

In the opinion of Holland & Knight LLP, Bond Counsel, assuming compliance with certain arbitrage rebate and other tax requirements referred to herein, under existing law, interest on the Series 2006 Bonds is excludable from gross income for federal income tax purposes, and will not be treated as an item of tax preference in computing the federal alternative minimum tax. Interest on the Series 2006 Bonds will, however, be taken into account in computing an adjustment made in determining a corporate Series 2006 Bondholder's alternative minimum tax based on such Series 2006 Bondholder's adjusted current earnings. It is further the opinion of Bond Counsel that, under existing law, interest on the Series 2006 Bonds is exempt from present personal income taxes imposed by the State of California. For a description of the consequences to holders of the Series 2006 Bonds of other provisions of the Internal Revenue Code of 1986, as amended, see "TAX MATTERS" herein.

\$22,000,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
VARIABLE RATE DEMAND REVENUE BONDS
(ESKATON VILLAGE-ROSEVILLE)
SERIES 2006

CUSIP: 00037C JE 1

Dated: Date of Delivery

Price: 100%

Due: December 1, 2037

The Series 2006 Bonds will be issued in fully registered form without coupons and secured under the Bond Indenture described herein. The Series 2006 Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2006 Bonds, and purchases of beneficial ownership interests in the Series 2006 Bonds will be made in book-entry form only in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof for Series 2006 Bonds while in the Weekly Mode, the Daily Mode or the Unit Pricing Mode. Purchasers will not receive certificates representing their beneficial interests in the Series 2006 Bonds. The principal of and interest on the Series 2006 Bonds will be paid by The Bank of New York Trust Company, N.A., as bond trustee (the "Bond Trustee"), to Cede & Co. as long as Cede & Co. is the registered owner. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursement of such payments to owners of beneficial ownership interests in the Series 2006 Bonds is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Series 2006 Bonds will be issued under and be secured by a Bond Trust Indenture between the ABAG Finance Authority for Nonprofit Corporations (the "Authority") and the Bond Trustee. The proceeds of the Series 2006 Bonds will be loaned to Eskaton Village-Roseville, a California nonprofit public benefit corporation (the "Corporation"), for the purposes described herein. Except as described in this Official Statement, the Series 2006 Bonds will be payable solely from and secured by a pledge of payments to be made under the Loan Agreement. The sources of payment of, and security for, the Series 2006 Bonds are more fully described in this Official Statement.

When initially delivered, the Series 2006 Bonds will be in the Weekly Mode. The Series 2006 Bonds may be converted from one Mode to another Mode, all as described herein. All Series 2006 Bonds will be in the same Mode at any given time.

Payments of principal of and interest on the Series 2006 Bonds will be initially supported by a direct pay irrevocable letter of credit (the "Initial Credit Facility") issued in favor of the Bond Trustee by

KBC BANK N.V., New York Branch



(the "Initial Credit Facility Provider"). The Initial Credit Facility will authorize the Bond Trustee, subject to the terms and conditions thereof, to draw thereunder up to an amount sufficient to pay (i) the principal of the Series 2006 Bonds (other than Bank Bonds and Bonds owned or held on behalf of the Corporation or any affiliate of the Corporation) when due, at stated maturity, upon redemption or upon acceleration, (ii) the portion of the purchase price equal to the principal amount of the Series 2006 Bonds (other than Bank Bonds and Bonds owned or held on behalf of the Corporation or any affiliate of the Corporation) tendered for optional or mandatory purchase and not remarketed, or remarketed but for which payment has not been received and (iii) up to 46 days' interest accrued on the Series 2006 Bonds outstanding in the Daily Mode or the Weekly Mode, calculated at a rate of 10% per annum, all as described herein. The stated expiration date of the Initial Credit Facility is December 15, 2011. The stated expiration date of the Initial Credit Facility may be extended as described herein. Under certain circumstances as described herein, the Corporation may replace the Initial Credit Facility with a Substitute Credit Facility, and the Initial Credit Facility Provider may terminate the Initial Credit Facility prior to its stated expiration date.

The Series 2006 Bonds (i) are subject to optional redemption and mandatory tender for purchase, and (ii) while in the Daily Mode or Weekly Mode, are subject to optional tender for purchase, each as described herein.

This Official Statement only describes the terms and provisions of the Series 2006 Bonds while in the Weekly Mode, Daily Mode or Unit Pricing Mode. If the Series 2006 Bonds are converted to a Mode other than the Weekly Mode, Daily Mode or Unit Pricing Mode, the Corporation will supplement this Official Statement or deliver a new official statement or remarketing circular describing the new Mode.

POTENTIAL INVESTORS SHOULD BASE THEIR INVESTMENT DECISIONS WITH RESPECT TO THE SERIES 2006 BONDS SOLELY UPON THE CREDIT OF THE PROVIDER OF THE CREDIT FACILITY SECURING THE SERIES 2006 BONDS, INITIALLY, KBC BANK N.V., NEW YORK BRANCH. EXCEPT FOR A VERY LIMITED DESCRIPTION OF THE CORPORATION CONTAINED IN THIS OFFICIAL STATEMENT, NO INFORMATION WITH RESPECT TO THE CORPORATION (FINANCIAL OR OTHERWISE) IS INCLUDED HEREIN, AND THE CORPORATION MAKES NO REPRESENTATION HEREIN CONCERNING ITS PRESENT OR FUTURE FINANCIAL CONDITION. THIS OFFICIAL STATEMENT SHOULD NOT BE RELIED UPON IN DETERMINING WHETHER TO PURCHASE SERIES 2006 BONDS THAT ARE NOT (I) IN THE WEEKLY MODE, DAILY MODE OR UNIT PRICING MODE AND (II) SECURED BY A CREDIT FACILITY.

THE SERIES 2006 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE REVENUES PLEDGED THEREFOR PURSUANT TO THE BOND INDENTURE. NEITHER THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") NOR 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 SERIES 2006 BONDS. THE SERIES 2006 BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON, THE PURCHASE PRICE THEREOF 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 SERIES 2006 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, PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE OF, THE SERIES 2006 BONDS. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

The Series 2006 Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality of the Series 2006 Bonds by Holland & Knight LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Authority by its special counsel, Nixon Peabody LLP, San Francisco, California; for the Bond Trustee by its counsel, Davis, Wright Tremaine LLP, San Anselmo, California; for the Corporation by its counsel, Hefner, Stark & Marois, LLP, Sacramento, California; for the Initial Credit Facility Provider with respect to the Initial Credit Facility by its counsel, Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, and its Belgian counsel, Linklaters De Bandt, Brussels, Belgium; and for the Underwriter by its counsel, Ungaretti & Harris LLP, Chicago, Illinois. It is expected that the Series 2006 Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about December 14, 2006.

CAIN BROTHERS

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, sales representative or other person has been authorized by the Authority, the Corporation, the Initial Credit Facility Provider or Cain Brothers & Company, LLC (the "Underwriter") to give information or to make any representations with respect to the Series 2006 Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The information in this Official Statement is subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation, the Authority or the Initial Credit Facility Provider since the date hereof.

The information set forth in this Official Statement regarding the Authority and under the captions "THE AUTHORITY" and "LITIGATION – The Authority" has been obtained from the Authority. All other information herein, unless otherwise indicated, has been obtained by the Underwriter from the Corporation and the Initial Credit Facility Provider, and other sources deemed by the Underwriter to be reliable, and is not to be construed as a representation by the Authority or the Underwriter. The Authority has not reviewed or approved any information in this Official Statement except the information under the captions "THE AUTHORITY" and "LITIGATION –The Authority." The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the Corporation or the Initial Credit Facility Provider since the date hereof (or since the date of any other information dated other than the date hereof).

EXCEPT FOR A VERY LIMITED DESCRIPTION OF THE CORPORATION CONTAINED IN THE FOREPART OF THIS OFFICIAL STATEMENT, NO INFORMATION WITH RESPECT TO THE CORPORATION (FINANCIAL OR OTHERWISE) IS INCLUDED IN THIS OFFICIAL STATEMENT, AND THE CORPORATION MAKES NO REPRESENTATION HEREIN CONCERNING ITS PRESENT OR FUTURE FINANCIAL CONDITION. POTENTIAL INVESTORS SHOULD BASE THEIR INVESTMENT DECISIONS WITH RESPECT TO THE SERIES 2006 BONDS SOLELY UPON THE CREDIT OF THE PROVIDER OF THE CREDIT FACILITY SECURING THE SERIES 2006 BONDS, INITIALLY, KBC BANK N.V., NEW YORK BRANCH. THIS OFFICIAL STATEMENT SHOULD NOT BE RELIED UPON IN DETERMINING WHETHER TO PURCHASE SERIES 2006 BONDS THAT ARE NOT (I) IN THE WEEKLY MODE, DAILY MODE OR UNIT PRICING MODE AND (II) SECURED BY A CREDIT FACILITY.

The information in APPENDIX D has been furnished by DTC. The information in APPENDIX A has been furnished by the Initial Credit Facility Provider. All other information set forth herein has been furnished by the Corporation, unless otherwise indicated.

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.

The CUSIP number for the Series 2006 Bonds is included in this Official Statement for the convenience of the holders and potential holders of the Series 2006 Bonds. No assurance can be given that the CUSIP number for the Series 2006 Bonds will remain the same after the date of issuance and delivery of the Series 2006 Bonds.

The Series 2006 Bonds have not been registered under the Securities Act of 1933, as amended, and the Bond Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Series 2006 Bonds in accordance with applicable provisions of securities laws of the states in which the Series 2006 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2006 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, any Series 2006 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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OFFICIAL STATEMENT

relating to

\$22,000,000

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS VARIABLE RATE DEMAND REVENUE BONDS (ESKATON VILLAGE-ROSEVILLE) SERIES 2006

INTRODUCTION

The description and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. See APPENDIX B for definitions of certain words and terms used herein. This Official Statement describes the terms and provisions of the Series 2006 Bonds while in the Weekly Mode, Daily Mode or Unit Pricing Mode. In the event the Series 2006 Bonds are changed to a Mode other than the Weekly Mode, Daily Mode or Unit Pricing Mode, this Official Statement will be supplemented or a new reoffering document will be provided to describe the new Mode.

Purpose of this Official Statement. The purpose of this Official Statement, including the cover page and the appendices hereto, is to set forth information in connection with the offering by the ABAG Finance Authority for Nonprofit Corporations (the "Authority") of its \$22,000,000 Variable Rate Demand Revenue Bonds (Eskaton Village-Roseville), Series 2006 (the "Series 2006 Bonds" or the "Bonds"). The Series 2006 Bonds will be issued under and pursuant to a Bond Trust Indenture dated as of December 1, 2006 (the "Bond Indenture"), between the Authority and The Bank of New York Trust Company, N.A., as bond trustee (the "Bond Trustee").

This Official Statement should not be relied upon in determining whether to purchase Series 2006 Bonds that are not (i) in the Weekly Mode, Daily Mode or Unit Pricing Mode and (ii) secured by a Credit Facility. Potential investors are hereby notified that they are purchasing the Series 2006 Bonds based solely on the credit of the issuer of the Credit Facility (initially, KBC Bank N.V., New York Branch) as hereinafter described and, except for a very limited description of Eskaton Village-Roseville, a California nonprofit public benefit corporation (the "Corporation"), contained under the caption "THE CORPORATION," no information (financial or otherwise) is included in this Official Statement concerning the Corporation, nor is the Corporation required to provide any ongoing continuing secondary market information in connection with the initial issuance of the Series 2006 Bonds.

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, 1998, as amended as of September 18, 1990 and June 9, 1992, 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.

Purpose of the Series 2006 Bonds. The proceeds to be received by the Authority from the sale of the Series 2006 Bonds will be loaned to the Corporation pursuant to a Loan Agreement dated as of December 1, 2006 (the "Loan Agreement"). Such proceeds of the Series 2006 Bonds will be used, together with other available funds, to (i) finance, including through reimbursement, the cost of construction of, and acquisition of certain equipment for, certain facilities of the Corporation (the "Project"), (ii) fund a debt service reserve fund (the "Debt Service Reserve Fund"), (iii) fund capitalized

interest, (iv) fund working capital and (v) pay certain expenses incurred in connection with the issuance of the Series 2006 Bonds, including certain costs of obtaining the Initial Credit Facility (as hereinafter defined). See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security for the Series 2006 Bonds. THE SERIES 2006 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE REVENUES PLEDGED THEREFOR PURSUANT TO THE BOND INDENTURE. NEITHER THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") NOR 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 SERIES 2006 BONDS. THE SERIES 2006 BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON, THE PURCHASE PRICE THEREOF 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 SERIES 2006 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, PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE OF, THE SERIES 2006 BONDS. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

The Series 2006 Bonds are special, limited obligations of the Authority and are payable solely from (i) payments or prepayments made under the Loan Agreement (other than Unassigned Rights, as defined in the Bond Indenture), (ii) moneys and investments held by the Bond Trustee under, and to the extent provided in, the Bond Indenture and (iii) amounts drawn under the Credit Facility (as hereinafter defined).

The Series 2006 Bonds will be issued under and be secured by the Bond Indenture, and the Authority will loan the proceeds from the sale of the Series 2006 Bonds to the Corporation pursuant to the Loan Agreement.

Credit Facility; Substitute Credit Facility. Under the Loan Agreement, the Corporation agrees to provide credit and liquidity support for Series 2006 Bonds in a Daily Mode, a Weekly Mode or a Unit Pricing Mode. Initially, payment of principal of, interest on and purchase price for the Series 2006 Bonds will be supported by a direct pay irrevocable letter of credit (the "Initial Credit Facility") issued by KBC Bank N.V., New York Branch (the "Initial Credit Facility Provider"). The Bond Trustee will be authorized to draw under the Initial Credit Facility, subject to the terms and conditions thereof, amounts sufficient to pay (i) the principal of the Series 2006 Bonds (other than Bank Bonds and Bonds owned or held on behalf of the Corporation or any affiliate of the Corporation) when due at maturity, upon redemption or upon acceleration, (ii) the portion of the purchase price equal to the principal amount of the Series 2006 Bonds (other than Bank Bonds and Bonds owned or held on behalf of the Corporation or any affiliate of the Corporation) optionally or mandatorily tendered for purchase and not remarketed, or remarketed but for which payment has not been received, and (iii) up to 46 days' accrued interest on such Bonds outstanding in the Daily Mode or the Weekly Mode (other than Bank Bonds and Bonds owned or held on behalf of the Corporation or any affiliate of the Corporation), calculated at a rate of 10% per annum. The Corporation and the Initial Credit Facility Provider will enter into a Reimbursement, Credit and Security Agreement dated as of December 1, 2006 (the "Reimbursement Agreement"), with respect to

the Initial Credit Facility. The Authority is not a party to the Reimbursement Agreement and has no rights or obligations thereunder. See "THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT" herein. For additional information concerning the Initial Credit Facility Provider, see APPENDIX A to this Official Statement entitled "THE INITIAL CREDIT FACILITY PROVIDER."

Under certain circumstances described in the Bond Indenture and the Loan Agreement and summarized herein, the Corporation may replace the Initial Credit Facility with a substitute credit facility (a "Substitute Credit Facility") issued by a different credit provider. See "SECURITY FOR THE SERIES 2006 BONDS – Substitute Credit Facilities" herein and APPENDIX B – "SUMMARY OF PRINCIPAL DOCUMENTS – Summary of Certain Provisions of the Bond Indenture – Credit Facility; Substitute Credit Facility." The Initial Credit Facility and any Substitute Credit Facility are hereinafter sometimes referred to as the "Credit Facility."

POTENTIAL INVESTORS SHOULD BASE THEIR INVESTMENT DECISIONS WITH RESPECT TO THE SERIES 2006 BONDS SOLELY UPON THE CREDIT OF THE PROVIDER OF THE CREDIT FACILITY SECURING THE SERIES 2006 BONDS, INITIALLY, KBC BANK N.V., NEW YORK BRANCH. SEE APPENDIX A – "THE INITIAL CREDIT FACILITY PROVIDER." EXCEPT FOR A VERY LIMITED DESCRIPTION OF THE CORPORATION CONTAINED UNDER THE CAPTION "THE CORPORATION," NO INFORMATION WITH RESPECT TO THE CORPORATION (FINANCIAL OR OTHERWISE) IS INCLUDED IN THIS OFFICIAL STATEMENT, AND THE CORPORATION MAKES NO REPRESENTATION HEREIN CONCERNING ITS PRESENT OR FUTURE FINANCIAL CONDITION.

Debt Service Reserve Fund. Payment of the principal of and interest on the Series 2006 Bonds will be additionally secured by amounts held in the Debt Service Reserve Fund created under the Bond Indenture. See "SECURITY FOR THE SERIES 2006 BONDS" and "SUMMARY OF PRINCIPAL DOCUMENTS – Summary of Certain Provisions of the Bond Indenture – Funds – Debt Service Reserve Fund" in APPENDIX B attached hereto.

For further information concerning the security for the Series 2006 Bonds, see "SECURITY FOR THE SERIES 2006 BONDS."

THE CORPORATION

Eskaton Village-Roseville, a California nonprofit public benefit corporation (the "Corporation"), was incorporated on February 1, 2001, is duly organized and existing under the laws of the State of California and is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

The primary mission of the Corporation is to enhance the quality of life of seniors through innovative health, housing and social services.

The Project will be located in Roseville, California, which is located approximately 16 miles north of Sacramento. The Project will include approximately 96 assisted living units, of which approximately 24 units will be dedicated to memory care. Construction has commenced with opening projected for spring 2008.

Other entities that are affiliated with the Corporation serve seniors through more than 25 facilities and programs in northern California. However, the Corporation is the sole obligor under the Loan Agreement with respect to the Series 2006 Bonds.

PLAN OF FINANCE

The proceeds of the Series 2006 Bonds, together with certain other moneys, will be used to (i) pay costs of the Project, (ii) fund the Debt Service Reserve Fund, (iii) fund capitalized interest, (iv) fund working capital and (v) pay costs and expenses incurred in connection with the issuance of the Series 2006 Bonds, including certain costs of obtaining the Initial Credit Facility for the Series 2006 Bonds. For more detailed information regarding the use of proceeds of the Series 2006 Bonds, see the information under the caption "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Interest Rate Swap Transaction

In connection with the issuance of the Series 2006 Bonds, the Corporation is entering into an interest rate exchange agreement (the "Swap Agreement") with Morgan Stanley Capital Services Inc. (the "Counterparty"). In general, the Swap Agreement provides that, subject to the terms thereof, the Corporation will pay a fixed rate and receive a floating rate determined pursuant to a formula based on a percentage of the one-month LIBOR rates, based on an a notional amount equal initially to the aggregate principal amount of the Series 2006 Bonds, declining annually beginning in 2010 in amounts equal to the anticipated amortization of the Series 2006 Bonds. The Swap Agreement terminates on the final maturity date of the Series 2006 Bonds.

Under certain circumstances, the Swap Agreement is subject to termination in whole or in part prior to its scheduled termination date and prior to the maturity of the Series 2006 Bonds. Following any such termination, either the Corporation or the Counterparty may then owe a termination payment to the other, depending upon market conditions then prevailing. In the event of an early termination of the Swap Agreement, there can be no assurance that (i) the Corporation will receive any termination payment payable to it by the Counterparty, (ii) the Corporation will have sufficient amounts to pay a termination payment payable by it to the Counterparty, or (iii) the Corporation will be able to obtain a replacement swap agreement with comparable terms. Payment due upon early termination may be substantial.

The agreement by the Counterparty to pay certain amounts to the Corporation under the Swap Agreement will not alter or affect the obligation of the Corporation under the Loan Agreement or to pay the principal of, interest on, and premium, if any, on any of the Series 2006 Bonds. The owners of the Series 2006 Bonds will not have any rights under the Swap Agreement or against the Counterparty.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

Sources of Funds

Proceeds of Series 2006 Bonds	\$22,000,000
Corporation Contribution	<u>2,590,534</u>
Total Sources of Funds	<u>\$24,590,534</u>

Uses of Funds

Project Costs ⁽¹⁾	\$20,162,307
Deposit to Debt Service Reserve Fund	1,413,154
Deposit to Capitalized Interest Account	1,363,911
Deposit to Operating Reserve Fund ⁽²⁾	1,000,000
Issuance Expenses ⁽³⁾	<u>651,162</u>
Total Uses of Funds	<u>\$24,590,534</u>

⁽¹⁾ Including reimbursement of Corporation expenditures for the Project incurred prior to the issuance of the Series 2006 Bonds.

⁽²⁾ Funds will be used to pay operating costs of the Corporation during the construction and start-up of the Project.

⁽³⁾ Including, without limitation, certain Initial Credit Facility fees and the estimated fees and expenses, as applicable, of the Underwriter, Underwriter's counsel, Bond Counsel, Corporation counsel, the Authority, the Authority's counsel, the Bond Trustee, the Initial Credit Facility Provider's counsel and the rating agency, the title insurance policy premium and other miscellaneous costs incurred in connection with the issuance of the Series 2006 Bonds.

THE SERIES 2006 BONDS

This Official Statement summarizes certain terms and provisions of the Series 2006 Bonds only while in the Weekly Mode, Daily Mode or Unit Pricing Mode. If any Series 2006 Bond is changed to a Mode other than the Weekly Mode, Daily Mode or Unit Pricing Mode, the Corporation will supplement this Official Statement or deliver a new official statement or remarketing circular describing the new Mode.

The following is a summary of certain provisions of the Series 2006 Bonds. Reference is made to the Series 2006 Bonds and to the Bond Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. See APPENDIX B – "SUMMARY OF PRINCIPAL DOCUMENTS."

General

The Series 2006 Bonds will be issued as fully registered bonds without coupons and will be dated the date of initial delivery. The Series 2006 Bonds will initially operate in the Weekly Mode.

All Series 2006 Bonds will be in the same Mode and, while in the Weekly Mode or the Daily Mode, bear interest at the same interest rate at any given time.

The Series 2006 Bonds will be subject to optional and extraordinary optional redemption prior to maturity as described under "THE SERIES 2006 BONDS – Redemption" and will be subject to optional and mandatory tender, as applicable, as described under "THE SERIES 2006 BONDS – Tenders."

The Series 2006 Bonds will be made available to Beneficial Owners in book-entry form only, in Authorized Denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof.

Beneficial Owners of the Series 2006 Bonds will not receive certificates representing their interests in the Series 2006 Bonds, except as described below. So long as Cede & Co. is the registered owner of a Series 2006 Bond, the principal and Purchase Price of, and the interest on, the Series 2006 Bonds are payable by wire transfer by the Bond Trustee (or in the case of the Purchase Price, by the Tender Agent) to Cede & Co., as nominee for DTC which, in turn, will remit such amounts to DTC Participants for subsequent disbursement to the Beneficial Owners. So long as all records of ownership of the Series 2006 Bonds are maintained through the book-entry only system, all payments to the Beneficial Owners of such Series 2006 Bonds will be made in accordance with the procedures described in APPENDIX D – "Book-Entry Only System."

If the book-entry only system for the Series 2006 Bonds is discontinued, the following provisions apply. Principal of and premium, if any, or redemption price of the Series 2006 Bonds will be payable at the Principal Office of the Bond Trustee to the registered owners of such Series 2006 Bonds on such date. Interest on the Series 2006 Bonds will be payable to the persons whose names appear on the Bond Register as the holders thereof as of the close of business on the Record Date (as hereinafter defined) for each Interest Payment Date. Payment of the interest on the Series 2006 Bonds is required to be made by wire transfer in immediately available funds to an account within the United States of America designated by each holder thereof.

Notwithstanding the foregoing, payment of Defaulted Interest on the Series 2006 Bonds shall cease to be payable to the holders of such Series 2006 Bonds on the day, whether or not a Business Day, immediately preceding each Interest Payment Date (*i.e.*, the Record Date) and shall be payable to the holders in whose names such Series 2006 Bonds are registered at the close of business on the Special Record Date for the payment of such Defaulted Interest fixed by the Bond Trustee, which shall be not more than 15 or less than 10 days prior to the date of the proposed payment and not less than 10 days after receipt by the Bond Trustee of the notice of the proposed payment.

Interest on the Series 2006 Bonds will be calculated as described below and will be payable on each Interest Payment Date for the Series 2006 Bonds in an amount equal to all interest which has accrued during the period from (and including) the last such Interest Payment Date to (but not including) such current Interest Payment Date. In no event shall any Series 2006 Bond bear interest at a rate per annum in excess of the Maximum Rate. "Maximum Rate" means the lesser of (a) 10% per annum, (b) the maximum interest rate permitted by law, and (c) with respect to Series 2006 Bonds in the Daily Mode, the Weekly Mode and the Unit Pricing Mode, the maximum interest rate provided by the Credit Facility to pay tenders of such Series 2006 Bonds.

