit**

On the date of issuance of the Bonds, the Bank will issue in favor of the Trustee the Letter of Credit with respect to the Bonds (the "Letter of Credit") in the initial amount of \$22,751,507 (the "Stated Amount"), of which up to \$22,500,000 may be drawn to pay the unpaid principal amount of or the portion of the purchase price corresponding to the unpaid principal amount of all of the Bonds Outstanding and up to \$251,507 may be drawn upon to pay accrued and unpaid interest or the portion, if any, of the purchase price corresponding to the accrued and unpaid interest on all of the Bonds Outstanding corresponding to 34 days of interest on the Bonds computed at a maximum rate of twelve percent 12% per annum (with interest computed on the basis of a 365/366 day year for the number of days actually elapsed), as such amounts

may from time to time be reduced and reinstated as provided in the Letter of Credit. Drawings by the Trustee under the Letter of Credit will reduce the amounts available for subsequent drawings under the Letter of Credit, subject to reinstatement as provided in the Letter of Credit. All drawings under the Letter of Credit will be paid with the Bank's own funds.

The Letter of Credit shall terminate on the date which is the earliest to occur of (i) 4:00 P.M. (New York City time) at the Bank's Letter of Credit Department, 405 Park Avenue, New York, New York 10022 on July 15, 2011 (the "Stated Termination Date"); (ii) the date on which the Bank receives from the Corporation a Notice of Termination in the form set forth in the Letter of Credit; (iii) the date on which the Bank honors a draft pursuant to a certificate in the form set forth in the Letter of Credit in connection with a mandatory or optional redemption of all of the Bonds (other than for a drawing presented to the Bank pursuant to clause (iv) below); and (iv) the date which is seven (7) Business days following receipt by the Trustee of a certificate in the form set forth in the Letter of Credit indicating an Event of Default under the Reimbursement Agreement has occurred and directing the Trustee to cause a mandatory tender of the Bonds (the earlier of such dates, the "Letter of Credit Expiration Date"). The Stated Termination Date of the Letter of Credit may be extended by the delivery by the Bank to the Trustee of a specified notice of extension.

A form of the Letter of Credit is attached hereto as Appendix D.

### **Alternate Credit Facility**

Pursuant to the terms of the Indenture, the Corporation may elect to replace any Credit Facility with an Alternate Credit Facility conforming to the requirements of the Indenture. The Corporation will promptly notify the Trustee of its intention to deliver an Alternate Credit Facility. Upon receipt of such notice, the Trustee will deliver a notice of mandatory tender of the Bonds in accordance with the Indenture.

### **The Letter of Credit Reimbursement Agreement**

The Bank has certain rights and the Corporation has certain obligations under the Letter of Credit Reimbursement Agreement (the "Reimbursement Agreement"). These rights of the Bank do not extend to the Bondholders. In addition, the Corporation's compliance with its obligations under the Reimbursement Agreement can be waived solely at the behest of the Bank. The Reimbursement Agreement provides for, among other things, repayment by the Corporation of amounts drawn under the Letter of Credit. Although certain aspects of the Reimbursement Agreement are summarized herein, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Reimbursement Agreement.

The occurrence of any of the following events is an Event of Default under the Reimbursement Agreement:

(a) failure by the Corporation to reimburse or pay the Bank for any Drawing under the Letter of Credit on the date when due following three (3) Business Days written notice (which notice shall not be required if the Corporation is a debtor in any bankruptcy or insolvency proceeding and, in such event, no notice or cure period will apply), or to pay any other amount payable pursuant to the Reimbursement Agreement, any Collateral Document, any other

agreement, undertaking or instrument benefiting the Bank or under any Bond Document on the date when due following three (3) Business Days written notice that such amount was not paid when due; or

(b) failure by the Corporation to observe or perform certain affirmative and negative covenants in the Reimbursement Agreement; or

(c) failure by the Corporation to observe or perform any other term, condition, covenant or agreement set forth herein or the other Collateral Documents to be observed or performed by the Corporation (and not constituting an Event of Default under any of the provisions of Section VII of the Reimbursement Agreement) and such failure continues for a period of thirty (30) or more days after (i) written notice thereof to the Corporation from the Bank or (ii) the Bank is notified of such failure, or should have been notified of such failure by the Corporation, pursuant to the terms of the Reimbursement Agreement or any Collateral Document, unless such failure cannot reasonably be cured within such thirty (30) day period, in which event such failure shall not be considered a default if the Corporation commences to cure such failure within the thirty (30) day period and diligently prosecutes such cure to completion; or

(d) any representation, warranty or statement made or deemed made by or on behalf of the Corporation in the Reimbursement Agreement or the other Collateral Documents or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with the Reimbursement Agreement, any Collateral Document shall prove to have been materially misleading or incorrect in any material respect when made or deemed made; or

(e) any provision of the Reimbursement Agreement shall for any reason cease to be valid and binding on the Corporation or in full force and effect or the Corporation or any other Person shall so assert in writing; or

(f) the Corporation shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator or other similar official of itself or of all or a substantial part of its Property, (ii) admit in writing its inability, or be generally unable, to pay its debts as they become due, (iii) make a general assignment for the benefit of creditors, (iv) commence a voluntary case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign relating to bankruptcy, insolvency, reorganization or relief of debtors, seek to have an order of relief entered with respect to it or seek to adjudicate it a bankrupt or insolvent, or seek reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to its debts, or (vi) take any corporate action for the purpose of effecting any of the foregoing; or

(g) a case, proceeding or other action shall be commenced without the application or consent of the Corporation, in any court of competent jurisdiction, seeking the liquidation or readjustment of debts, the appointment of a trustee, receiver, custodian, liquidator or the like of the Corporation, or of all or any substantial part of its assets, or any similar action with respect to the Corporation, under any existing or future law of any jurisdiction, domestic or foreign relating to bankruptcy, insolvency, reorganization or relief of debtors and such case, proceeding or other

action shall continue undismissed, or unstayed and in effect, for a period of sixty (60) days, or an order for relief against the Corporation, shall be entered in any such involuntary case, proceeding or other action or the Corporation, shall take any action in furtherance of, or indicating its consent to, approval of or acquiescence in any of the actions described above; or

(h) unless waived by the Bank, in writing, (i) any Event of Default, however defined, shall have occurred and be continuing under any Collateral Document or with respect to any obligation of the Corporation under any Bond Document, or (ii) Corporation fails to comply with any covenant or financial obligation set forth in the Collateral Documents or the Bond Documents, or (iii) any representation or warranty made or deemed made by the Corporation in the Collateral Documents or the Bond Documents or which is contained in any exhibit, schedule or any other document or other statement furnished at any time under or in connection with the Collateral Documents, the Bond Documents or any of the other documents, instruments or certificates furnished by the Corporation in connection therewith shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(i) a final judgment for an amount not otherwise covered by insurance, in excess of \$500,000 (which the Bank determines to not be covered by insurance or as to which the insurer has given notice of a denial of coverage) is rendered against the Corporation and, within ten (10) days after entry thereof, such judgment has not been discharged or execution thereof stayed pending appeal or if, within ten (10) days after the expiration of any such stay, such judgment has not been discharged; or

(j) at any time any Liabilities, other than the Liabilities created under the Reimbursement Agreement, are not paid when due (whether at original maturity or as a result of acceleration by reason of the happening of an event of default, howsoever described, unless such event of default has been unconditionally waived for no consideration) and any originally stated applicable period of grace in respect thereof shall have expired, except in the event that the event of default has been objected to by the Corporation before a court with jurisdiction to hear or determine the validity of such dispute, and Corporation shall present a bond in an amount reasonably satisfactory to the Bank to cover any such liabilities; or

(k) any of the following events occurs or exists with respect to either the Corporation or any ERISA Affiliate: (i) any Prohibited Transaction involving any Plan; (ii) any Reportable Event with respect to any Plan; (iii) the filing under Section 4041 of ERISA of a notice of intent to terminate any Plan or the termination of any Plan; (iv) any event or circumstance that might constitute grounds entitling the PBGC to institute proceedings under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan, or the institution by the PBGC of any such proceedings; (v) complete or partial withdrawal under Section 4201 or 4202 of ERISA from a Multi-employer Plan or the reorganization, insolvency, or termination of any Multi-employer Plan; and in each case above, such event or condition, together with all other events or conditions, if any, could in the opinion of the Bank subject the Corporation to any tax, penalty, or other liability to a Plan, a Multi-employer Plan, the PBGC or otherwise (or any combination thereof) which in the aggregate would have a Material Adverse Effect; or

(l) the Corporation ceases or threatens to cease to carry on the business it carries on at the date hereof or any substantial part thereof; or

(m) any event occurs which has a Material Adverse Effect and, if such condition is curable and the Bank will not be materially and adversely affected by the delay, the Corporation fails to cure such condition within thirty (30) days after (i) written notice thereof to the Corporation from the Bank or (ii) the Bank is notified of such Material Adverse Effect, or should have been notified of such Material Adverse Effect by the Corporation, pursuant to the terms of the Reimbursement Agreement or any Collateral Document, unless such condition is curable but cannot reasonably be cured within such thirty (30) day period, in which event such Material Adverse Effect shall not be considered an Event of Default if the Corporation commences to cure such failure within the thirty (30) day period and diligently prosecutes such cure to completion and actually completes such cure within thirty (30) days after the end of such initial thirty (30) day period; or

(n) any Liens created by any of the Collateral Documents shall for any reason cease to be valid, perfected, security interests or deed of trust Liens of the required priority in favor of the Bank (except with respect to Financing Statements that have lapsed because the Bank has failed to file a continuation statement on time); or

(o) an “Event of Default” occurs under the Indenture (as such term is defined in the Indenture) or a default or event of default otherwise occurs under any other Bond Documents (subject to any applicable notice and cure provisions contained in the Bond Documents); or

(p) an Environmental Event shall have occurred that in the reasonable opinion of the Bank has or is likely to have a Material Adverse Effect; or

(q) an “Event of Default” occurs under any other document, instrument or agreement in effect between the Corporation and the Bank (subject to any applicable notice and cure provisions contained therein);

then, upon the occurrence of (A) any event specified in subsection (f) or (g) above: (i) automatically all amounts due hereunder in respect of Drawings made or available to be made under the Letter of Credit or otherwise shall immediately become due and payable, without the giving of notice of any kind, and (ii) the Bank shall proceed to enforce all other remedies available to it under applicable law, and (B) any Event of Default (other than any event specified in subsection (f) or (g) above), the Bank, at its election, may: (i) declare all amounts due hereunder in respect of Drawings made under the Letter of Credit or otherwise to be immediately due and payable, whereupon the same shall immediately become due and payable, (ii) request in writing that the Trustee in accordance with the Indenture accelerate the Bonds or declare the principal of and interest on the Bonds to be due and payable, (iii) require the Corporation to deposit cash and/or securities with the Bank in an amount satisfactory to the Bank, and/or (iv) proceed to enforce all other remedies available to it under the Collateral Documents, Bond Documents and under applicable law. Except as expressly provided above in this section, presentment, demand, protest and all other notices of any kind are hereby expressly waived by the Corporation. In the event that any amount is deposited with the Bank pursuant to the clause B (iii) above, the yield on such amount shall not exceed the yield on the Bonds, computed in accordance with Treasury Regulation 1.148, unless the Corporation and the Bank receive an opinion of nationally recognized bond counsel selected by the Corporation and satisfactory to the Bank that the investment of such amount at a higher yield will not affect adversely the exclusion

of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

For purposes of this Section, the following terms shall have the following meanings:

“Bond Documents” means the Resolution, the Bonds, the Indenture, the Bond Purchase Agreement, Remarketing Agreement, the Official Statement and any and all documents, instruments and agreements relating to the foregoing, and any amendment, modification or supplement from time to time, to any of the foregoing.

“Bond Obligations” means and includes all of the Corporation’s obligations under or with respect to the Bonds or any of the Bond Documents.

“Bond Purchase Agreement” means the Bond Purchase Agreement dated July 1, 2008 executed by the Underwriter and the Authority, as approved by the Corporation.

