

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the interest portion of the Installment Payments made by the Authority under the Purchase Agreement and received by the Holders of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Special Counsel, the interest portion of the Installment Payments paid by the Authority under the Purchase Agreement and received by the Holders of the Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Certificates. See “TAX MATTERS.”

\$20,000,000
VARIABLE RATE DEMAND CERTIFICATES OF PARTICIPATION
(THE HARKER SCHOOL PROJECT)
SERIES 2007

**Evidencing Proportionate Interests of the Holders Thereof
in Installment Payments to be Paid by
ABAG Finance Authority for Nonprofit Corporations
Solely From Purchase Payments to be Received From
The Harker School**

Dated: Date of Delivery

Due: January 1, 2037

The Certificates are being executed and delivered as fully registered certificates in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof and represent undivided proportionate interests in Installment Payments to be made by the ABAG Finance Authority for Nonprofit Corporations (the “Authority”) under an Installment Purchase Agreement dated as of August 1, 2007 by and between the Authority and The Harker School (the “Corporation”). The Installment Payments will be derived solely from Purchase Payments made by the Corporation under an Installment Sale Agreement dated as of August 1, 2007 by and between the Corporation and the Authority. The Certificates are executed and delivered under a Trust Agreement dated as of August 1, 2007 by and among the Authority, the Corporation and Union Bank of California, N.A., as trustee (the “Trustee”).

The proceeds received from the sale of the Certificates, together with other available moneys, will be used to: (i) finance the acquisition, construction, renovation and equipping of certain Corporation educational facilities located in San Jose, California (the “Project”); (ii) fund a portion of the capitalized interest with respect to the Certificates during the construction period and (iii) pay costs in connection with the execution and delivery of the Certificates.

Principal, interest and purchase price payable with respect to the Certificates are further secured by an irrevocable direct pay letter of credit (the “Letter of Credit”) issued by:

U.S. BANK NATIONAL ASSOCIATION

The Letter of Credit will be in effect from the date of issuance of the Certificates through August 1, 2012; unless terminated sooner as a result of full payment thereunder or of substitution therefor of a credit facility meeting the requirements described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—Alternate Letter of Credit and Alternate Credit Facility” and “LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT—Letter of Credit.”

The Certificates are subject to optional and mandatory prepayment as described herein.

During any Weekly Interest Rate Period, Owners of the Certificates will have the option to demand purchase of their Certificates upon no less than seven days’ notice to the Trustee, acting as the initial tender agent, at a price equal to 100% of the principal amount thereof plus accrued interest thereon to the date of purchase.

THE CERTIFICATES EVIDENCE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE TRUST AGREEMENT. NONE OF THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”) OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE AUTHORITY OR ABAG OR ANY OF THEIR MEMBERS TO PAY ALL OR ANY PORTION OF THE INSTALLMENT PAYMENTS. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE AUTHORITY TO MAKE THE INSTALLMENT PAYMENTS CONSTITUTES A DEBT OR LIABILITY OF THE AUTHORITY OR ABAG OR THE MEMBERS 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 RESTRICTION, 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 CERTIFICATES SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE CERTIFICATES. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

This cover page contains certain information for general reference only. It is *not* intended as a summary of this transaction. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

The Certificates are offered when, as and if executed and delivered by the Authority, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by its Counsel, Nixon Peabody LLP, for the Corporation by its Counsel, Wilson, Sonsini, Goodrich & Rosati, P.C., and for U.S. Bank National Association by its Counsel, McDonough Holland & Allen, P.C. Orrick, Herrington & Sutcliffe LLP served as Disclosure Counsel. It is expected that the Certificates in book-entry only form will be available for delivery through the facilities of DTC in New York, New York on or about August 1, 2007.

WESTHOFF, CONE & HOLMSTEDT

Dated: July 31, 2007

The Authority has supplied information in this Official Statement under the caption “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION – The Authority,” but is not responsible for any other information contained in this Official Statement. Other than as set forth in the preceding sentence, all other information contained herein has been obtained from the Corporation and U.S. Bank National Association (the “Bank”) or other sources (other than the Authority) which are believed to be reliable. No representation, warranty or guarantee is made by the Underwriter or the Authority as to the accuracy or completeness of any information in this Official Statement, including, without, limitation, the information contained in the Appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriter or the Authority.

The information and expressions of opinion herein are subject to change without notice and neither 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 Bank since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates and may not be reproduced or used, in whole or in part, for any other purpose.

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

The descriptions of the terms and conditions of the agreements contained in the Official Statement are brief summaries of certain provisions of such agreements. They do not purport to be complete and are qualified in their entirety by reference to the complete and final text of such agreements and should be reviewed carefully before a decision is made to purchase the Certificates. Copies of all such agreements are available to prospective purchasers of the Certificates during the period of the offering and may be obtained, upon written request, from Westhoff, Cone & Holmstedt, 1777 Botelho Drive, Suite 370, Walnut Creek, California 94596, and thereafter, from Union Bank of California, N.A., 350 California Street, 11th Floor, San Francisco, California 94104.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHER AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC

OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT. THE TRUST AGREEMENT HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT.