The Bond Indenture provides for a Tender Agent. At the time the Series 2006 Bonds are issued, the Bond Trustee will also serve as the Tender Agent under the Bond Indenture.

Maturity

The Series 2006 Bonds shall mature on, and the Maturity Date thereof shall be, the stated maturity date on the front cover.

Interest

Interest accrued on the Series 2006 Bonds shall be payable in arrears on the applicable Interest Payment Dates for such Series 2006 Bonds.

Determination of Interest Rates During the Daily Mode, the Weekly Mode and the Unit Pricing Mode

Interest on the Series 2006 Bonds in the Daily Mode, the Weekly Mode or the Unit Pricing Mode shall accrue at the rate of interest per annum determined by the Remarketing Agent on and as of the Rate Determination Date as the minimum rate of interest which, in the judgment of the Remarketing Agent under then-existing market conditions, would result in the sale of such Series 2006 Bonds, on the Rate Determination Date in the case of the Daily Mode and on the first day of the Interest Period immediately succeeding the Rate Determination Date in the case of the Weekly Mode and the Unit Pricing Mode, at a price equal to the Purchase Price. Such determination shall be conclusive and binding upon the interested parties.

During the Daily Mode, the Remarketing Agent shall establish the Daily Rate by 9:30 a.m. Eastern time on each Business Day. The Daily Rate for any day during the Daily Mode which is not a Business Day shall be the Daily Rate established on the immediately preceding Business Day. The Remarketing Agent shall make the Daily Rate available (i) by telephone to the applicable Bond Trustee, any requesting Bondholder or other Interested Party who contacts the Remarketing Agent and (ii) by Immediate Notice to the Bond Trustee by 2:00 p.m. Eastern time on the Business Day after the Rate Determination Date.

During the Weekly Mode, the Remarketing Agent shall establish the Weekly Rate by 4:00 p.m. Eastern time on each Rate Determination Date, which shall be each Wednesday or, if Wednesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, then the Business Day immediately preceding such Wednesday. The Weekly Rate shall be in effect (1) initially, from and including the first day any Series 2006 Bonds become subject to the Weekly Mode to and including the following Wednesday and (2) thereafter, from and including each Thursday to and including the following Wednesday. The Remarketing Agent shall make the Weekly Rate available (i) after 4:00 p.m. Eastern time on the Rate Determination Date by telephone to the Bond Trustee, any Bondholder or other Interested Party who contacts the Remarketing Agent and (ii) by Immediate Notice to the Bond Trustee not later than 2:00 p.m. Eastern time on the Business Day after the Rate Determination Date.

During the Unit Pricing Mode, the Remarketing Agent shall establish the Unit Pricing Rate by 12:30 p.m. Eastern time for the Interest Period selected for each Series 2006 Bond on each Rate Determination Date. Interest Periods during a Unit Pricing Mode shall be of a duration of from one to 270 days, as selected by the Remarketing Agent, as would, in the judgment of the Remarketing Agent under then-existing market conditions, result in the sale of such Series 2006 Bonds at a price equal to the Purchase Price. The Remarketing Agent shall make the Interest Period(s) and Unit Pricing Rate(s) available by Immediate Notice to the Bond Trustee on the Rate Determination Date.

If (a) the Remarketing Agent fails or is unable to determine the interest rate(s) or Interest Periods with respect to such Series 2006 Bonds, or (b) the method of determining the interest rate(s) or Interest Periods with respect to such Series 2006 Bonds shall be held to be unenforceable by a court of law of competent jurisdiction, such Series 2006 Bonds shall thereupon, until such time as the Remarketing Agent again makes such determination or until there is delivered an Opinion of Counsel to the effect that the method of determining such rate is enforceable, bear interest from the last date on which such rate was determined in the case of clause (a) and from the date on which interest was legally paid in the case of clause (b), at an annual rate equal to with respect to Series 2006 Bonds during a Daily Mode, Weekly Mode or Unit Pricing Mode for an Interest Period of 30 days or less, the BMA Municipal Swap Index, announced or published immediately prior to the date such rate is determined, and with respect to Series 2006 Bonds during a Unit Pricing Mode for an Interest Period of greater than 30 days, at an annual rate equal to 75% at the highest quoted yield on United States Government Obligations – State and Local

Government Series, with a maturity equal to the length of the Interest Period for which such interest rate is calculated.

Each Series 2006 Bond authenticated prior to the first Interest Payment Date thereon shall bear interest from the date of the first authentication and delivery of such Bond. Interest payable on a Series 2006 Bond during a Daily Mode, a Weekly Mode or a Unit Pricing Mode shall be payable on each Interest Payment Date for the period from the later of (i) with respect to Series 2006 Bonds in a Daily Mode, commencing on a Business Day and extending to, but not including, the next succeeding Business Day, (ii) with respect to Series 2006 Bonds in a Weekly Mode, commencing on the first day such Bonds begin to accrue interest in the Weekly Mode and ending on the next succeeding Wednesday and, thereafter commencing on each Thursday and ending on Wednesday of the following week, or (iii) with respect to Series 2006 Bonds in a Unit Pricing Mode, commencing on the first day such Series 2006 Bonds begin to accrue interest in the Unit Pricing Mode and ending on the last day of the Interest Period.

The Interest Payment Date for Series 2006 Bonds during a Daily Mode or a Weekly Mode is the first Business Day of each month. The Interest Payment Date for Series 2006 Bonds (a) during a Unit Pricing Mode with an Interest Period of 180 days or less, is the Business Day following the end of the Interest Period and (b) during a Unit Pricing Mode with an Interest Period of 181 days or more, the first Business Day of the sixth calendar month following the month in which the change in Mode occurs and the Business Day following the end of the Interest Period.

Changes in Modes

The Corporation may direct that the Series 2006 Bonds be converted to another Mode upon satisfaction of certain conditions set forth in the Bond Indenture.

Changes to Modes Other Than the Fixed Rate Mode

The Corporation may effect a change in Mode with respect to the Series 2006 Bonds to another Mode (other than the Fixed Rate Mode) by giving, no later than the 15th day preceding the proposed Mode Change Date, Immediate Notice to the Authority, the Bond Trustee, the Tender Agent, the Remarketing Agent and the Credit Facility Provider, specifying the Series 2006 Bonds to which such notice relates and its intention to effect a change in the Mode from the Mode then in effect (the "Current Mode") to another Mode (the "New Mode") specified in such written notice, and if the change is to an Auction Mode, the length of the initial Auction Period. Notice of the Mode Change Date shall be given to the holders as described below under the caption "THE SERIES 2006 BONDS – Tenders – Mandatory Purchase on Mode Change Date."

The New Mode shall commence on the Mode Change Date and interest rate(s) with respect to such Bonds in the New Mode (together, in the case of a change to the Unit Pricing Mode, with the Interest Period(s) and Purchase Date(s)) shall be determined as provided in the Bond Indenture.

The following conditions precedent must be satisfied in order to change to the New Mode on the Mode Change Date:

- (a) The Mode Change Date shall be a Business Day (and in the case of a change from the Unit Pricing Mode, shall be a day which is the last Purchase Date for all Interest Periods).
- (b) The Bond Trustee, the Authority, the Corporation, the Tender Agent, the Credit Facility Provider and the Remarketing Agent shall have received on the Mode Change Date an opinion of Bond Counsel, dated the Mode Change Date and addressed to the Bond Trustee, the Authority, the Tender

Agent, the Credit Facility Provider and the Remarketing Agent, to the effect that the change in Mode will not, in and of itself, adversely affect the validity or enforceability of the Series 2006 Bonds or result in the inclusion of interest on the Series 2006 Bonds in gross income for federal income tax purposes.

(c) If the Current Mode is the Unit Pricing Mode, no Interest Period set after delivery by the Corporation to the Remarketing Agent of the notice of the intention to effect a change in Mode shall extend beyond the proposed Mode Change Date.

(d) If the New Mode is an Auction Mode, the Corporation shall have appointed an Auction Agent and a Broker-Dealer.

(e) The Corporation shall deliver to the Tender Agent a Credit Facility if such a Credit Facility is required to be in effect under the terms of the Bond Indenture.

(f) If there is no Credit Facility in effect to provide funds for the purchase of the Bonds to be converted to the New Mode on the Mode Change Date, the remarketing proceeds available on the Mode Change Date shall not be less than the amount required to purchase all of the Series 2006 Bonds which are converting on such Mode Change Date at the Purchase Price.

In the event that any of the conditions have not been satisfied by the Mode Change Date for a series of Series 2006 Bonds, the New Mode shall not take effect for such Series 2006 Bonds proposed to be converted to a New Mode, such Series 2006 Bonds shall not be purchased on the proposed Mode Change Date. If the change was from a Unit Pricing Mode, such Series 2006 Bonds proposed to be changed to the New Mode shall remain in the Unit Pricing Mode. If the change was from the Daily Mode or the Weekly Mode, such Series 2006 Bonds shall be automatically changed to a Daily Mode.

Changes to Fixed Rate Mode

At the option of the Authority and upon the direction of the Corporation, the Corporation may effect a change in Mode with respect to any Series 2006 Bonds to the Fixed Rate Mode by giving, not less than 30 days (or such shorter time as may be agreed to by the Bond Trustee and the Remarketing Agent before the proposed Mode Change Date, written notice to the Bond Trustee, the Authority, the Tender Agent, the Credit Facility Provider, the Remarketing Agent and each Rating Agency then rating such Series 2006 Bonds proposed to be changed to the New Mode stating that the Mode will be changed to the Fixed Rate Mode and setting forth the proposed Mode Change Date. Such notice shall be accompanied by an approval in writing of the change to the Fixed Rate Mode by the Authority.

The New Mode shall commence on the Mode Change Date and the interest rate(s) with respect to such Bonds in the New Mode shall be determined as provided in the Bond Indenture.

The following conditions precedent must be satisfied in order for the Fixed Rate Mode to take effect:

(a) The Mode Change Date shall be a Business Day (and, in the case of a change from the Unit Pricing Mode, a day which is the last Purchase Date for all Interest Periods for the Series 2006 Bonds).

(b) Not less than fifteen (15) days next preceding the Mode Change Date, the Tender Agent shall mail, in the name of the Authority, a note of such proposed change to the Holders of the Series 2006 Bonds proposed to be changed to the Fixed Rate stating that the Mode will be changed to the Fixed Rate

Mode, the proposed Mode Change Date and that such Holder is required to tender such Holder's Series 2006 Bonds proposed to be changed to the Fixed Rate for purchase on such proposed Mode Change Date.

(c) The Bond Trustee, the Authority, the Remarketing Agent, the Credit Facility Provider and the Corporation shall have received, on the Mode Change Date, a Favorable Opinion of Bond Counsel dated the Mode Change Date and addressed to the Authority, the Bond Trustee and the Remarketing Agent.

(d) Prior to the conversion to the Fixed Rate Mode, the certificate of the Remarketing Agent setting forth a maturity and amortization schedule for the converted Series 2006 Bonds shall be provided to the Bond Trustee, the Authority and the Corporation.

(e) Prior to the conversion to the Fixed Rate Mode, a firm underwriting or purchase contract from a recognized firm of bond underwriters or recognized institutional investors to underwrite or purchase all Series 2006 Bonds proposed to be changed to the Fixed Rate which are to be converted on such Mode Change Date at a price of 100% of the principal amount thereof, which contract may be subject to conditions to purchase, shall be provided to the Authority and the Corporation.

If any of the conditions precedent have not been satisfied on or prior to the Mode Change Date, the Fixed Rate Mode shall not become effective and all such Series 2006 Bonds proposed to be changed to the Fixed Rate Mode shall be converted to a Daily Mode.

Tenders

The Bond Indenture provides that with respect to Series 2006 Bonds registered in the Bond Register in the name of Cede & Co. as nominee of DTC, all tenders and deliveries of such Series 2006 Bonds under the provisions of Bond Indenture shall be made pursuant to DTC's procedures as in effect from time to time, and none of the Authority, the Credit Facility Provider, the Corporation, the Bond Trustee or the Remarketing Agent shall have any responsibility for or liability with respect to the implementation of such procedures.

Optional Tenders of Series 2006 Bonds in the Daily Mode or the Weekly Mode

The holders of Eligible Bonds (as hereinafter defined) in the Daily Mode or the Weekly Mode may elect to have their Series 2006 Bonds (or portions of those Series 2006 Bonds in amount equal to integral multiples of the lowest Authorized Denomination) purchased on any Business Day at a price equal to the Purchase Price: (i) in the case of Series 2006 Bonds in the Daily Mode, upon delivery of an irrevocable telephonic notice of tender to the Remarketing Agent, the Bond Trustee and the Tender Agent not later than 11:00 a.m. Eastern time on the Purchase Date specified by the holder; and (ii) in the case of Series 2006 Bonds in the Weekly Mode, upon delivery of an irrevocable written notice of tender or irrevocable telephonic notice of tender to the Remarketing Agent, the Bond Trustee and the Tender Agent, promptly confirmed in writing to the Tender Agent, not later than 4:00 p.m. Eastern time on a Business Day not less than seven (7) days before the Purchase Date specified by the holder in such notice. "Eligible Bonds" are any Series 2006 Bonds other than Bank Bonds or Series 2006 Bonds owned by, for the account of, or on behalf of, the Authority or the Corporation or any affiliate of the Corporation.

Such notices of tender shall state the CUSIP number, Bond number (if the Series 2006 Bond is not registered in the name of the Securities Depository) and the principal amount of the portion of such Series 2006 Bond to be optionally tendered, and the Purchase Date on which such portion is to be purchased.

Mandatory Purchase on Purchase Date

Series 2006 Bonds in the Unit Pricing Mode are subject to mandatory purchase on the Purchase Date for the Interest Period for each Series 2006 Bond at the Purchase Price. No notice of such mandatory purchase shall be given to the Holders.

Mandatory Purchase on Mode Change Date

Series 2006 Bonds to be changed from one Mode to another (other than a change to the Fixed Rate Mode) are subject to mandatory purchase on the Mode Change Date at the Purchase Price. The Tender Agent shall give Immediate Notice of such mandatory purchase to the holders of such Series 2006 Bonds no less than 15 days prior to the Mandatory Purchase Date. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on such Series 2006 Bonds shall cease to accrue from and after the Mandatory Purchase Date. Series 2006 Bonds to be changed to the Fixed Rate Mode are subject to mandatory purchase on the Mode Change Date at the Purchase Price. Not less than the 15th day next preceding the Mode Change Date, the Tender Agent shall mail, in the name of the Authority, a notice of such proposed change to the holders of the Series 2006 Bonds proposed to be changed to the Fixed Rate stating that the Mode will be changed to the Fixed Rate Mode, the proposed Mode Change Date and that such holder is required to tender such holder's Series 2006 Bonds proposed to be changed to the Fixed Rate for purchase on such proposed Mode Change Date. The failure to give any notice with respect to any Series 2006 Bond shall not affect the validity of the mandatory purchase of any other Series 2006 Bond with respect to which notice was so given. Any notice sent will be conclusively presumed to have been given, whether or not actually received by any holder.

Mandatory Purchase on Expiration Date, Substitute Credit Facility Date or Credit Facility Mandatory Tender Date

On each Substitute Credit Facility Date applicable to a Series 2006 Bond, and on the second Business Day preceding each Expiration Date applicable to a Series 2006 Bond, if such Bond is an Eligible Bond it shall be subject to mandatory purchase on such date at the Purchase Price; provided, however, that such Series 2006 Bonds shall not be subject to mandatory purchase on the second Business Day preceding each Expiration Date if on or prior to the 15th day prior to such Expiration Date, the Corporation has furnished to the Bond Trustee an agreement to extend the then current Credit Facility. The Tender Agent shall give notice of such mandatory purchase by mail to the holders of the Series 2006 Bonds involved no less than 10 days prior to such Mandatory Purchase Date. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on such Series 2006 Bonds shall cease to accrue from and after the Mandatory Purchase Date. The failure to give such notice with respect to any Series 2006 Bond shall not affect the validity of the mandatory purchase of any other Series 2006 Bond with respect to which notice was so given. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any holder.

On any Credit Facility Mandatory Tender Date applicable to a Series 2006 Bond, if such Series 2006 Bond is an Eligible Bond it shall be subject to mandatory purchase on such date at the principal amount thereof, plus accrued interest, if any, with respect thereto to the to the Credit Facility Mandatory Tender Event Date. The Tender Agent shall give notice of such mandatory purchase by mail to the holders of such Bonds no later than the Business Day after receipt of notice from the Credit Facility Provider. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on such Series 2006 Bonds shall cease to accrue from and after the Mandatory Purchase Date.

The Tender Agent may assume that a Series 2006 Bond is an Eligible Bond unless it has actual knowledge that such Series 2006 Bond is not an Eligible Bond.

General Provisions Relating to Tenders

Payment of Purchase Price. At or before 2:30 p.m. Eastern time on the Purchase Date or Mandatory Purchase Date and upon receipt by the Tender Agent of the aggregate Purchase Price of the tendered Bonds, the Tender Agent shall pay the Purchase Price of such Series 2006 Bonds to the holders by bank wire transfer in immediately available funds.

Inadequate Funds for Tenders. If the funds available for purchases of Eligible Bonds are inadequate for the purchase of all Series 2006 Bonds tendered on any Purchase Date or Mandatory Purchase Date, no purchase shall be consummated and the Tender Agent shall, (1) return all tendered Bonds to the holders thereof, (2) return all moneys deposited in the Remarketing Proceeds Account to the Remarketing Agent for return to the Persons providing such moneys and (3) return all moneys deposited by the Credit Facility Provider to the Credit Facility Provider.

Delivery of Bonds by Tendering Bondholders; Undelivered Bonds Deemed Purchased. All Series 2006 Bonds to be purchased on any date shall be required to be delivered to the principal office of the Tender Agent at or before 10:00 a.m. Eastern time on such Purchase Date or Mandatory Purchase Date. If the holder of any Series 2006 Bond (or portion thereof) that is subject to purchase fails to deliver such Bond to the Tender Agent for purchase on the Purchase Date or Mandatory Purchase Date, and if the Tender Agent is in receipt of the Purchase Price therefor, such Series 2006 Bond (or portion thereof) shall nevertheless be deemed tendered and purchased on the day fixed for purchase thereof and ownership of such Series 2006 Bond (or portion thereof) shall be transferred to the purchaser thereof as provided under "Delivery of Bonds to Purchasers" below. Any holder who fails to deliver such Series 2006 Bond for purchase shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Series 2006 Bond to the Tender Agent. The Tender Agent shall, as to any tendered Series 2006 Bonds that have not been delivered to it: (1) promptly notify the Remarketing Agent of such nondelivery; and (2) instruct the Bond Trustee to place a stop transfer against an appropriate amount of Series 2006 Bonds of the series and maturity involved registered in the name of such holder(s) on the Bond Register. The Bond Trustee shall place such stop(s) commencing with the lowest serial number Series 2006 Bond registered in the name of such holder(s) until stop transfers have been placed against an appropriate amount of Series 2006 Bonds of the series and maturity involved until the appropriate tendered Series 2006 Bonds are delivered to the Tender Agent who shall deliver such Series 2006 Bonds to the Bond Trustee. Upon such delivery, the Bond Trustee shall make any necessary adjustments to the bond registration book.

Delivery of Bonds to Purchasers. As long as the Series 2006 Bonds are held under the book-entry system of DTC, all tenders and deliveries of Series 2006 Bonds will be accomplished under the procedures of DTC. Otherwise, on the Purchase Date or Mandatory Purchase Date, the Tender Agent shall direct the Bond Trustee to execute and deliver all Series 2006 Bonds purchased on any Purchase Date or Mandatory Purchase Date as follows: (1) Series 2006 Bonds purchased and remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by 2:30 p.m. Eastern time in accordance with the instructions of the Remarketing Agent; (2) Series 2006 Bonds purchased with amounts paid by or on behalf of the Credit Facility Provider shall be registered and made available in the name of or as directed in writing by the Credit Facility Provider on or before 2:30 p.m. Eastern time and become Bank Bonds, provided that such Bank Bonds cannot be released unless the Bond Trustee has received notice that the Credit Facility has been reinstated; and (3) Bonds purchased with amounts paid by or on behalf of the Corporation shall be registered and made available in the name of or as directed in writing by the Corporation on or before 2:30 p.m. Eastern time. Notwithstanding the foregoing, the Tender Agent shall not deliver any such Series 2006 Bonds unless it has received written notice from the Credit Facility Provider that the amount available for the purchase of Series 2006 Bonds is at least equal to the aggregate amount of all Series 2006 Bonds then Outstanding (other than the Bank Bonds or Series

2006 Bonds converted to an Indexed, Stepped Coupon, Auction, Term or Fixed Rate) plus an amount equal to the Required Stated Amount.

No Purchases or Sales in Certain Circumstances. If (i) payment of any installment of interest payable on any of the Series 2006 Bonds shall not be made when the same shall become due and payable or payment of the principal or the premium, if any, payable on any of the Series 2006 Bonds shall not be made when the same shall become due and payable, either at maturity, by proceedings for redemption, upon acceleration through failure to make any payment to any fund or (ii) any conditions set forth in the Remarketing Agreement to the performance of the Remarketing Agent's obligation thereunder to remarket tendered Series 2006 Bonds shall not have been satisfied, then the Remarketing Agent shall not remarket any Series 2006 Bonds.

No Remarketing to the Authority. The Remarketing Agent shall not remarket any Bonds to the Authority, the Corporation, or any affiliate or guarantor of the Corporation, provided, however, that nothing herein shall prevent the Corporation or any affiliate of the Corporation that is then the Credit Facility Provider from purchasing and owning the Series 2006 Bonds as such Credit Facility Provider.

Redemption

Optional Redemption

Any Series 2006 Bonds in the Daily Mode or the Weekly Mode are subject to redemption prior to their Maturity Date, by the Authority at the direction of the Corporation, in whole or in part on any Business Day, at a Redemption Price equal to 100% of the principal amount of Series 2006 Bonds called for redemption, without premium, together with accrued interest, if any, from the end of the preceding Interest Period to the Redemption Date.

Any Series 2006 Bonds in the Unit Pricing Mode are subject to redemption prior to their Maturity Date, by the Authority at the direction of the Corporation, in whole or in part on their respective Purchase Dates, at a Redemption Price equal to 100% of the principal amount of Series 2006 Bonds called for redemption, without premium, together with accrued interest, if any, to the Redemption Date.

Minimum Redemption Amount

No redemption (other than an optional redemption of Bank Bonds) of less than all of the Series 2006 Bonds at the time outstanding will be made unless (i) the aggregate principal amount of such Series 2006 Bonds to be redeemed is equal to or greater than \$100,000 and (ii) the Series 2006 Bonds are redeemed in Authorized Denominations.

Purchase in Lieu of Redemption

In lieu of redeeming Series 2006 Bonds, the Bond Trustee may, at the request of the Corporation, use such funds otherwise available under the Bond Indenture for redemption of Series 2006 Bonds to purchase Series 2006 Bonds identified by the Corporation in the open market for cancellation at a price specified by the Corporation not exceeding the then applicable Redemption Price. In the case of any optional or extraordinary optional redemption or any purchase and cancellation of term Series 2006 Bonds, the Bond Trustee shall apply as a credit against the required Bond Sinking Fund deposits with respect to such term Series 2006 Bonds the amount of such term Series 2006 Bonds in such order as the Corporation elects in writing prior to such optional or extraordinary optional redemption or purchase and cancellation or, if no election is made, in the inverse order thereof. The Bond Trustee is required to cancel all such Series 2006 Bonds purchased pursuant to the Bond Indenture.

Notice of Redemption

For a description of the giving of notices while the Series 2006 Bonds are in the book-entry only system, see APPENDIX D – "Book-Entry Only System" attached hereto. Notice of a call for any redemption shall be given by mailing a copy of such notice of redemption by first class mail, postage prepaid not less than 15 or more than 60 days prior to the Redemption Date to the registered owners of the Series 2006 Bonds to be redeemed to the address shown on the Bond Register to the Authority, the Credit Facility Provider and each Ratings Agency then rating the Series 2006 Bonds, provided, however, that failure to give such notice by mailing or to provide such notice to any registered securities depository or a defect in the notice or the mailing as to any Series 2006 Bond will not affect the validity of any proceedings for redemption as to any other Series 2006 Bond with respect to which notice was properly given to the holder thereof. Except for a mandatory Bond Sinking Fund redemption as described above, prior to the date that the redemption notice is first mailed as aforesaid, (a) funds shall be placed with the Bond Trustee to pay the principal of such Series 2006 Bonds (which funds shall be Eligible Moneys if such Series 2006 Bonds bear interest at the Daily Rate, the Weekly Rate or Unit Pricing Rate), the accrued and unpaid interest thereon to the Redemption Date and the premium, if any, thereon, or (b) such notice of redemption shall state that any redemption is conditional on such funds being deposited with the Bond Trustee on the Redemption Date and that failure to make such a deposit shall not constitute an event of default under the Bond Indenture.