“Business Day” means any day which is not one of the following: (a) a Saturday, Sunday or legal holiday as set forth by the Federal Reserve Bank of San Francisco, (b) any other day on which the corporate trust office of the Trustee or the office of the Bank designated for presentations of drawings under the Letter of Credit are authorized or required to be closed by the appropriate regulatory authorities, or (c) a day on which the New York Stock Exchange is authorized or required to be closed.

“Collateral Documents” means all Property owned by the Corporation, tangible or intangible, now or hereafter subject to any security instrument in favor of the Bank securing payment of any Reimbursement Obligations or other obligations owing to the Bank, whether arising under any Collateral Documents or any other agreements, undertakings, instruments and documents.

“Debt” of any Person means any (i) indebtedness for borrowed money and (ii) installment sales or conditional sales agreements for the deferred purchase price of property or services and obligations as lessee under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases; provided that the term “Debt” shall exclude trade payables and other expenses normally incurred in the ordinary course of business.

“Drawing” means depending on the context, (a) the presentation by the Trustee to the Bank of a completed certificate and demand for payment in the form annexed to the Letter of Credit, purportedly signed on behalf of the Trustee, or (b) the amount paid by the Bank upon its honor of such a certificate and demand.

“Environmental Event” means (i) the presence, release generation, storage, disposal, removal, transportation or treatment of hazardous materials or hazardous substances (as defined in any applicable Environmental Laws, and including friable asbestos and materials containing friable asbestos) on any Property owned, occupied or operated by the Corporation (including the Site or any portion thereof), or by any Person for whose conduct the Corporation is responsible (any or all of such Property owned, occupied or operated by such Persons for whose conduct the Corporation is responsible being “Other Affected Property”), or on any real property adjoining or in the vicinity of such Property or Other Affected Property (“Adjoining Property”), which

through soil or ground water migration could come to be located at or on such Property owned, occupied or operated by the Corporation or any Other Affected Property; provided, that in each case the same has resulted in contamination or deterioration of any portion of such Property, Other Affected Property or Adjoining Property in a level of contamination greater than the levels permitted or established by any Governmental Authority having jurisdiction over the Corporation, of such Property, Other Affected Property or Adjoining Property; or (ii) the receipt by the Corporation of any written notice or claim of any violation, nuisance, negligence or other tort or other theory alleging liability on the basis of any of the events described in the foregoing item (i).

“Environmental Laws” means any and all present and future federal, state and local laws, statutes, ordinances, rules, regulations and the like, as well as common law, relating to protection of human health or the environment, relating to Hazardous Substances or relating to liability for costs of other actual or threatened danger to human health or the environment. The term “Environmental Law” includes, but is not limited to, the following statutes, as amended, any successor thereto, and any regulations promulgated pursuant thereto, and any state or local statutes, ordinances, rules, regulations and the like addressing similar issues: the Clean Air Act; the Clean Water Act; the Comprehensive Environmental Response, Compensation and Liability Act; the Emergency Planning and Community Right-to-Know Act; the Endangered Species Act; the Federal Insecticide, Fungicide and Rodenticide Act; the Federal Water Pollution Control Act; the Hazardous Materials Transportation Act; the National Environmental Policy Act; the Occupational Safety and Health Act; the Resource Conservation and Recovery Act (including but not limited to Subtitle I relating to underground storage tanks); the River and Harbors Appropriation Act; the Safe Drinking Water Act; the Solid Waste Disposal Act; and the Toxic Substances Control Act. The term “Environmental Law” also includes, but is not limited to, any present and future federal, state and local laws, statutes, ordinances, rules, regulations and the like, as well as common law: conditioning transfer of property upon a negative declaration or other approval of a Governmental Authority of the environmental condition of the property; requiring notification or disclosure of Releases of Hazardous Substances or other environmental condition of the property to any Governmental Authority or other Person, whether or not in connection with transfer of title to or interest in the property; imposing conditions or requirements in connection with permits or other authorization for lawful activity; relating to nuisance, trespass or other causes of action related to the property; and relating to wrongful death, personal injury, or property or other damage in connection with any physical condition or use of the property.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any trade or business, whether or not incorporated, which together with the Corporation would be treated as a single employer under Section 4001 of ERISA.

“Financing Statements” means any UCC financing statements executed or authorized by the Corporation and filed on the closing date or thereafter.

“GAAP” means generally accepted accounting principles in the United States of America in effect from time to time, except as it relates to the treatment of unconditional pledge receivables, which is treated in the manner disclosed in the Corporation’s audited financial statements.

“Governmental Authority” means any nation, government, or state, or any political subdivision thereof, or any court, entity or agency exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Guaranteed Debt” means, without duplication, all obligations of the Person in question to guarantee, directly or indirectly, in any manner, Debt of any other Person.

“Hazardous Substances” includes but is not limited to any and all substances (whether solid, liquid or gas) defined, listed, or otherwise classified as pollutants, hazardous wastes, hazardous substances, hazardous materials, extremely hazardous wastes, or words of similar meaning or regulatory effect under any present or future Environmental Laws or that may have a negative impact on human health or the environment, including but not limited to petroleum and petroleum products, asbestos and asbestos-containing materials, polychlorinated biphenyls, lead, radon, radioactive materials, flammables and explosives.

“ISDA Contracts” means any and all International Swap Dealers Association Master Agreements entered into from time to time between the Corporation and any Person providing an interest rate swap, cap, collar, floor, forward, option, put, call or other agreement, arrangement or security however denominated to hedge interest rate fluctuations and any amendments, modifications, supplements or confirmations thereto. For purposes of calculating any income, assets, expenses, liabilities or indebtedness with respect to an ISDA Contract or other swap contract, all amounts to be paid and received under such contracts shall be netted against each other.

“Liabilities” means any and all obligations and indebtedness of every kind and description of the Corporation, including, without limitation, any and all Debt and Guaranteed Debt, whether under the Reimbursement Agreement, the Letter of Credit, the Bond Documents, the Collateral Documents, and any other loan documents, promissory notes, guaranties or other agreements, including any payment obligations under swap agreements (as defined in 11 U.S.C. §101) or ISDA Contracts, whether such debts or obligations are primary or secondary, direct or indirect, absolute or contingent, sole, joint or several, secured or unsecured, due or to become due, contractual or tortious, arising by operation of law or otherwise, or now or hereafter existing, including, without limitation, principal, interest, fees, late fees, expenses, attorneys’ fees and costs and/or allocated fees and costs of Bank’s counsel, that have been or may hereafter be contracted or incurred. “Liabilities” shall exclude trade payables or accrued liabilities normally incurred in the ordinary course of business.

“Lien” means any mortgage, deed of trust, pledge, charge, encumbrance, security interest, collateral assignment or other lien or restriction of any kind, whether based on common law, constitutional provision, statute or contract, and shall include recorded reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions.

“Material Adverse Effect” means any material and adverse effect (i) upon the assets, business (including prospects), operations, Property or financial condition of the Corporation (including, without limitation, contingent liabilities indicated in the notes to the Corporation’s financial statements), (ii) on the ability of the Corporation to perform its obligations hereunder or under the Collateral Documents or the Bond Documents or (iii) on the Corporation’s ability to complete the Improvements in the manner and within the time provided in the Reimbursement Agreement, the Bond Documents and the Collateral Documents.

“Multi-employer Plan” means a “multi-employer plan” as defined in Section 4001(a)(3) of ERISA.

“PBGC” means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA, and any successor to PBGC.

“Person” means any individual, partnership, firm, corporation, limited liability company, association, joint venture, trust or other entity, or any government or political subdivision or agency, department or instrumentality thereof.

“Plan” means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained for employees of Corporation, (ii) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Corporation is a part of or has within the preceding five plan years made contributions, or (iii) under which the Corporation is a part of or has any liability, including any liability by reason of having been a substantial employer within the meaning of Section 4063 of ERISA at any time during the preceding five years or by reason of being deemed a contributing sponsor under Section 4069 of ERISA.

“Pledge Agreement” means that Pledge Agreement dated as of July 17, 2007 by the Corporation in favor of the Bank.

“Prohibited Transaction” means any transaction set forth in Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible. Corporation’s Property shall include, without limitation, the Site and a 3-bedroom condominium located at 66 Essex Street, San Anselmo, California 94960.

“Release” with respect to any Hazardous Substance includes but is not limited to any release, deposit, discharge, emission, leaking, leaching, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Substances.

“Reportable Event” means any of the events set forth in Section 4043 of ERISA.

“Resolution” means a Resolution, adopted on May 14, 2008 by the Authority pursuant to which it proposes to issue the Bonds.

## **The Bank**

The following information relating to the Bank has been furnished by representatives of the Bank. No representation is made by the Authority, the Corporation or the Underwriter as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in the condition of the Bank subsequent to the date of this Official Statement.

THIS SECTION REPRESENTS ONLY A SUMMARY OF THE INFORMATION REFERRED TO HEREIN. EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN, THIS SECTION DOES NOT ATTEMPT TO DESCRIBE THE BUSINESS OR ANALYZE THE CONDITION, FINANCIAL OR OTHERWISE, OF ALLIED IRISH BANKS, p.l.c. (“AIB”) OR OTHERWISE DESCRIBE ANY RISKS ASSOCIATED WITH AIB. EACH BONDHOLDER MUST RELY ON THAT HOLDER’S OWN KNOWLEDGE, INVESTIGATION AND EXAMINATION OF AIB AND AIB’S CREDITWORTHINESS.

AIB reports its financial information on a consolidated basis, which includes AIB and certain affiliates and subsidiaries (“AIB Group”). AIB Group provides a diverse and comprehensive range of banking, financial and related services principally in Ireland, Britain, Poland and the United States. AIB Group is currently organized into four (4) divisions: Republic of Ireland; Great Britain & Northern Ireland; Poland; and Capital Markets (which includes AIB’s New York Branch). AIB is the largest banking corporation organized under the laws of Ireland. As of December 31, 2007, AIB’s total assets were EUR178 billion. Profit before taxation from continuing operations for the year ending December 31, 2007 amounted to EUR 2,508 million. Profit attributable to equity holders of the parent was EUR 1,949 million. Return on average ordinary shareholders’ equity was 21.8% and return on average total assets was 1.21%.

AIB’s New York Branch files quarterly reports on Form FFIEC-002 (“Call Reports”) with the Federal Reserve Bank of New York, 33 Liberty Street, New York, NY 10001 and with the New York State Banking Department at 1 State Street, New York, NY 10004. The Call Reports are publicly available.

AIB is an Irish registered public limited company and its ordinary shares are quoted on the Dublin and London stock exchanges. The Group’s ordinary shares (symbol AIB) and non-cumulative preference shares (symbol AIBPr) are traded in the USA on the New York Stock Exchange in the form of American Depositary Shares (“ADS”) and each ADS is evidenced by an American Depositary Receipt (“ADR”). AIB, as a foreign private issuer of securities in the United States, is required to file an annual report on Form 20-F with the U.S. Securities and Exchange Commission (“SEC”) pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”) within 6 months after the end of each fiscal year. Moreover, a foreign issuer, unlike domestic companies, is required to submit to the SEC under the Exchange Act on Form 6-K, only those interim reports and other materials that the issuer prepares in accordance with home country or home market requirements or delivers to its security holders. Exchange Act documents filed by AIB are publicly available at the public reference facilities maintained by the SEC at 100 F Street, NE, Washington, D.C. 20549 and at its regional office at 3 World Financial Center, Suite 400, New York, NY 10281-1022. Copies of documents filed by AIB with the SEC may also be accessed electronically by means of the SEC’s home page on the Internet at “<http://www.sec.gov>”.

Any of the documents referred to herein (other than exhibits to such documents) are available upon request, without charge, by writing to the Office of Investor Relations, Allied Irish Banks, p.l.c., Bankcentre, Ballsbridge, Dublin 4, Ireland. Additional information about AIB, including a copy of AIB Group's Annual Report and Form 20-F, is presently available on the Internet at "<http://www.aibgroup.com>".

Note: The exchange rate as of 12/31/07 - EUR1 = \$1.4721.

## **THE PROJECT**

The Authority will lend the proceeds of the Bonds to the Corporation to finance the construction and acquisition of educational facilities, improvements and equipment at the Corporation's campus in Ross, California (the "Project"). The Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank and not the operations, financial strength or condition of the Corporation or any other security. This Official Statement does not describe the financial condition of the Corporation. The rating assigned to the Bonds is based on the creditworthiness of the Bank. Accordingly, detailed information on either the Project or the Corporation is not provided in this Official Statement.