TABLE OF CONTENTS

	<u>PAGE</u>
TABLE OF CONTENTS.....	i
INTRODUCTION	1
General.....	1
Limited Obligations	2
No Continuing Disclosure Until Adjustment to a Term Interest Rate.....	2
Additional Information	3
THE CERTIFICATES	3
Description.....	3
Remarketing.....	4
Weekly Interest Rate.....	4
Adjustment to Term Interest Rate Period	5
Term Interest Rate.....	6
Adjustment to Weekly Interest Rate Period.....	7
Purchase of Certificates on Demand of Owner.....	7
Mandatory Tender for Purchase of Certificates.....	8
Purchase and Remarketing of Certificates.....	9
Prepayment Provisions.....	11
Selection of Certificates for Prepayment	13
Notice of Prepayment	13
Effect of Prepayment	14
SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.....	14
Pledge Under the Trust Agreement.....	14
Alternate Letter of Credit and Alternate Credit Facility.....	15
Limited Obligations	17
LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT.....	17
Letter of Credit.....	17
Reimbursement Agreement	18
Other Outstanding Corporation Certificates	18
THE BANK	24
THE AUTHORITY	24
THE CORPORATION	25
THE PROJECT.....	26
ESTIMATED USES OF CERTIFICATE PROCEEDS.....	26
ABSENCE OF MATERIAL LITIGATION.....	26

	<u>PAGE</u>
The Authority	26
The Corporation	26
UNDERWRITING	27
RATING	27
TAX MATTERS.....	27
APPROVAL OF LEGAL PROCEEDINGS.....	30
MISCELLANEOUS	30
APPENDIX A - THE CORPORATION	A-1
APPENDIX B - PROPOSED FORM OF OPINION OF SPECIAL COUNSEL.....	B-1
APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS	C-1
APPENDIX D - DTC AND THE BOOK-ENTRY ONLY SYSTEM	D-1

OFFICIAL STATEMENT

\$20,000,000

VARIABLE RATE DEMAND CERTIFICATES OF PARTICIPATION (THE HARKER SCHOOL PROJECT) SERIES 2007

**Evidencing Proportionate Interests of the Holders Thereof
in Installment Payments to be Paid by
ABAG Finance Authority for Nonprofit Corporations
Solely From Purchase Payments to be Received From
THE HARKER SCHOOL**

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Certificates being offered and a brief description of the Official Statement, and a full review should be made of the entire Official Statement, including the cover page and the Appendices. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the "State") or any other documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.

General

This Official Statement is provided to furnish information in connection with the offering of \$20,000,000 aggregate principal amount of Certificates of Participation (the "Certificates") evidencing proportionate interests of the Holders thereof in installment payments (the "Installment Payments") to be made by the Authority in connection with its purchase from the Corporation of an interest in certain real property (the "Site"), existing improvements and improvements to be constructed thereon (collectively with the Site, as more specifically described herein, the "Project") pursuant to an Installment Purchase Agreement, dated as of August 1, 2007 (the "Purchase Agreement"), between the Authority and the Corporation. Immediately following the purchase of the Site by the Authority, the Authority will sell the Site and improvements thereon to the Corporation pursuant to the Installment Sale Agreement, dated as of August 1, 2007 (the "Sale Agreement"), between the Authority and the Corporation in consideration for which the Corporation will make payments (the "Purchase Payments") to the Authority. Pursuant to the Sale Agreement, the Purchase Payments are evidenced by the Certificates. The Certificates are being executed and delivered pursuant to the terms of the Trust Agreement, dated as of August 1, 2007 (the "Trust Agreement"), by and among the Authority, the Corporation and Union Bank of California, N.A., as trustee (the "Trustee"). The proceeds received from the sale of the Certificates, together with other available moneys, will be used to: (i) finance the acquisition, construction and equipping of certain Corporation educational facilities and the renovation of existing educational facilities, all located in San Jose, California

(collectively, the “Project”); (ii) fund a portion of capitalized interest during the construction period and (iii) pay costs in connection with the execution and delivery of the Certificates.

Principal and interest with respect to the Certificates is further secured by an irrevocable direct pay letter of credit (the “Letter of Credit”) issued by U.S. Bank National Association (the “Bank”).

Limited Obligations

THE CERTIFICATES EVIDENCE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE TRUST AGREEMENT. NONE OF THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”) OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE AUTHORITY OR ABAG OR ANY OF THEIR MEMBERS TO PAY ALL OR ANY PORTION OF THE INSTALLMENT PAYMENTS. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE AUTHORITY TO MAKE THE INSTALLMENT PAYMENTS CONSTITUTES A DEBT OR LIABILITY OF THE AUTHORITY OR ABAG OR THE MEMBERS 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 RESTRICTION, 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 CERTIFICATES SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE CERTIFICATES. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

No Continuing Disclosure Until Adjustment to a Term Interest Rate

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Certificates or to any decision to purchase, hold or sell the Certificates and the Authority will not provide any such information. The Corporation has undertaken all responsibilities for any continuing disclosure to Owners as described below, and the Authority shall have no liability to the Owners of the Certificate or any other person with respect to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”).