If such conditions are not satisfied or such funds are not so deposited by such date, such Series 2006 Bonds shall not be subject to redemption and the holders thereof shall have the same rights as if no such notice had been given. In such event, the Bond Trustee shall promptly give notice thereof to the owners of such Series 2006 Bonds by first class mail, postage prepaid.

Registration, Transfer and Exchange

For a description of the procedure to transfer ownership of a Series 2006 Bond while in the book-entry only system, see APPENDIX D – "Book-Entry Only System" attached hereto. Subject to the limitations described below, the Series 2006 Bonds, if not then in book-entry only registration, are transferable upon surrender thereof at the Principal Office of the Bond Trustee, duly endorsed by, or if accompanied by a written instrument or instruments of transfer in form and with guarantee of signature satisfactory to the Bond Trustee, and duly executed by the registered owner or such owner's attorney duly authorized in writing. Subject to the limitations described below, any Series 2006 Bond may be exchanged at such times at such Principal Office of the Bond Trustee if accompanied by a written instrument or authorization for exchange in form and with guarantee of signature satisfactory to the Bond Trustee, and duly executed by the registered owner or such owner's attorney duly authorized in writing. No service charge shall be imposed for any exchange or transfer of Series 2006 Bonds. The Authority and the Bond Trustee may, however, require payment by the person requesting an exchange or transfer of Series 2006 Bonds of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, except in the case of the issuance of a Series 2006 Bond or Bonds for the unredeemed portion of a Series 2006 Bond surrendered for redemption in part.

The Authority, the Bond Trustee and any Paying Agent shall not be obligated to transfer or exchange any Series 2006 Bond of a series after notice calling such Bond or portion thereof for redemption has been given as provided in the Bond Indenture, or during the period of 15 days next preceding the mailing of notice of redemption of such Series 2006 Bonds of the same series and maturity.

EXPECTED OPTIONAL REDEMPTION SCHEDULE

Pursuant to the Reimbursement Agreement, the Corporation will agree to optionally redeem Series 2006 Bonds, pursuant to the optional redemption provisions of the Bond Indenture, on December 1 of the years and in such principal amounts as set forth below:

<u>December 1</u>	<u>Amount</u>	<u>December 1</u>	<u>Amount</u>
2010	\$365,000	2024	\$ 700,000
2011	385,000	2025	735,000
2012	400,000	2026	770,000
2013	420,000	2027	805,000
2014	440,000	2028	845,000
2015	460,000	2029	885,000
2016	485,000	2030	930,000
2017	505,000	2031	970,000
2018	530,000	2032	1,020,000
2019	555,000	2033	1,070,000
2020	580,000	2034	1,120,000
2021	610,000	2035	1,170,000
2022	640,000	2036	1,230,000
2023	670,000	2037	2,705,000

The optional redemption schedule may be substantially revised by the Corporation with the consent of the Initial Credit Facility Provider in accordance with the terms of the Reimbursement Agreement or in connection with the substitution of a Substitute Credit Facility.

SECURITY FOR THE SERIES 2006 BONDS

General

The Series 2006 Bonds, together with interest and premium, if any, with respect thereto are special, limited obligations of the Authority payable solely from (i) amounts payable under the Credit Facility and (ii) the revenues and income derived from the Loan Agreement (except to the extent paid out of moneys attributable to proceeds of the Series 2006 Bonds, the income from the temporary investment thereof or amounts derived from the Deed of Trust hereinafter referred to), are and shall always be a valid claim of the owner thereof only against the revenues and income derived from the Loan Agreement, which revenues and income shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Series 2006 Bonds, except as may be expressly authorized otherwise in the Bond Indenture and Loan Agreement. Certain investment earnings on moneys held by the Bond Trustee will be transferred to a Rebate Fund established pursuant to the Bond Indenture. Amounts held in the Rebate Fund are not part of the "trust estate" pledged to secure the Series 2006 Bonds and consequently will not be available to make payments on the Series 2006 Bonds.

The rights of the Authority in and to the amounts payable thereon and the amounts payable to the Authority under the Loan Agreement (other than Unassigned Rights) have been assigned to the Bond Trustee to provide for and to secure the payment of principal of and premium, if any, and interest on the Series 2006 Bonds. Payments under will be made directly to the Bond Trustee.

Credit Facility

Pursuant to the Loan Agreement, the Corporation covenants and agrees that at all times while any Series 2006 Bonds bear interest at the Daily Rate, the Weekly Rate or the Unit Pricing Rate, it will maintain a Credit Facility for such Series 2006 Bonds in full force and effect. Each Credit Facility must (i) be in an amount at least equal to the aggregate principal amount of the Series 2006 Bonds then Outstanding, together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Rate) for the period specified in a certificate of the Corporation to be the minimum period specified by the Rating Agencies then rating the Series 2006 Bonds as necessary to maintain the short-term rating of the Series 2006 Bonds and (ii) have a term of at least 360 days from the effective date thereof.

Substitute Credit Facilities

A Substitute Credit Facility may become effective on any Business Day (a "Substitute Credit Facility Date"). Not less than fifteen (15) days prior to the proposed Substitute Credit Facility Date, the Corporation must have delivered to the Bond Trustee and the Authority (a) a draft of any Credit Facility in substantially final form and a commitment letter with respect thereto and (b) written evidence from each Rating Agency then maintaining a rating on such Series 2006 Bonds of the rating on such Series 2006 Bonds after the Substitute Credit Facility Date. On each Substitute Credit Facility Date, the Authority, the Bond Trustee and the Bond Trustee's Agent must also receive (i) an opinion of counsel for the Credit Facility Provider regarding the enforceability of the Substitute Credit Facility in substantially the form delivered to the Bond Trustee upon execution and delivery of the then-current Credit Facility, (ii) an Opinion of Bond Counsel to the effect that the substitution of the then-current Credit Facility will not, in and of itself, adversely affect the validity or enforceability of such Series 2006 Bonds or result in the inclusion of interest on such Series 2006 Bonds in gross income for federal income tax purposes, and (iii) the written consent of the Bond Insurer to the Substitute Credit Facility, which consent may not be unreasonably withheld.

Debt Service Reserve Fund

Pursuant to the Bond Indenture, a Debt Service Reserve Fund will be established and held by the Bond Trustee for the benefit of the Series 2006 Bonds. At the time of issuance of the Series 2006 Bonds, the Debt Service Reserve Fund Requirement will be \$1,413,154.

Monies on deposit in the Debt Service Reserve Fund will be used by the Bond Trustee whenever, and to the extent that, monies on deposit in the Interest Fund and the Bond Sinking Fund (in that order) are insufficient for the purpose of paying interest on or principal of the Series 2006 Bonds as the same becomes due (either on stated payment dates or on mandatory sinking fund redemption dates). Any draw on the Debt Service Reserve Fund will serve as a credit against the Corporation's required payments under the Loan Agreement. Therefor, a failure of the Corporation to make a debt service payment will not constitute an event of default under the Bond Indenture or the Loan Agreement to the extent monies are available therefor in the Debt Service Reserve Fund.

Qualified Investments deposited in the Debt Service Reserve Fund shall have maturities not longer than ten years and shall have an average life which is no longer than five years. All Qualified Investments in the Debt Service Reserve Fund shall be valued at the market value at least quarterly on or before March 1, June 1, September 1 and December 1 (or more frequently as may be reasonably requested by the Corporation) and such valuation shall be reported within 30 days to the Corporation. To the extent that, following any quarterly valuation, amounts in the Debt Service Reserve Fund are less than 100% of the Debt Service Reserve Fund Requirement, the Corporation is required, following receipt of

notice of such quarterly valuation, to pay to the Bond Trustee, in three equal monthly payments, an amount sufficient to increase the balance in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. If at any time the amount on deposit in the Debt Service Reserve Fund is less than 100% of the Debt Service Reserve Fund Requirement as a result of the Debt Service Reserve Fund having been drawn upon, the Bond Indenture requires the Corporation to restore the amount on deposit in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement by the deposit with the Bond Trustee of an amount equal to such deficiency in twelve substantially equal monthly installments immediately succeeding such withdrawal. For more information concerning the Debt Service Reserve Fund, see "SUMMARY OF PRINCIPAL DOCUMENTS – Summary of Certain Provisions of the Bond Indenture – Funds – Debt Service Reserve Fund" in APPENDIX B attached hereto.

In lieu of depositing and maintaining monies in the Debt Service Reserve Fund, the Corporation may, with the prior written consent of the Credit Facility Provider, deliver to the Bond Trustee for deposit in the Debt Service Reserve Fund an irrevocable letter of credit or a surety bond complying with the requirements of the Bond Indenture. See "SUMMARY OF PRINCIPAL DOCUMENTS – Summary of Certain Provisions of the Bond Indenture–Funds –Debt Service Reserve Fund" in APPENDIX B attached hereto.

Deed of Trust

In connection with the issuance of the Series 2006 Bonds, the Corporation will enter into a Deed of Trust with Assignment of Leases and Rents, Security Agreement and Fixture Filing (the "Deed of Trust") covering the Project and the revenues, rents and profits thereof in favor of the Bond Trustee and the Initial Credit Facility Provider to secure the Corporation's obligations with respect to the Series 2006 Bonds and with respect to the Reimbursement Agreement. See "THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT–The Reimbursement Agreement–Security" and "SUMMARY OF PRINCIPAL DOCUMENTS – Summary of Certain Provisions of the Deed of Trust" in APPENDIX B. Certain amendments may be made to the Deed of Trust, including the release of certain real estate that will be initially included within the Project, with the consent of the Credit Facility Provider and without the consent of the owners of the Series 2006 Bonds. **POTENTIAL INVESTORS SHOULD BASE THEIR INVESTMENT DECISIONS WITH RESPECT TO THE SERIES 2006 BONDS SOLELY UPON THE CREDIT FACILITY SECURING THE SERIES 2006 BONDS AND NOT ON ANY OTHER SECURITY WITH RESPECT TO THE SERIES 2006 BONDS.**

Series 2006 Bonds Special, Limited Obligation of the Authority

THE SERIES 2006 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE REVENUES PLEDGED THEREFOR PURSUANT TO THE BOND INDENTURE. NEITHER THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") NOR 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 SERIES 2006 BONDS. THE SERIES 2006 BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON, THE PURCHASE PRICE THEREOF 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. NO OWNER OF THE SERIES 2006 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, PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE OF, THE SERIES 2006 BONDS. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

Amendments to Bond Indenture and Loan Agreement

Certain amendments to the Bond Indenture and Loan Agreement may be made without the consent of the owners of the Series 2006 Bonds. Certain amendments to the Bond Indenture and Loan Agreement may be made with the consent of the owners of not less than a majority of the principal amount of the outstanding Series 2006 Bonds. Certain amendments to the Bond Indenture and Loan Agreement require the consent of the owners of all outstanding Series 2006 Bonds affected by such amendment. See "SUMMARY OF PRINCIPAL DOCUMENTS – Summary of Certain Provisions of the Bond Indenture – Supplemental Bond Indentures"; and "– Summary of Certain Provisions of the Loan Agreement – Supplements and Amendments to the Loan Agreement" in APPENDIX B hereto.

THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT

The following is a summary of certain provisions of the Initial Credit Facility and the Reimbursement Agreement. This summary does not purport to be comprehensive or definitive, and is subject to all of the terms and provisions of the Initial Credit Facility and the Reimbursement Agreement, to which reference is hereby made. Wherever defined terms of the Initial Credit Facility or the Reimbursement Agreement are referred to, such defined terms are incorporated herein by reference as part of the statement made, and the statement is qualified in its entirety by such reference.

The Initial Credit Facility

General. The Initial Credit Facility is an irrevocable obligation of the Initial Credit Facility Provider to pay to the Bond Trustee, upon drawings made by the Bond Trustee in strict compliance with the terms and conditions of the Initial Credit Facility, up to (a) an amount equal to the outstanding principal amount of the Series 2006 Bonds to enable the Bond Trustee to pay (i) the principal amount of the Series 2006 Bonds when due at maturity or upon redemption or acceleration and (ii) the portion of the purchase price of Series 2006 Bonds tendered pursuant to the Bond Indenture and not remarketed corresponding to the principal amount of such Series 2006 Bonds, plus (b) an amount equal to 46 days' interest on the Series 2006 Bonds at the maximum rate of 10% per annum (i) to enable the Bond Trustee to pay interest on the Series 2006 Bonds when due and (ii) to enable the Bond Trustee to pay the portion of the purchase price of Series 2006 Bonds tendered pursuant to the Bond Indenture and not remarketed corresponding to the accrued interest on such Series 2006 Bonds. The original stated amount of the Initial Credit Facility is \$22,277,260.27, of which \$22,000,000.00 is in respect of principal of the Series 2006 Bonds and \$277,260.27 is in respect of interest on the Series 2006 Bonds.

Draws. Under the Bond Indenture, the Bond Trustee is directed to draw upon the Initial Credit Facility in the following circumstances:

- (a) to make timely payment of the interest on the Series 2006 Bonds;
- (b) to make timely payment of the principal of the Series 2006 Bonds at maturity or upon optional or mandatory call for redemption; and

(c) to make timely payment of the purchase price of Series 2006 Bonds required to be purchased upon an optional or mandatory tender for purchase pursuant to the provisions of the Bond Indenture, to the extent remarketing proceeds or other funds are not available to make such payment under the Bond Indenture.

Reduction and Reinstatement. Each drawing honored by the Initial Credit Facility Provider under the Initial Credit Facility shall immediately reduce the principal component and/or the interest component (as the case may be) of the amount available under the Initial Credit Facility by the amount of such drawing, and the aggregate amount available under the Initial Credit Facility shall be correspondingly reduced. The amount available under the Initial Credit Facility, as so reduced, shall be reinstated only as follows:

(a) with respect to a drawing under the Initial Credit Facility to pay interest, the interest component shall be reinstated automatically at 5:00 p.m., New York time, on the seventh calendar day following the date such drawing is honored by an amount equal to the amount of such drawing for interest, unless the Bond Trustee shall have received written notice from the Initial Credit Facility Provider before 5:00 p.m., New York time, such seventh calendar day that an Event of Default (as defined in the Reimbursement Agreement) has occurred under the Reimbursement Agreement and such reinstatement shall not occur; and

(b) with respect to a drawing under the Initial Credit Facility to pay the purchase price of any Series 2006 Bonds, the principal component and the interest component with respect to such Series 2006 Bonds shall be reinstated when and to the extent that the Initial Credit Facility Provider has received immediately available funds to reimburse the Initial Credit Facility Provider for such drawing pursuant to the Reimbursement Agreement and the Bond Trustee has delivered to the Initial Credit Facility Provider the reinstatement certificate in the form prescribed by the Initial Credit Facility.

The amount available under the Initial Credit Facility and the respective principal and interest components thereof shall also be reduced automatically following the payment of principal of the Series 2006 Bonds pursuant to the Bond Indenture, in each case upon receipt by the Initial Credit Facility Provider from the Bond Trustee of a certificate in the form prescribed by the Initial Credit Facility, each such reduction to be in the amount necessary to reduce the amount available under the Initial Credit Facility and the principal and the interest components thereof to the respective amounts specified by the Bond Trustee in such certificate.

Expiration. The Initial Credit Facility will expire upon the first to occur of the following: (a) the Stated Expiration Date (as defined in the Initial Credit Facility and used herein), (b) the date on which the Initial Credit Facility Provider receives a certificate from the Bond Trustee in the form prescribed by the Initial Credit Facility to the effect that there are no Series 2006 Bonds outstanding other than Series 2006 Bonds secured by a Substitute Credit Facility meeting the requirements of the Bond Indenture or Series 2006 Bonds bearing interest at an R-Floats Rate, an Indexed Rate, a Stepped Coupon Rate, a Term Rate or a Fixed Rate (as defined in the Bond Indenture), (c) the tenth calendar day after the Bond Trustee receives written notice from the Initial Credit Facility Provider stating that an Event of Default has occurred and is continuing under the Reimbursement Agreement, directing the Bond Trustee to call the Series 2006 Bonds for mandatory tender or to declare the Series 2006 Bonds immediately due and payable pursuant to the Bond Indenture, and stating that the Initial Credit Facility will terminate on such tenth calendar day, or (d) the date on which the final drawing available under the Initial Credit Facility by a Redemption Draw Certificate (as defined in the Initial Credit Facility) is honored. The Stated Expiration Date of the Initial Credit Facility is December 15, 2011. The Stated Expiration Date may be extended beyond the Stated Expiration Date then in effect at the sole discretion of the Initial Credit Facility Provider upon request of the Corporation.

The Reimbursement Agreement

General. Under the Reimbursement Agreement, the Initial Credit Facility Provider agrees to issue the Initial Credit Facility to the Bond Trustee concurrently with the original issuance and delivery of the Series 2006 Bonds, and the Corporation agrees, among other things, to reimburse the Initial Credit Facility Provider, with interest, for each drawing under the Initial Credit Facility and to pay certain fees to the Initial Credit Facility Provider. Capitalized terms used under the caption "THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT –The Reimbursement Agreement" and not otherwise defined herein shall have the meanings assigned do such terms in the Reimbursement Agreement.

Security. The obligations of the Corporation to the Initial Credit Facility Provider under the Reimbursement Agreement will be secured by the Deed of Trust covering the Project and the revenues, rents and profits thereof and delivered by the Corporation in favor of the Bond Trustee and the Initial Credit Facility Provider, and will have the benefit and security of the Bond Indenture to the extent provided therein. Series 2006 Bonds purchased with proceeds of drawings under the Initial Credit Facility will be pledged to the Initial Credit Facility Provider pursuant to the Reimbursement Agreement until such time as such Series 2006 Bonds are remarketed and the Initial Credit Facility is reinstated with respect thereto. As used herein, the term "Financing Documents" includes the Bond Indenture, the Loan Agreement, the Reimbursement Agreement, the Deed of Trust, the Environmental Agreement, the Assignment of Project Documents, the Bond Purchase Agreement and the Remarketing Agreement.

Representations, Warranties and Covenants. The Reimbursement Agreement sets forth various representations, warranties and covenants of the Corporation, including, among others, representations, warranties and covenants relating to maintenance of corporate existence, maintenance of insurance, limitations on transfer of property, furnishing of financial reports and other information, maintenance of certain financial ratios and levels, maintenance of certain occupancy levels, limitations on additional debt, limitations on additional liens, limitations on loans, transfers of cash and distributions, ERISA matters, and construction of the Project.

Events of Default. Each of the following events shall constitute an "Event of Default" under the Reimbursement Agreement:

(a) Failure by the Corporation to make or cause to be made to the Initial Credit Facility Provider when due under the Reimbursement Agreement any payment as (i) reimbursement for a drawing under the Initial Credit Facility, (ii) a fee, or (iii) interest on any such drawing or fee;

(b) Failure by the Corporation to make any other payment to the Initial Credit Facility Provider under the Reimbursement Agreement or any other Financing Document within 10 days of the date when it is due;

(c) Failure by the Corporation to perform or comply with any of the terms or conditions contained in the following Sections of the Reimbursement Agreement: 6.01 (corporate existence), 6.06 (transfer of property), 6.08 (visitation rights), 6.13 (financial covenants and consultant's reports upon failure to meet certain financial ratios or levels), 6.16 (additional debt), 6.19 (arm's length transactions), 6.20 (loans, transfers and distributions), 6.21 (capital expenditures), 6.23 (management), 6.30 (ERISA), 6.34 (tax exemption), 6.36 (amendments to Financing Documents), 6.37 (limitation on optional calls) or 6.38 (limitation on interest rate conversion), or the Corporation shall grant or otherwise create any lien in violation of 6.17 (negative pledge); or the occurrence of an Event of Default as provided in 6.14(a) (occupancy covenant);

(d) Failure by the Corporation to perform or comply with any of the terms or conditions contained in the Reimbursement Agreement and continuance of such failure for 30 days after written notice from the Initial Credit Facility Provider to the Corporation, or such longer period to which the Initial Credit Facility Provider in its sole discretion may agree in the case of a failure not curable by the exercise of due diligence within such 30-day period, provided that the Corporation shall have commenced to cure such failure within such 30-day period and shall complete such cure as quickly as reasonably possible with the exercise of due diligence;

(e) Any of the representations or warranties of the Corporation set forth in the Reimbursement Agreement or the other Financing Documents or in any other document furnished to the Initial Credit Facility Provider pursuant to the terms of the Reimbursement Agreement proves to have been false or misleading in any material respect;

(f) Any material provision of the Reimbursement Agreement or any other Financing Document shall at any time for any reason cease to be valid and binding or shall be declared to be null and void, or shall be violative of any applicable law relating to a maximum amount of interest permitted to be contracted for, charged or received, or the validity or enforceability thereof shall be contested by the Corporation, the Bond Trustee or any Governmental Authority, or the Corporation shall deny that it has any or further liability or obligation under the Reimbursement Agreement or any other Financing Document to which it is a party;

(g) The occurrence of an Event of Default as defined in any of the other Financing Documents, without regard to any waiver of such Event of Default by any Person other than the Initial Credit Facility Provider;

(h) The Corporation shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of the Corporation or of property of the Corporation or (ii) not, or be unable to, or admit in writing the inability of the Corporation to, pay its debts generally as they become due, or (iii) make a general assignment for the benefit of creditors, or (iv) be adjudicated bankrupt or insolvent, or (v) commence a voluntary case under the United States Bankruptcy Code or file a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against the Corporation in any bankruptcy, reorganization or insolvency proceeding, or take corporate action for the purpose of effecting any of the foregoing, or (vi) have instituted against it a proceeding in any court of competent jurisdiction, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking in respect of the Corporation an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up or liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a Trustee, receiver, liquidator or custodian or the like of the Corporation or of all or any substantial part of the assets of the Corporation or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by the Corporation in good faith, the same shall (A) result in the entry of an order for relief or any such adjudication or appointment or (B) remain undismissed and undischarged for a period of 60 days, or (vii) the Corporation shall take any action in furtherance of, or indicating its consent to, approval of or acquiescence in, any of the acts described in clauses (i) through (vi) above;

(i) Any litigation or administrative proceeding ensues, and is not dismissed within 90 days, involving the Corporation, the Project or any instrument, contract or document delivered to the Initial Credit Facility Provider in compliance with the Reimbursement Agreement, and the adverse result of such litigation or proceeding could have, in the Initial Credit Facility Provider's reasonable opinion, a Material Adverse Effect, except for any action or proceeding in respect of which the Initial Credit Facility Provider has received from counsel for the Corporation acceptable to the Initial Credit Facility Provider an opinion

in form and substance satisfactory to the Initial Credit Facility Provider to the effect that (1) such action or proceeding is without merit or (2) the adverse result of such action or proceeding will neither (i) result in a judgment of more than \$100,000 over any applicable insurance coverage in effect and available to pay such judgment nor (ii) materially and adversely affect the operations of the Corporation or the transactions contemplated by the Financing Documents;

(j) The Corporation fails to maintain, or caused to be maintained, in full force and effect any of the following insurance coverages as required by the Reimbursement Agreement and the other Financing Documents: (1) prior to completion of the Project, all-risk builder's risk insurance and general liability insurance, and (2) following completion of the Project, fire and extended coverage insurance, business interruption insurance, general liability insurance and professional liability insurance;

(k) Any one or more judgments are entered against the Corporation aggregating \$100,000 or more and within 30 days of such entry either (1) such judgments have not been satisfied and execution of such judgment has not been stayed pending appeal or (2) such judgments give rise to Liens aggregating at any time more than \$100,000 which are not removed by a bond or other arrangement given or obtained on terms which do not violate any covenant under the Reimbursement Agreement;

(l) The occurrence of an event of default in respect of any Debt of the Corporation of \$100,000 or more (after the lapse of any applicable grace period) that results in the acceleration or mandatory redemption of such Debt, or enables the holder or holders of such Debt or any Person acting on behalf of such holder or holders to accelerate the maturity, or cause the mandatory redemption of such Debt;

(m) The occurrence of an event of default as defined in any other credit agreement under which the Corporation, Eskaton Properties, Inc., Eskaton or any other Affiliate is now or hereafter obligated to the Initial Credit Facility Provider;

(n) The General Contractor fails to duly perform any obligation under the General Contract for the Project and such failure would have, in the Initial Credit Facility Provider's opinion, a Material Adverse Effect, or any bankruptcy, insolvency, reorganization or similar proceeding is commenced by or against the General Contractor, and the Corporation does not, on or before the fifteenth day after the earlier of notice from the Initial Credit Facility Provider of such event or the date the Corporation should have given the Initial Credit Facility Provider notice thereof, (i) provide assurance reasonably satisfactory to the Initial Credit Facility Provider that such default or proceeding will not jeopardize completion of the Project by the Completion Deadline or (ii) provide a substitute general contract for the completion of the Project with a substitute contractor satisfactory to the Initial Credit Facility Provider;

(o) The California Department of Social Services or any other Governmental Authority (i) suspends or revokes the operating license for the Project (or any portion thereof), or does not renew the operating license for the Project (or any portion thereof) prior to its then current expiration date, (ii) materially increases any reserve requirement specifically with respect to the Project, (iii) imposes any Lien in connection with the Project (other than a Permitted Lien), (iv) files a petition for the appointment of an administrator for the Project, or (v) takes any other action or imposes any other requirement as a sanction for failure to meet any requirement of the California Residential Care Facilities for the Elderly Act, other Applicable Law or the California Department of Social Services which could have a Material Adverse Effect;

(p) The Project or any portion thereof is subjected to any condemnation or similar proceeding which could have a Material Adverse Effect;

(q) Construction of the Project is stopped for five (5) consecutive working days or more by reason of cause within the Corporation's control, for an aggregate of 30 consecutive days or more by reason of cause beyond the Corporation's control or for an aggregate of 45 days or more whether or not within the Corporation's control; or the Corporation fails to complete or cause to be completed all roads and utilities necessary for the full utilization of the Project for its intended purposes upon completion of construction thereof;

(r) The Project suffers a loss by fire or other casualty in excess of \$100,000 and such loss is not fully insured and any deficiency between the amount of insurance paid with respect to such loss and the value of the Project destroyed is not paid to the Bond Trustee or the Initial Credit Facility Provider within 10 days of the determination of such deficiency;

(s) A claim, lien or stop notice of a mechanic, materialman, supplier or vendor is filed with respect to the Project and the Corporation shall not within 15 days after receiving written notice of such claim or lien either (i) obtain and deliver to the Initial Credit Facility Provider and the Bond Trustee a true copy of a duly recorded release of such claim, lien or stop notice (ii) deposit or cause to be deposited with the Initial Credit Facility Provider or the Bond Trustee a cash deposit in an amount and otherwise on terms sufficient in the reasonable judgment of the Initial Credit Facility Provider to protect the Initial Credit Facility Provider and the Bond Trustee against the collecting of such claim or lien out of the Project; or (iii) deposit with the Initial Credit Facility Provider or the Bond Trustee a bond reasonably satisfactory to the Initial Credit Facility Provider insuring the Initial Credit Facility Provider and the Bond Trustee against collection of such claim or lien out of the Project; or

(t) The independent certified public accountants retained by the Corporation (i) deliver an opinion on the financial statements of the Corporation, which opinion states that such financial statements do not fairly or accurately present the financial condition of the Corporation or includes an explanatory paragraph which describes conditions which raise substantial doubt about the Corporation's ability to continue to operate as a going concern, or (ii) fail to deliver an unqualified opinion on the annual financial statements of the Corporation (other than as to a change in generally accepted accounting principles with which such accountants concur).