## **THE CORPORATION**

### **General**

Incorporated in 1926, the Corporation is a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code that operates a co-educational, independent, college-preparatory day school in Ross, California serving 9th through 12th grades.

The Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank and not the operations, financial strength or condition of the Corporation or any other security. This Official Statement does not describe the financial condition of the Corporation. The rating assigned to the Bonds is based on the creditworthiness of the Bank. Prospective purchasers of the Bonds that wish to make a full evaluation of the financial status of the Bank are advised to obtain financial statements of the Bank. See "THE BANK AND THE LETTER OF CREDIT" herein. Accordingly, detailed information on the Corporation is not provided in this Official Statement.

## **INVESTMENT CONSIDERATIONS**

The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exclusive listing of risks and other considerations that may be relevant to investing in the Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks and considerations.

## **Security for the Bonds**

The Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank and not the operations, financial strength or condition of the Corporation or any other security. This Official Statement does not describe the financial condition of the Corporation. The rating assigned to the Bonds is based on the creditworthiness of the Bank. See “RATING” herein. Prospective purchasers of the Bonds that wish to make a full evaluation of the financial status of the Bank are advised to obtain financial statements of the Bank. See “THE BANK AND THE LETTER OF CREDIT” herein.

Except as noted herein under “THE BANK AND THE LETTER OF CREDIT,” the Bonds are payable solely from payments made pursuant to the Loan Agreement. No representation or assurance can be made that revenues will be realized by the Corporation in amounts sufficient to make payments required by the Loan Agreement and thus to pay maturing principal, mandatory sinking fund requirements and interest on the Bonds. Future economic and other conditions, including economic trends and events, demand for its educational services, technological developments and demographic changes, increases in insurance claims, as well as increased costs and changes in government regulations, including Internal Revenue Service (the “IRS”) policy regarding tax exemption, may adversely affect the future financial condition of the Corporation and, consequently, its ability to make payments of the principal of and premium, if any, and interest on the Bonds.

## **Expiration of the Letter of Credit**

The initial Letter of Credit expires on July 15, 2011, subject to extension or earlier termination in certain circumstances as described therein. See “THE BANK AND THE LETTER OF CREDIT” herein. If the Letter of Credit is not extended or an Alternate Credit Facility is not obtained by the Corporation, the Bonds will be subject to mandatory tender for purchase. There can be no assurance that the Corporation will be able to obtain an extension of the Letter of Credit or an Alternate Credit Facility. The Bank is under no obligation to extend the Letter of Credit beyond the scheduled expiration thereof.

## **Bank’s Obligations Unsecured**

The ability of the Bank to honor draws upon the Letter of Credit is based solely upon the Bank’s general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. No provision has been made for replacement of or substitution for the Letter of Credit in the event of any deterioration in the financial condition of the Bank. Neither the Authority, the Corporation or the Bank assumes any liability to any purchaser of the Bonds as a result of any deterioration of the financial condition of the Bank. Upon any insolvency of the Bank, any claim by the Trustee against the Bank would be subject to bank receivership proceedings.

## **General Factors Affecting the Bank**

The Bank is subject to regulation and supervision by various regulatory bodies. New regulations could impose restrictions upon the Bank which would restrict its ability to respond to competitive pressures. Various legislative or regulatory changes could dramatically impact the

banking industry as a whole and the Bank specifically. The banking industry is highly competitive in many of the markets in which the Bank operates. Such competition directly impacts the financial performance of the Bank. Any significant increase in such competition could adversely impact the Bank. The Bank is a foreign bank and is subject to currency fluctuations.

Prospective purchasers of the Bonds should evaluate the financial strength of the Bank based upon the information contained and referred to herein under the caption “THE BANK AND THE LETTER OF CREDIT - The Bank”, other information available upon request from the Bank and should not rely upon any governmental supervision by any regulatory entity or any rating by any rating agency.

### **Tax-Exempt Status**

***Tax-Exempt Status of Interest on the Bonds.*** The Internal Revenue Code of 1986, as amended (the “Code”) imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Bond proceeds, limitations on the investment earnings of Bond proceeds prior to expenditure, a requirement that certain investment earnings on Bond proceeds be paid periodically to the United States and a requirement that the issuers file an information report with the IRS. The Authority and the Corporation have covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure by the Corporation to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Bonds as taxable, retroactively to the Date of Delivery of the Bonds.

***Tax-Exempt Status of the Corporation.*** The tax-exempt status of interest on the Bonds presently depends upon the maintenance by the Corporation of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable purposes and their avoidance of transactions which may cause their earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities which do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad of operations and transactions entered into by modern tax-exempt organizations.

Tax-exempt organizations such as the Corporation are subject to scrutiny from ongoing IRS audit programs. The primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in unlawful, private benefit is the revocation of tax-exempt status. Although the IRS has not frequently revoked the tax-exempt status of nonprofit Corporations or trusts, it could do so in the future. Loss of tax-exempt status by the Corporation would most likely result in loss of tax exemption of interest on the Bonds and of future tax-exempt debt of the Corporation, if any, and defaults in covenants regarding the Bonds and existing and future tax-exempt debt, if any, would likely be triggered. Loss of tax-exempt status of the Corporation would also have material adverse consequences on the financial condition of the Corporation.

**Bond Audit.** The IRS has an ongoing program of examining tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is properly excluded from gross income for federal income tax purposes, and it is possible that the Bonds may be selected for examination under such program. If an examination is commenced, under current procedures, the IRS will treat the Authority as the relevant taxpayer under the Code, and the holders of the Bonds may have no right to participate.

The Corporation has not sought to obtain a private letter ruling from the IRS with respect to the Bonds, and the opinion of Bond Counsel as to the tax-exempt status of the Bonds (see “TAX MATTERS” herein) is not binding on the IRS. An IRS examination of the Bonds could adversely affect the market value and liquidity of the Bonds or result in the loss of the tax-exempt status of the Bonds.

**Unrelated Business Income.** In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income (“UBTI”). The Corporation has not historically generated any significant amount of UBTI. The Corporation may participate in activities which generate UBTI in the future. Management believes it has properly accounted for and reported UBTI; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of the Corporation as well as the exclusion from gross income for federal income tax purposes of the interest on the Bonds and other future tax-exempt debt of the Corporation, if any.

**State Income Tax Exemption.** The State of California has not been as active as the IRS in scrutinizing the income tax exemption of organizations. However, it is likely that the loss by the Corporation of federal tax exemption would also trigger a challenge to the State tax exemption of the Corporation. Depending on the circumstances, such an event could be adverse and material.

**Exemption from Property Taxes.** In recent years, State, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt Corporations with respect to their real property tax exemptions. The management of the Corporation believes that the Corporation’s educational facilities and the planned improvements thereon are and will continue to be exempt from California real property taxation.

## **THE AUTHORITY**

The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California. The Authority was formed pursuant to the terms of a Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992, and the Act in order to assist nonprofit corporations and other entities to obtain financing for projects located within the several jurisdictions of Authority members with purposes serving the public interest.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE

INDENTURE. NONE OF THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”) OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE AUTHORITY, ABAG OR ANY OF THEIR MEMBERS TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL THEREOF AND INTEREST AND ANY REDEMPTION PREMIUM THEREON DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE AUTHORITY OR ABAG, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES DESCRIBED HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Institution and others in connection with the Bonds, and Bond Counsel has assumed compliance by the Authority and the Institution with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code. In addition, in rendering its opinion, Bond Counsel has relied on the opinion of counsel to the Institution regarding, among other matters, the current qualification of the Institution as an organization described in Section 501(c)(3) of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from present State of California personal income taxes.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action

taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the Corporation have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix B.

### **Information Reporting and Backup Withholding**

Information reporting requirements will apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification

Number and Certification”, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. There can be no assurance that any such legislation, actions or decisions, if ever enacted, taken or rendered following the issuance of the Bonds, will not have an adverse effect on the tax exempt status, market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **APPROVAL OF LEGALITY**

The validity of the issuance of the Bonds under California law is subject to the approval of Hawkins Delafield & Wood LLP, San Francisco, California, acting as Bond Counsel. The proposed form of the legal opinion of Bond Counsel is attached hereto as Appendix B. Certain legal matters will be passed upon for the Authority by Chapman and Cutler LLP, San Francisco, California, for the Corporation by Folger Levin & Kahn and for the Bank by Heller Ehrman LLP.

### **ABSENCE OF MATERIAL LITIGATION**

#### **The Authority**

There is no litigation that has been served on the Authority or, to the best knowledge of the Authority, that is otherwise pending or threatened seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceeding of the Authority taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, or

existence or powers of the Authority, or the authority of the Authority to enter into any document relating to the Indenture or the Bonds.

### **The Corporation**

There is no material litigation of any nature now pending against the Corporation or, to its knowledge, threatened which seeks to restrain or enjoin the sale or issuance of the Bonds or which in any way contests or affects the validity of the Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds, the use of the Bonds proceeds or the existence or powers of the Corporation relating to the issuance of the Bonds.

### **UNDERWRITING**

The Bonds will be purchased from the Authority by Stone & Youngberg LLC, as the Underwriter. The Underwriter has agreed to purchase the Bonds from the Authority at a purchase price equal to the principal amount of the Bonds, less an Underwriter's discount of \$157,500. The purchase contract between the Authority and the Underwriter provides that the Underwriter will purchase all of the Bonds, if any are purchased.

### **RATING**

Standard & Poor's Rating Service ("S&P") is expected to assign a rating of "A+/A-1" to the Bonds. Such rating is based on and is solely a result of the Letter of Credit issued for the benefit of the Bonds. See "THE BANK AND THE LETTER OF CREDIT" herein. Such ratings reflect only the view of the agency assigning such rating, and any explanation of the significance of such ratings should be obtained from the assigning rating agency. The Corporation furnished S&P with certain information and material relating to the Bonds and the Corporation that have not been included in this Official Statement. Generally, rating agencies base their ratings on information and materials furnished and on investigation, studies, and assumptions by the rating agencies. There is no assurance that the rating mentioned above will remain in effect for any given period of time, or that such rating might not be lowered or withdrawn entirely by the rating agency, if in the judgment of the rating agency circumstances so warrant. The Authority, the Corporation, and the Underwriter have not undertaken any responsibility either to bring to the attention of the Bondholders any proposed change in or withdrawal of the rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of the rating might have an adverse effect on the market price or marketability of the Bonds.

### **MISCELLANEOUS**

This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Bonds. The use of this Official Statement has been duly approved by the Corporation.



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## APPENDIX A

### SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture and the Loan Agreement which are not described elsewhere in this Official Statement. These summaries do not purport to be complete or definitive and reference should be made to such documents for a full and complete statement of their provisions. Defined terms used but not otherwise defined herein shall have the meaning set forth in the Indenture.

### DEFINITIONS

“Act” means Article 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title I of the Government Code of the State of California.

“Additional Payments” means the payments to be made by the Corporation to the Trustee or the Authority in accordance with the Loan Agreement.

“Administrative Fees and Expenses” means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Trustee, including Additional Payments.

“Alternate Credit Facility” means an alternate irrevocable letter of credit or similar credit facility issued by a commercial bank or savings institution, the terms of which shall be to the extent dictated by the terms of the Bonds, the same as or similar to those of the initial Credit Facility, delivered to the Trustee pursuant to the Loan Agreement, and meeting the requirements of said Loan Agreement.

“Alternate Rate” means the lesser of the Maximum Rate or The Securities Industry and Financial Markets Association (“SIFMA”) rate as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc. or its successor, or as otherwise determined by The SIFMA; provided, however, that if such index is no longer produced by Municipal Market Data, Inc. or its successor, then the rate of a reasonably comparable index selected by the Corporation.

“Authority” means the ABAG Finance Authority for Nonprofit Corporations, or its successors and assigns.