The Corporation will not, while the Certificates are in a Weekly Interest Rate Period or a Term Interest Rate Period of less than 270 days, undertake any continuing disclosure obligations with respect to the Certificates. The Corporation has covenanted and agreed, upon the adjustment to a Term Interest Rate Period for a duration of 270 days or greater with respect to the Certificates and the remarketing of the Certificates, to provide continuing disclosure in

accordance with the requirements promulgated under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented.

Additional Information

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

During the period of the offering, copies of the Trust Agreement, the Purchase Agreement, the Sale Agreement, the Letter of Credit and the Reimbursement Agreement may be obtained, upon written request, from Westhoff, Cone & Holmstedt, 1777 Botelho, Suite 370, Walnut Creek, California 94596, and, thereafter, from the Trustee, Union Bank of California, N.A., 350 California Street, 11th Floor, San Francisco, California 94104.

All capitalized terms used in this Official Statement and not otherwise defined herein shall have the same meanings as in the Trust Agreement and if not defined in the Trust Agreement, as set forth in the applicable document from which such term is referenced. See APPENDIX C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS.”

THE CERTIFICATES

Description

The Certificates when issued will be delivered in fully registered form only and, when initially executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Certificates. Individual purchases will be made in book-entry only form. Purchasers will not receive physical certificates representing their beneficial ownership interest in the Certificates. So long as the Certificates are registered in the name of Cede & Co., payment of principal of, premium, if any, and interest with respect to, including the Purchase Price of, the Certificates will be payable to DTC or its nominee. DTC in turn will remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX D—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

The principal of and premium, if any, on each Certificate will be payable upon the presentation and surrender of such Certificate, when due, at the principal corporate trust office of the Trustee or the Paying Agent if a paying agent has been appointed. During a Weekly Interest Rate Period, interest with respect to each Certificate will be payable on the first Wednesday of each month, commencing September 5, 2007, or the next succeeding Business Day if such Wednesday is not a Business Day; and during a Term Interest Rate Period of less than one year,

the last Business Day of such Term Interest Rate Period and during a Term Interest Rate Period of one year or more, on each January 1 and July 1. Payment of interest on each Certificate shall be made to the person appearing on the bond registration books of the Trustee as the Owner thereof on the applicable Record Date, such interest to be paid by check mailed by first class mail on the Interest Payment Date to such Owner's address as it appears on the registration books or at such other address furnished to the Trustee in writing by such Owner not later than the Record Date. Upon written request of an Owner of at least \$1,000,000 principal amount of Certificates, such notice to be given at least three days prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds at such wire address within the United States as such Owner shall specify in its written notice. If and to the extent there shall be a default in the payment of the interest due on an Interest Payment Date, such defaulted interest rate shall be the rate on the Certificates on the day before such default occurred, and such defaulted interest shall be paid to the Owners in whose name any such Certificates are registered at the close of business on the fifth Business Day next preceding the date of payment of such defaulted interest.

Remarketing

Pursuant to a Remarketing Agreement, dated as of August 1, 2007 (the "Remarketing Agreement") by and between Westhoff, Cone & Holmstedt, as Remarketing Agent (the "Remarketing Agent") and the Corporation, the Remarketing Agent will determine the Weekly Interest Rate for the Certificates. Westhoff, Cone & Holmstedt, as Underwriter, will determine the initial Weekly Interest Rate for the Certificates. See APPENDIX C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—THE TRUST AGREEMENT—The Remarketing Agent." The determination of the interest rate on the Certificates by the Remarketing Agent as provided in the Trust Agreement shall be conclusive and binding upon the Owners of the Certificates, the Authority, the Trustee, the Tender Agent and the Bank.

Weekly Interest Rate

Determination of Weekly Interest Rate. During each Weekly Interest Rate Period, interest with respect to the Certificates shall be payable at the Weekly Interest Rate, which shall be determined by the Remarketing Agent not later than 5:00 p.m. (New York City time) on Tuesday of each week (or by 12:00 noon New York City time) on the next succeeding Business Day if such Tuesday is not a Business Day) during such Weekly Interest Rate Period for the week commencing on the next succeeding Wednesday (unless such Weekly Interest Rate is determined on a Wednesday in which case it shall be effective on such day); provided, however, that if the then current Interest Rate Period is a Term Interest Rate Period, the Weekly Interest Rate for the Weekly Interest Rate Period succeeding such Term Interest Rate Period shall be determined not later than the Business Day next preceding the effective date of such Weekly Interest Rate Period. During a Weekly Interest Rate, interest with respect to the Certificates shall be computed upon the basis of a 365-day year or 366-day year, as applicable, for the number of days actually elapsed. The Weekly Interest Rate shall be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Certificates known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Certificates, would enable the Remarketing Agent to sell the Certificates on such day at a price equal to the principal amount

thereof plus interest accrued thereon; provided, however, that if for any reason the Weekly Interest Rate cannot be determined, the Weekly Interest Rate for the next succeeding week shall remain at the then-existing rate, and thereafter the Weekly Interest Rate shall be a percentage per annum equal to the “SIFMA Index” as that term is defined in the Trust Agreement. See APPENDIX C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Definitions. The first Weekly Interest Rate determined for each Weekly Interest Rate Period shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on Wednesday and ending on the next succeeding Tuesday, unless such Weekly Interest Rate Period shall end on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on such last day.