Remedies. Upon or after the occurrence of any Event of Default, the Initial Credit Facility Provider may, at its sole option and without prior notice, demand, protest or presentment, and to the extent permitted by applicable law, do any or all of the following:

(a) Notify the Bond Trustee that such Event of Default has occurred, direct the Bond Trustee to call the Series 2006 Bonds for mandatory purchase pursuant to the Bond Indenture, and notify the Bond Trustee that the Initial Credit Facility will terminate 10 calendar days after the Bond Trustee's receipt of such notice;

(b) Notify the Bond Trustee that such Event of Default has occurred, direct the Bond Trustee to declare the Series 2006 Bonds immediately due and payable pursuant to the Bond Indenture, and notify the Bond Trustee that the Initial Credit Facility will terminate 10 calendar days after the Bond Trustee's receipt of such notice;

(c) By written notice to the Corporation, terminate the Liquidity Period;

(d) Declare the Corporation's obligations under the Reimbursement Agreement to be, whereupon the same shall become, immediately due and payable;

- (e) Take whatever action may be available at law or in equity to collect Bank Obligations due and payable and to enforce the performance of the Corporation's obligations under the Reimbursement Agreement and the other Financing Documents;
- (f) Require the Corporation to pay interest and Letter of Credit commitment fees at higher rates as provided in the Reimbursement Agreement;
- (g) Direct the Bond Trustee to exercise remedies in accordance with the provisions of the Bond Indenture, the Loan Agreement, the Deed of Trust and the other Financing Documents;
- (h) Decline to approve any further advance of Funds under the Bond Indenture or the Loan Agreement to or for the benefit of the Corporation or any other Person;
- (i) By injunction or other writ, order, decree or decision of a court of competent jurisdiction in an action, suit or other proceeding at law or in equity, enjoin any acts or things which may be unlawful or in violation of the Initial Credit Facility Provider's rights under the Reimbursement Agreement, the other Financing Documents or any other agreement or instrument;
- (j) Require the Corporation to assemble in a mutually convenient place any personal property that is subject to a lien or security interest held by the Initial Credit Facility Provider in connection with the Reimbursement Agreement or the Project;
- (k) Exercise, or direct the Bond Trustee to exercise, any remedies granted to the Bond Trustee and the Initial Credit Facility Provider under any performance or labor and material payment bond or under any guaranty or letter of credit or any other supplemental assurance;
- (l) Employ, or direct the Bond Trustee to employ, leasing agents or sales agents and negotiate and execute leases, sales contracts and financing undertakings in connection with all or any part of the Project;
- (m) Order construction of the Project stopped;
- (n) Enter upon or take possession of the Project and call upon or employ contractors, subcontractors, materialmen, suppliers, agents, managers, maintenance personnel, security guards, architects, engineers and inspectors to complete the Project, manage or operate the Project or to protect the Project from injury;
- (o) Make such additions, changes or corrections in the plans for the Project as the Initial Credit Facility Provider shall deem necessary or desirable;
- (p) Direct the Bond Trustee to disburse Funds from the Project Fund established under the Bond Indenture, and pay out additional sums of the Initial Credit Facility Provider over the amounts specified in the Project Budget (which sums shall be immediately due and payable by the Corporation to the Initial Credit Facility Provider, shall bear interest from the date of payment by the Initial Credit Facility Provider until the date of repayment at the rate specified in the Reimbursement Agreement and shall be secured by the Deed of Trust) and use any property of the Corporation in which the Initial Credit Facility Provider has or obtains an interest, including any Funds which have not been advanced from the Project Fund, for application to or as a reserve for payment of amounts with respect to the completion, protection, management, operation or maintenance of the Project or the protection of the Bond Trustee's or the Initial Credit Facility Provider's interest therein, and in such connection deliver or disburse the same to such entities in such amounts and with such preferences and priorities as the Initial Credit Facility

Provider in its sole discretion shall determine, either with or without vouchers or orders executed by the Corporation;

(q) Set off, in such order as the Initial Credit Facility Provider may determine, any or all of the obligations of the Corporation to the Initial Credit Facility Provider, direct or indirect, including any and all Bank Obligations, against any or all of the property of the Corporation in the Initial Credit Facility Provider's possession at or subsequent to the occurrence of the Event of Default regardless of the capacity in which the Initial Credit Facility Provider possesses such property;

(r) Exercise any and all such rights as the Initial Credit Facility Provider may have as a secured party under the California Uniform Commercial Code or other applicable law with respect to the security interests created by the Reimbursement Agreement; and in respect of any sale or other disposition under the California Uniform Commercial Code or other applicable law, any notice required to be given by the Initial Credit Facility Provider shall be sufficient if given five (5) days prior to the day on which such sale or other disposition will be made, and such notice shall be deemed reasonable notice;

(s) Sell the Initial Credit Facility Provider's rights under the Reimbursement Agreement, the other Financing Documents, any other agreements or instruments delivered to the Initial Credit Facility Provider, or any of them, to anyone at private sale; and

(t) Exercise, or cause to be exercised, any and all such remedies as it may have under the Reimbursement Agreement, the other Financing Documents or any other document or at law or in equity.

THE AUTHORITY

The Authority is a joint powers agency duly organized and existing under the laws of the State of California. The Authority was formed pursuant to the terms of a Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992, 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 SERIES 2006 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE REVENUES PLEDGED THEREFOR PURSUANT TO THE BOND INDENTURE. NEITHER THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") NOR 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 SERIES 2006 BONDS. THE SERIES 2006 BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON, THE PURCHASE PRICE THEREOF 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 SERIES 2006 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, PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE OF, THE SERIES 2006 BONDS. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

BONDHOLDERS' RISKS

General

Except as noted herein, the principal of and interest on, and purchase price of, the Series 2006 Bonds will be payable from amounts available under the Credit Facility. The risk factors discussed below should be considered in evaluating risks associated with the payment of the principal of, premium, if any, and interest on, and purchase price of, the Series 2006 Bonds. This discussion of risk factors is not intended to be exhaustive, and does not describe any risks associated with compliance by the Corporation with the provisions of the Reimbursement Agreement or the Loan Agreement.

The Initial Credit Facility Provider

There can be no assurance that the credit rating of the Initial Credit Facility Provider will continue at its current level. A decline in the credit rating of the Initial Credit Facility Provider or the issuer of a Substitute Credit Facility could result in a decline in the creditworthiness of the Series 2006 Bonds, including any rating that may be assigned to the Series 2006 Bonds in the future. Such a decline could in turn adversely affect the market price and marketability of the Series 2006 Bonds. For information concerning the Initial Credit Facility Provider, see APPENDIX A hereto.

So long as a Credit Facility is in effect and the Credit Facility Provider thereof is not in default of its obligation to honor drawing documents and demands for payment presented in strict compliance with the terms thereof, upon the occurrence and continuance of an Event of Default under the Bond Indenture (including events pursuant to which the interest on the Series 2006 Bonds becomes subject to federal taxation), the Credit Facility Provider will be deemed to be the owner of the Series 2006 Bonds secured by its Credit Facility for purposes of directing the Bond Trustee to accelerate the maturity of such Bonds, pursuing other remedies under the Bond Indenture, waiving Events of Default and consenting to remedies to be pursued or actions to be taken by the Bond Trustee. The owners of the Series 2006 Bonds secured by the Credit Facility will have no rights with respect to the foregoing.

Enforceability of the Initial Credit Facility or a Substitute Credit Facility

Section 105 of the Bankruptcy Code empowers a bankruptcy court to issue such orders as are necessary or appropriate to carry out the provisions of the Bankruptcy Code. Court decisions discussing the enforceability of letters of credit indicate that it is possible that a bankruptcy court acting pursuant to Section 105 or other equitable powers under the Bankruptcy Code could enjoin a drawing by the Bond Trustee under the Initial Credit Facility or a Substitute Credit Facility or the payment by the Bond Trustee to Bondholders of amounts drawn under the Initial Credit Facility or a Substitute Credit Facility under various circumstances, including the bankruptcy or insolvency of, or a similar event with respect to, the Corporation or an affiliate of the Corporation.

The Initial Credit Facility and any Substitute Credit Facility also will not, and are not intended to, protect Bondholders from events affecting the Initial Credit Facility Provider or the issuer of such Substitute Credit Facility or the creditworthiness of either, including the bankruptcy or insolvency of the Initial Credit Facility Provider or any such issuer of any Substitute Credit Facility.

Tax-Exempt Status of Interest on the Series 2006 Bonds

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2006 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 Authority file an information report with the Internal Revenue Service ("IRS"). The Authority and the Corporation have covenanted in certain of the documents referred to herein that they comply with such requirements. Future failure by the Corporation or the Authority to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Series 2006 Bonds as taxable, possibly from the original date of issuance.

Maintenance of Tax-Exempt Status of Corporation

Loss of tax-exempt status by the Corporation could result in loss of tax exemption of the Series 2006 Bonds. Such an event would have material adverse consequences on the financial condition of the Corporation.

The tax-exempt status of the Series 2006 Bonds depends upon maintenance by the Corporation of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status, in turn, 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 and educational purposes and their avoidance of transactions that may cause their assets to inure for the benefit of private individuals. Pursuant to the Taxpayer Bill of Rights enacted in July 1996, the IRS has authority to police the activities of tax-exempt organizations. In addition to revoking an entity's tax-exempt status, the IRS may impose intermediate sanctions on improper "excess benefit" transactions involving disqualified persons, organization managers and other such persons who are in a position to exercise substantial influence over the activities of the tax-exempt entity.

No Redemption Upon Loss of Tax Exemption. Non-compliance with certain requirements of the Code could cause interest on the Series 2006 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2006 Bonds. The Series 2006 Bonds are not required to be redeemed, and are not subject to mandatory acceleration, in the event interest thereon is determined to be includable in gross income for federal income tax purposes. No provision has been made to compensate owners of the Series 2006 Bonds for federal income taxes, interest and/or penalties which may be assessed in connection with any such tax liability or such determination or for any other loss or any diminution of gain which may occur. The Initial Credit Facility Provider has the right to control the direction of remedies upon any Event of Default under the Bond Indenture resulting from a covenant default. See "BONDHOLDERS' RISKS – The Initial Credit Facility Provider" herein.

THE SERIES 2006 BONDS ARE BEING OFFERED SOLELY ON THE BASIS OF THE FINANCIAL STRENGTH OF THE INITIAL CREDIT FACILITY PROVIDER AND NOT ON THE FINANCIAL STRENGTH OF THE CORPORATION OR ANY OTHER SECURITY, NOTWITHSTANDING THE INFORMATION RELATING TO THE CORPORATION INCLUDED HEREIN. THE REGISTERED OWNERS OF THE SERIES 2006 BONDS WILL NOT BE ABLE TO ASSESS THE LIKELIHOOD THAT PAYMENT OF THE SERIES 2006 BONDS WILL BE ACCELERATED BEFORE THE STATED MATURITY THEREOF BECAUSE OF AN EVENT OF DEFAULT UNDER THE BOND INDENTURE, UPON WHICH ACCELERATION THE SERIES 2006 BONDS WOULD CEASE TO ACCRUE INTEREST AND WOULD BE PAYABLE AT PAR PLUS ACCRUED INTEREST.

Possible Future Federal Tax Legislation

It is possible that future tax legislation could require that the interest on the Series 2006 Bonds be included in the gross income of the holders for federal income tax purposes, and the value or

marketability of the Series 2006 Bonds could be adversely affected by any such legislation. The Series 2006 Bonds are not required to be redeemed in the event that interest on the Series 2006 Bonds becomes includable in gross income for federal income tax purposes or becomes an item of tax preference for purposes of the federal alternative minimum tax applicable to individuals, and there is no provision in the Bond Indenture, the Series 2006 Bonds, or any document related to the issuance thereof, for an increase in the rate of interest payable on the Series 2006 Bonds in the event that interest on the Series 2006 Bonds becomes includable in gross income for federal income tax purposes or becomes an item of tax preference for purposes of the federal alternative minimum tax applicable to individuals. See "TAX MATTERS" herein.

EXEMPTION FROM CONTINUING DISCLOSURE REQUIREMENTS

Rule 15c2-12 ("Rule 15c2-12") under the Security Exchange Act of 1934, as amended, generally requires that "obligated persons" such as the Corporation provide (i) continuing disclosure on an annual basis of financial information and operating data and (ii) notice of certain specific events that could affect the credit underlying the payment obligations of municipal securities. Offerings of municipal securities that are issues in minimum denominations of \$100,000 and are subject to purchase on the demand of the holder, such as will be the case with respect to the Series 2006 Bonds while bearing interest in the Weekly Mode or Daily Mode, are exempt from the requirements of Rule 15c2-12. If the Series 2006 Bonds are remarketed in a Mode other than the Weekly Mode or the Daily Mode, the Corporation shall in the future become subject to the continuing disclosure obligations of Rule 15c2-12 with respect to the Series 2006 Bonds. The Authority has no continuing disclosure obligation with respect to the Series 2006 Bonds.

LITIGATION

The Authority

To the best knowledge of the Authority, there is no controversy of any nature now pending or threatened against the Authority which seeks to restrain or enjoin the sale or issuance of the Series 2006 Bonds or which in any way contests or affects the validity of the Series 2006 Bonds or any proceedings of the Authority 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 Series 2006 Bonds, the use of Bond proceeds or the existence or powers of the Authority relating to the issuance of the Series 2006 Bonds.

The Corporation

Management of the Corporation has advised that there is no litigation or proceeding pending or threatened against it except litigation or proceedings in which the estimated probable ultimate recoveries and the costs and expenses of defense, in the opinion of management of the Corporation, (i) will be entirely within applicable commercial insurance policy limits (subject to applicable deductibles), or (ii) will not have a material adverse effect on the operation or financial condition of the Corporation. No litigation or proceedings are pending or, to the knowledge of the Corporation, threatened against it which in any manner question the right of the Corporation to enter into the transactions described herein.

LEGAL MATTERS

Certain legal matters incidental to the authorization, issuance and sale by the Authority of the Series 2006 Bonds will be subject to the approving opinion of Holland & Knight LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Authority by its special

counsel, Nixon Peabody LLP, San Francisco, California; for the Bond Trustee by its counsel, Davis, Wright Tremaine LLP, San Anselmo, California; for the Corporation by its counsel, Hefner, Stark & Marois, LLP, Sacramento, California; for the Initial Credit Facility Provider with respect to the Initial Credit Facility by its counsel, Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, and its Belgian counsel, Linklaters De Bandt, Brussels, Belgium; and for the Underwriter by its counsel, Ungaretti & Harris LLP, Chicago, Illinois.

TAX MATTERS

In the opinion of Holland & Knight LLP, Bond Counsel, under existing law, the interest on the Series 2006 Bonds is exempt from present State of California personal income taxes. In addition, in the opinion of Bond Counsel, under existing law, interest on the Series 2006 Bonds is excludable from gross income for federal income tax purposes.

The Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2006 Bonds in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Examples include: the requirement that the Corporation maintain its status as an organization exempt from federal income taxation by reason of being described in Section 501(c)(3) of the Code; the requirement that, unless an exception applies, the Authority rebate certain excess earnings on proceeds and amounts treated as proceeds of the Series 2006 Bonds to the United States Treasury; restrictions on the investment of such proceeds and other amounts; and restrictions on the ownership and use of the facilities financed with the proceeds of the Series 2006 Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the Authority and the Corporation subsequent to the issuance of the Series 2006 Bonds to maintain the exclusion of interest on the Series 2006 Bonds from gross income for federal income tax purposes. Failure to comply with such requirements may cause the inclusion of interest on the Series 2006 Bonds in the gross income of the owners thereof for federal income tax purposes, retroactive to the date of issuance of the Series 2006 Bonds. The Authority and the Corporation have covenanted in the Bond Indenture and the Loan Agreement to comply with each such requirement of the Code that must be satisfied subsequent to the issuance of the Series 2006 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel is subject to the condition that the Authority and the Corporation comply with all such requirements. Bond Counsel has not been retained to monitor compliance with the described post-issuance tax requirements subsequent to the issuance of the Series 2006 Bonds.

Notwithstanding the foregoing, Bond Counsel expresses no opinion as to whether a change in Mode will adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2006 Bonds. The Bond Indenture requires an opinion of Bond Counsel with regard to a change in Mode before any such change occurs.

Alternative Minimum Tax. An alternative minimum tax is imposed by the Code on both corporations (as defined for federal income tax purposes) and on taxpayers other than corporations. Interest on the Series 2006 Bonds will not be treated as an item of tax preference for purposes of the alternative minimum tax. Interest on the Series 2006 Bonds will therefore not be included in the alternative minimum taxable income of taxpayers other than corporations. Interest on the Series 2006 Bonds received by a corporate Bondholder will, however, be included in such a Bondholder's adjusted current earnings. A corporation's alternative minimum taxable income will be increased by seventy-five percent (75%) of the corporation's adjusted current earnings not otherwise included in its alternative

minimum taxable income. The rate of the alternative minimum tax imposed on corporations is twenty percent (20%).

Reference is made to the proposed form of opinion of Bond Counsel attached hereto as APPENDIX C for the complete text thereof.

Other Tax Consequences. Prospective purchasers of the Series 2006 Bonds should be aware that ownership of the Series 2006 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2006 Bonds. Prospective purchasers of the Series 2006 Bonds should also be aware that ownership of the Series 2006 Bonds may result in adverse tax consequences under the laws of various states. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the Series 2006 Bonds. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the Series 2006 Bonds other than the opinion described above relating to present State of California personal income taxes. Prospective purchasers of the Series 2006 Bonds should consult their tax advisors as to the collateral federal income tax and state tax consequences to them of owning the Series 2006 Bonds.

RATINGS

Moody's Investors Service, Inc. will assign to the Series 2006 Bonds the ratings of "AA3/VMIG-1". Such ratings will be based upon the issuance by the Initial Credit Facility Provider of the Initial Credit Facility simultaneously with delivery of the Series 2006 Bonds. The ratings assigned to the Series 2006 Bonds reflect only the views of the rating agency, and an explanation of the significance of such ratings may be obtained only from the rating agency.

Generally, a rating agency bases its ratings on the information and materials furnished and on investigations, studies and assumptions by the rating agency. No assurance can be given that a particular rating will be maintained for any given period of time or will not be revised or withdrawn entirely by the rating agency, if, in its judgment, circumstances warrant. Any such revision or withdrawal of the rating may have an adverse effect on the market price or marketability of the Series 2006 Bonds. The Underwriter, the Credit Facility Provider, the Authority and the Corporation have undertaken no responsibility to bring to the attention of the holders of the Series 2006 Bonds any proposed revision or withdrawal of the ratings of the Series 2006 Bonds or to oppose any such proposed revision or withdrawal.

REMARKETING AGENT

Cain Brothers & Company, LLC, New York, New York, has been appointed by the Corporation pursuant to the Remarketing Agreement to act as the initial remarketing agent (the "Remarketing Agent") for the purposes described in the Bond Indenture. The Remarketing Agent will, under certain circumstances, determine the interest rates on the Series 2006 Bonds and use its best efforts to remarket Series 2006 Bonds, and may from time to time effect purchases of Series 2006 Bonds. The Remarketing Agent may resign upon 30 days' written notice to the Authority, the Credit Facility Provider, the Corporation and the Bond Trustee. The Remarketing Agent may be removed at any time at the direction of the Corporation, with the consent of the Credit Facility Provider, by an instrument signed by the

Corporation and the Credit Facility Provider and filed at least 30 days prior to such removal with the Remarketing Agent and with the Bond Trustee. No resignation or removal of the Remarketing Agent shall be effective until a successor has been appointed and accepted its duties; provided, however, that in the event that the Corporation fails to appoint a successor Remarketing Agent within 90 days following receipt of notice of resignation from the Remarketing Agent, such resignation will take effect on the 91st day following receipt by the Corporation of such notice of resignation.

UNDERWRITING

The Series 2006 Bonds are being purchased by the Underwriter at an aggregate purchase price of \$21,780,000, which reflects \$220,000 of Underwriter's discount, pursuant to an agreement entered into by and among the Authority, the Corporation and the Underwriter. The bond purchase agreement provides that the Underwriter will purchase all the Series 2006 Bonds, if any are purchased, and requires the Corporation and certain affiliates of the Corporation to indemnify the Underwriter and the Authority against losses, claims and liabilities arising out of any untrue statement of a material fact contained in this Official Statement or the omission herefrom of any material fact in connection with the transactions contemplated by this Official Statement.

MISCELLANEOUS

The references herein to the Act, the Bond Indenture, the Loan Agreement, the Reimbursement Agreement and the Initial Credit Facility are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and for full and complete statements of the provisions thereof reference is made to the Act, the Bond Indenture, the Loan Agreement, the Reimbursement Agreement and the Initial Credit Facility in their entirety. Copies of drafts of such documents are on file at the offices of the Authority, and following delivery of the Series 2006 Bonds, executed copies will be on file at the office of the Bond Trustee. All estimates and other 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.

It is anticipated that CUSIP identification numbers will be printed on the Series 2006 Bonds, but neither the failure to print such numbers nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2006 Bonds.

The attached Appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The Corporation has reviewed the information contained herein which relates to it and the Project and has approved all such information for use within this Official Statement. The Corporation has approved the execution and delivery of this Official Statement.