“Available Moneys” means:

(a) during any period the Credit Facility is in effect, any of the following moneys that, until applied, are held in a separate and segregated account under this Indenture in which only Available Moneys are held:

(1) proceeds of the Bonds received from the original issuance and sale of the Bonds;

(2) proceeds from the remarketing of any Bonds tendered for purchase pursuant to this Indenture and purchased by any Person other than the Authority or the Corporation (or any “insider,” as defined in the United States Bankruptcy Code, of the Authority or the Corporation);

(3) moneys drawn under the Credit Facility;

(4) moneys deposited in a separate and segregated account under this Indenture that have been continuously on deposit with the Trustee for a period of at least 367 days during which no petition in bankruptcy (or other bankruptcy or similar proceedings) is pending or has been filed by or against the Corporation or the Authority (or any “insider,” as defined in the United States Bankruptcy Code, of the Corporation or the Authority) under the United States Bankruptcy Code;

(5) any other moneys or securities, if there is delivered to the Trustee an Opinion of Counsel from legal counsel having expertise in bankruptcy matters (who, for purposes of such opinion, may assume that no bondowner is an “insider,” as defined in United States Bankruptcy Code) to the effect that the use of such moneys or securities to pay the principal or purchase price of, or premium, if any, or interest on the Bonds would not constitute a voidable preferential payment in the event of the occurrence of the filing of a petition in bankruptcy (or other commencement of bankruptcy or similar proceedings) by or against the Corporation or the Authority under the United States Bankruptcy Code;

(6) moneys derived from refunding bonds; and

(7) earnings derived from the investment of any of the foregoing.

(b) during any period a Credit Facility is not in effect, any moneys held by the Trustee in any fund or account under this Indenture and available, pursuant to the provisions hereof, to be used to pay principal or purchase price of, or premium, if any, or interest on, the Bonds.

“Bank” means Allied Irish Banks, p.l.c., New York Branch, and any other commercial bank, savings association or financial institution issuing a Credit Facility then in effect.

“Bank Bonds” means Bonds purchased with moneys obtained by a drawing on the Credit Facility.

“Bondholder” or “Holder” or “Owner” means, with respect to any Bond, the person in whose name such Bond is registered.

“Business Day” means any day other than (i) a Saturday or Sunday, (ii) a day on which the Principal Corporate Trust Office of the Trustee or the offices of the Tender Agent at which the duties under the Indenture are to be performed or the office of the Bank at which draws under the Credit Facility are presented are authorized or required by law to close or (iii) a day on which the New York Stock Exchange is closed.

“Corporation” means The Branson School, a California nonprofit public benefit corporation organized and existing under the laws of the State, and its successors or assigns permitted pursuant to the Loan Agreement.

“Date of Delivery” means the date of initial issuance and delivery of the Bonds.

“Eligible Account” means an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a Standard & Poor’s short-term debt rating of at least ‘A-2’ (or, if no short-term debt rating, a long-term debt rating of ‘BBB+’); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit, which, in either case, has corporate trust powers and is acting in its fiduciary capacity. In the event that an account required to be an Eligible Account no longer complies with the requirement, the Trustee shall promptly (and, in any case, within not more than 30 calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

“Event of Default” means any of the events specified in the Indenture.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30 or any other twelve-month, or fifty-two week, period hereafter selected and designated as the official fiscal year period of the Corporation.

“Fixed Rate” means the interest rate on the Bonds determined pursuant to the Indenture.

“Fixed Rate Bonds” means the Bonds during the Fixed Rate Mode.

“Fixed Rate Mode” means the Mode during which the Bonds bear interest at a Fixed Rate.

“Interest Payment Date” means (1) with respect to Bonds in a Term Mode with a Term Rate Period of 12 months or less, the Business Day next succeeding the last day of the Term Rate Period; (2) with respect to Bonds in a Term Mode with an Interest Rate Period of greater than 12 months each January 1 and July 1 and the Business Day next succeeding the last day of the Term Rate Period, (3) with respect to Bonds in a Weekly Mode, the first Business Day of each month, commencing August 1, 2008; (4) with respect to Bonds in the Fixed Rate Mode, each January 1 and July 1; (5) any Mode Change Date; (6) the respective maturity dates of the Bonds; and (7) with respect to Bank Bonds, the dates set forth in the Reimbursement Agreement.

“Interest Period” shall mean the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date, except that the first Interest Period shall be the period from and including the Date of Delivery of the Bonds to and including the day immediately preceding the first Interest Payment Date.

“Loan Default Events” means any of the events of default specified in the Loan Agreement.

“Maximum Rate” shall mean with respect to Bonds other than Bank Bonds, twelve percent (12%) per annum, and with respect to Bank Bonds, the maximum interest rate permitted by law.

“Mode” means, as the context may require, the Term Mode, the Weekly Mode or the Fixed Rate Mode.

“Mode Change Date” means with respect to any Bond, the day on which a Mode begins following the last day of a different Mode.

“Moody’s” means Moody’s Investors Service, Inc. a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the approval of the Corporation and the Bank.

“Optional Tender Date” is defined in the Indenture.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture; and (c) Bonds for the transfer or exchange of which, or in lieu of or in substitution for which, other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Permitted Investments” means any of the following obligations as and to the extent that such obligations are at the time legal investments under the laws of the State for moneys held under the Indenture and then proposed to be invested therein, as shall be certified by the Corporation to the Trustee:

(1) direct 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, and CATS and TIGRS) or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided that such obligations are backed by the full faith and credit of the United States of America (stripped securities shall constitute Permitted Investments only if they have been stripped by the agency itself): U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, General Services Administration, U.S. Maritime Administration, U.S. Department of Housing and Urban Development, Government National Mortgage Association, and Federal Housing Administration;

(3) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities shall constitute Permitted Investments only if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (“FHLMC”), Federal National Mortgage Association (“FNMA”), Student Loan Marketing Association, Resolution Funding Corporation or Farm Credit System;

(4) bonds or notes issued by any state or municipality which are rated by S&P and Moody’s in one of the two highest rating categories assigned by such agencies;

(5) repurchase agreements with either a primary dealer on the reporting dealer list of the Federal Reserve or any bank, which, in either case, is rated “A” or better by S&P and Moody’s, provided that (a) the term of such repurchase agreement is not greater than thirty days, (b) the Trustee or third party acting solely as agent for the Trustee has possession of the collateral, (c) the collateral is valued weekly and the market value of the collateral is maintained at an amount equal to at least 104% (or, if the collateral consists of obligations of FHLMC or FNMA, 105%) of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus interest, (d) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately, (e) the repurchase securities are either obligations of, or fully guaranteed as to principal and interest by, the United States or any federal agency backed by the full faith and credit of the United States; (f) the repurchase securities are free and clear of any third-party lien or claim; and (g) there shall have been delivered to the Trustee an Opinion of Counsel to the effect that such repurchase agreement meets all guidelines under State law for legal investment of such funds;

(6) investment agreements, including guaranteed investment contracts (“GICs”) with financial institutions, the debt obligations of which, or insurance companies the claims paying ability of which, are rated in one of the highest two rating categories of the Rating Agency then rating the Bonds, or investment agreements or investment contracts which are guaranteed by financial institutions, the debt obligations of which, or insurance companies, the claims paying ability of which, are rated in one of the highest two rating categories of the Rating Agency then rating the Bonds, provided, that, at all times, the investment agreement or investment contracts, as appropriate, shall allow the Corporation to instruct the Trustee to replace such financial institution or insurance company if such rating falls below the highest rating category or two highest rating categories, as appropriate, described in the Indenture or investment agreements which are secured at all times, in the manner and to the extent provided by law, by collateral security (described in clause (1) of this definition) with a market value (valued at least quarterly) of no less than the amount of moneys so invested, in each case, the securities in such investment agreements shall be payable at the times and in the amounts as the funds and accounts held under the Indenture by the Trustee are required to be available for its use;

(7) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody’s rated Aaa, Aa1 or Aa2; including funds for which the Trustee, its parent holding company, if any, or any

affiliates or subsidiaries of the Trustee provide investment advisory or other management services;

(8) certificates of deposit secured at all times by collateral described in (1) and/or (2) above, issued by commercial banks, savings and loan associations or mutual savings banks, which may include the Trustee and its affiliates. relating to collateral held by a third party, and in which collateral the Bondholders have a perfected first security interest;

(9) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF; which may include the Trustee and its affiliates;

(10) commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P;

(11) federal funds, deposit accounts, or bankers acceptances with a maximum term of one year of any bank, which may include the Trustee and its affiliates, which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(12) obligations of a bank or other financial institution rated at least "Aa3" by the Rating Agency;

(13) the Common Fund; and

(14) any other investment approved in writing by the Bank, or if no Credit Facility is then in effect, the Authority.

"Principal Corporate Trust Office" means with respect to the Trustee, the office of the Trustee at 500 Kearny Street, Suite 600, San Francisco California 94108, Attention: Corporate Trust; except that with respect to presentation of Bonds for payment or for registration or transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Project Fund" means the funds by that name established pursuant to the Indenture.

"Property" means, as of any date, all land, improvements, facilities, fixtures and equipment then owned by the Corporation.

"Purchase Date" shall mean the date on which any Bond is required to be purchased pursuant to the Indenture.

"Purchase Price" shall mean that amount equal to 100% of the principal amount of any Bond purchased pursuant to the Indenture, plus accrued and unpaid interest thereon to but not including the Purchase Date or the date on which such Bond is deemed purchased in accordance with the Indenture.

“Rate Determination Date” means the date on which the interest rate(s) with respect to the Bonds shall be determined, which (i) in the case of the Weekly Mode, shall be each Wednesday or, if Wednesday is not a Business Day, the next following Business Day, or in the case of a conversion to the Weekly Mode shall be at least one Business Day prior to the Mode Change Date; (ii) in the case of the Term Mode, shall be at least one Business Day prior to the first day of a Term Rate Period; and (iii) in the case of the Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be a least one Business Day prior to the Mode Change Date.

“Rating Agency” means S&P, so long as such rating agency maintains a rating on the Bonds, and any other nationally recognized securities rating agency designated in writing by the Corporation with the written approval of the Authority and the Bank.

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

“Rebate Requirement” shall have the meaning assigned to that term in the Tax Agreement.

“Record Date” shall mean (i) the Business Day immediately preceding the applicable Interest Payment Date during the Weekly Mode and (ii) the fifteenth day of the month prior to an Interest Payment Date during a Term Mode or the Fixed Rate Mode.

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

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion), premium, if any, and interest, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

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

“Revenues” means all payments received by the Authority or the Trustee from the Corporation (except Additional Payments paid by the Corporation pursuant the Loan Agreement and any amounts paid by the Corporation pursuant the Loan Agreement), including, without limiting the generality of the foregoing, Loan Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments of all or any part of the Loan Payments and all interest, profits or other income derived from the investment of any money in any fund or account established pursuant to the Indenture (except to the extent such interest, profits or other income is required to be transferred to or retained in the Rebate Fund pursuant to the Indenture or the Tax Agreement).

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50<sup>th</sup> Floor, New York, New York, Attn: Call Notification Department, Fax: (212) 855-7232, or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other security depositories, or no such depositories, as the Authority may indicate in a Certificate of the Authority delivered to the Trustee.

“Special Record Date” means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted interest on Bonds.

“State” means the State of California.

“Supplemental Indenture” or “Indenture Supplemental Hereto” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee in accordance with the provisions of the Indenture.

“S&P” means Standard & Poor’s Ratings Services, a corporation organized and existing under the laws of the state of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the approval of the Corporation and the Bank.

“Tax Agreement” means the Tax Regulatory Agreement executed by the Authority and the Corporation dated the date of issuance of the Bonds, as the same may be amended or supplemented in accordance with its terms.

“Tender Agent” means the Trustee, or any successor tender agent appointed pursuant to the Indenture.

“Term Mode” means the period during which a Term Rate is in effect.

“Term Rate” means a non-variable interest rate on the Bonds established in accordance with the Indenture.

“Term Rate Period” means a period of one month or more during which a particular Term Rate is in effect as provided in the Indenture.

“United States Bankruptcy Code” means the United States Bankruptcy Reform Act of 1978, as amended from time to time, or any substitute or replacement legislation.

“Weekly Mode” means the period during which Weekly Rates are in effect.

“Weekly Rate” means a variable interest rate on the Bonds established weekly in accordance with the Indenture.