Adjustment to Term Interest Rate Period

Adjustment to Term Interest Rate Period. The Corporation, by written direction to the Trustee and the Remarketing Agent, and with the written consent of the Authority and the Bank and accompanied by an Approving Opinion of Special Counsel, may elect that the Interest Rate Period for the Certificates shall be a Term Interest Rate Period, and shall determine the duration of the Term Interest Rate Period (which may be any period of one month, three months, six months, nine months, one year, or any multiple of six months above one year, up to and including the period of time remaining to the final maturity of the Certificates). Such direction (i) shall specify the effective date of such Term Interest Rate Period which shall be: (a) an Interest Payment Date not less than 40 days following the date of receipt by the Trustee of such direction, (b) the Interest Payment Date which is the day next succeeding the last day of the then-current Term Interest Rate Period (or the Business Day next succeeding such Interest Payment Date if the adjustment is from a Term Interest Rate Period of one year or more and such Interest Payment Date is not a Business Day) not less than 40 days following the date of receipt by the Trustee of such direction, or (c) any date on which the Certificates may be optionally redeemed as set forth in the Trust Agreement, which date is not less than 40 days following the date of receipt by the Trustee of such direction (see “THE CERTIFICATES—Redemption Provisions—Optional Redemption”); (ii) shall specify the last day thereof; and (iii) shall specify if the then current Interest Rate Period is a Weekly Interest Rate Period or a Term Interest Rate Period of a different duration than the succeeding Term Interest Rate Period, the effective date pursuant to the Trust Agreement by which such Certificates shall be purchased. See “THE CERTIFICATES—Purchase of Certificates on Demand of Owner.” If, at least 40 days prior to the last day of any Term Interest Rate Period, the Corporation shall not have elected that the interest with respect to the Certificates be payable at a Weekly Interest Rate or a Term Interest Rate during the next succeeding Interest Rate Period, the next succeeding Interest Rate Period shall be a Term Interest Rate Period of the same duration as the immediately preceding Term Interest Rate Period.

The Corporation shall not adjust a Term Interest Rate Period unless: (i) the Letter of Credit has been modified to provide interest coverage sufficient to maintain the rating on the Certificates; provided, however, that no Letter of Credit shall be required if the Corporation furnishes to the Trustee not less than 40 days prior to the last day of any Term Interest Rate Period either (a) written evidence from each rating agency then rating such Certificates that

effective upon the commencement of the immediately succeeding Term Interest Rate Period that, if such Series of Certificates then have a long-term rating, that such Certificates will be rated Fitch “A” (or equivalent) or higher or if such Certificates only have short-term rating, will be in the highest short-term rating category, or (b) written consent of the Authority; and (ii) receipt by the Trustee and the Authority prior to the effective date of the Term Interest Rate Period of a continuing disclosure agreement imposing obligations upon the Corporation, the Trustee or any other responsible party to comply with the applicable requirements of S.E.C. Rule 15c2-12, as it may from time to time be amended or supplemented, with respect to the Certificates; provided, however, that no continuing disclosure agreement shall be required if (a) the duration of the Term Interest Rate Period is less than 270 days and (b) such Certificates bearing interest at the Term Interest Rate are in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.

Notice of Adjustment of Term Interest Rate Period. The Trustee shall give notice by first class mail of each Term Interest Rate Period to the Owners of the Certificates, the Bank and the Corporation not less than 30 days prior to the effective date of such Term Interest Rate Period. Such notice shall state: (i) that the interest rate on the Certificates will be adjusted to or continue to be a Term Interest Rate; (ii) the effective date of such Term Interest Rate Period; (iii) the day by which the Term Interest Rate for such Term Interest Rate Period shall be determined; (iv) the manner by which such Term Interest Rate may be obtained; (v) the Interest Payment Dates after such effective date; (vi) that, during such Term Interest Rate Period, the Owners of the Certificates or Direct Participants with respect to Book-Entry Certificates, as applicable, will have the right to demand purchase of the Certificates; (vii) the date by which Owners of the Certificates or Direct Participants must give notice to the Trustee in order to have their Certificates purchased; (viii) the procedures for doing so; (ix) if the then current Interest Rate Period is a Weekly Interest Rate Period or a Term Interest Rate Period of a different duration than the succeeding Term Interest Rate Period the Certificates shall be purchased on such effective date pursuant to the Trust Agreement; (x) the procedures of such purchase; (xi) the redemption provisions that will pertain to the Certificates during such Term Interest Rate Period; and (xii) the ratings which are expected to be assigned to the Certificates on such date, whether a Letter of Credit will be in effect and whether ratings will be reduced or withdrawn.