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

**ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS**

By: /s/ Joseph K. Chan
Chief Financial Officer

This Official Statement is approved:

ESKATON VILLAGE-ROSEVILLE

By: /s/ Bill Pace
Chief Financial Officer

APPENDIX A

THE INITIAL CREDIT FACILITY PROVIDER

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APPENDIX A

The Initial Credit Facility Provider

KBC Bank N.V., New York Branch ("KBC NYB") is an unincorporated branch of KBC Bank N.V., a naamloze vennootschap (public company of limited liability) organized under the laws of Belgium, whose principal office is located in Brussels, Belgium. KBC Bank N.V. conducts operations through additional offices and agencies in the United States and around the world. Created on June 4, 1998 through the combination of two predecessor Belgian banks, Kredietbank N.V. and CERA Bank C.V., KBC Bank N.V. is subject to regulation by the Belgium Banking Commission and to Belgian banking and accounting law. KBC Bank N.V. maintains its records and prepares its financial statements in accordance with accounting principles generally accepted in Belgium. Such records and financial statements are maintained and prepared in Euro currency (EUR).

One of the largest commercial banks in Belgium, KBC Bank N.V. operates as a universal bank, engaged in commercial and investment banking, and offers comprehensive financial services. In contrast with the two other major Belgian banks, KBC Bank N.V.'s branches in Belgium are located exclusively in Flanders and Brussels. KBC Bank N.V. is indirectly represented through CBC Banque S.A., a majority-owned subsidiary with branches in the Walloon region and Brussels.

KBC NYB was originally established in 1977 as a New York Branch of Kredietbank N.V., and has been relicensed by the Banking Department of the State of New York as a New York Branch of KBC Bank N.V. to provide a full range of services in New York. In addition to handling foreign exchange transactions, KBC NYB is active in international payment transactions and the clearing of commercial payments and professional transactions in U.S. Dollars. KBC NYB is also involved in providing financial services, particularly credit, for European (including Belgian) companies operating in the United States, as well as for United States corporations.

Selected Consolidated Financial Data of KBC Bank N.V.

Year Ended
December 31, 2005
(EUR Millions)

Total Assets	EUR	325,801
Amounts Owed to Customers		171,572
Loans and Advances to Customers		119,475
Total Equity		17,466
Net Income		2,249

Conversion Rate: As of December 31, 2005, EUR 0.848 = US\$1.00

KBC NYB will provide, upon written request and without charge, a copy of KBC Bank N.V.'s Annual Report for the year ended December 31, 2005. Written requests should be directed to: KBC Bank N.V., New York Branch, 125 West 55th Street, 10th Floor, New York, New York 10019, Attention: Controller.

The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of KBC Bank N.V. since December 31, 2005 or that information contained or referred to in this Appendix A is current as of any time subsequent to such date.

The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of KBC Bank N.V. since December 31, 2005 or that information contained or referred to in this Appendix A is current as of any time subsequent to such date.

APPENDIX B

SUMMARY OF PRINCIPAL DOCUMENTS

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SUMMARY OF PRINCIPAL DOCUMENTS

Brief descriptions of the Bond Indenture, the Loan Agreement and the Deed of Trust are included hereafter in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Bond Indenture, the Loan Agreement and the Deed of Trust are qualified in their entirety by reference to each such document, copies of which are available for review prior to the issuance and delivery of the Series 2006 Bonds at the office of the Authority and thereafter at the office of the Bond Trustee. All references to the Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto included in the Bond Indenture.

DEFINITIONS

Set forth below are definitions of certain terms used in the Bond Indenture, the Loan Agreement and the Deed of Trust.

“Authority” means the ABAG Finance Authority for Nonprofit Corporations, a joint exercise of powers authority duly organized and existing under the laws of the State of California, created and existing under and by virtue of the Act, and its successors and assigns.

“Authorized Representative” means the President, Chief Financial Officer, or Secretary of the Authority or any other officer authorized by the Authority to take action.

“Bank Bonds” means Bonds purchased with the proceeds of a draw on a Credit Facility and pledged to the Credit Facility Provider, but excluding Bonds which have thereafter been remarketed and with respect to which such Credit Facility has been reinstated.

“Bonds” means the \$22,000,000 in aggregate principal amount Variable Rate Demand Revenue Bonds (Eskaton Village – Roseville), Series 2006 issued by the Authority pursuant to the Bond Indenture.

“Bond Sinking Fund” means the fund by that name created under the Bond Indenture to which amounts are to be deposited in accordance with the Bond Indenture.

“Bond Trustee” means The Bank of New York Trust Company, N.A., or any successor trustee under the Bond Indenture.

“Bond Year” means any 12-month period beginning December 1 of a calendar year and ending November 30 of the next succeeding year. For the purpose of calculating debt service on the Bonds payable in any Bond Year, principal and interest payable on the Bonds on November 30 of any Bond Year shall be deemed to be payable during the preceding Bond Year.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday on which banking organizations in the State of New York or the city in which the principal office of the Credit Facility Provider, the Remarketing Agent, the Tender Agent, the Auction Agent, the Market Agent, any Broker-Dealer or the Bond Trustee is located are authorized by law to close and on which such entity is in fact closed or (b) a day on which the New York Stock Exchange is closed.

“Code” means the Internal Revenue Code of 1986, as amended, or any corresponding provision of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final

regulations or temporary regulations), the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings) and applicable court decisions.

“Corporation” means Eskaton Village - Roseville, a California nonprofit public benefit corporation, and its successors and assigns and any surviving, resulting or transferee corporation.

“Costs of Issuance” means all costs and expenses of issuance of the Bonds, including, but not limited to: (i) underwriter's discount and fees; (ii) counsel fees, including, without limitation, Bond Counsel, and special tax counsel fees, as well as counsel fees for the Authority; (iii) financial advisor fees; (iv) rating agency fees; (v) paying agent and certifying and authenticating agent fees related to issuance of the Bonds; (vi) accounting fees and expenses; (vii) printing costs of the Bonds and of the preliminary and final official statement; (ix) publication costs associated with the financing proceedings; (x) costs of any credit enhancement of the bonds; and (xi) any other fees or costs deemed issuance costs for purposes of the Act and federal tax regulations.

“Credit Facility” means a letter of credit, municipal bond insurance policy or other form of credit enhancement for the Bonds which provides for payment of principal of and interest on the Bonds in the event of a Default and, if the Credit Facility is a letter of credit, payment of principal of and interest on the Bonds, including any Alternate Credit Facility, furnished by the Corporation to the Tender Agent pursuant to the Loan Agreement, and any Substitute Credit Facility. Initially, the term "Credit Facility" shall refer to an irrevocable letter of credit issued by KBC Bank, N.V., New York Branch.

“Credit Facility Mandatory Tender Event Date” means the second business Day next following the Business Day on which the Bond Trustee receives a Credit Facility Mandatory Tender Event Notice.

“Credit Facility Mandatory Tender Event Notice” means a written notice from the Credit Facility Provider to the Bond Trustee stating that (i) the Credit Facility will not be reinstated with respect to a draw thereunder to pay interest on the Bonds or (ii) an Event of Default has occurred under the Reimbursement Agreement and the Credit Facility will terminate 10 calendar days after the Bond Trustee's receipt of such notice and directing the Trustee to call the Bonds for immediate mandatory tender.

“Credit Facility Provider” means the issuer of a Credit Facility. The initial Credit Facility Provider is KBC Bank N.V., New York Branch.

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

“Daily Rate” means an interest rate that is determined on each Business Day with respect to the Bonds in the Daily Mode pursuant to the terms of the Bond Indenture.

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

“Debt Service Reserve Fund Requirement” means the lesser of (i) the maximum amount of principal and interest which shall be payable during the current or any succeeding Bond Year on the Bonds then outstanding (which interest shall be, with respect to any Bonds subject to an interest rate swap, the rate payable by the Corporation on such interest rate swap), (ii) an amount equal to 10% of the Proceeds of the Bonds, (iii) an amount equal to 125% of the average annual debt service with respect to the Bonds or (iv) the amount of \$1,413,154.58. For purposes of this definition, the Bonds shall be deemed to bear interest at the greater of (i) the average rate borne by such Bonds for the 12 complete months preceding the date of calculation and (ii) the Bond Buyer 25 Bond Revenue Index most recently

published in The Bond Buyer, or any successor publication thereto, prior to the date of calculation, except that any such Bonds which have been swapped to a fixed rate shall be deemed to bear interest at the rate of such swap. The Corporation shall provide written confirmation of the Debt Service Reserve Fund Requirement to the Bond Trustee upon request.

“Deed of Trust” means that certain Deed of Trust with Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of December 1, 2006, by the Corporation for the benefit of the Bond Trustee and the Bank.

“Defaulted Interest” means interest on any Bond which is payable but not duly paid on the date due.

“Defeasance Obligations” means (a) direct obligations of the United States of America and obligations on which the timely payment of principal and interest is fully guaranteed by the United States of America and (b) certificates evidencing a direct ownership interest in such obligations or in future interest or principal payments thereon held in a custody account by a custodian satisfactory to the Bond Trustee.

“Eligible Moneys” means (a) moneys (i) paid or deposited by the Corporation to or with the Bond Trustee, (ii) continuously held in any fund, account or subaccount established hereunder which is subject to the lien of this Bond Indenture and in which no other moneys which are not Eligible Moneys are held and (iii) which have so been on deposit with the Bond Trustee for at least 367 days from their receipt by the Bond Trustee, during and prior to which period no petition by or against the Authority, the Corporation or any “affiliate” thereof (as defined in Title 11 of the United States Code) to which such moneys are attributable under any bankruptcy or similar law now or hereafter in effect shall have been filed and no bankruptcy or similar proceeding otherwise initiated (unless such petition or proceeding shall have been dismissed and such dismissal be final and not subject to appeal), together with investment earnings on such moneys; (b) moneys received by the Bond Trustee pursuant to the Credit Facility which are held in any fund, account or subaccount established hereunder in which no other moneys which are not Eligible Moneys are held, together with investment earnings on such moneys; (c) proceeds from the remarketing of any Bonds pursuant to the provisions of the Bond Indenture to any person other than the Authority, the Corporation or any “affiliate” thereof (as defined in Title 11 of the United States Code); (d) proceeds from the issuance and sale of refunding bonds, together with the investment earnings on such proceeds, if there is delivered to the Bond Trustee at the time of issuance and sale of such bonds an opinion of nationally recognized bankruptcy counsel acceptable to the Bond Trustee and each Rating Agency then maintaining a rating on the Bonds bearing interest at a Daily Rate or Weekly Rate (which opinion may assume that no Bondholders are “insiders” within the meaning of Title 11 of the United States Code) to the effect that the use of such proceeds and investment earnings to pay the principal of, premium, if any, or interest on the Bonds would not be avoidable as preferential payments under Section 547 of the United States Bankruptcy Code recoverable under Section 550 of the United States Bankruptcy Code should the Authority, the Corporation or any “affiliate” thereof (as defined in Title 11 of the United States Code) become a debtor in a proceeding commenced thereunder; and (e) moneys which are derived from any other source, together with the investment earnings on such moneys, if the Bond Trustee has received an unqualified opinion of nationally recognized bankruptcy counsel acceptable to the Bond Trustee and each Rating Agency then maintaining a rating on the Bonds bearing interest at a Daily Rate or Weekly Rate (which opinion may assume that no Bondholders are “insiders” within the meaning of Title 11 of the United States Code) to the effect that payment of such amounts to bondholders would not be avoidable as preferential payments under Section 547 of the United States Bankruptcy Code recoverable under Section 550 of the United States Bankruptcy Code should the Authority, the Corporation or any “affiliate” thereof (as defined in Title 11 of the United States Code) become a debtor in a proceeding commenced thereunder; provided that such proceeds, moneys or income shall not be

deemed to be Eligible Moneys or available for payment of the Bonds if, among other things, an injunction, restraining order or stay is in effect preventing such proceeds, moneys or income from being applied to make such payment. For the purposes of this definition, the term “moneys” shall include cash and any investment securities including, without limitation, Government Obligations.

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

“*Expense Fund*” means the fund by that name created under the Bond Indenture.

“*Expiration Date*” means (i) the date upon which a Credit Facility is scheduled to expire (taking into account any extensions of such Expiration Date) in accordance with its terms without regard to any early termination thereof and (ii) the date upon which a Credit Facility terminates following voluntary termination by the Corporation pursuant to the terms of the Bond Indenture.

“*Facilities*” means all land, leasehold interests and buildings and all fixtures and equipment (as defined in the Uniform Commercial Code or equivalent statute in effect in the state where such fixtures or equipment are located) of a Person.

“*Government Obligations*” means (a) Defeasance Obligations or (b) evidences of a direct ownership in future interest or principal payments on Defeasance Obligations, which Defeasance Obligations are held in a custodial account by a custodian satisfactory to the Bond Trustee pursuant to the terms of a custody agreement, and which are rated “AAA” by S&P or Moody’s.

“*Immediate Notice*” means notice by telephone, email transmission or telecopier to such address as the addressee shall have provided in writing, promptly followed by written notice by first class mail, postage prepaid; provided, however, that if any Person required to give an Immediate Notice shall not have been provided with the necessary information as to the telephone, email transmission or telecopier number of an addressee, Immediate Notice shall mean written notice by first class mail, postage prepaid.

“*Interest Fund*” means the fund by that name created under the Bond Indenture.

“*Interest Payment Date*” means:

(a) with respect to Bonds in a Daily Mode, a Weekly Mode or an R-FLOATs Mode other than Bonds in a Special R-FLOATs Rate Period, the first Business Day of each month;

(b) with respect to Bonds in a Special R-FLOATs Rate Period of 90 days or less, the first Business Day of the month following the last day of such Special R-FLOATs Rate Period and with respect to Bonds in a Special R-FLOATs Rate Period of more than 90 days, the first Business Day of each third month following the commencement of such Special R-FLOATs Rate Period and the first Business Day of the month following the last day of such Special R-FLOATs Rate Period;

(c) with respect to Bonds in a Unit Pricing Mode (a) with an Interest Period of 180 days or less, the Purchase Date, and (b) with an Interest Period of 181 days or more, the first Business Day of the sixth calendar month following the month in which the change in Mode occurs and the Purchase Date;

(d) with respect to Bonds in a Term Rate Mode, the first June 1 or December 1 following the month in which the conversion to the Term Rate Mode occurs, each June 1 and December 1 thereafter, and the Purchase Date;

(e) with respect to Bonds in the Fixed Rate Mode, the first June 1 or December 1 following the month in which the conversion to the Fixed Rate Mode occurs and each June 1 and December 1 thereafter;

(f) with respect to a Bond in the Auction Mode, the Business Day immediately following the last day of each Auction Period; provided that if an Auction Period exceeds one year, the Interest Payment Date shall be the first June 1 or December 1 following the month in which such Auction Period commences and each June 1 or December 1 thereafter during such Auction Period and the Business Day immediately following the last day of such Auction Period;

(g) any Mode Change Date;

(h) with respect to Bonds in an Indexed Mode, each June 1 or December 1 or such other dates determined by the Remarketing Agent pursuant to the Bond Indenture;

(i) with respect to Bonds in a Stepped Coupon Mode, each June 1 or December 1 or such other dates determined by the Remarketing Agent pursuant to the Bond Indenture;

(j) the respective Maturity Dates of the Bonds; and

(k) with respect to Bank Bonds, the dates set forth in the Reimbursement Agreement.

“*Mandatory Purchase Date*” means: (1) any Purchase Date for the Bonds in the Unit Pricing Mode or the Term Rate Mode; (2) any Mode Change Date; (3) the effective date of an elective change to a Special R-FLOATs Rate Period of greater than 35 days; (4) unless the provisions of the Bond Indenture are satisfied, any Substitute Credit Facility Date or the second Business Day preceding any Expiration Date; and (5) any Credit Facility Mandatory Tender Event Date.

“*Maturity Date*” means December 1, 2037, and with respect to any Bonds upon change to the Stepped Coupon Mode, the Indexed Mode or the Fixed Rate Mode, such maturities as are determined pursuant to the Bond Indenture; provided that while any Bonds bear interest at the Auction Rate, such Bonds shall mature on and the Maturity Date thereof shall be the Interest Payment Date for such Bonds immediately preceding the stated Maturity Date.

“*Maximum Rate*” means the lesser of (a) 10% per annum, (b) the maximum interest rate permitted by law, and (c) with respect to Bonds in the Daily Mode and the Weekly Mode, the maximum interest rate provided by the Credit Facility to pay tenders of such Bonds.

“*Mode*” means, as the context may require, the Auction Mode, the Daily Mode, the Weekly Mode, the Unit Pricing Mode, the R-FLOATs Mode, the Term Rate Mode and the Fixed Rate Mode.

“*Mode Change Date*” means the day following the last day of one Mode for any Bonds on which another Mode begins.

“*Operating Reserve Fund*” means the fund by that name created under the Bond Indenture.

“*Opinion of Bond Counsel*” means an unqualified Opinion of Counsel, which shall be Bond Counsel, containing the opinion specifically required by the provisions of the Bond Indenture, which Opinion may be based upon a ruling or rulings of the Internal Revenue Service, and may include any exceptions contained in the Opinion of Bond Counsel delivered upon original issuance of the Bonds.

“*Project*” means the payment of certain costs to be incurred by the Corporation in connection with the construction of, and acquisition of certain equipment for, the Facilities of the Corporation.

“*Project Fund*” means the fund by that name established pursuant to the Bond Indenture.

“*Purchase Date*” means with respect to Bonds during the Daily Mode or the Weekly Mode, a Business Day for which notice of tender as required by this Bond Indenture has been given.

“*Purchase Fund*” means the fund by that name created under the Bond Indenture.

“*Purchase Price*” means (i) an amount equal to the principal amount of any Bonds purchased on any Purchase Date, plus, in the case of any purchase of Bonds in the Daily Mode or the Weekly Mode, accrued and unpaid interest thereon, if any, to the Purchase Date, or (ii) an amount equal to the principal amount of Bonds purchased on a Mandatory Purchase Date, plus accrued and unpaid interest thereon, if any, to the Mandatory Purchase Date.

“*Qualified Investments*” means, for purposes of the Bond Indenture, means, to the extent permitted by applicable law:

(i) Government Obligations

(ii) Direct obligations of, or obligations guaranteed by, any agency or instrumentality of the United States of America, whether or not the full faith and credit of the United States of America is pledged to the full and timely payment of all interest and principal thereof, including, without limitation:

a) Participation certificates and direct obligations of the Federal Home Loan Mortgage Corporation and the Federal Housing Administration;

b) Consolidated debt obligations, and obligations secured by a letter of credit, of the Federal Home Loan Banks;

c) Debt obligations and mortgage-backed securities of the Federal National Mortgage Association; and

d) Debt obligations of the Resolution Trust Corporation and Resolution Funding Corporation, including stripped obligations;

(iii) Investments in money market funds rated "AAAm" or "AAAm-G" by S&P, including funds for which the Bond Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Bond Trustee provide investment advisory or other management services.

(iv) Commercial paper which is rated at the time of purchase not lower than the second highest short-term rating category (without regard to gradations within such category) of at least one nationally recognized rating agency and which matures not more than 270 days after the date of purchase;

(v) Obligations of, or obligations fully guaranteed by, any state of the United States of America, or political subdivision, agency, instrumentality or authority thereof which obligations, at the time of purchase, are rated by at least one nationally recognized rating agency in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by such rating agency to obligations of that nature;

(vi) Investment Agreements with any financial institution, the long-term debt, the claims paying ability or the financial program strength of which is rated not lower than the second highest category (without regard to gradations within such category) by at least one nationally recognized rating agencies. If the investment agreement is guaranteed by a third-party, then the above rating requirements will apply to the guarantor only. In all cases, the above rating requirements will apply only at the time the investment agreement is executed;

(vii) Forward Agreements with respect to obligations listed in paragraphs (i), (ii), (iii) or (iv) in which a financial institution has a continual obligation to deliver or purchase the obligations at an agreed upon price or yield. The financial institution must have long-term debt, claims paying ability or financial program strength ratings in one of the three highest rating categories (without regard to gradations within such category) by at least one nationally recognized rating agency. If the financial institution's obligation is guaranteed by a third-party, then the above rating requirements will apply to the guarantor only; and

(viii) Such other investments as may be consented to in writing by the Credit Facility Provider.

"Rate Determination Date" means the date on which the interest rate(s) with respect to some or all of the Bonds shall be determined, which, (i) in the case of the initial conversion to the R-FLOATs Mode (or from one Interest Period to another Interest Period within the R-FLOATs Mode), shall be, initially upon the conversion to such Mode or such Interest Period, no later than the Business Day prior to the Mode Change Date, and thereafter, in the case of Bonds with a weekly R-FLOATs Rate, shall be each Wednesday or, if a Wednesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, then the Business Day immediately preceding such Wednesday and, in the case of Bonds with a monthly R-FLOATs Rate, shall be the last Business Day of each month and, in the case of R-FLOATs in a Special R-FLOATs Rate Period the first day of such Special R-FLOATs Rate Period; (ii) in the case of the Unit Pricing Mode, shall be the first day of each Interest Period; (iii) in the case of the Daily Mode, shall be each Business Day commencing with the first day such Bonds become subject to the Daily Mode; (iv) in the case of conversion to the Weekly Mode, shall be, initially upon the conversion to such Mode, no later than the Business Day immediately prior to the Mode Change Date, and thereafter, shall be each Wednesday or, if Wednesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, then the Business Day immediately preceding such Wednesday; (v) in the case of the Term Rate Mode, shall be a Business Day no earlier than 30 Business Days and no later than the Business Day immediately preceding the first day of each Interest Period, as selected by the Remarketing Agent; (vi) in the case of the Indexed Mode, the Stepped Coupon Mode and the Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be at least one Business Day prior to the Mode Change Date; and (vii) in the case of Bonds in the Auction Mode, shall be the Auction Date.

"Rating Agencies" means Moody's, Fitch or S&P, and their respective successors and assigns.

"Rebate Amount" means the excess of the future value, as of a computation date, of all receipts on nonpurpose investments (as defined in Section 1.148-1(b) of the Income Tax Regulations) over the future value, as of that date, of all payments on nonpurpose investments, all as provided by regulations under the Code implementing Section 148 thereof.

"Rebate Fund" means the fund by that name established as summarized under the section of the Bond Indenture summary relating to the Rebate Fund under the caption "Funds."

"Redemption Fund" means the fund by that name created under the Bond Indenture.

"Redemption Price" means, with respect to any Bond (or portion thereof), the price to be paid upon redemption as set forth in the Bond Indenture.

“Reimbursement Agreement” means the Reimbursement, Credit and Security Agreement dated as of December 1, 2006 between the Corporation and KBC Bank N.V., New York Branch, as the initial Credit Facility Provider and, subsequently, any agreement between the Corporation and a Credit Facility Provider pursuant to which a Substitute Credit Facility is issued, as amended, supplemented or extended from time to time in accordance with the provisions thereof.

“Remarketing Agent” means any remarketing agent appointed by the Corporation in accordance with the terms of the Bond Indenture and not objected to by the Authority or the Credit Facility Provider and at the time serving as such under the Remarketing Agreement. Initially, Cain Brothers & Company, LLC will act as Remarketing Agent.

“Remarketing Agreement” means any remarketing agreement between the Corporation and a Remarketing Agent, as such agreement may from time to time be amended and supplemented, to remarket the Bonds delivered or deemed to be delivered for purchase by the Holders thereof.

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

“State” means the State of California.

“Substitute Credit Facility” means a Credit Facility after the initial Credit Facility, furnished to the Bond Trustee pursuant to the terms of the Loan Agreement.

“Substitute Credit Facility Date” means the date of a Substitute Credit Facility furnished to the Bond Trustee by the Corporation pursuant to the terms of the Loan Agreement.

“Tax Certificate” means either (a) the Certificate as to Tax, Arbitrage, and Other Matters signed by the Corporation concurrently with the issuance of the Bonds, or (b) the Certificate as to Tax, Arbitrage, and Other Matters signed by the Authority concurrently with the issuance of the Bonds, as determined by the context.

“Tax-Exempt Organization” means any governmental unit, or a Person organized under the laws of the United States of America or any state thereof which is (i) an organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code and is not a private foundation under Section 509(a) of the Code, and (ii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect, except for income from an unrelated trade or business as defined in Section 513(a) of the Code.

“Unassigned Rights” means the Authority’s right to receive payment of its fees and expenses, the Authority’s rights to indemnification under the Loan Agreement, the Authority’s right to execute and deliver supplements and amendments to the Loan Agreement, the Authority’s rights to receive notices under the Bond Indenture and under the Loan Agreement and the Authority’s rights to give consents and make certain appointments under the Bond Indenture and under the Loan Agreement.

“Tender Agent” means any tender agent appointed in accordance with the terms of the Bond Indenture. Initially, the Bond Trustee will act as Tender Agent.

“Weekly Mode” means the Mode during any Bonds bear interest at the Weekly Rate.