“Weekly Rate Accrual Period” means each period a Weekly Rate is in effect for the Bonds commencing on Thursday and ending on the next Wednesday; provided that the first Weekly Rate Accrual Period shall begin on the Date of Delivery and the first Weekly Rate Accrual Period after any change from a Term Mode to a Weekly Mode shall begin on the Mode Change Date to the Weekly Mode.

## **INDENTURE**

The Indenture sets forth the terms of the Bonds, the nature and extent of the security, various rights of the Bondholders, rights duties and immunities of the Trustee and the rights and obligations of the Authority. Although certain provisions of the Indenture are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

### Establishment and Application of Project Fund.

The Indenture provides that the Trustee shall establish, maintain and hold in trust a separate fund designated as the “Project Fund.” The moneys in such Project Fund shall be used and withdrawn by the Trustee, as directed by Requisition of the Corporation, submitted by the Authorized Representative of the Corporation, to pay or reimburse the Corporation for Project Costs; provided that no withdrawals from the Project Fund shall occur until the Bank delivers written notice to the Trustee as provided in the Reimbursement Agreement.

### Pledge and Assignment of Revenues and Rights under the Loan Agreement; Revenue Fund.

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in such Indenture, the Authority pledges to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture and the payments of amounts owing to the Bank pursuant to the Reimbursement Agreement, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to such Indenture other than the Rebate Fund or Credit Facility Account or remarketing proceeds.

The Authority under the Indenture transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, and to the Bank, all of the Revenues and other amounts pledged as described in the paragraph above and all of the right, title and interest of the Authority in the Loan Agreement (except for any deposits to the Rebate Fund, the right to receive any Administrative Fees and Expenses payable to the Authority, the right of the Authority to receive any indemnification, and the right to receive any notices and reports).

### Allocation of Revenues.

The Indenture provides that on or before the Business Day immediately preceding each Interest Payment Date and each day on which payments of principal are due on the Bonds (whether at maturity or because of redemption or acceleration), the Trustee shall transfer from the Revenue Fund, and deposit or transfer into the following respective accounts within the Revenue Fund which are established under the Indenture, the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such fund or account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: To the Interest Account, the amounts received from the Corporation as an interest payment pursuant to the Loan Agreement. Amounts in the Interest Account shall be used to pay interest on the Bonds or to reimburse the Bank for draws on the Credit Facility used to pay interest on the Bonds.

Second: To the Principal Account, the amounts received from the Corporation as a principal payment (whether at maturity or because of redemption or acceleration) pursuant to the Loan Agreement. Amounts in the Principal Account shall be used to pay principal of the Bonds or to reimburse the Bank for draws on the Credit Facility used to pay principal of the Bonds.

Funds in the Principal Fund shall be transferred to the Redemption Fund to be applied to the mandatory sinking fund redemption of the Bonds at the principal amount thereof and interest accrued to the date of redemption, without premium, as set forth in the schedule submitted by the Authority at the direction of the Corporation to the Trustee pursuant to the Indenture.

Notwithstanding anything to the contrary described above, so long as a series of the Bonds are in the Weekly Mode or the Term Mode, the principal of, interest on, and Redemption Price of the Bonds upon maturity, redemption or acceleration and interest upon an Interest Payment Date shall be paid solely from first draws on the Credit Facility and second other Available Moneys.

#### Application of Redemption Fund.

The Indenture provides that the Trustee shall establish, maintain and hold in trust a separate fund designated as the Redemption Fund and within such Fund shall establish separate accounts as directed by the Corporation, such as the “Optional Redemption Account” for the optional redemption of Bonds pursuant to the Indenture. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds in the manner and upon the terms and conditions specified in the Indenture or to reimburse the Bank for draws on the Credit Facility used to pay the Redemption Price of such Bonds redeemed; provided that, at any time prior to giving such notice of redemption, the Trustee may on the Request of the Corporation apply such amounts to the purchase of such Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the Trustee may in its discretion determine, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds; and provided further that, in the case of the Optional Redemption Account, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Corporation. Bonds shall be redeemed with Available Moneys

#### Credit Facility Account.

The Indenture provides that the Trustee shall create within the Revenue Fund a separate account which shall be an Eligible Account called the “Credit Facility Account,” into which all moneys drawn under the Credit Facility (other than amounts drawn to pay the Purchase Price of

Bonds) shall be deposited and disbursed. Neither the Corporation nor the Authority shall have any right title or interest in the Credit Facility Account.

#### Investment of Moneys in Funds and Accounts.

The Indenture provides that all moneys in any of the funds and accounts (other than the Credit Facility Account or remarketing proceeds or the proceeds of draws under the Credit Facility to pay the Purchase Price of Bonds) established pursuant to such Indenture shall be invested by the Trustee solely in such Permitted Investments as are specified in a Request of the Corporation received by the Trustee at least 2 Business Days before the investment date, which Request of the Corporation shall state that such investment is a Permitted Investment as required by the Indenture, provided, however, that, if the Corporation does not file such a Request with the Trustee, the Trustee shall invest to the extent practicable in investments described in clause (7) of the definition of the term “Permitted Investments.”

All interest, profits and other income received from the investment of moneys within the Project Fund shall be credited to such fund. Except as otherwise provided in a Request of the Corporation, all interest, profits and other income received from the investment of moneys in any other fund or account established under the Indenture (other than the Rebate Fund or Credit Facility Account or remarketing proceeds or the proceeds of draws under the Credit Facility to pay the Purchase Price of Bonds) shall be credited to the Revenue Fund.

Notwithstanding anything to the contrary in the Indenture, moneys held by the Trustee or the Tender Agent that are remarketing proceeds or draws on a Credit Facility shall be held uninvested and uncommingled with other moneys.

#### Rebate Fund.

Pursuant to the Indenture, the Trustee shall establish, maintain and hold in trust a separate fund designated as the Rebate Fund. All amounts at any time on deposit in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the requirements to make rebate payments to the United States (the “Rebate Requirement”) pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the “Rebate Regulations”). Such amounts shall be free and clear of any lien under the Indenture and shall be governed by the Indenture and by the Tax Agreement.

#### Tax Covenants.

Under the Indenture, the Authority covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would result in the interest on the Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority covenants that it will comply with the requirements of the Tax Agreement, which is incorporated in the Indenture as if fully set forth therein. This covenant shall survive the payment in full or the defeasance of the Bonds.

### Amendment of the Loan Agreement.

The Indenture provides that the Authority shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Bank (so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under a Credit Facility remain owing to the Bank) and the Trustee. The Trustee shall give such written consent if but only if (1) it has received a written representation from the Authority or Opinion of Bond Counsel to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds, provided that, if an Event of Default has occurred and is continuing, the Trustee rather than the Authority shall make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of such Bonds (provided that, in making such determination, the Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel), (2) the Holders of a majority in aggregate principal amount of such Bonds then Outstanding consent in writing to such amendment, modification or termination or (3) the modification or amendment to the Agreement is effective upon the remarketing of Bonds following the mandatory tender of the Bonds pursuant to the Indenture or (4) the Bank consents in writing to such amendment, modification or termination (Bank consent to amendment, modification or termination of the Loan Agreement without Bondholder consent shall be permitted only so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any draws thereunder), provided that no such amendment, modification or termination shall reduce the amount of Loan Payments to be made to the Authority or the Trustee by the Corporation pursuant to the Loan Agreement, or extend the time for making such payments, without the written consent of all of the Holders of such Bonds then Outstanding.

### Events of Default; Acceleration.

The Indenture provides that if one or more of the following events (“Events of Default”) shall happen:

(1) if default shall be made in the due and punctual payment of the principal of, or Purchase Price of, or premium (if any) on, any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(2) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(3) if default shall be made in the due and punctual payment of the Purchase Price of any Bond subject to tender pursuant to the Indenture;

(4) if default shall be made by the Authority in the performance or observance of any other of the material covenants, agreements or conditions on its part in the Indenture or in the Bonds, and such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to

the Authority and the Corporation by the Trustee, or to the Authority, the Corporation and the Trustee by the Holders of not less than a majority in aggregate principal amount of such Bonds at the time Outstanding; and

(5) if a Loan Default Event has occurred and is continuing, except for a Loan Default Event due to the Corporation's noncompliance with the special facilities covenant or the continuing disclosure covenant; or

(6) if the Bank gives notice that an event of default shall have occurred and be continuing under the Reimbursement Agreement and instructing the Trustee to accelerate the Bonds; or

then and in each and every such case during the continuance of such Event of Default, unless the principal of all the Bonds shall have already become due and payable, the Trustee, by notice in writing to the Authority and the Corporation, may and, upon the written request of the Holders of not less than a majority in aggregate principal amount of such Bonds at the time Outstanding, or at the direction of the Bank, shall declare the principal of all such Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding. Upon any such declaration the Trustee shall immediately draw upon any then existing Credit Facility in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds so declared to be due and payable.

This provision, however, is subject to the condition that if, at any time while the Bonds are in the Fixed Rate Mode after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, there shall have been deposited with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal at the rate borne by the respective Bonds, and the reasonable fees and expenses by the Trustee (including but not limited to those of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of at least a majority in aggregate principal amount of such series of the Bonds then Outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Holders of all of such Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Notwithstanding any other provision of the Indenture, the Trustee may not declare an event of default, accelerate the Bonds or exercise any remedy under certain sections of the Indenture without the written consent of the Bank (so long as a Credit Facility is in effect and the Bank has not dishonored any properly presented and conforming draw thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank).

### Modification without Consent of Bondholders.

The Indenture provides that the Authority and the Trustee with the consent of the Corporation, from time to time and at any time, may enter into an indenture or the Indenture supplemental to the Indenture, which indenture or Indenture thereafter shall form a part of such Indenture, including, without limitation, for one or more of the following purposes; provided that (1) the Bank (so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank) shall have consented to such amendment, and, in the case of the Indenture, (2) the Trustee shall have received an Opinion of Bond Counsel to the effect that such amendment or modification will not cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes and (3) a written representation from the Authority (which written representation may be based on representations of other parties in accordance with the provisions of the Indenture) or an Opinion of Bond Counsel to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (which written representation or opinion shall not be required if the Bank has consented as provided in (1) above); provided that, if an Event of Default has occurred and is continuing, the Trustee rather than the Authority shall make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (provided that, in making such determination, the Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel):

(a) to add to the covenants and agreements of the Authority in the Indenture, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power in such Indenture reserved to or conferred upon the Authority;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision, contained in such Indenture, or in regard to such matters or questions arising under the Indenture as the Authority may deem necessary or desirable and not inconsistent with the Indenture;

(c) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture or any indenture supplemental to the Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any indenture supplemental to the Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(d) in connection with an amendment of the Loan Agreement permitted by the Indenture for the purpose of conforming the terms, conditions and covenants of the Indenture to the corresponding or related provisions of such amended Loan Agreement;

(e) in connection with delivery of an Alternate Credit Facility for the purpose of conforming the terms, conditions and covenants of the Indenture so as to provide Bondholders the full benefit of the provisions of such Alternate Credit Facility;

(f) to make any modification or amendment to the Indenture which will be effective upon the remarketing of Bonds following the mandatory tender of the Bonds pursuant to the Indenture;

(g) for any other purpose.

#### Modification with Consent of Bondholders.

The Indenture provides that with the written consent of the Bank (so long as the Credit Facility is outstanding and the Bank has not wrongfully dishonored any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under such Credit Facility remain owing to the Bank), the Corporation and the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding (the consent of the Holders shall not be necessary so long as a Credit Facility is outstanding and the Bank is not wrongfully dishonoring any drawings thereunder), the Authority and the Trustee may from time to time, with an Opinion of Bond Counsel to the effect that such amendment or modification will not cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes, enter into an indenture or Indenture supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture shall (1) extend the fixed maturity of any Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof or (2) reduce the aforesaid percentage of Holders of Bonds whose consent is required for the execution of such supplemental indenture or extend the time of payment or permit the creation of any lien on the Revenues or the funds pledged in the Indenture prior to or on a parity with the lien of the Indenture or deprive the Holders of the Bonds of the lien created by the Indenture upon the Revenues or the funds pledged in the Indenture, in each case without the consent of the Holders of all the Bonds then Outstanding. Upon receipt by the Trustee of a Certificate of the Authority authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of the Corporation and the Bondholders, as aforesaid, the Trustee shall join with the Authority in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

#### Discharge of Indenture.

The Indenture provides that Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

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

(2) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem Bonds Outstanding; or

- (3) by delivering to the Trustee, for cancellation by it, all Bonds Outstanding.