Term Interest Rate

Determination of the Term Interest Rate. During each Term Interest Rate Period, interest with respect to the Certificates shall be payable at the Term Interest Rate, which shall be determined by the Remarketing Agent not later than 4:00 p.m. (New York City time) on the Business Day preceding the first day of such Term Interest Rate Period. During a Term Interest Rate Period of less than one year, interest with respect to Certificates shall be computed upon the basis of a 365-day year; during any Term Interest Rate Period of one year or more, interest on the Certificates shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The Term Interest Rate shall be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Certificates known to the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Certificates, would enable the Remarketing Agent to sell the Certificates on such Business Day at a price equal to the principal amount thereof; provided,

however, that if for any reason the Term Interest Rate cannot be determined for any Term Interest Period, the interest rate on the Certificates shall convert to a Weekly Interest Rate.

Adjustment to Weekly Interest Rate Period

Adjustment to Weekly Interest Rate Period. The Corporation, by written direction to the Trustee and the Remarketing Agent, and with the written consent of the Bank and accompanied by an Approving Opinion of Special Counsel, may elect to adjust the Interest Rate Period for the Certificates to a Weekly Interest Rate Period. Such direction shall specify the effective date of such adjustment to a Weekly Interest Rate Period, which shall be: (i) the Interest Payment Date which is the day next succeeding the last day of the then current Term Interest Rate Period (or the Business Day next succeeding such Interest Payment Date if the adjustment is from a Term Interest Rate Period of one year or more and such Interest Payment Date is not a Business Day) not less than 40 days following the date of receipt by the Trustee of such direction; or (ii) any date on which the Certificates may be optionally redeemed as set forth in the Trust Agreement, which is not less than 40 days following the date of receipt by the Trustee of such direction. See “THE CERTIFICATES—Redemption Provisions—Optional Redemption.”

Notice of Adjustment to Weekly Interest Rate Period. The Trustee shall give notice by first class mail of an adjustment to a Weekly Interest Rate Period to the Owners of the Certificates, the Bank, the Remarketing Agent and the Corporation not less than 35 days prior to the effective date of such Weekly Interest Rate Period. Such notice shall state: (i) that the interest rate on such Certificates will be adjusted to a Weekly Interest Rate; (ii) the effective date of such Weekly Interest Rate Period; (iii) the day by which the Weekly Interest Rate shall be determined and the manner by which such Weekly Interest Rate may be obtained; (iv) the Interest Payment Dates after such effective date; (v) that the Certificates will be purchased on such effective date; (vi) the procedures for such purchase as provided in (v) above; (vii) that, subsequent to such effective date, the Owners of the Certificates or Direct Participants will have the right to demand purchase of the Certificates upon not less than seven days’ notice; (viii) the procedures for a demand for purchase as provided in (vii) above; (ix) the redemption provisions that will pertain to the Certificates during such Weekly Interest Rate Period; and (x) the ratings which are expected to be assigned to the Certificates on such date and whether ratings will be reduced or withdrawn. If, at the time of such notice, the Interest Rate Period for the Certificates shall be a Term Interest Rate Period of one year or more, such notice also shall state that all or that portion of Certificates not in Authorized Denominations on the effective date of such Weekly Interest Rate Period will be purchased, as provided in the Trust Agreement.

Purchase of Certificates on Demand of Owner

During any Weekly Interest Rate Period, any Certificates or portions thereof in Authorized Denominations shall be purchased at the option of the Owner thereof, or with respect to Book-Entry Certificates, at the option of the Direct Participant with an ownership interest in Book-Entry Certificates, on any Business Day, at a price of 100% of the principal amount thereof, plus accrued interest to the Purchase Date, upon: (i) delivery to the Trustee, if such Certificates are Book-Entry Certificates, or otherwise to the Tender Agent at its corporate trust office of an irrevocable notice in writing (the “Tender Notice”) by 5:00 p.m. (New York City time) on any Business Day, which states the name of the Owner or Direct Participant for such

Certificate, such Direct Participant's account number, payment instructions with respect to the Purchase Price of such Certificate, the principal amount of such Certificate, CUSIP number of such Certificate, and the date on which the same shall be redeemed or purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Trustee or Tender Agent; and (ii) (a) if such Certificates are not Book-Entry Certificates, delivery of such Certificate to the Tender Agent at its corporate trust office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Owner thereof with the signature guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs at or prior to 12:30 p.m. (New York City time), on the date specified in such notice, or (b) if the Certificates are Book-Entry Certificates, upon confirmation by DTC to the Trustee that a Direct Participant with respect to Book-Entry Certificates being purchased has an ownership interest in such Book-Entry Certificate at least equal to the amount specified in the Tender Notice, the transfer on the registration books of DTC, of the beneficial ownership interest such Book-Entry Certificate tendered for purchase to the account of the Trustee, or the account of a Direct Participant acting on behalf of such Trustee.

If moneys sufficient to pay the Purchase Price of Certificates to be purchased pursuant to the Trust Agreement shall be held by the Trustee on the date such Certificates are to be purchased, any Certificates to be so purchased which are not delivered by the Owners thereof to the Tender Agent or transferred on the registration books of DTC, as applicable, on the date specified for purchase thereof will be deemed to have been delivered for purchase or transferred on the registration books of DTC, as applicable, on such date and deemed to have been purchased. The former Owners of such Certificates, or the Direct Participant with respect to Book-Entry Certificates will thereafter have no rights with respect to such Certificates except to receive payment of the Purchase Price thereof upon surrender of such Certificates to the Tender Agent or the transfer, on the registration books of DTC, of the beneficial ownership interest in such Book-Entry Certificates.