“Weekly Rate” means an interest rate that is determined on a weekly basis with respect to any Bonds in the Weekly Mode pursuant to the terms of the Bond Indenture.

“Written Request” means with reference to the Authority, a request in writing signed by an Authorized Representative of the Authority and with reference to the Corporation means a request in writing signed by the President or a Vice President of such Member or the Corporation, or any other officers designated by the Authority or the Corporation, as the case may be.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

The Bond Indenture contains various covenants, security provisions, terms and conditions, certain of which are summarized below. Reference is made to the Bond Indenture for a full and complete statement of the Bond Indenture’s provisions.

FUNDS

1. Expense Fund. The Bond Trustee shall establish a separate account to be known as the “Expense Fund.” An initial deposit to the credit of the Expense Fund is to be made in accordance with the Bond Indenture. Amounts on deposit in the Expense Fund shall be disbursed upon receipt by the Bond Trustee of a requisition in the form attached to the Bond Indenture for the payment of Costs of Issuance. At such time as the Bond Trustee is furnished with a Written Request of the Corporation stating that all Costs of Issuance have been paid, and in no event later than June 1, 2007, the Bond Trustee shall transfer any moneys remaining in the Expense Fund to the Project Fund and the Bond Trustee shall close the Expense Fund. Each such requisition shall be sufficient to evidence to the Bond Trustee the facts stated therein and the Bond Trustee shall have no duty to confirm the accuracy of such facts.

2. Project Fund. The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the “Project Fund.” The moneys in the Project Fund shall be used to pay the costs of the Project.

Before any payment from the Project Fund shall be made, the Corporation shall file or cause to be filed with the Bond Trustee a requisition in the form provided in the Bond Indenture, together with an approval of such requisition by the Credit Facility Provider.

Upon receipt of each such requisition and the approval thereof by the Credit Facility Provider, the Bond Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the Project Fund. The Bond Trustee need not make any such payment if it has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys to be paid, which has not been released or will not be released simultaneously with such payment. The Bond Trustee shall not be responsible for the accuracy or correctness of any requisition.

When the Project shall have been completed, there shall be delivered to the Bond Trustee by the Corporation an officer's certificate of the Corporation stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims which are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon the receipt of such certificate, the Bond Trustee shall, as directed by said Certificate of the Corporation, transfer any remaining balance in the Project Fund to the Redemption Fund. Upon such transfer and the final disbursement of any remaining funds, the Project Fund shall be closed.

3. Operating Reserve Fund. The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the "Operating Reserve Fund." The moneys in the Operating Reserve Fund

shall be used to pay the operating costs of the Corporation during the construction and start-up of the Project.

Before any payment from the Operating Reserve Fund shall be made, the Corporation shall file or cause to be filed with the Bond Trustee a requisition in the form provided in the Bond Indenture, together with an approval of such requisition by the Credit Facility Provider.

On the later of (i) the date on which no moneys remain on deposit in the Operating Reserve Fund and (ii) December 1, 2009, the Bond Trustee shall transfer to the Corporation any remaining moneys in the Operating Reserve Fund and, upon such transfer, the Operating Reserve Fund shall be closed.

4. Revenue Fund. The Authority shall establish with the Bond Trustee and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Revenue Fund." All payments under the Loan Agreement, as and when received by the Bond Trustee, shall be deposited in the Revenue Fund and shall be held therein until disbursed as provided in the Bond Indenture. Pursuant to the assignment and pledge of payments set forth in the granting clauses contained in the Bond Indenture, the Authority will direct the Corporation to make payments under the Loan Agreement directly to the Bond Trustee when and as the same become due and payable by the Corporation under the terms of the Loan Agreement.

If on or before the date any payment under the Loan Agreement pledged hereunder is due, the Bond Trustee has not received such payment, the Bond Trustee shall give immediate telephonic notice promptly confirmed in writing to the Corporation of the nonpayment.

5. Interest Fund. The Authority shall establish with the Bond Trustee and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Interest Fund." Except for income thereon which is to be transferred to other funds under the Bond Indenture or to the Rebate Fund, and except as provided in the Bond Indenture, moneys on deposit in the Interest Fund may be used only for the purpose of paying the interest on the Bonds and fees to the Credit Facility Provider as the same becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Bond Indenture) or reimbursing the Credit Facility Provider for draws under the Credit Facility applied to payment of interest on the Bonds. Moneys on deposit in the Capitalized Interest Account shall be expended prior to expenditure of any other moneys in the Interest Fund.

Within the Interest Fund, the Bond Trustee shall establish a Capitalized Interest Account. On the Closing Date, the Bond Trustee shall deposit in the Interest Fund the amount provided in the Bond Indenture. At such time as no moneys remain in the Capitalized Interest Account, the Bond Trustee shall close it.

On or prior to three Business Days next preceding each Interest Payment Date, the Bond Trustee shall deposit in the Interest Fund from moneys in the Revenue Fund an amount which will be equal to the interest to become due on the Bonds on such Interest Payment Date; provided, however, that no deposit pursuant to this paragraph need be made to the extent that there is a sufficient amount already on deposit in the Interest Fund for that purpose. If sufficient funds to make the transfers described in this caption are not available in the Revenue Fund on the third Business Day preceding an Interest Payment Date, the Bond Trustee will give Immediate Notice thereof to the Corporation, promptly confirmed in writing. At the time of such notice, if the interest rate for all Interest Periods in the Interest Payment Period ending on such Interest Payment Date has not yet been determined, the Bond Trustee shall use an assumed interest rate of the Maximum Rate for Bonds bearing interest in such a Mode for the number of days during such period that such interest rate is not yet available.

In connection with any partial redemption or defeasance prior to maturity of the Bonds, the Bond Trustee may, at the written request of the Corporation, use any amounts on deposit in the Interest Fund (which amounts must be Eligible Moneys for Bonds bearing interest at a Daily Mode or Weekly Mode when a Credit Facility is in effect) in excess of the amount needed to pay the interest on the Bonds remaining outstanding on the first Interest Payment Date occurring on or after the date of such redemption or defeasance to pay or provide for the payment of the principal of and interest on the Bonds to be redeemed or defeased or as otherwise directed by the Corporation if the Bond Trustee shall have received an Opinion of Bond Counsel to the effect that such transfer will not, in and of itself, adversely affect the validity or enforceability of the Bonds or result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

6. Bond Sinking Fund. The Bond Trustee shall establish and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Bond Sinking Fund." Except for income thereon which is to be transferred to other funds under the Bond Indenture or to the Rebate Fund, and except as provided in the Bond Indenture, moneys on deposit in the Bond Sinking Fund may be used only to pay principal of and to mandatorily redeem Bonds and to reimburse the Credit Facility Provider for draws under the Credit Facility applied to payment of principal on the Bonds.

On or prior to three Business Days preceding each Maturity Date and any mandatory Bond Sinking Fund redemption date, after making the deposits required by the Bond Indenture, the Bond Trustee shall deposit in the Bond Sinking Fund from moneys in the Revenue Fund an amount which is equal to the principal of the Bonds next to become due by maturity or mandatory Bond Sinking Fund redemption. No such deposit need be made, however, to the extent that there is a sufficient amount already on deposit and available for such purpose in the Bond Sinking Fund to be applied to such next maturity or mandatory Bond Sinking Fund redemption payment. If sufficient funds to make the transfers to the Bond Sinking Fund described in this caption are not available in the Revenue Fund on the third Business Day preceding any Maturity Date or mandatory Bond Sinking Fund redemption date, the Bond Trustee will give Immediate Notice thereof to the Corporation, promptly confirmed in writing.

Moneys on deposit in the Bond Sinking Fund, other than income earned thereon which is to be transferred to other funds created under the Bond Indenture or to the Rebate Fund and except as otherwise provided by the Bond Indenture, shall be applied by the Bond Trustee to pay principal on the Bonds as it becomes due and to redeem the Bonds in accordance with the mandatory Bond Sinking Fund redemption schedule provided for in the Bond Indenture. In lieu of such mandatory Bond Sinking Fund redemption, the Bond Trustee shall, at the Written Request of the Corporation, purchase for cancellation an equal principal amount of Bonds of the maturity to be redeemed in the open market identified by the Corporation at prices specified by the Corporation not exceeding the principal amount of the Bonds being purchased plus accrued interest with such interest portion of the purchase price to be paid from the Interest Fund and the principal portion of such purchase price to be paid from the Bond Sinking Fund. In addition, the amount of Bonds to be redeemed on any date pursuant to the mandatory Bond Sinking Fund redemption schedule shall be reduced by the principal amount of Bonds of the maturity required to be redeemed which are acquired by the Corporation and delivered to the Bond Trustee for cancellation.

In connection with any partial redemption or defeasance prior to maturity of the Bonds, the Bond Trustee may, at the written request of the Corporation, use any amounts on deposit in the Bond Sinking Fund (which amounts must be Eligible Moneys for Bonds bearing interest at a Daily Mode, Weekly Mode or Unit Pricing Mode when a Credit Facility is in effect) in excess of the amount needed to pay principal on the Bonds remaining outstanding on the first principal or mandatory sinking fund payment date occurring on or after the date of such redemption or defeasance to pay or provide for the payment the principal of and interest on the Bonds to be redeemed or defeased or as otherwise directed by the Corporation if the Bond Trustee shall have received an Opinion of Bond Counsel to the effect that such

transfer will not, in and of itself, adversely affect the validity or enforceability of the Bonds or result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

7. Debt Service Reserve Fund. The Bond Trustee shall establish and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Debt Service Reserve Fund." An initial deposit to the Debt Service Reserve Fund shall be made in accordance with the Bond Indenture. Except as described below, moneys on deposit in the Debt Service Reserve Fund shall only be used to make up any deficiencies in the Interest Fund and the Bond Sinking Fund (in the order listed).

Qualified Investments (except those described in paragraph (vi, vii and viii) in the definition thereof) on deposit in the Debt Service Reserve Fund shall have maturities not longer than ten (10) and shall have an average life which is no longer than five (5) years.

All Qualified Investments in the Debt Service Reserve Fund shall be valued at their market value at least quarterly on or before March 1, June 1, September 1 and December 1 (or more frequently as may be reasonably requested by the Corporation) and such valuation shall be reported within thirty (30) days to the Corporation. Any amount in the Debt Service Reserve Fund in excess of 100% of the Debt Service Reserve Fund Requirement shall then be transferred as described below. To the extent that amounts in the Debt Service Reserve Fund are less than one hundred percent (100%) of the Debt Service Reserve Fund Requirement (not taking into account, for purposes of calculating the amount to be paid pursuant to this paragraph any withdrawals permitted by the first paragraph of this section, which shall be replenished from moneys on deposit in the Revenue Fund), the Corporation shall, following receipt of notice of such quarterly valuation, pay to the Bond Trustee, in three equal monthly payments, an amount sufficient to increase the balance in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

Notwithstanding the foregoing, the Corporation shall replenish any withdrawal from the Debt Service Reserve Fund in twelve equal monthly payments immediately succeeding such withdrawal.

In lieu of depositing and maintaining moneys in the Debt Service Reserve Fund, the Corporation may deliver to the Bond Trustee for deposit in the Debt Service Reserve Fund an irrevocable letter of credit issued by a domestic or foreign bank with a credit rating at the time of such delivery in one of the two highest Rating Categories of any Rating Agency then rating the Bonds. Any such letter of credit shall (i) permit the Bond Trustee to draw amounts thereunder which, together with any amounts on deposit in, or surety bond policy available to fund the Debt Service Reserve Fund, are not less than the Debt Service Reserve Fund Requirement and (ii) shall contain no restrictions on the ability of the Bond Trustee to receive payment thereunder other than a certification by the Bond Trustee that the funds drawn thereunder are to be used to pay debt service on the Bonds. Such letter of credit shall provide that the Bond Trustee shall receive payment thereunder prior to any expiration or termination thereof and whenever moneys are required for the purposes for which Debt Service Reserve Fund moneys may be applied. The Bond Trustee shall make a drawing on such letter of credit (a) whenever moneys are required for the purposes for which Debt Service Reserve Fund moneys may be applied and (b) 30 days prior to any expiration or termination thereof; provided, however, that no such drawing need be made if other moneys (including funds paid under an irrevocable surety bond) are available in the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement.

In lieu of depositing and maintaining moneys in the Debt Service Reserve Fund, the Corporation may deliver to the Bond Trustee for deposit in the Debt Service Reserve Fund an irrevocable surety bond issued by a bond insurance company with a credit rating or claims-paying ability at the time of such delivery in one of the two highest Rating Categories of any Rating Agency then rating the Bonds. Any such surety bond shall (i) permit the Bond Trustee to obtain amounts thereunder which, together with any amounts on deposit in, or letter of credit available to fund, the Debt Service Reserve Fund, are not less

than the Debt Service Reserve Fund Requirement and (ii) shall contain no restrictions on the ability of the Bond Trustee to receive payment thereunder other than a certification by the Bond Trustee that the funds drawn thereunder are to be used to pay debt service on the Bonds. Such surety bond shall provide that the Bond Trustee shall receive payment thereunder prior to any expiration or termination thereof and whenever moneys are required for the purposes for which Debt Service Reserve Fund moneys may be applied. The Bond Trustee shall make a drawing under such surety bond (a) whenever moneys are required for the purposes for which Debt Service Reserve Fund moneys may be applied and (b) 30 days prior to any expiration or termination thereof; provided, however, that no such drawing need be made if other moneys (including funds drawn under a letter of credit) are available in the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement.

Anything in the Bond Indenture to contrary notwithstanding, so long as a Credit Facility is in effect, no letter of credit or surety bond shall be deposited in the Debt Service Reserve Fund without the prior written consent of the Credit Facility Provider.

If at any time one or more letters of credits and/or one or more surety bonds are on deposit in the Debt Service Reserve Fund, the Bond Trustee shall draw on the instruments on a pro rata basis.

In connection with any partial redemption or defeasance prior to maturity of the Bonds, the Bond Trustee may, at the request of the Corporation, use any amounts on deposit in the Debt Service Reserve Fund (which amounts must be Eligible Moneys for Bonds bearing interest at a Daily Mode or Weekly Mode when a Credit Facility is in effect) in excess of the Debt Service Fund Requirement after such redemption to pay the principal of or the principal portion of the Redemption Price of said Bonds to be redeemed or defeased or as otherwise directed by the Corporation if the Bond Trustee shall have received an Opinion of Bond Counsel to the effect that such transfer will not, in and of itself, adversely affect the validity or enforceability of the Bonds or result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

8. Redemption Fund. The Authority shall establish with the Bond Trustee and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Redemption Fund." In the event of (i) prepayment by or on behalf of the Corporation of amounts payable under the Loan Agreement, including prepayment with condemnation or insurance proceeds or proceeds of a sale consummated under threat of condemnation, or (ii) deposit with the Bond Trustee by the Corporation or the Authority of moneys from any other source for redeeming Bonds or the purchase of Bonds for cancellation, except as otherwise provided in the Bond Indenture, such moneys shall be deposited in the Redemption Fund. Moneys on deposit in the Redemption Fund shall be used first, to make up any deficiencies existing in the Interest Fund and the Bond Sinking Fund (in the order listed), second, if such amounts are Eligible Moneys for Bonds bearing interest at a Daily Mode, Weekly Mode or Unit Pricing Mode when a Credit Facility is in effect, for the redemption or purchase of Bonds in accordance with the provisions of the Bond Indenture, and, third, for reimbursement of the Credit Facility Provider for draws under the Credit Facility applied to redemption of Bonds.

9. Purchase Fund. The Tender Agent shall establish and maintain a special fund designated as the "Purchase Fund," and within such fund four separate accounts designated, respectively, as the "Credit Facility Deposit Account", the "Remarketing Proceeds Account", the "Eligible Moneys Account" and the "Other Moneys Account". The Tender Agent shall deposit all moneys delivered to it for the purchase of Bonds into the Remarketing Proceeds Account and shall hold all such moneys in trust for the exclusive benefit of the Person that shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to it for the account of such Person and, thereafter, for the benefit of the Holders tendering such Bonds. The Tender Agent shall deposit all moneys delivered to it from a payment by or on behalf of the Credit Facility Provider for the purchase of Bonds into the Credit Facility

Deposit Account and shall hold all such moneys in trust for the exclusive benefit of the Credit Facility Provider until the Bonds purchased with such moneys shall have been delivered to or for the account of the Credit Facility Provider and, after such delivery, the Tender Agent shall hold such funds exclusively for the benefit of the Holders tendering such Bonds.

10. Rebate Fund. Section 148(f) of the Code, as implemented by Sections 1.148-0 to 1.148-11 of the Income Tax Regulations (the “Rebate Provisions”) requires that, among other requirements and with certain exceptions, the Authority pay to the United States of America the Rebate Amount owed with respect to the Bonds. The Corporation shall timely make or have made all necessary calculations of the Rebate Amount as required to comply with the requirements of the Bond Indenture and the Rebate Provisions and shall deposit or cause the Bond Trustee to deposit into the Rebate Fund from investment earnings on moneys deposited in the other funds and accounts created hereunder, or from any other funds held by the Bond Trustee and available for such purpose, or from other moneys paid by the Corporation to the Bond Trustee for such purpose, the amount necessary to increase the balance in the Rebate Fund to the Rebate Amount. The Corporation shall annually certify in writing the Rebate Amount, if any (and if none is due, that none is due), and the calculations determining the same to the Bond Trustee, and shall instruct the Bond Trustee in writing to make from the Rebate Fund (or to the extent necessary, from other funds of the Corporation delivered to the Bond Trustee) all required payments to the United States of America of the Rebate Amount as shall be required to satisfy the Rebate Provisions, and to the extent the funds held by the Bond Trustee in the Rebate Fund are not sufficient to make payments of such Rebate Amount, the Corporation shall pay to the Bond Trustee an amount necessary to make up such deficiency. In complying with the foregoing, the Corporation may rely upon any instructions from and any Opinions of Bond Counsel, including, without limitation, a letter to be delivered by Bond Counsel to the Corporation and the Bond Trustee on the date of issuance of the Bonds, and upon any certificates, opinions or calculations prepared by certified public accountants or other consultants reasonably selected by the Corporation.

The Authority and the Bond Trustee shall cooperate with the Corporation in complying with the requirements summarized here and shall promptly provide to the Corporation, upon its request, any information in the possession of the Authority or the Bond Trustee concerning the investment of Gross Proceeds (as defined in the next sentence) of the Bonds and all other information in the possession of the Authority or the Bond Trustee, of benefit to the Corporation in complying with the requirements of this Section. “Gross Proceeds” for this purpose include (a) proceeds of the Bonds, (b) amounts received from the Corporation pursuant to the Loan Agreement with respect to the Bonds, (c) all funds and accounts subject to the lien of the Bond Indenture allocable to the Bonds, and (d) other amounts that the Corporation may advise the Bond Trustee to treat as Gross Proceeds, and investment earnings on all of the foregoing.

Prior to making any distribution from the Rebate Fund held under the Bond Indenture, the Bond Trustee shall determine, from written calculations provided hereunder by the Corporation, whether funds remaining therein subject to the terms of the Bond Indenture shall be sufficient to pay the Rebate Amount when due and shall advise the Corporation of the deficiency, if any, which the Corporation shall promptly pay to the Bond Trustee. The Corporation shall provide the Bond Trustee, along with calculations, directions with regard to payment of the Rebate Amount. Payments to be made to the United States of America as required hereunder may be made directly by the Bond Trustee from the Rebate Fund, or any other fund or account held under the Bond Indenture, or from funds provided by the Corporation upon, and in such amounts as provided in written instructions from the Corporation to the Bond Trustee, notwithstanding any other provisions herein to the contrary.

If any amount allocable to the Bonds shall remain in the Rebate Fund after payment in full of the Bonds and after payment in full to the United States of the Rebate Amount with respect to the Bonds in

accordance with the terms hereof, the Bond Trustee shall, upon the written request of the Corporation, distribute such amount to the Corporation.

The obligation to pay the Rebate Amount to the United States and to comply with all other requirements summarized in this section shall survive the defeasance or payment in full of the Bonds.

Under no circumstances whatsoever shall the Bond Trustee be liable to the Authority, the Corporation or any Bondholder for any loss of the status of interest on the Bonds as excludable from gross income for federal income tax purposes, or any claims, demands, damages, liabilities, losses, costs or expenses resulting therefrom or in any way connected therewith, resulting from a failure to comply with Section 148(f) of the Code so long as the Bond Trustee has acted in accordance with the written directions of the Corporation, as authorized under the Bond Indenture.

INVESTMENT OF FUNDS

Upon receipt of a Written Request of the Corporation filed with the Bond Trustee, moneys in the Revenue Fund, Interest Fund, Bond Sinking Fund, Debt Service Reserve Fund, Redemption Fund, the Operating Reserve Fund, the Project Fund and Expense Fund shall remain invested, to the extent possible, at all times until the moneys therein are required to be used and shall be invested in Qualified Investments. Investments on deposit in all funds and accounts shall be valued at market value at least quarterly. If the Corporation fails to file such a Written Request with the Bond Trustee, moneys in such funds shall be invested in Qualified Investments described in paragraph (iii) of the definition thereof. Such investments shall be made so as to mature on or prior to the date or dates that moneys therefrom are anticipated to be required; provided that amounts on deposit in the Debt Service Reserve Fund (other than a surety bond or letter of credit) shall have an aggregate weighted term to maturity not greater than five years (except with respect to Qualified Investments described in paragraph (vi), (vii) and (viii) of the definition thereof). The Bond Trustee, when authorized by the Corporation, may trade with itself in the purchase and sale of securities for such investment; provided, however, that in no case shall investments be otherwise than in accordance with the investment limitations contained in the Bond Indenture. The Corporation shall be responsible for all Written Requests complying with the requirements of the Tax Certificate. The Bond Trustee shall not be liable or responsible for any loss resulting from any such investments. Any purchase or sale of securities may be accomplished through the Bond Trustee's bond department.

All income in excess of the requirements of the Funds specified in the provisions of the Bond Indenture summarized in the first paragraph of this caption derived from the investment of moneys on deposit in any such funds shall be deposited, on the first Business Day of each month, in the following funds, in the order listed:

- (i) The Rebate Fund to the extent required by the Bond Indenture
- (ii) The Debt Service Reserve Fund to the extent necessary to maintain the Debt Service Reserve Fund Requirement;
- (iii) The Bond Sinking Fund and the Interest Fund (in that order), to the extent, with respect to the Bond Sinking Fund, of the amount required to be deposited in the Bond Sinking Fund to make the next required principal payment on the Bonds if such payment is scheduled to occur within 13 months of such transfer and to the extent, with respect to the Interest Fund, of the amounts which the Bond Trustee estimates based on the then current interest rate of the Bonds will be required to be deposited in the Interest Fund necessary to make any interest payments on the Bonds occurring within 13 months of such transfer; and

- (iv) The balance, if any, in the Redemption Fund.

The Authority (and the Corporation by its execution of the Loan Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority and the Corporation the right to receive brokerage confirmations of security transactions as they occur, the Authority and the Corporation specifically waives receipt of such confirmations to the extent permitted by law. The Bond Trustee will furnish the Authority and the Corporation periodic cash transaction statements which include detail for all investment transactions made by the Bond Trustee under the Bond Indenture.

ARBITRAGE

The Authority covenants and agrees in the Bond Indenture that it will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds issued under the Bond Indenture or with respect to the payments derived under the Loan Agreement or any other moneys regardless of source or where held which may, notwithstanding compliance with the other provisions of the Bond Indenture, the Loan Agreement and the Tax Certificate, result in constituting any Bonds “arbitrage bonds” within the meaning of such term as used in Section 148 of the Code. The Authority further covenants and agrees that it will comply with and take all actions required by the Tax Certificate.

CREDIT FACILITY; SUBSTITUTE CREDIT FACILITY

Pursuant to the Loan Agreement, the Corporation covenants and agrees that at all times while any Bonds are outstanding which bear interest at the Daily Rate, the Weekly Rate or the Unit Pricing Rate, the Corporation will maintain a Credit Facility in full force and effect with respect to all such Bonds in an amount not less than the Required Stated Amount for such Bonds.

Immediately after payment in full has been made on any Bond, either at Maturity, by Bond Sinking Fund payment, optional redemption or upon provision for payment as provided in the Bond Indenture, the Bond Trustee shall direct or send appropriate notice to the Credit Facility Provider requesting or directing that the amount available under the Credit Facility be reduced by an amount equal to such principal so paid plus the amount of interest provided for under the Credit Facility on such principal amount. No direction or consent of the Authority or the Corporation shall be required for the Bond Trustee to take the action required by the preceding sentence.