If the Authority shall pay all Bonds then Outstanding as provided above and shall also pay or cause to be paid all other sums payable under the Indenture by the Authority, and any balance remaining in the funds and accounts established under the Indenture shall have been paid to the Bank to the extent any amounts are owing to the Bank, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), which election shall be made on the Request of the Corporation, and notwithstanding that any such Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Indenture.

#### Deposit of Money or Securities with Trustee.

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the amount necessary to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds established pursuant to the Indenture, shall be derived from Available Moneys and shall be:

- (1) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest (provided that such escrow shall be (i) based on an assumed interest at the Maximum Rate for any period that actual rate cannot be determined and with redemption or tender at the earliest possible date or (ii) with confirmation by the Rating Agency that the rating on the Bonds will not be lowered or withdrawn as a result of such escrow defeasance) thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds and all unpaid interest thereon to the redemption date, together with the redemption premium, if any; or

- (2) (a) noncallable direct obligations of the United States of America (including, without limitation, obligations issued or held in book-entry form on the books of the Department of Treasury) or noncallable obligations the principal of and interest on which are unconditionally guaranteed by the United States (including without limitation the interest component of Resolution Funding Corporation strips for which the separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form) of America or (b) securities the interest on which is excludable from gross income for federal tax purposes which have been advance refunded pursuant to the Code for which a nationally recognized rating service is maintaining a rating within the highest rating category of such rating service and the principal of and interest on which, in the written opinion of an Accountant, when due will provide money sufficient to pay the principal of, and premium, if any, and all unpaid interest to maturity, or to the redemption date provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to the

Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice,

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, and premium, if any, and interest with respect to such Bonds and certain requirements have been fulfilled pursuant to the Indenture.

#### Liability of Authority Limited to Revenues.

Notwithstanding anything in the Indenture or in the Bonds contained, the Authority shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes mentioned in the Indenture, whether for the payment of the principal or redemption price of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes of the Indenture any funds of the Authority which may be made available to it for such purposes.

### **LOAN AGREEMENT**

The Loan Agreement provides the terms of the loan of the Bond proceeds of each series to the Corporation and the repayment of and security for such loan provided by the Corporation. Although certain provisions of the Loan Agreement are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Loan Agreement.

#### Maintenance of Corporate Existence; Consolidation, Merger, Sale or Transfer Under Certain Conditions.

The Corporation covenants and agrees that, so long as any of the Bonds are Outstanding, it will maintain its existence as a nonprofit public benefit corporation qualified to do business in the State and an organization described in Section 501(c)(3) of the Code and will not dissolve, sell or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it or acquire all or substantially all of the assets of any person or entity. Notwithstanding the foregoing, the Corporation may, consolidate with or merge into another corporation, or acquire or permit one or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, if:

- (1) The surviving, resulting or transferee corporation, as the case may be:
  - (a) assumes in writing, if such corporation is not the Corporation, all of the obligations of the Corporation under the Loan Agreement;
  - (b) is not, after such transaction, otherwise in default under any provisions of the Loan Agreement; and

(c) is an organization described in Section 501(c)(3) of the Code, or a corresponding provision of the federal income tax laws then in effect.

(2) The Authority, the Trustee and the Bank shall have received a Certificate of the Corporation to the effect that the covenants under the Loan Agreement will be met after such consolidation, merger, sale or transfer;

(3) The Trustee and the Authority shall have received an Opinion of Bond Counsel to the effect that under existing law, such merger, consolidation, sale, acquisition or other transfer will not cause interest on the Bonds to be included in gross income for federal income tax purposes under Section 103 of the Code; and

(4) The Trustee receives written notice from the Bank that the Credit Facility will remain in effect.

#### Events of Default.

The following shall be “events of default” under the Loan Agreement, and the terms “events of default” or “default” shall mean, whenever they are used in the Loan Agreement, any one or more of the following events:

(A) The Corporation fails to make any Loan Payment by its due date; or

(B) The Corporation fails to observe and perform any material covenant, condition or agreement on its part to be observed or performed under the Loan Agreement other than as referred to in paragraph (A) above for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied is given to the Corporation by the Authority, the Bank or the Trustee, with a copy to the Bank; provided, however, if the failure stated in the notice is correctable but cannot be corrected within the 60 day period, the Trustee, upon the prior written consent of the Bank, will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Corporation within the applicable period and diligently pursued until the default is corrected; or

(C) Any of the representations or warranties of the Corporation made in the Loan Agreement or in any other document, certificate or writing furnished by the Corporation to the Authority in connection with the application for or the negotiation of the Loan Agreement or the issuance of the Bonds was false or incorrect in any material respect when made; or

(D) The Corporation applies for or consents to the appointment of any receiver, trustee, or similar officer for it or for all or any substantial part of its property or admits in writing its inability to pay its debts as they mature; or such a receiver, trustee or similar officer is appointed without the application or consent of the Corporation and such appointment continues undischarged for a period of sixty (60) days; or the Corporation institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding is instituted (by petition, application or otherwise) against the Corporation and remains undischarged for a period of sixty (60) days; or the Corporation makes a general assignment for the benefit of creditors.

### Remedies on Default.

The Loan Agreement provides that in the event any of the Bonds shall at the time be Outstanding and unpaid (and provision for the payment thereof shall not have been made as provided in the Indenture) and any event of default referred to in the Loan Agreement shall have happened and be continuing the Authority or the Trustee may, with the consent of the Bank, and shall, at the direction of the Bank, take any one or more of the following remedial steps:

(1) The Authority or the Trustee may, at its option, declare all installments of Loan Payments to be immediately due and payable, whereupon the same shall become immediately due and payable.

(2) The Authority or the Trustee may take whatever action at law or in equity that may appear necessary or desirable to collect the payments then due and thereafter to become due under the Loan Agreement, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, condition or covenant of the Corporation under the Loan Agreement.

### Amendment of the Loan Agreement

The Agreement may only be amended, modified or terminated in accordance with the Indenture. See “Indenture - Amendment of the Loan Agreement” above.

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## APPENDIX B

### PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

ABAG Finance Authority for Nonprofit Corporations  
Oakland, California

Re:     \$22,500,000  
       *ABAG Finance Authority for Nonprofit Corporations*  
       *Variable Rate Demand Revenue Bonds (The Branson School)*  
       *Series 2008*

Ladies and Gentlemen:

We have acted as bond counsel in connection with issuance by the ABAG Finance Authority for Nonprofit Corporations (the “Issuer”) of \$22,500,000 aggregate principal amount of its Variable Rate Demand Revenue Bonds (The Branson School) Series 2008 (the “Bonds”), issued pursuant to the provisions of the Joint Exercise of Powers Act, comprising Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code (the “Act”), and an Indenture, dated as of July 1, 2008 (the “Indenture”), between the Issuer and The Bank of New York Mellon Trust Company, N.A. as trustee (the “Trustee”). The Indenture provides that the Bonds are being issued for the purpose of making a loan of the proceeds thereof to The Branson School (the “Corporation”) pursuant to a Loan Agreement, dated as of July 1, 2008 (the “Loan Agreement”), between the Issuer and the Corporation. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; the Loan Agreement; the Tax Regulatory Agreement, dated the date hereof (the “Tax Agreement”), between the Issuer and the Corporation; opinions of counsel to the Trustee, the Issuer and the Corporation; certificates of the Issuer, the Trustee, the Corporation and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Folger Levin & Kahn LLP counsel to the Corporation, regarding, among other matters, the current qualification of the Corporation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”). We note that such opinion is subject to a number of qualifications and limitations. Failure of the Corporation to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and

validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof.

We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and Tax Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Issuer.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge of the Revenues to secure the payment of the principal of and interest on the Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Issuer.
4. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds.
5. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Issuer, the Corporation and others in connection with the Bonds, and we have assumed compliance by the Issuer and the Corporation with certain ongoing covenants to comply with

applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for Federal income tax purposes, interest on the Bonds be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Bond proceeds, restrictions on the investment of Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the Issuer and the Corporation will execute the Tax Agreement containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Agreement, the Issuer and the Corporation covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for the purpose of Federal income taxation, be excluded from gross income. In rendering the opinion in paragraph 5 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Agreement with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the Corporation with the procedures and covenants set forth in the Tax Agreement as to such tax matters.

6. Under existing statutes, interest on the Bonds is exempt from State of California personal income taxes.

Except as stated in paragraphs 5 and 6 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Respectfully submitted,

## APPENDIX C

### BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from sources that the Authority, the Trustee, the Corporation and the Underwriter believe to be reliable, but the Authority, the Trustee, the Corporation and the Underwriter take no responsibility for the accuracy hereof. The Beneficial Owners should confirm the following information with DTC or the DTC participants.

So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein to the Owners of the Bonds (other than as set forth under "TAX MATTERS") shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

THE AUTHORITY, THE TRUSTEE, THE TENDER AGENT AND THE UNDERWRITER SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR ANY BENEFICIAL OWNER, WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL AND INTEREST, DUE ON THE BONDS; (C) THE DELIVERY OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE INDENTURE; (D) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE BONDS; OR (F) ANY OTHER MATTER.

THE TRUSTEE, AS LONG AS THE BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to

ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, 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) the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Remarketing Agent's DTC account.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

## APPENDIX D

### FORM OF LETTER OF CREDIT

#### IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. C-845

July 17, 2008

The Bank of New York Mellon Trust Company, N.A.  
550 Kearny Street, Suite 600  
San Francisco, California 94108  
Attn: Corporate Trust Department

Dear Sirs and Madams:

We hereby establish, at the request and for the account of The Branson School (the "Corporation"), pursuant to the terms of the Letter of Credit Reimbursement Agreement dated as of July 17, 2008 by and between Corporation and us (the "Reimbursement Agreement") and the Indenture dated as of July 1, 2008 by and between you, as trustee (the "Trustee") and the ABAG Finance Authority for Nonprofit Corporations (the "Issuer") (the "Indenture") and in your favor as Trustee for the benefit of the holders of the Bonds (as defined below), our Irrevocable Direct Pay Letter of Credit No. C-845 (the "Letter of Credit"), whereby we hereby irrevocably authorize you to draw on us from time to time from and after the date hereof to and including the earliest to occur of (i) 4:00 P.M. (New York City time) at our Letter of Credit Department, 405 Park Avenue, New York, New York 10022 on July 15, 2011 (the "Stated Termination Date"); (ii) the date on which we receive from you a certificate in the form set forth as Exhibit A hereto; (iii) the date on which we honor a drawing pursuant to a certificate in the form set forth as Exhibit C hereto in connection with a mandatory or optional redemption of all of the Bonds (other than for a Drawing presented to us pursuant to clause (iv) below); and (iv) the date which is seven (7) Business Days (as defined below) following receipt by you of a certificate in the form set forth as Exhibit K hereto indicating that an Event of Default under the Reimbursement Agreement has occurred and directing the Trustee to cause a mandatory tender of the Bonds (the earlier of such dates, the "Letter of Credit Expiration Date"), a maximum aggregate amount not exceeding \$22,751,507 (the "Original Available Amount"), of which the sum of \$22,500,000 may be drawn on by you to pay principal or the portion of the redemption price or Purchase Price (as hereinafter defined) corresponding to principal of the tax exempt Variable Rate Demand Revenue Bonds (The Branson School) Series 2008 (the "Bonds"), issued by the Issuer, and of which the sum of \$251,507 may be drawn to pay interest or the portion of the Purchase Price (as hereinafter defined) corresponding to thirty-four (34) days of interest on the Bonds computed at a maximum rate of twelve (12%) per annum (with interest computed on the basis of a 365/366 day year for the number of days actually elapsed) in accordance with the terms hereof. "Purchase Price" means an amount equal to 100% of the principal amount of any Bond purchased pursuant to the Indenture, plus accrued and unpaid interest thereon to but not including the purchase date or the date on which such Bond is deemed purchased in accordance with the Indenture. The Purchase Price does not include any premiums on the Bonds.