Mandatory Tender for Purchase of Certificates

On the first day of each Interest Rate Period; during a Weekly Interest Rate Period, on the effective date of any Alternate Letter of Credit or Alternate Credit Facility (each as defined in the Trust Agreement, see APPENDIX C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Definitions") complying with the requirements of the Sale Agreement; or on the second Business Day following the Trustee's receipt of written notice from the Bank that an event of default has been declared under the Reimbursement Agreement and directing the Trustee to purchase all Certificates Outstanding under the Reimbursement Agreement (each a "Purchase Date"), the Owner or Direct Participant of such Certificate shall tender such Certificate for purchase as described in the Trust Agreement at a price equal to the principal amount thereof plus accrued and unpaid interest with respect thereto (the "Purchase Price").

Except as provided below, payment of the Purchase Price of such Certificates shall be made to the Owner of record or Direct Participant with respect to Book—Entry Certificates on the Record Date by 4:30 p.m. (New York City time) (1:30 p.m. San Francisco time), in the same manner as payment of interest with respect to the Certificates. If the Certificates are not Book-Entry Certificates, the Owner shall deliver such Certificates by no later than 12:30 p.m.

(New York City time) (9:30 a.m. San Francisco time), on the Purchase Date to the Tender Agent at its corporate trust office accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, with the signature guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs. If the Certificates are Book-Entry Certificates, the tendering Direct Participant shall transfer, on the registration books of DTC, the beneficial ownership interest in such Book-Entry Certificates tendered for purchase to the account of the Trustee or a Direct Participant acting on behalf of the Trustee.

Any instrument delivered to the Trustee or Tender Agent in accordance with the Trust Agreement shall be irrevocable with respect to the mandatory purchase for which such instrument was delivered and shall be binding upon any subsequent Owner or Direct Participant of the Certificate to which it relates, including any Certificate issued in exchange thereof or upon the registration of transfer thereof and as of the date of such instrument, the Owner or Direct Participant of the Certificates specified therein shall not have any right to tender for purchase such Certificates prior to such Purchase Date.

Purchase and Remarketing of Certificates

Purchase of the Certificates. While the Certificates are Book-Entry Certificates, all references in this section to the Tender Agent shall instead mean the Trustee, as the context may require.

The Tender Agent shall purchase, but only from the sources listed below, Certificates which are required to be purchased or which are tendered pursuant to the Trust Agreement at the option of the Owners thereof by 4:30 p.m. (New York City time) (1:30 p.m. San Francisco time) on the date such Certificates are required to be purchased at the Purchase Price. Funds for the payment of such Purchase Price shall be derived from the following sources, at the following times and in order of priority indicated below:

(a) from the proceeds of the remarketing of the Certificates (but only such remarketing proceeds as are received from purchasers of the Certificates) which have been furnished to the Tender Agent, by no later than 11:30 a.m. New York City time on the Purchase Date by the Trustee, which shall have received such funds from the Remarketing Agent; provided, however, that such proceeds shall not have been derived from the Authority, the Corporation or any Guarantor; and

(b) from moneys which have been furnished to the Tender Agent, by no later than 2:00 p.m. New York City time on the Purchase Date, representing the proceeds of a draw under the Letter of Credit.

Remarketing of Certificates. The Remarketing Agent shall determine the rate of interest to be borne by the Certificates and shall furnish to the Trustee, the Bank, and the Tender Agent in a timely manner all information necessary for the Trustee and the Tender Agent to carry out their respective duties under the Trust Agreement, including, but not limited to, the interest rates applicable to all Certificates.

The Remarketing Agent shall, pursuant to the Remarketing Agreement, use its best efforts to sell any Certificates tendered for purchase to new purchasers.

If any Certificate is tendered after a notice of redemption is given for such Certificate, the Remarketing Agent will give the redemption notice to any purchaser of such Certificate or to DTC, if a Book-Entry Certificate and the purchase or Direct Participant shall acknowledge receipt of such redemption notice.

Delivery of Proceeds of Sale. Upon receipt, the proceeds of the remarketing by the Remarketing Agent of any Certificates shall be transferred on the Purchase Date by the Remarketing Agent to the Trustee for Book-Entry Certificates or the Tender Agent, as applicable, by 11:30 a.m. New York City time (8:30 a.m. San Francisco time) and such proceeds shall be held in trust and applied by the Trustee for Book-Entry Certificates or Tender Agent, as applicable, to the payment on the Purchase Date of the Purchase Price of Certificates to the Holders thereof pursuant to the Trust Agreement. The Trustee for Book-Entry Certificates or the Tender Agent shall make Certificates available for delivery to the Remarketing Agent which are registered pursuant to the instructions of the Remarketing Agent or shall direct the transfer on the registration books of the Depository pursuant to the instructions of the Remarketing Agent or, in the case of the remarketing of Certificates which constitute Bank Certificates, as provided in the Trust Agreement. In making payments to the Bank, the Trustee may conclusively assume that the Bank has not been repaid from any other sources. To the extent that the Bank is repaid with proceeds of the sale of Bank Certificates by the Remarketing Agent, new Certificates shall be registered and delivered (or ownership interests transferred) as provided in the Trust Agreement.