While Bonds are bearing interest at a Daily Rate a Weekly Rate or a Unit Pricing Rate, a Substitute Credit Facility may become effective on any Business Day, which shall be a Substitute Credit Facility Date. The Corporation shall cause a draft of any Substitute Credit Facility in substantially final form and a commitment letter with respect thereto, together with written evidence from each Rating Agency rating the Bonds prior to the Substitute Credit Facility Date of the rating on the Bonds after the Substitute Credit Facility Date, to be delivered to the Bond Trustee and the Authority, not less than 15 days prior to the proposed Substitute Credit Facility Date. On each Substitute Credit Facility Date the Authority, the Bond Trustee, the Corporation and the Bond Trustee’s Agent shall also receive (i) an opinion of counsel for the Substitute Credit Facility Provider regarding the enforceability of the Substitute Credit Facility in substantially the form delivered to the Bond Trustee upon execution and delivery of the Credit Facility then in effect and (ii) an Opinion of Bond Counsel to the effect that the substitution of the Credit Facility then in effect will not, in and of itself, adversely affect the validity or enforceability of the Bonds or result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

On any Substitute Credit Facility Date on which a Substitute Credit Facility becomes effective in accordance with the provisions summarized under this caption, the Bond Trustee shall take such action as

is required under the Credit Facility Agreement to cause the cancellation of the Credit Facility then in effect provided that all draws made thereunder have been honored.

On each Substitute Credit Facility Date the Bonds shall be subject to mandatory purchase pursuant to the Bond Indenture. If any draw on a Credit Facility is necessary on the Substitute Credit Facility Date, the Bond Trustee shall draw on the prior Credit Facility. If any Bank Bonds remain outstanding on such Substitute Credit Facility Date, the new Credit Facility Provider shall fund and purchase the prior Credit Facility Provider's position in such Bank Bonds.

Immediate Notice shall be given by the Bond Trustee to the Credit Facility Provider, the Corporation, the Authority and each Rating Agency then maintaining a rating on the Bonds if no satisfactory Substitute Credit Facility shall be furnished to the Bond Trustee in accordance with this caption on or prior to the Expiration Date of the then current Credit Facility, unless the requirements of the Bond Indenture are satisfied.

On the second Business Day preceding the Expiration Date, the Bonds shall be subject to mandatory purchase pursuant to the Bond Indenture.

SUPPLEMENTAL BOND INDENTURES

Subject to the limitation set forth in the Bond Indenture, the Authority and the Bond Trustee may, without the consent of, or notice to, any of the Bondholders, but with the consent of the Credit Facility Provider, if any, enter into an indenture or indentures supplemental to the Bond Indenture, as shall not be inconsistent with the terms and provisions the Bond Indenture, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in the Bond Indenture;
- (b) to grant to or confer upon the Bond Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders and the Bond Trustee, or either of them;
- (c) to assign and pledge under the Bond Indenture additional revenues, properties or collateral or to provide for the use of a Credit Facility including during any Mode with respect to which such a Facility is not required under the terms of the Bond Indenture;
- (d) to evidence the appointment of a separate co-bond trustee or the succession of a new bond trustee under the Bond Indenture;
- (e) to permit the qualification of the Bond Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;
- (f) to permit the issuance of coupon bonds under the Bond Indenture and to permit the exchange of Bonds from registered form to coupon form and vice versa;
- (g) to provide for the refunding or advance refunding of any Bonds, including providing for the establishment and administration of an escrow fund and the taking of related action in connection therewith;
- (h) to permit continued compliance with the Tax Certificate; and

(i) with the written consent of the Credit Facility Provider, to make any other change that, in the judgment of the Bond Trustee, does not materially adversely affect the rights of any Bondholders.

The Authority and the Bond Trustee may not enter into a bond indenture or indentures supplemental to the Bond Indenture pursuant to subparagraph (g) above unless they shall have received an Opinion of Bond Counsel to the effect that entry into such indenture and the issuance of coupon Bonds pursuant thereto is permitted under the Bond Indenture and will not, in and of itself, adversely affect the validity or enforceability of the Bonds or result in the inclusion of interest on the Bonds in gross income for federal income tax purposes. The Bond Trustee may decline in its discretion to enter into an indenture supplemental to the Bond Indenture pursuant to the other subparagraphs of the Bond Indenture described above unless it receives such an Opinion of Bond Counsel.

If at any time the Authority or the Bond Trustee proposes to enter into an indenture supplemental to the Bond Indenture pursuant to this caption, the Bond Trustee shall cause notice of the proposed execution of such supplemental indenture to be given to the Credit Facility Provider and any Rating Agency then maintaining a rating on any of the Bonds in the manner provided in the Bond Indenture at least 10 days prior to the execution of such supplemental indenture, which notice shall include a copy of the proposed supplemental indenture.

In addition to supplemental indentures covered by the Bond Indenture and subject to the terms and provisions contained in this caption, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Bonds which are outstanding under the Bond Indenture at the time of the execution of such indenture or supplemental indenture, in all cases with the written consent of the Credit Facility Provider, if any, shall have the right, from time to time, anything contained in the Bond Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Bond Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Indenture or in any supplemental indenture; provided, however, that, except as set forth in the next proviso, the Credit Facility Provider may consent to such amendment on behalf of the owners of the Bonds so long as the Credit Facility Provider has not lost any of its rights pursuant to the Bond Indenture; provided, however, that nothing contained in the Bond Indenture shall permit, or be construed as permitting, a supplemental indenture to effect: (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bonds, without the consent of the holders of such Bonds; (b) a reduction in the amount or extension of the time of any payment required to be made to or from the Interest Fund or the Bond Sinking Fund; (c) the creation of any lien prior to or on a parity with the lien of the Bond Indenture on the property described in the granting clauses of the Bond Indenture or the deprivation of any Bondholder of the lien created by the Bond Indenture on such property, without the consent of the holders of all the Bonds at the time outstanding; (d) a reduction in the aforesaid aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all the Bonds at the time outstanding which would be affected by the action to be taken; or (e) a modification of the rights, duties or immunities of the Bond Trustee, without the written consent of the Bond Trustee.

If at any time the Authority shall request the Bond Trustee to enter into any such supplemental indenture for any of the purposes of this caption, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed to the Credit Facility Provider and each holder of Bonds as shown on the registration books of the Bond Trustee. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Bond

Trustee for inspection by all Bondholders. The Bond Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail such notice, and any such failure shall not affect the validity of such supplemental indenture when consented to and approved as provided in this caption. If the holders of the requisite principal amount of Bonds which are outstanding under the Bond Indenture at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as provided in the Bond Indenture, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as permitted by and provided in the Bond Indenture, the Bond Indenture shall be and be deemed to be modified and amended in accordance therewith.

If at any time the Authority or the Bond Trustee proposes to enter into an indenture supplemental to the Bond Indenture pursuant to this caption, the Bond Trustee shall cause notice of the proposed execution of such supplemental indenture to be given to the Credit Facility Provider and any Rating Agency then maintaining a rating on any of the Bonds in the manner provided in the Bond Indenture at least 10 days prior to the execution of such supplemental indenture, which notice shall include a copy of the proposed supplemental indenture.

Anything in the Bond Indenture to the contrary notwithstanding, so long as the Corporation is not in default under the Loan Agreement, a supplemental indenture under the Bond Indenture shall not become effective unless and until the Corporation shall have consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Bond Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture to which the Corporation has not already consented, together with a copy of the proposed supplemental indenture and a written consent form to be signed by the Corporation, to be mailed by first class mail to the Corporation at least 30 days prior to the proposed date of execution and delivery of any such supplemental indenture.

DEFAULTS AND REMEDIES

Each of the following events is an “event of default” under the Bond Indenture:

(a) payment of any installment of interest payable on any of the Bonds shall not be made when the same shall become due and payable; or

(b) payment of the principal or the premium, if any, payable on any of the Bonds shall not be made when the same shall become due and payable, either at Maturity, by proceedings for redemption, upon acceleration, through failure to make any payment to any fund under the Bond Indenture or otherwise; or

(c) payment of the Purchase Price of any Bond tendered pursuant to the Bond Indenture is not made when it becomes due and payable; or

(d) any event of default as defined in the Loan Agreement shall occur as a result of which the Authority or the Bond Trustee is entitled under the Loan Agreement to the loan to be immediately due and payable; or

(e) the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Indenture or any agreement supplemental hereto to be performed on the part of the Authority, and such default shall continue for the period of 30 days after written notice specifying such default and requiring the same to be

remedied shall have been given to the Authority and the Corporation by the Bond Trustee; provided that the Bond Trustee may give such notice in its discretion and shall give such notice at the written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding under the Bond Indenture; provided further that if such default cannot with due diligence and dispatch be wholly cured within 30 days but can be wholly cured, the failure of the Authority to remedy such default within such 30-day period shall not constitute a default under the Bond Indenture if the Authority shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch and the same shall in all events be cured within 60 days after written notice thereof from the Bond Trustee to the Corporation; or

(f) the Trustee receives a notice from the Credit Facility Provider stating that an Event of Default as defined in the Reimbursement Agreement has occurred and is continuing, directing the Bond Trustee to declare the Bonds immediately due and payable, and stating that the Credit Facility will terminate 10 days after the Trustee's receipt of such notice.

If on the date payment of principal of or interest on any Bonds is due, sufficient moneys are not available to make such payment, the Bond Trustee shall give telephonic notice, confirmed in writing, of such insufficiency to the Corporation.

The Bond Trustee shall give the Corporation Immediate Notice of any failure of the Corporation to pay any installment of interest, principal or premium on any other payment of principal, premium, if any, and interest required by the Loan Agreement when the same shall become due and payable, whether upon a scheduled Interest Payment Date, at Maturity, upon any date fixed for prepayment, by acceleration or otherwise.

Upon the happening of any event of default specified in subparagraphs (c) through (f) above and the continuance of the same for the period, if any, specified in said subparagraphs, the Bond Trustee as the assignee of the Authority may, with the consent of the Credit Facility Provider, and shall upon the request of the Credit Facility Provider, but without any action on the part of the Bondholders, and upon the happening of an event of default specified in subparagraphs (a) or (b) above, and without any action on the part of the Bondholders, or upon the happening and continuance of any other event of default (other than those specified in subparagraphs (a) or (b) above and the written request of holders of not less than 25% in aggregate principal amount of the Bonds then outstanding under the Bond Indenture (exclusive of Bonds then owned by the Corporation, the Authority or an affiliate of either), and (except as provided in the Bond Indenture), the Bond Trustee as assignee of the Authority shall, by notice in writing delivered to the Authority, declare the entire principal amount of the Bonds then outstanding under the Bond Indenture and the interest accrued thereon, immediately due and payable, and the entire principal and interest shall thereupon become and be immediately due and payable, subject, however, to the provisions of the Bond Indenture with respect to waivers of events of default. If a Credit Facility is then in effect, the Bond Trustee shall thereupon draw under the Credit Facility. The Bond Trustee shall give notice thereof by first class mail, postage prepaid, to all owners of outstanding Bonds, the Authority, the Corporation and the Credit Facility Provider; provided, however, that the giving of such notice shall not be considered a precondition to the Bond Trustee declaring the entire principal amount of the Bonds then outstanding and the interest thereon immediately due and payable. Interest shall cease to accrue upon declaration of acceleration.

REMEDIES; RIGHTS OF BONDHOLDERS

Upon the occurrence of any Event of Default under the Bond Indenture, the Bond Trustee may, with the written consent of the Credit Facility Provider and without any action on the part of the

Bondholders, and shall, upon being indemnified to its satisfaction, at the direction of the Credit Facility Provider pursue any available remedy, including a suit at law or in equity to: (a) enforce the payment of the principal of, premium, if any, and interest on the Bonds outstanding under the Bond Indenture; (b) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the owners under, and require the Authority or the Corporation to carry out any agreements with or for the benefit of the owners of Bonds and to perform its or their duties under, the Act, the Loan Agreement and the Bond Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Loan Agreement or the Bond Indenture, as the case may be; (c) bring suit upon the Bonds; or (d) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the owners of Bonds.

If an Event of Default shall have occurred, and if the Bond Trustee shall have been requested to do so by the Credit Facility Provider or the owners of not less than 25% in aggregate principal amount of Bonds then outstanding with the written consent of the Credit Facility Provider and the Bond Trustee shall have been indemnified as provided in the Bond Indenture, the Bond Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this caption as the Bond Trustee shall deem most expedient in the interests of the owners of Bonds; provided, however, that the Bond Trustee shall have the right to decline to comply with any such request or direction if the Bond Trustee shall be advised by counsel (who may be its own counsel) that the action so requested may not lawfully be taken or the Bond Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of Bonds not parties to such request.

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

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

No waiver of any default or Event of Default under the Bond Indenture, whether by the Bond Trustee, by the holders of Bonds, or the Credit Facility Provider, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

When the Bond Trustee incurs expenses or renders services after the occurrence of an act of bankruptcy with respect to the Authority or the Corporation, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

DIRECTION OF PROCEEDINGS BY BONDHOLDERS

The Credit Facility Provider or the owners of not less than a majority in aggregate principal amount of Outstanding Bonds shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Bond Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture, including the enforcement of the rights of the Authority under the Loan Agreement or the appointment of a receiver or any other proceedings under the Bond Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Bond Indenture.

WAIVER OF EVENTS OF DEFAULT

The Bond Trustee may, with the written consent of the Credit Facility Provider, in its discretion without any action on the part of the Bondholders, and shall, upon the direction of the Credit Facility Provider, waive any Event of Default under the Bond Indenture and its consequences and rescind any declaration of maturity of principal, and shall do so upon being indemnified to its satisfaction and receipt of the written request of the holders of (1) at least a majority in aggregate principal amount of all the Bonds outstanding in respect of which default in the payment of principal and/or interest exists, or (2) at least a majority in aggregate principal amount of all the Bonds outstanding in the case of any other event of default with the written consent of the Credit Facility Provider; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of any outstanding Bonds when due whether by mandatory redemption through the Bond Sinking Fund, at the dates of Maturity specified therein or otherwise other than principal due upon an acceleration of the Bonds or (b) any default in the payment when due of the interest on any such Bonds, other than accrued interest due solely as a result of an acceleration of the Bonds, unless prior to such waiver or rescission all arrears of interest, with interest thereon (to the extent permitted by law) at the rate borne by the Bonds in respect of which such default shall have occurred on overdue installments of interest or all arrears of payments of principal when due, as the case may be, and all fees and expenses of the Bond Trustee, the Authority and any Paying Agent in connection with such default shall have been paid or provided for, including, but not limited to, the reasonable fees of their counsel. Notwithstanding the foregoing any default under the Bond Indenture shall not be waived after a draw under the Credit Facility unless the Trustee has received notice that the Credit Facility has been reinstated. The Bond Trustee shall not waive an Event of Default under paragraph (f) under the heading "Defaults and Remedies" above unless it shall have received notice that the Credit Facility Provider shall have rescinded any event under the Reimbursement Agreement which has resulted in such Event of Default.

In case of any such waiver or rescission or in case any proceeding taken by the Bond Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Bond Trustee and the Bondholders shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Bond Indenture respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

APPLICATION OF MONEYS

All moneys received by the Bond Trustee or by any receiver pursuant to any right given or action taken under the provisions of the Bond Indenture and any other funds then held shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees of, and the expenses, liabilities and advances incurred or made by the Bond Trustee which are outstanding at the request or with the concurrence of the Bond Trustee, be deposited in the Revenue Fund and all moneys (other than moneys, including remarketing proceeds and proceeds of draws under the Credit Facility, for the payment of Bonds which have previously matured or otherwise become payable prior to such Event of Default or for the payment of interest which became due prior to such Event of Default) in the Funds maintained by the Bond Trustee under the Bond Indenture shall be applied as follows (provided that the proceeds of draws on the Credit Facility, which shall be applied solely to the payment of the principal of and interest on the Bonds):

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto without any discrimination or privilege;

SECOND: To the payment to the Persons entitled thereto of the unpaid principal (including unpaid premium, if any) of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Bond Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege;

THIRD: To the payment of amounts, if any, payable pursuant to the terms of the Bond Indenture; and

FOURTH: To the payment to the Persons entitled thereto of unpaid principal and interest due and owing on any Bonds, the payment of principal and interest of which has been extended in the manner described in the Bond Indenture.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:

FIRST: To the payment of the principal (including unpaid premium, if any) and interest then due and unpaid upon the Bonds, without preference or priority of principal or interest over the other, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or privilege; and

SECOND: To the payment of the principal (including unpaid premium, if any) and interest when due and unpaid upon Bonds with respect to which the payment of principal and interest has been extended as described in the Bond Indenture; and

THIRD: To the payment of amounts, if any, payable pursuant to the terms of the Bond Indenture.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Bond Indenture, then, subject to the provisions of subparagraph (b) above in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subparagraph (a) above.

Whenever moneys are to be applied by the Bond Trustee pursuant to the provisions of Bond Indenture summarized under this caption, such moneys shall be applied by it at such times, and from time to time, as the Bond Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such moneys which shall not include the application of moneys upon the occurrence of an acceleration pursuant to the Bond Indenture, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable, or, with respect to payments of Defaulted Interest, shall be such date as is required by the Bond Indenture) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate of the deposit

with it of any such moneys and of the fixing of any such date and of the Special Record Date by mailing a copy of such notice by first class mail to the registered owners of the Bonds, at least 10 days prior to the Special Record Date. The Bond Trustee shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid under the provisions summarized under this caption, all expenses and charges of the Bond Trustee have been paid and all amounts due and owing to the Credit Facility Provider, if any, have been paid, any balance remaining shall be paid to the Persons entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Corporation.

REMOVAL OF THE BOND TRUSTEE

Subject to the Bond Indenture, the Bond Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Bond Trustee, the Corporation, the Credit Facility Provider and the Authority, and signed by the owners of a majority in aggregate principal amount of Bonds then outstanding. So long as no Event of Default has occurred and is continuing under the Bond Indenture or the Loan Agreement, the Bond Trustee may be removed for cause (including but not limited to maintaining non-competitive fees) at any time by an instrument or concurrent instruments in writing signed by the Corporation consented to in writing by the Authority and the Credit Facility Provider and delivered to the Bond Trustee. The foregoing notwithstanding, the Bond Trustee may not be removed by the Corporation unless written notice of the delivery of such instrument or instruments signed by the Authority is mailed to the owners of all Bonds outstanding under the Bond Indenture, which notice indicates the Bond Trustee will be removed and replaced by the successor trustee named in such notice, such removal and replacement to become effective on the 90th day next succeeding the date of such notice, unless the owners of not less than ten percent (10%) in aggregate principal amount of such Bonds then outstanding under the Bond Indenture shall object in writing to such removal and replacement. Such notice shall be mailed by first class mail postage prepaid to the owners of all such Bonds then outstanding at the address of such owners then shown on the Bond Register.

DEFEASANCE

If the Authority shall pay or provide for the payment of the entire indebtedness on all Bonds (including for the purposes of the provisions of the Bond Indenture summarized under this caption, Bonds held by the Corporation) in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Bonds outstanding, as and when the same become due and payable;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys (which shall be Eligible Moneys (other than moneys described in subparagraphs (b) and (c) of the definition of Eligible Moneys) for payment of Bonds bearing interest at the Daily Rate, the Weekly Rate or the Unit Pricing Rate, or for Bank Bonds), in an amount sufficient to pay or redeem (when redeemable) all Bonds outstanding (including the payment of premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested in Defeasance Obligations which are not prepayable or callable prior to, but mature on a date on or prior to the date the moneys therefrom are anticipated to be required in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds outstanding at or before their respective maturity dates; it being understood

that the investment income on such Defeasance Obligations may be used for any other purpose under the Act;

(c) by delivering to the Bond Trustee, for cancellation by it, all Bonds outstanding; or

(d) by depositing with the Bond Trustee, in trust, Defeasance Obligations which are not prepayable or callable prior to, but mature on a date on or prior to the date the moneys therefrom are anticipated to be required (purchased with Eligible Moneys (other than moneys described in subparagraphs (b) and (c) of the definition of Eligible Moneys) for payment of Bonds bearing interest at the Daily Rate or the Weekly Rate, or for Bank Bonds) in such amount as the Bond Trustee shall determine will, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, and any uninvested cash, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds outstanding at or before their respective maturity dates; provided that the Bond Trustee shall be permitted to rely upon an accountant's verification report as conclusive evidence of the sufficiency of the amount of such deposit;

and if the the Credit Facility has terminated and the Authority and the Corporation shall pay or cause to be paid all other sums payable under the Bond Indenture by the Authority and all sums payable under the Reimbursement Agreement, the Bond Indenture and the estate and rights granted under the Bond Indenture shall cease, determine, and become null and void, and thereupon the Bond Trustee shall, upon Written Request of the Authority, and upon receipt by the Bond Trustee of an Officer's Certificate of the Corporation and an opinion of Independent Counsel, each addressed to the Authority, the Bond Trustee and the Credit Facility Provider, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Bond Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Bond Indenture, the Loan Agreement and all financing statements filed in connection therewith, other than the liens on and financing statements filed in connection with such liens on the Defeasance Obligations deposited. The provisions of subparagraphs (b) and (d) above shall only apply if (x) (A) such Bond matures or is called for redemption prior to the next date upon which such Bond is subject to purchase pursuant to the Bond Indenture or (B) if such Bond bears interest at a Daily Rate or Weekly Rate, the Bond Trustee, the Credit Facility Provider and the Authority receive evidence satisfactory to them that the moneys on deposit in the escrow established to advance refund such Bonds are in an amount sufficient to pay the principal of and interest on such Bonds at the Maximum Interest Rate, on any date such Bonds may be tendered during the period prior to payment in full of principal, premium, if any, and interest payable on such Bonds, in which case the tendered Bonds shall be purchased with moneys on deposit in the escrow and shall be canceled, which evidence shall be accompanied by a written notice from each Rating Agency then maintaining a rating on the Bonds to be refunded that the rating on such Bonds will not be withdrawn, suspended or reduced from the rating borne by such Bonds immediately prior to such refunding, and (y) the Corporation waives, to the satisfaction of the Bond Trustee, its right to convert the method for determining the interest rate borne by such Bond pursuant to the Bond Indenture.

The satisfaction and discharge of the Bond Indenture shall be without prejudice to the rights of the Bond Trustee to charge and be reimbursed by the Authority and the Corporation for any expenditures which it may thereafter incur in connection herewith.

Any moneys, funds, securities, or other property remaining on deposit in the Revenue Fund, Interest Fund, Bond Sinking Fund, Debt Service Reserve Fund, Redemption Fund, Expense Fund or in any other fund or investment under the Bond Indenture (other than said Defeasance Obligations or other moneys deposited in trust as above provided and other than amounts on deposit in the Rebate Fund) shall, upon the full satisfaction of the Bond Indenture, forthwith be transferred, paid over and distributed to the Corporation immediately preceding such satisfaction, as their respective interests may appear.

Upon compliance with the Bond Indenture, the Authority, the Corporation may at any time surrender to the Bond Trustee for cancellation by it any Bonds previously authenticated and delivered, which the Authority or the Corporation may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

In addition, if any Bonds are defeased pursuant to subparagraph (b) or (d) above, the Corporation shall also deliver or cause to be delivered the following to the Bond Trustee:

(i) report of an independent firm of nationally recognized certified public accountants or such other accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date (a "Verification");

(ii) an escrow deposit agreement;

(iii) an opinion of Bond Counsel to the effect that the Bonds are no longer "Outstanding" under the Bond Indenture; and

(iv) a certificate of discharge of the Bond Trustee with respect to the Bonds.

Each Verification and opinion of Bond Counsel shall be acceptable in form and substance, and addressed, to the Authority and the Bond Trustee.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

REPRESENTATIONS

The Corporation represents in the Loan Agreement that it is a nonprofit public benefit corporation duly incorporated under the laws of the State, is in good standing and is duly authorized to conduct its business in the State and the Corporation has full power under all applicable laws and its articles of incorporation and By-laws to create, issue, enter into, execute and deliver, as applicable, the Official Statement, the Tax Certificate, the Deed of Trust, the Remarketing Agreement and the Loan Agreement. In addition, the Corporation represents in the Loan Agreement that it (i) is a Tax-Exempt Organization, (ii) has received a letter from the Internal Revenue Service to the foregoing effect, which letter has not been modified, limited or revoked, (iii) is in compliance with all the terms, conditions and limitations (if any) contained in such letter, it being specifically represented by them that the facts and circumstances which form the basis of such letter continue to exist, (v) is in compliance with all laws and regulations applicable to its status under the Code, and (v) is therefore exempt from federal income taxes under Section 501(a) of the Code.