This credit is available to you against presentation of the following documents (the "Payment Documents") presented to Allied Irish Banks, p.l.c., acting by and through its

New York Branch (the "Bank"), at our office at 405 Park Avenue, New York, New York 10022 (or such other place as we may from time to time specify by written notice given in accordance with the Reimbursement Agreement), Attention: Letter of Credit Department (or such other person as we may from time to time specify by written notice given in accordance with the Reimbursement Agreement):

A certificate (with all blanks appropriately completed) (i) in the form attached as Exhibit B hereto to pay accrued interest on the Bonds as provided for under the Indenture (an "Interest Drawing"), (ii) in the form attached as Exhibit C hereto to pay principal and interest upon a mandatory or optional redemption of the Bonds as provided for under the Indenture (a "Redemption Drawing"); provided that in the event the date of such Redemption Drawing coincides with an Interest Payment Date (as defined in the Indenture), such drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iii) in the form attached as Exhibit D hereto to pay the principal and interest upon payment of the Purchase Price upon tender as provided for under the Indenture (a "Payment of the Purchase Price Upon Tender Drawing"); provided that in the event the date of such Payment of the Purchase Price Upon Tender Drawing coincides with an Interest Payment Date (as defined in the Indenture), such drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), or (iv) in the form attached as Exhibit E hereto to pay the maturing principal amount of Bonds, whether by acceleration, defeasance or stated maturity (a "Stated Maturity Drawing"), each certificate to state therein that it is given by your duly authorized officer and dated the date such certificate is presented hereunder.

All drawings shall be made by presentation of each Payment Document at our office at 405 Park Avenue, New York, New York 10022 as aforesaid, by tested telex (at telex number 177744 Answerback: AIBUT) or by telecopier (at telecopier number (212) 339-8019), Attention: Letter of Credit Department, without further need of documentation, including the original of this Letter of Credit, it being understood that each Payment Document so submitted is to be the sole operative instrument of drawing. You shall use your best efforts to give telephonic notice of a drawing to the Bank at its Letter of Credit Department (1-866-432-5018), on the Business Day preceding the day of such drawing (but such notice shall not be a condition to drawing hereunder and you shall have no liability for not doing so).

We agree to honor and pay the amount of any Interest, Redemption, Payment of Purchase Price Upon Tender or Stated Maturity Drawing if presented in compliance with all of the terms of this Letter of Credit. If we receive any certificates in the form of Exhibit B, Exhibit C, or Exhibit E all in strict conformity with the terms and conditions of this Letter of Credit, not later than 4:00 P.M. (New York City time) on a Business Day, we will honor the same by 12:00 Noon (New York City time) on the immediately following Business Day in

accordance with your payment instructions. If we receive any certificates in the form of Exhibit B or Exhibit C, or Exhibit E all in strict conformity with the terms and conditions of this Letter of Credit, after 4:00 P.M. (New York City time) on a Business Day, we will honor the same by 12:00 Noon on the Business Day immediately following the next Business Day in accordance with your payment instructions. If we receive any certificates in the form of Exhibit D, all in strict conformity with the terms and conditions of this Letter of Credit, not later than 12:30 P.M. (New York City time) on a Business Day, we will honor the same by 3:00 P.M. (New York City time) on the same Business Day in accordance with your payment instructions. If we receive any certificates in the form of Exhibit D, all in strict conformity with the terms and conditions of this Letter of Credit, later than 12:30 P.M. (New York City time) on a Business Day, we will honor the same by 12:00 Noon (New York City time) on the immediately following Business Day in accordance with your payment instructions. Payments made hereunder shall be made by wire transfer of same day funds to you or by deposit of same day funds into your account with us in accordance with the instructions specified by the Trustee in the drawing certificate relating to a particular drawing hereunder. "Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which the principal corporate trust office of the Trustee or the offices of the Tender Agent at which the duties hereunder are to be performed or the office of the Bank at which draws under the Letter of Credit are presented are authorized or required by law to close or (iii) a day on which the New York Stock Exchange is closed.

The Available Amount (as herein defined) of this Letter of Credit will be reduced automatically by the amount of any Interest Drawing; provided, however, that, except as otherwise provided below, the amount of any Interest Drawing hereunder shall be automatically reinstated effective upon the close of business on the date on which such Interest Drawing is honored.

The Available Amount of this Letter of Credit will be reduced automatically by the amount of the interest component specified in a Payment of the Purchase Price Upon Tender Drawing; provided, however, that except as set forth in the immediately succeeding paragraph, such amount shall be automatically reinstated when and to the extent, but only when and to the extent, the Bank is reimbursed by or on behalf of the Corporation for the interest component drawn pursuant to any Payment of the Purchase Price Upon Tender Drawing. The Available Amount of this Letter of Credit will be reduced automatically by the amount of the principal component specified in a Payment of the Purchase Price Upon Tender Drawing; provided, however, that except as set forth in the immediately succeeding paragraph, such amount shall be automatically reinstated, when and to the extent, but only when and to the extent, the Bank is reimbursed by or on behalf of the Corporation for the principal component drawn pursuant to any Payment of the Purchase Price Upon Tender Drawing.

Upon our honor of a Payment Document in the form of Exhibit D hereto in connection with a conversion of the interest rate on all or a portion of the Bonds Outstanding (as defined in the Indenture) to a Fixed Rate within the meaning of the Indenture, the principal component and interest component of the Available Amount under the Letter of Credit shall be automatically and permanently reduced to the amount set forth in such Payment Document. Trustee shall compute all such amounts in accordance with the terms hereof and complete the

calculations set forth on such Payment Document. Such reduction shall be effective on the date the draw requested in the Payment Document is honored.

Upon our honor of a Payment Document in the form of Exhibit C or Exhibit E or our receipt of a Payment Document in the form of Exhibit F hereto, the principal component and interest component of the Available Amount under the Letter of Credit shall be automatically and permanently reduced to the amount set forth in such Payment Document. Trustee shall compute all such amounts in accordance with the terms hereof and complete the calculations set forth on such Payment Document. Such reduction shall be effective on the date the draw requested in the Payment Document is honored.

Upon any permanent reduction of the amounts available to be drawn under this Letter of Credit, as provided herein, we may deliver to you a substitute Letter of Credit in exchange for this Letter of Credit or an amendment to this Letter of Credit substantially in the form of Exhibit F hereto to reflect any such reduction. If we deliver to you such a substitute Letter of Credit you shall simultaneously surrender to us for cancellation the Letter of Credit then in your possession. The "Available Amount" shall mean the Original Available Amount (i) less the amount of all prior reductions pursuant to Interest, Redemption, Payment of the Purchase Price Upon Tender or Stated Maturity Drawings, (ii) less the amount of any reduction thereof pursuant to a reduction certificate in the form of Exhibit F hereto to the extent such reduction is not already accounted for by a reduction in the Available Amount pursuant to (i) above, (iii) plus the amount of all reinstatements as above provided.

Prior to the Letter of Credit Expiration Date, we may extend the Stated Termination Date from time to time at the request of the Corporation by delivering to you an amendment to this Letter of Credit in the form of Exhibit I hereto designating the date to which the Stated Termination Date is being extended. Each such extension of the Stated Termination Date shall become effective on the Business Day following delivery of such notice to you and thereafter all references in this Letter of Credit to the Stated Termination Date shall be deemed to be references to the date designated as such in such notice. Any date to which the Stated Termination Date has been extended as herein provided may be extended in a like manner.

Upon the Letter of Credit Expiration Date this Letter of Credit shall automatically terminate and be delivered to the Bank for cancellation.

If a drawing by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice that the purported drawing was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefor and that we are holding the documents at your disposal or are returning the same to you, as we may elect. Upon being notified that the purported drawing was not effected in accordance with this Letter of Credit, you may attempt to correct any such nonconforming drawing if and to the extent that you are entitled (without regard to the provisions of this sentence) and able to do so in accordance with the terms hereof

This Letter of Credit is transferable in whole only to your successor as Trustee. Any such transfer (including any successive transfer) shall be effective upon receipt by us (which

receipt shall be subsequently confirmed in writing to the transferor and the transferee by the Bank) of a signed copy of the instrument effecting each such transfer signed by the transferor and by the transferee in the form of Exhibit H hereto (which shall be conclusive evidence of such transfer) and, in such case, the transferee instead of the transferor shall, without the necessity of further action, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place; provided that, in such case, any certificates of the Trustee to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer or agent of the transferee.

Communications with respect to this Letter of Credit shall be addressed to us at Allied Irish Banks, p.l.c., 405 Park Avenue, New York, New York 10022, Attention: Letter of Credit Department, specifically referring to the number of this Letter of Credit.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not be in any way modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds), except only the certificates referred to herein which are hereby incorporated by reference; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates.

We agree that this Letter of Credit shall not be amended in a manner that adversely affects your rights hereunder without your written consent, provided in any event that your written consent shall not be required to any extension of the Stated Termination Date agreed to by us.

This Letter of Credit shall be governed by the laws of the State of New York, without regard to conflict of laws rules, including the Uniform Commercial Code as in effect in the State of New York, except that (a) Article 11(a) of the Uniform Customs and Practice for Documentary Credits (1993 Revision) ("UCP"), International Chamber of Commerce Publication No. 500, shall govern solely with respect to the presentation of certificates by telecopy transmission; (b) notwithstanding the provisions of Article 17 of the UCP, if this Letter of Credit expires during an interruption of business (as described in Article 17 of the UCP), we specifically agree to effect payment under this Letter of Credit if a drawing which strictly conforms to the terms and conditions of this Letter of Credit is made within 15 days after the resumption of business; (c) this Letter of Credit will not terminate because of a failure to make any permitted drawings hereunder as provided in Article 41 of the UCP; (d) notwithstanding the provisions of Sub-Article 48(d) of the UCP, the consent of a prior Trustee will not be required in connection with the amendment of this Letter of Credit following a transfer of said Letter of Credit to any successor Trustee and (e) notwithstanding the provisions of Article 48(g) of the UCP, this Letter of Credit may be transferred more than once. By your acceptance of this Letter of Credit, you and any transferee who has succeeded you as Trustee under the Indenture, agree to waive, to the fullest extent permitted by applicable law, any right you may have to a trial by jury in respect of any litigation arising directly or indirectly under or in connection with this Letter of Credit.

All payments made by us hereunder shall be made from our funds and not from the funds of any other Person.

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SIGNATURE PAGE FOLLOWS

Any defined terms which are not expressly defined herein shall have the same meaning herein as in the Reimbursement Agreement or the Indenture.

**ALLIED IRISH BANKS, p.l.c.,**  
New York Branch

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

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

**EXHIBIT A TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-845**

**NOTICE OF TERMINATION**

Allied Irish Banks, p.l.c.  
405 Park Avenue  
New York, New York 10022  
Attention: Letter of Credit Department

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Direct Pay Letter of Credit No. C-845 dated July 17, 2008 (the "Letter of Credit"), which has been established by you for the account of The Branson School (the "Corporation") in favor of the Trustee.

The undersigned hereby certifies and confirms that (i) no Bonds (as defined in the Letter of Credit) remain Outstanding within the meaning of the Indenture, (ii) all drawings required to be made under the Indenture and available under the Letter of Credit have been made and honored, or (iii) an Alternate Credit Facility has been issued to replace the Letter of Credit pursuant to the Indenture, if any, and, accordingly, the Letter of Credit shall be terminated in accordance with its terms.

All defined terms used herein which are not otherwise defined shall have the same meaning as in the Letter of Credit.

\_\_\_\_\_  
as Trustee

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

**EXHIBIT B TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-845**

**INTEREST DRAWING CERTIFICATE**

Allied Irish Banks, p.l.c.  
405 Park Avenue  
New York, New York 10022

Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Mellon Trust Company, N.A. (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. C-845 dated July 17, 2008 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., acting by and through its New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.
2. The Beneficiary is entitled to make this drawing in the amount of \$ \_\_\_\_\_ under the Letter of Credit pursuant to Section 5.07 of the Indenture with respect to the payment of interest due on all Bonds Outstanding (other than Bonds owned or held by the Corporation or Bank Bonds as defined in the Indenture) on the Interest Payment Date (as defined in the Letter of Credit) occurring on [insert applicable date].
3. The amount of the drawing is equal to the amount required to be drawn by the Trustee pursuant to Section 2.02(A) of the Indenture.
4. The amount of the drawing made by this Certificate was computed in compliance with the terms of the Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).
5. Payment by the Bank pursuant to this drawing shall be made to \_\_\_\_\_, ABA Number \_\_\_\_\_, Account Number \_\_\_\_\_, Attention: \_\_\_\_\_, Re: \_\_\_\_\_.