No Remarketing After Default. Notwithstanding any other provision of the Trust Agreement, the Certificates shall not be remarketed after the occurrence of an Event of Default under the Trust Agreement. See APPENDIX C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—THE TRUST AGREEMENT—Events of Default; Acceleration; Waiver of Default.”

Unclaimed Moneys. The Tender Agent shall, at the end of the fifth Business Day after a Purchase Date, transfer all funds then held on hand by virtue of the fact that the Certificates deemed tendered on such date were not presented for purchase to the Tender Agent to the Trustee to be held in a segregated account for the Certificates and to hold the same in trust for the payment of the Purchase Price thereof to the former Owners of such Certificates. The Trustee shall pay such Purchase Price from such amounts by check or draft of the Trustee made payable to the party entitled to such payment as soon as practicable after such party surrenders the Certificate or Certificates so deemed purchased to the Trustee. Any such moneys so held in trust by the Trustee shall be held uninvested until paid to the person entitled thereto or disposed of as provided by law.

Conditions to Remarketing Upon Expiration of Letter of Credit. If a commitment to renew the Letter of Credit or to provide an Alternate Letter of Credit or Alternate Credit Facility shall not be provided prior to the 60th day before the scheduled expiration date of the Letter of Credit, then the Certificates shall not be remarketed after the 15th day prior to such expiration.

Notices Upon Delivery of Alternate Letter of Credit or Alternate Credit Facility. Whenever the Corporation has delivered to the Trustee a commitment for the delivery of an Alternate Letter of Credit or a commitment for the delivery of an Alternate Credit Facility (either of such instrument referred to hereafter as the “Alternate Instrument”) pursuant to the Sale Agreement, the Trustee shall mail a notice to all Holders of the Certificates stating: (i) the name

of the issuer of the Alternate Instrument; (ii) the date on which the Alternate Instrument will become effective, which date shall not be less than five calendar days prior to the expiration date of the then existing Letter of Credit or Credit Facility; (iii) the rating expected to apply to the Certificates after the Alternate Instrument is delivered; and (iv) notice that the Certificates will be subject to mandatory tender for purchase on the date of delivery of the Alternate Instrument, and information on where such Certificates are to be delivered. Such notices shall be mailed at least 10 days prior to the effective date of the Alternate Instrument. The Trustee shall provide notice to the Authority, each Rating Agency then rating the Certificates and the Corporation upon receipt of any Alternate Credit Instrument.

Prepayment Provisions

The Certificates are subject to prepayment in Authorized Denominations (and only with Available Moneys, if the Letter of Credit is in effect) prior to maturity as set forth below:

Sinking Fund Prepayment

The Certificates shall not be subject to mandatory sinking fund prepayment.

Mandatory Prepayment

Mandatory Prepayment of the Certificates Upon a Determination of Taxability. In the event of a prepayment pursuant to the Sale Agreement with as a result of a Determination of Taxability, as defined in the Trust Agreement, the Certificates then Outstanding on such date are subject to mandatory prepayment in whole at any time within 30 days thereafter, at a prepayment price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the date of prepayment. See APPENDIX C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—THE SALE AGREEMENT—Mandatory Prepayment.”

Mandatory Prepayment Upon Invalidity. In the event of a prepayment pursuant to the Sale Agreement as a result of the invalidity of the Sale Agreement, the Certificates then Outstanding on such date of the occurrence of the invalidity are subject to mandatory prepayment in whole at any time within 30 days thereafter, at a prepayment price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the date of prepayment. See APPENDIX C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—THE SALE AGREEMENT—Mandatory Prepayment.”

Mandatory Prepayment Upon Failure to Renew Letter of Credit. The Certificates are subject to mandatory prepayment in whole, at a prepayment price equal to the 100% of principal amount thereof, without premium, plus accrued interest to the prepayment date, in the event that the Letter of Credit then in effect is not renewed or a commitment for an Alternate Letter of Credit or Alternate Credit Facility securing the Certificates is not delivered to the Trustee at least 60 days prior to the scheduled expiration date of the then current Letter of Credit, on a prepayment date selected by the Trustee not less than five calendar days preceding the expiration date of the then current Letter of Credit.

Optional Prepayment

Optional Prepayment During Weekly Interest Rate. On any Interest Payment Date during a Weekly Interest Rate Period and on the effective date of any Term Interest Rate Period, the Certificates are subject to prepayment, at the option of the Authority upon direction of the Corporation as provided in the Sale Agreement, in whole or in part, at a prepayment price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the date of prepayment. In accordance therewith, pursuant to the Reimbursement Agreement, the Corporation is obligated to cause the optional prepayment of the Certificates pursuant to the schedule set forth therein. See “LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT—Reimbursement Agreement—Optional Redemption Under the Reimbursement Agreement.”