ASSIGNMENT OF RIGHTS UNDER THE LOAN AGREEMENT

The Corporation acknowledges and consents to the pledge and assignment of the Loan Agreement (excluding Unassigned Rights) and payments to be made under the Loan Agreement and thereunder, and of the Authority's rights under the Loan Agreement (excluding Unassigned Rights) to the Bond Trustee pursuant to the Bond Indenture to secure payment of the Bonds and agrees that the Bond Trustee may, on behalf of the owners of the Bonds, enforce the rights, remedies and privileges granted to the Authority under the Loan Agreement, other than the Unassigned Rights.

PAYMENTS UNDER THE LOAN AGREEMENT

Under the terms of the Loan Agreement, the Corporation agrees that the principal of, premium, if any, and interest on the Bonds shall be made payable in accordance with the provisions of the Bond Indenture and the Loan Agreement. The Corporation further agrees that the Loan Agreement and payments to be made thereunder (excluding Unassigned Rights) and thereon shall be assigned and pledged to the Bond Trustee to secure the payment of the Bonds. The foregoing notwithstanding, the Corporation agrees that the moneys and securities, if any, on deposit in the Rebate Fund and the Purchase Fund are not part of the “trust estate” and are not available to make payments of principal, premium, if any, and interest on the Bonds.

INDEMNIFICATION OF THE AUTHORITY AND THE BOND TRUSTEE

The Corporation agrees to pay, and to protect, indemnify and save the Authority and its members, the Association of Bay Area Governments and its members, the Bond Trustee and each of their respective officers, governing members, directors, officials, employees, attorneys and agents harmless from and against, any and all liabilities, losses, damages, tax penalties, costs and expenses incurred by them, all as more fully described in the Loan Agreement.

USE OF PROPERTY

The Corporation agrees to use, its senior residential and care Facilities primarily as revenue producing facilities and for related activities and only in furtherance of its lawful corporate purposes. The Corporation further covenants to operate, so as not to discriminate on a legally impermissible basis.

The Corporation further agrees that it will not use or permit to be used or permit to be used, any of its bond financed property (i) primarily for sectarian instruction or study or as a place of devotional activities or religious worship or as a facility used primarily in connection with any part of the program of a school or department of divinity for any religious denomination or the training of ministers, priests, nuns, rabbis or other similar persons in the field of religion, or (ii) in a manner which is prohibited by the establishment of religion clause of the First Amendment to the Constitution of the United States of America and the decisions of the United States Supreme Court interpreting the same or by any comparable provisions of the Constitution of the State and the decisions in the Supreme Court of the State interpreting the same.

The Corporation will permit the Authority, but the Authority shall not be obligated, to make inspections of any of its Property to determine compliance with the two preceding paragraphs. The provisions summarized in this paragraph and the immediately preceding paragraph shall remain in full force and effect notwithstanding the payment of the Bonds and all amounts due and owing hereunder and the termination of the Bond Indenture and this Loan Agreement.

The covenants and agreements contained summarized under this caption need not be observed or may be changed if the Bond Trustee and the Corporation receive an Opinion of Bond Counsel to the effect that such nonobservance or change will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes or the validity of the Bonds.

INVESTMENT OF FUNDS; COMPLIANCE WITH TAX REQUIREMENTS

The Corporation covenants and agrees that moneys on deposit in any Fund under the Bond Indenture shall at all times be invested by the Bond Trustee in Qualified Investments and that the Corporation will take all actions necessary, including without limitation providing the Bond Trustee with,

or causing the Bond Trustee to receive, all necessary directions in writing to assure that such moneys are continuously invested in accordance with the provisions of the Bond Indenture and the Tax Certificate. In the absence of any direction by the Corporation, moneys on deposit in any Fund under the Bond Indenture shall not be invested. The Bond Trustee is hereby authorized to trade with itself in the purchase and sale of securities as provided in the Bond Indenture until otherwise directed by the Corporation in an Officer's Certificate.

The Authority and the Corporation each agrees and covenants that it will not (i) knowingly use or permit the use of any of the funds provided by the Authority under the Loan Agreement, (ii) knowingly use or invest or permit the use or investment of any other funds of the Corporation (including, without limitation, any funds of the Corporation pledged to any Credit Facility Provider in connection with the Corporation's obligations under the Credit Facility or otherwise), directly or indirectly, (iii) direct the Bond Trustee to invest any funds held by it under the Bond Indenture, or (iv) take any other action or approve any other action, that directly or indirectly would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code, a "hedge bond" within the meaning of Section 149 of the Code, or "federally guaranteed" within the meaning of Section 149(b) of the Code; and that it will observe and not violate the requirements of Section 148 of the Code. Without limiting the generality of the foregoing, the Authority covenants that not more than fifty percent (50%) of the proceeds of the Bonds will be invested in a guaranteed investment contract with a term of four (4) years or more, or in another form of nonpurpose investment (within the meaning of Section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four (4) years or more.

In addition to the foregoing, the Authority covenants and agrees, for the benefit of the owners from time to time of the Bonds, that:

(i) it will not take any action, or omit to take any action or permit any action that is within its control to be taken or omitted, the result of which would cause or be likely to cause the interest payable with respect to any Bonds not to be excluded from gross income for federal income tax purposes;

(ii) it will comply with the requirements applicable to it contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code to the extent necessary to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes;

(iii) it will refrain from taking any action that would cause the Bonds, or any of them, not to be classified as "qualified bonds" under Section 141(e) of the Code; and

(iv) it shall complete and file Form 8038, Information Return for Tax-Exempt Private Activity Bond Issues, with respect to the Bonds, within the time period required by Section 149(e) of the Code and take any other steps necessary to comply with the information reporting requirement imposed by that section of the Code.

The Bond Trustee covenants that it will make investments of money deposited with it in any Fund in connection with the Bonds only in accordance with the terms of the Bond Indenture and with written directions of the Corporation and that it will make all payments to the United States of America to the extent moneys are available therefor in Funds held in accordance with the terms of the Bond Indenture.

CORPORATION'S OBLIGATIONS UNCONDITIONAL

The Authority and the Corporation agree that the Corporation shall bear all risk of damage, destruction or loss of title in whole or in part to its property, or any part thereof, including without limitation any loss, complete or partial, or interruption in the use, occupancy or operation of such

Property, or any manner or thing which for any reason interferes with, prevents or renders burdensome, the use or occupancy of its Property or the compliance by the Corporation with any of the terms of the Loan Agreement. In furtherance of the foregoing, but without limiting any of the other provisions of the Loan Agreement, the Corporation agrees that its obligations to pay the principal, premium, if any, and interest owing under the Loan Agreement, to pay the other sums provided for in the Loan Agreement and to perform and observe its other agreements contained in the Loan Agreement shall be absolute and unconditional and that the Corporation shall not be entitled to any abatement or diminution thereof nor to any termination of the Loan Agreement for any reason whatsoever. Under no circumstances shall payments on the Bonds made pursuant to payments by the Credit Facility Provider under the Credit Facility diminish, abate or otherwise discharge the obligations of the Corporation under the Loan Agreement.

EXCHANGE OF BONDS

In the event the Act or the Authority created thereunder is determined to be unconstitutional under the laws of the State or under the laws of the United States of America, and as a result thereof, the Bonds issued by the Authority are declared to be invalid and unenforceable, then the Corporation agrees that it will issue its own bonds (the interest on which may not be exempt from federal income tax) in exchange for an amount of Bonds equal to the then outstanding Bonds, principal amount for principal amount, having the same rates of interest, maturity, redemption provisions and prepayment provisions as are then applicable to the Bonds being exchanged. The bonds to be issued by the Corporation will be issued under an indenture having substantially the same terms and provisions as the Bond Indenture and the Loan Agreement and such bonds of the Corporation will be issued thereunder in exchange for an amount of Bonds equal to the Bonds surrendered by the registered owners thereof. Notice of any such exchange shall be given as provided for redemption of the Bonds under the Bond Indenture and the expenses of such exchange, including the printing of the bonds and other reasonable expenses in connection therewith, shall be borne by the Corporation.

DISCHARGE OF ORDERS

The Corporation covenants to cause any order, writ or warrant of attachment, garnishment, execution, replevin or similar process filed against any part of the funds or accounts held by the Bond Trustee under the Bond Indenture to be discharged, vacated, bonded or stayed within 90 days after such filing (which 90-day period shall be extended for so long as the Corporation is contesting such process in good faith), but, notwithstanding the foregoing, in any event not later than five days prior to any proposed execution or enforcement with respect to such filing or any transfer of moneys or investments pursuant to such filing.

DEPOSITS TO THE DEBT SERVICE RESERVE FUND

The Corporation agrees to deposit into the Debt Service Reserve Fund an amount (which may consist of cash and/or the Qualified Investments permitted under the Bond Indenture) or a letter of credit or a surety bond policy sufficient to cause the amount in the Debt Service Reserve Fund to equal to the Debt Service Reserve Fund Requirement as required under the Bond Indenture.

CREDIT FACILITY; SUBSTITUTE CREDIT FACILITY

While any Bonds bear interest at the Daily Rate, the Weekly Rate or the Unit Pricing Rate, the Corporation shall furnish a Credit Facility (or, if a Credit Facility is then in existence, a Substitute Credit Facility in substitution for the Credit Facility then in effect if permitted by the Credit Facility then in effect) to the Bond Trustee authorizing the Bond Trustee to draw funds to pay the principal of, accrued

interest one and purchase price of the Bonds bearing interest at the Daily Rate or the Weekly Rate. Any Credit Facility (or Substitute Credit Facility) shall be a facility provided by a Credit Facility Provider in an amount equal to the Required Stated Amount for such Bonds with a term of at least 360 days from the effective date thereof.

The Corporation shall give at least 60 days' written notice to the Bond Trustee of (1) its intent to furnish a Credit Facility or Substitute Credit Facility to the Bond Trustee, which notice shall specify the nature of such Credit Facility, the identity of the Credit Facility Provider, the Bonds to have the benefit of the Credit Facility, and the proposed effective date and scheduled termination date of the Credit Facility and (2) its intent to terminate a Credit Facility then in effect, which notice shall specify the proposed termination date for such Credit Facility.

SUPPLEMENTS AND AMENDMENTS TO THE LOAN AGREEMENT

The Corporation, with the consent of the Authority, the Credit Facility Provider and the Bond Trustee may from time to time enter into such supplements and amendments to the Loan Agreement as to them may seem necessary or desirable to effectuate the purposes or intent of the Loan Agreement; provided, however, that no such amendment shall be effective if not adopted in accordance with the terms of the Bond Indenture. An executed copy of any of the foregoing amendments, changes or modification shall be filed with the Bond Trustee. The Bond Trustee may grant such waivers of compliance by the Corporation with provisions of the Loan Agreement as to which the Bond Trustee may deem necessary or desirable to effectuate the purposes or intent of the Loan Agreement and which, in the opinion of the Bond Trustee, do not have a material adverse effect upon the interests of the Bondholders, provided that the Bond Trustee shall file with the Authority any and all such waivers granted by the Bond Trustee within three (3) business days thereof.

DEFAULTS AND REMEDIES

The occurrence and continuance of any of the following events shall constitute an "event of default" under the Loan Agreement:

(a) failure of the Corporation to pay any installment of interest, principal or premium under the Loan Agreement or any other payment required by the Loan Agreement when the same shall become due and payable, whether upon a scheduled Interest Payment Date, on a Maturity Date, upon any date fixed for prepayment, upon acceleration or otherwise; or

(b) failure of the Corporation to comply with or perform any of the covenants, conditions or provisions of the Loan Agreement, or failure of the Corporation to comply with or perform any of the covenants, conditions or provisions of the Tax Certificate and to remedy such default within 30 days after written notice thereof from the Authority or the Bond Trustee to the Corporation; provided that, if such default cannot with due diligence and dispatch be wholly cured within 30 days but can be wholly cured, the failure of the Authority, the Corporation or the Bond Trustee to remedy such default within such 30 day period shall not constitute a default under the Loan Agreement if any of the foregoing shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch; or

(c) any representation or warranty made by the Corporation in the Loan Agreement or in any statement or certificate, furnished to the Authority or the Bond Trustee or the purchaser of any Bonds in connection with the sale of Bonds or furnished by the Corporation pursuant thereto proves untrue in any material respect as of the date of the issuance or making thereof and shall not be corrected or brought into

compliance within 30 days after written notice thereof to the Corporation by the Authority or the Bond Trustee; or

(d) any Event of Default shall occur under the Bond Indenture; or

(e) the Corporation admits insolvency or bankruptcy or its inability to pay its debts as they mature, or is generally not paying its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for the Corporation, or for the major part of its property; or

(f) a trustee, custodian or receiver is appointed for the Corporation or for the major part of its property and is not discharged within 60 days after such appointment; or

(g) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against the Corporation (other than bankruptcy proceedings instituted by the Corporation against third parties), and if instituted against the Corporation are allowed against the Corporation or are consented to or are not dismissed, stayed or otherwise nullified within 60 days after such institution; or

The Corporation will give Immediate Notice to the Authority and the Bond Trustee of any Event of Default described in (d) through (g).

Upon the occurrence and during the continuance of any event of default under the Loan Agreement and subject to compliance with the Loan Agreement, the Authority shall have the following rights and remedies, in addition to any other remedies in the Loan Agreement or by law provided:

(A) The Bond Trustee, as assignee of the Authority, may, with the written consent of the Credit Facility Provider and shall, at the written direction of the Credit Facility Provider, by written notice to the Corporation, declare all amounts payable pursuant to the Loan Agreement immediately due and payable.

(B) The Bond Trustee, as assignee of the Authority, may in its discretion, with the written consent of the Credit Facility Provider, and shall, upon indemnification to its satisfaction and upon the written direction of the Credit Facility Provider, with or without entry, personally or by attorney, proceed to protect and enforce its rights by pursuing any available remedy including a suit or suits in equity or at law, whether for damages or for the specific performance of any obligation, covenant or agreement contained in the Loan Agreement, or in aid of the execution of any power granted in the Loan Agreement, or for the enforcement of any other appropriate legal or equitable remedy, as the Bond Trustee shall deem most effectual to collect the payments then due and thereafter to become due hereunder or to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Loan Agreement, or to protect and enforce any of the Authority's rights or duties under the Loan Agreement. With regard to the Deed of Trust, the exercise of any remedies are subject to provisions of the Bond Indenture, as applicable.

SUMMARY OF CERTAIN PROVISIONS OF THE DEED OF TRUST

The obligations of the Corporation under to the Loan Agreement and the Reimbursement Agreement are secured by the lien of the Deed of Trust upon the Facilities (including certain real property owned by the Corporation together with all permanent improvements thereon and all fixtures and

equipment now or hereafter installed or situated thereon until such time as such obligations are paid in full).

The Deed of Trust may be amended, changed, modified or terminated at any time, by the written consent of the Credit Facility Provider and the Corporation.

Upon the failure of the Corporation to perform its obligations as required under the Deed of Trust, the Bond Trustee, as beneficiary under the Deed of Trust, may elect (subject to direction of the Bond Trustee or the Credit Facility Provider) to do any or all of the following: (1) make any such payment or do any such act in such manner and to the extent necessary to protect the security of the Deed of Trust; (2) pay, purchase, contest or compromise any claim, debt, lien, charge or encumbrance which may affect or appear to affect the security of the Deed of Trust; (3) take possession of and manage, operate or lease the Property.

APPENDIX C

FORM OF BOND COUNSEL OPINION

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December __, 2006

Eskaton Village - Roseville
5105 Manzanita Avenue
Carmichael, California 95608

ABAG Finance Authority for
Nonprofit Corporations
101 Eighth Street
Oakland, California 94607

The Bank of New York Trust Company, N.A.
Corporate Trust Department
700 South Flower Street, Suite 500
Los Angeles, California 90017

Re: ABAG Finance Authority for Nonprofit Corporations \$22,000,000
Variable Rate Demand Revenue Bonds (Eskaton Village – Roseville),
Series 2006

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the ABAG Finance Authority for Nonprofit Corporations (the “Issuer”), of its \$22,000,000 Variable Rate Demand Revenue Bonds (Eskaton Village – Roseville), Series 2006 (the “Bonds”).

All capitalized terms used herein and not otherwise defined shall have the same meanings as ascribed to them under the Bond Trust Indenture (the “Indenture”) between the Issuer and The Bank of New York Trust Company, N.A., as trustee (the “Trustee”), dated as of December 1, 2006.

The description of the Bonds in this opinion and other statements concerning the terms and conditions of the issuance of the Bonds do not purport to set forth all of the terms and conditions of the Bonds, the Indenture, the Agreement (as

defined herein) or any other document relating to the issuance of the Bonds, but are intended only to identify the Bonds and to describe briefly certain features thereof.

The Bonds are dated the date of their initial authentication and delivery, were issued in fully registered form, and will mature on the date set forth in the Indenture, and bear interest on the outstanding principal balance thereof, from the date thereof, at the interest rates described in the Indenture. The Bonds are subject to mandatory and optional tender and mandatory and optional redemption prior to maturity in the manner and upon the terms and conditions set forth in the Indenture.

The Bonds are payable both as to principal and interest from certain revenues payable by the Borrower to the Issuer under a Loan Agreement (the "Agreement") between the Issuer and Eskaton Village - Roseville (the "Borrower"), dated as of December 1, 2006, and from certain other sources, as more particularly described in the Indenture. The Issuer's rights under the Agreement (with certain exceptions) have been assigned to the Trustee pursuant to the terms of the Indenture.

The Bonds are being issued to (i) pay the costs of the Project (as defined in the Indenture), (ii) fund a Debt Service Reserve Fund, (iii) fund capitalized interest and (iv) pay certain expenses incurred in connection with the issuance of the Bonds, as more particularly described in the Indenture and the Agreement.

The Bonds and the obligations evidenced thereby do not constitute a general debt, liability or obligation of the Issuer or the State of California or any political subdivision or agency thereof, or a pledge of the faith and credit of or the taxing power of the Issuer or the State of California or any political subdivision or agency thereof. The Issuer is not obligated to pay the indebtedness evidenced by the Bonds or any interest thereon except from amounts payable to it under the Agreement, or from other collateral pledged therefor, and neither the faith and credit nor the taxing power of the Issuer or the State of California or any political subdivision or agency thereof is pledged to pay the principal of, premium, if any, or the interest on the Bonds.

In rendering the opinions set forth below, we have examined certified copies of a resolution adopted by the Issuer on November 15, 2006, authorizing the issuance of Bonds in support of the Borrower (the "Issuer Resolution"), certified copies of the resolutions adopted by the Board of Directors of the Borrower and executed copies of the Indenture, the Agreement, the Tax Certificates dated as of December __, 2006, executed by the Issuer and the Borrower, respectively, and various certificates and opinions delivered in connection therewith, and are relying on the covenants and agreements of the Borrower, the Issuer and the Trustee contained therein, including, without limitation, the covenant of the Borrower to comply with the applicable requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable regulations

thereunder, to the extent necessary to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes.

We have also examined certified notices and resolutions relative to approval of the issuance of the Bonds by the Board of Supervisors of the County of Placer and other proofs submitted to us relative to the issuance and sale by the Issuer of the Bonds.

In addition to the foregoing, we have examined and relied upon the opinion dated the date hereof of Hefner, Stark & Marois, LLP as to the status of the Borrower as an organization exempted from federal income taxation by Section 501(a) of the Code as an organization described by Section 501(c)(3) of the Code and as to other matters set forth therein.

We have not undertaken an independent audit, examination, investigation or inspection of the matters described or contained in such certificates, representations and opinions, and have relied solely on the facts, estimates and circumstances described and set forth therein.

In our examination of the foregoing, we have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of California and the federal income tax laws of the United States of America.

Based upon and subject to the foregoing, we are of the opinion that:

(1) The Indenture has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery thereof by the other parties thereto, is a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms.

(2) The Bonds are valid, legally binding and enforceable special obligations of the Issuer, payable solely from certain revenues derived pursuant to the Agreement and certain other collateral pledged or encumbered therefor, in the manner described in the Issuer Resolution, the Indenture, the Agreement and the Bonds.

(3) Under existing law, the interest on the Bonds is excluded from gross income of the holders thereof for federal income tax purposes and is exempt from State of California personal income taxes. Moreover, such

interest will not be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed by the Code; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax.

The opinions expressed in the preceding paragraph are conditioned upon compliance by the Issuer, the Borrower and the Trustee with their covenants relating to certain arbitrage rebate and other tax requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code (including, without limitation, their covenants to comply with the requirements contained in Section 148 of the Code), to the extent necessary to preserve the exclusion of interest on the Bonds from gross income of the holders thereof for federal income tax purposes. Failure of the Issuer, the Borrower and/or the Trustee to comply with such requirements could cause the interest on the Bonds to be included in gross income of the holders thereof for federal income tax purposes retroactive to the date of issuance of the Bonds.

Notwithstanding the foregoing, we express no opinion as to whether a conversion from one interest Mode to another interest Mode with respect to the Bonds will adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Indenture requires a favorable opinion of nationally recognized Bond Counsel with regard to such matters before any such conversion or change may be made.

Other provisions of the Code may give rise to adverse federal income tax consequences to particular holders of the Bonds. The scope of this opinion is limited to matters addressed above and no opinion is expressed hereby regarding other federal tax consequences that may arise due to ownership of the Bonds.

Our opinions expressed herein are predicated upon present laws and interpretations thereof. We assume no affirmative obligation with respect to any change of circumstances, laws or interpretations thereof after the date hereof that may adversely affect the opinions contained herein or the exclusion from gross income of interest on the Bonds for federal income tax purposes.

All opinions as to legal obligations of the Issuer and the Borrower set forth above are subject to and limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws, in each case relating to or affecting the enforcement of creditors' rights, (ii) applicable laws or equitable principles that may affect remedies or injunctive or other equitable relief, and (iii) other applicable laws that may affect

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remedies, but do not, in our opinion, materially impair the practical realization of available remedies or the benefits or security of the parties entitled thereto.

This opinion shall not be deemed or treated as an offering circular, prospectus or official statement, and is not intended in any way to be a disclosure document used in connection with the sale or delivery of the Bonds.

The scope of our engagement in relation to the issuance of the Bonds has been limited solely to the examination of facts and law incident to rendering the opinions expressed herein. We have not been engaged nor have we undertaken to review or verify and therefore express no opinion as to the accuracy, adequacy, fairness, completeness or sufficiency of any information or material that may have been used in the offering or placement of the Bonds. In addition, we have not passed upon and therefore express no opinion as to the compliance by the Issuer, the Borrower, or any other party involved in this financing with, or the necessity of such parties complying with, any federal or state registration requirements or security statutes, regulations or rulings with respect to the offer, sale or distribution of the Bonds.

Sincerely yours,

HOLLAND & KNIGHT LLP

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APPENDIX D

BOOK-ENTRY ONLY SYSTEM

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APPENDIX D

Book-Entry Only System

The information provided in this APPENDIX D has been provided by DTC. No representation is made by the Authority, the Underwriter, the Bond Trustee, the Corporation or the Credit Facility Provider as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date of this Official Statement.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2006 Bonds. The Series 2006 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 Series 2006 Bonds, in the aggregate principal amount of such Series 2006 Bonds, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2006 Bonds under the Book-Entry System must be made by or through Direct Participants, which will receive a credit for the Series 2006 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2006 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 Series 2006 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2006 Bonds, except in the event that use of the Book-Entry System for the Series 2006 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2006 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 Series 2006 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2006 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 Series 2006 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2006 Bonds, such as redemptions, tenders, defaults, and proposed amendments to security documents. For example, Beneficial Owners of the Series 2006 Bonds may wish to ascertain that the nominee holding the Series 2006 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2006 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2006 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2006 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Trustee 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 Series 2006 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2006 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 Bond Trustee on the 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, the Bond Trustee, the Authority or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee, disbursement of such payments to Direct Participants is 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 Series 2006 Bonds purchased or tendered, through its Participant, to the Bond Trustee, and shall effect delivery of such Series 2006 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2006 Bonds, on DTC's records, to the Bond Trustee. The requirement for physical delivery of Series 2006 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2006 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2006 Bonds to the Bond Trustee's DTC's account.

DTC may discontinue providing its services as securities depository with respect to Series 2006 Bonds at any time by giving notice to the Authority and the Bond Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond 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.

While the Series 2006 Bonds are in the Book-Entry System, reference in this Official Statement to owners of such Series 2006 Bonds should be read to include any person for whom a Participant acquires an interest in the Series 2006 Bonds, but (i) all rights of ownership, as described herein, must be exercised through DTC and the Book-Entry System and (ii) notices that are to be given to registered owners by the Bond Trustee will be given only to DTC. DTC is required to forward (or cause to be forwarded) the notices to the Participants by its usual procedures so that such Participants may forward (or cause to be forwarded) such notices to the Beneficial Owners.

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