IN WITNESS WHEREOF, this Certificate has been executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_,  
as Trustee

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

**EXHIBIT C TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-845**

**PAYMENT OF PRINCIPAL AND INTEREST ON THE BONDS, UPON  
MANDATORY OR OPTIONAL REDEMPTION OF THE BONDS DRAWING**

Allied Irish Banks, p.l.c.  
405 Park Avenue  
New York, New York 10022

Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Mellon Trust Company, N.A. (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. C-845 dated July 17, 2008 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., acting by and through its New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.
2. The Beneficiary is entitled to make this drawing in the amount of \$\_\_\_\_\_ under the Letter of Credit pursuant to Section 5.07 of the Indenture with respect to payment, upon mandatory or optional redemption of the Bonds other than a draw with respect to any Bonds owned or held by the Corporation or Bank Bonds (as defined in the Indenture).
3. (a) The amount of this drawing is equal to (i) the principal amount of Bonds to be paid upon optional or mandatory redemption by the Issuer (as defined in the Letter of Credit) (other any Bonds owned or held by the Corporation or Bank Bonds) pursuant to Section 4.01 of the Indenture on [insert applicable date] (the "Draw Date"), plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Letter of Credit) to the Draw Date, provided that in the event the Draw Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.
  - (b) Of the amount stated in paragraph 2 above:
    - (i) \$\_\_\_\_\_ is demanded in respect of the principal portion of the Bonds referred to in subparagraph 3(a) above; and

(ii) \$\_\_\_\_\_ is demanded in respect of accrued interest on the Bonds referred to in subparagraph 3(a) above.

4. Payment by the Bank pursuant to this drawing shall be made to \_\_\_\_\_, ABA Number \_\_\_\_\_, Account Number \_\_\_\_\_, Attention: \_\_\_\_\_, Re: \_\_\_\_\_.

5. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount of the Letter of Credit.

6. Upon payment of the amount drawn hereunder, the Bank is hereby directed to permanently reduce the Available Amount (as defined in the Letter of Credit) of the Letter of Credit by \$[insert amount of reduction] and the Available Amount shall thereupon equal \$[insert new Available Amount].

7. Of the amount of the reduction stated in paragraph 6 above:

(a) \$\_\_\_\_\_ is attributable to the principal amount of Bonds redeemed; and

(b) \$\_\_\_\_\_ is attributable to interest on such Bonds (i.e., \_\_\_\_ (\_\_\_\_) days' interest thereon).

8. The amount of the reduction in the Available Amount of the Letter of Credit has been computed in accordance with the provisions of the Letter of Credit.

9. Following the reduction, the Available Amount of the Letter of Credit shall be at least equal to the aggregate principal amount of the Bonds outstanding plus \_\_\_\_ (\_\_\_\_) days' interest thereon.

10. [In the case of optional redemption, pursuant to the terms of the Indenture from the proceeds of a draw on the Letter of Credit, the Trustee, prior to giving notice of redemption to the owners of the Bonds, received written evidence from the Bank that the Bank has consented to such optional redemption.]

IN WITNESS WHEREOF, this Certificate has been executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_,  
as Trustee

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

**EXHIBIT D TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-845**

**PAYMENT OF PRINCIPAL AND INTEREST ON THE BONDS, UPON  
PAYMENT OF THE PURCHASE PRICE UPON TENDER DRAWING**

Allied Irish Banks, p.l.c.  
405 Park Avenue  
New York, New York 10022  
Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Mellon Trust Company, N.A. (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. C-845 dated July 17, 2008 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., acting by and through its New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.
2. The Beneficiary is entitled to make this drawing in the amount of \$\_\_\_\_\_ under the Letter of Credit pursuant to Section 5.07 of the Indenture with respect to a payment, of the Purchase Price upon tender of all or a portion of the Bonds other than any Bonds owned or held by the Corporation or Bank Bonds (as defined in the Indenture).
3. (a) The amount of this drawing is equal to (i) the principal amount of the Purchase Price upon tender of all or a portion of the Bonds (other than Bank Bonds) pursuant to Section [4.05/4.06] of the Indenture on [insert applicable date] (the "Draw Date"), plus (ii) the interest amount of the Purchase Price upon tender of all or a portion of the Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Letter of Credit) to the Draw Date, provided that in the event the Draw Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.
  - (b) Of the amount stated in paragraph 2 above:
    - (i) \$\_\_\_\_\_ is demanded in respect of the principal portion of the Purchase Price on the Bonds referred to in subparagraph 3(a) above; and
    - (ii) \$\_\_\_\_\_ is demanded in respect of accrued interest on the portion of the Purchase Price on the Bonds referred to in subparagraph 3(a) above.

4. Payment by the Bank pursuant to this drawing shall be made to \_\_\_\_\_, ABA Number \_\_\_\_\_, Account Number \_\_\_\_\_, Attention: \_\_\_\_\_, Re: \_\_\_\_\_.

5. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount of the Letter of Credit.

IN WITNESS WHEREOF, this Certificate has been executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_,  
as Trustee

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

**EXHIBIT E TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-845**

**STATED MATURITY DRAWING CERTIFICATE**

Allied Irish Banks, p.l.c.  
405 Park Avenue  
New York, New York 10022  
Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Mellon Trust Company, N.A. (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. C-845 dated July 17, 2008 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., acting by and through its New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.
2. The Beneficiary is entitled to make this drawing in the amount of \$ \_\_\_\_\_ under the Letter of Credit pursuant to Section 5.07 of the Indenture with respect to (i) a payment, upon acceleration or defeasance of all or a portion of the Bonds (other than Bonds owned or held by the Corporation or Bank Bonds) or (ii) the maturing principal amount of and accrued interest on the Bonds.
3. (a) The amount of this drawing is equal to (i) the principal amount of Bonds to be paid upon acceleration or defeasance by the Issuer (as defined in the Letter of Credit) (other than Bonds owned or held by the Corporation or Bank Bonds) or the maturing principal amount of the Bonds pursuant to Section [2.01(B)] of the Indenture on [insert applicable date] (the "Draw Date"), plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Letter of Credit) to the Draw Date, provided that in the event the Draw Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.
  - (b) Of the amount stated in paragraph 2 above:
    - (i) \$ \_\_\_\_\_ is demanded in respect of the principal portion of the Bonds referred to in subparagraph 3(a) above; and
    - (ii) \$ \_\_\_\_\_ is demanded in respect of accrued interest on the Bonds referred to in subparagraph 3(a) above.

4. The amount of this drawing made by this Certificate was computed in compliance with the terms and conditions of the Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount of the Letter of Credit.

5. Payment by the Bank pursuant to this drawing shall be made to \_\_\_\_\_, ABA Number \_\_\_\_\_, Account Number \_\_\_\_\_, Attention: \_\_\_\_\_, Re: \_\_\_\_\_.

6. Upon payment of the amount drawn hereunder, the Bank is hereby directed to permanently reduce the Available Amount (as defined in the Letter of Credit) of the Letter of Credit by \$[insert amount of reduction] and the Available Amount shall thereupon equal \$[insert new Available Amount].

7. Of the amount of the reduction stated in paragraph 6 above:

(a) \$\_\_\_\_\_ is attributable to the principal amount of Bonds accelerated, defeased or matured; and

(b) \$\_\_\_\_\_ is attributable to interest on such Bonds (i.e., \_\_\_\_ (\_\_) days' interest thereon).

8. The amount of the reduction in the Available Amount of the Letter of Credit has been computed in accordance with the provisions of the Letter of Credit.

9. Following the reduction, the Available Amount of the Letter of Credit shall be at least equal to the aggregate principal amount of the Bonds outstanding plus \_\_\_\_ (\_\_) days' interest thereon.

IN WITNESS WHEREOF, this Certificate has been executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_,  
as Trustee

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

**EXHIBIT F TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-845**

**REDUCTION CERTIFICATE**

Allied Irish Banks, p.l.c.  
405 Park Avenue  
New York, New York 10022  
Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Mellon Trust Company, N.A. (the "Beneficiary"), hereby CERTIFIES with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. C-845 dated July 17, 2008 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., acting by and through its New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.
2. Upon receipt by the Bank of this Certificate, the Available Amount (as defined in the Letter of Credit) shall be reduced by \$ \_\_\_\_\_ and the Available Amount shall thereupon equal \$ \_\_\_\_\_. \$ \_\_\_\_\_ of the new Available Amount is attributable to interest.
3. The amount of the reduction in the Available Amount of the Letter of Credit has been computed in accordance with the provisions of the Letter of Credit.
4. Following the reduction, the Available Amount of the Letter of Credit shall be at least equal to the aggregate principal amount of the Bonds outstanding plus \_\_\_\_\_ (\_\_\_\_) days' interest thereon.

IN WITNESS WHEREOF, this Certificate has been executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
as Trustee

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

**EXHIBIT G TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-845**

[INTENTIONALLY OMITTED]

**EXHIBIT H TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-845**

**TRANSFER CERTIFICATE**

Allied Irish Banks, p.l.c.  
405 Park Avenue  
New York, New York 10022  
Attention: Letter of Credit Department

Ladies and Gentlemen:

Reference is made to that certain Irrevocable Direct Pay Letter of Credit No. C-845 dated July 17, 2008 (the "Letter of Credit") which has been established by Allied Irish Banks, p.l.c., acting by and through its New York Branch (the "Bank"), in favor of The Bank of New York Mellon Trust Company, N.A. ("Trustee").

The undersigned, a duly authorized officer or agent of [Name of Transferor], has transferred and assigned (and hereby confirms to you said transfer and assignment) all of its rights in and under said Letter of Credit to [Name of Transferee] and confirms that [Name of Transferor] no longer has any rights under or interest in said Letter of Credit.

Transferor and Transferee have indicated on the face of said Letter of Credit that it has been transferred and assigned to Transferee.

The undersigned, a duly authorized officer or agent of the Transferee, hereby certifies that the Transferee is a duly authorized Transferee under the terms of said Letter of Credit and is accordingly entitled, upon presentation of the documents called for therein, to receive payment thereunder.

[ \_\_\_\_\_ ]  
Name of Transferor

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

[ \_\_\_\_\_ ]  
Name of Transferee

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

**EXHIBIT I TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-845**

**NOTICE OF EXTENSION**

The Bank of New York Mellon Trust Company, N.A.  
550 Kearny Street, Suite 600  
San Francisco, California 94108  
Attn: Corporate Trust Department

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Direct Pay Letter of Credit No. C-845 dated July 17, 2008 (the "Letter of Credit"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Letter of Credit Reimbursement Agreement, dated as of July 17, 2008, by and between The Branson School and us, the Stated Termination Date of the Letter of Credit has been extended to \_\_\_\_\_.

This letter should be attached to the Letter of Credit and made a part thereof

**ALLIED IRISH BANKS, p.l.c.,**  
New York Branch

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

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

**EXHIBIT J TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-845**

[INTENTIONALLY OMITTED]

**EXHIBIT K TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-845**

**NOTICE OF EVENT OF DEFAULT**

The Bank of New York Mellon Trust Company, N.A.  
550 Kearny Street, Suite 600  
San Francisco, California 94108  
Attn: Corporate Trust Department

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Direct Pay Letter of Credit No. C-845 dated July 17, 2008 (the "Letter of Credit"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit, an Event of Default has occurred under the Reimbursement Agreement. You are hereby instructed to draw on the Letter of Credit within seven (7) Business Days (as defined in the Letter of Credit) after the date on which you have received this notice pursuant to Section 4.06 of the Indenture and to cause a mandatory tender of the Bonds. [The Letter of Credit shall not be reinstated after the drawing for such mandatory tender.]<sup>1</sup>

**ALLIED IRISH BANKS, p.l.c.,**  
New York Branch

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

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

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<sup>1</sup> Insert only if the Letter of Credit is to terminate following such mandatory tender.

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665 Lenfest Road • San Jose, CA 95133  
Phone: 408-582-5100 • Fax: 408-582-5110