Optional Prepayment During Term Interest Rate Period. During any Term Interest Rate Period, the Certificates also shall be subject to prepayment in whole or from time to time in part, at the option of the Authority upon direction of the Corporation as provided in the Sale Agreement, at the times (measured from the first day of the applicable Term Interest Rate Period), and at the prepayment prices (expressed as percentages of principal amount) set forth below, plus interest with respect thereto, if any, to the prepayment date:

(Lesser of) Length of Term of Interest Rate Period or Length of Time to Maturity	<u>Prepayment Dates and Prices</u>
Greater than 8 and less than or equal to 25 years	At any time on or after the 10th anniversary of the effective date of such Interest Rate Period at 102% declining 1/2% annually to 100%
Greater than 6 and less than or equal to 8 years	At any time on or after the 3rd anniversary of the effective date of such Interest Rate Period at 101-1/2% declining 1/2% annually to 100%
Greater than 4 and less than or equal to 6 years	At any time on or after the 2nd anniversary of the effective date of such Interest Rate Period at 101% declining 1/2% annually to 100%
Greater than 3 and less than or equal to 4 years	At any time on or after the 2nd anniversary of the effective date of such Interest Rate Period at 100-1/2% declining 1/2% annually to 100%
Greater than 2 and less than or equal to 3 years	At any time on or after the 1st anniversary of the effective date of such Interest Rate Period at 100-1/2% declining 1/2% annually to 100%
Greater than 1 and less than or equal to 2 years	At any time on or after the 1st anniversary of the effective date of such Interest Rate Period at 100%

Less than or equal to 1 year

On the Interest Payment Date which is six months after the effective date of such Interest Rate Period at 100%

Notwithstanding the optional prepayment schedule set forth above, on or prior to the effective date of the Term Interest Rate Period, the Remarketing Agent may provide an alternate optional prepayment schedule if it obtains an opinion of Special Counsel stating to the effect that such alternate schedule will not cause interest with respect to the Certificates not to be tax-exempt.

Optional Prepayment Upon Occurrence of Extraordinary Events. The Certificates are subject to prepayment in whole on any date or in part on any Interest Payment Date, at the option of the Authority, at a prepayment price equal to the principal amount thereof, without premium, plus accrued interest to the date of prepayment, upon receipt by the Trustee of a written notice from the Corporation or the Bank stating that any of the following events has occurred:

(i) All of the Project or a portion thereof shall have been damaged, destroyed, condemned or taken by eminent domain to such extent that, in the opinion of an independent engineer evidenced by a certificate provided to the Authority and the Trustee that: (a) it is not practicable or desirable to rebuild, repair or restore the Project or such portion thereof within a period of six consecutive months following such damage, destruction or condemnation, and the Corporation is or will be thereby prevented from carrying on its normal operations for a period of at least six consecutive months; or (b) the cost of restoration of the Project or such portion thereof would substantially exceed the Net Proceeds of insurance carried thereon; or

(ii) The continued operation of such Project is enjoined or prevented or is otherwise prohibited by, or conflicts with, any order, decree, rule or regulation of any court or federal, state or local regulatory body, administrative agency or governmental body.

Selection of Certificates for Prepayment

In the case of the prepayment of less than all of the Certificates, such Certificates to be redeemed shall be selected by the Trustee by lot, in any manner as the Trustee in its sole discretion may determine to be appropriate and fair.

Notice of Prepayment

Notice of prepayment shall be mailed by the Trustee by first class mail not less than 30 days nor more than 60 days prior to the prepayment date, to the respective Holders of any Certificate designated for prepayment at the address shown on the registration books maintained by the Trustee, the Information Services and the Securities Depositories. Each notice of prepayment shall state the date of such notice, the date of execution and delivery of the Certificates, the prepayment date, the prepayment price, the place or places of prepayment (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive

certificate numbers of the Certificates of such maturity, to be prepaid and, in the case of Certificates to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice shall also state that on said date there will become due and payable on each of said Certificates the principal thereof or of said specified portion of the principal thereof in the case of the Certificates to be redeemed in part only, and that from and after such prepayment date interest thereon shall cease to accrue, and shall require that such Certificates be then surrendered.

Failure by the Trustee to give notice of prepayment to any one or more of the Information Services or Securities Depositories or any defect in such notice shall not affect the sufficiency of the proceedings for prepayment. Failure by the Trustee to mail notice of prepayment to any one or more of the respective Holders of any Certificates designated for prepayment shall not affect the sufficiency of the proceedings for prepayment with respect to the Holder or Holders whom such notice was mailed.

Neither the Trustee, the Corporation nor the Authority shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Certificate or in any prepayment notice. For so long as the Certificates are in book-entry only form, the Trustee will give notice of prepayment to Cede & Co., or the registered Holder of all Certificates and not directly to the Beneficial Owners.

Effect of Prepayment

Notice of prepayment having been duly given as described above, and moneys for payment of the prepayment price are held by the Trustee, the Certificates so called for prepayment shall, on the prepayment date designated in such notice, become due and payable at the prepayment price specified in such notice, interest with respect to the Certificates so called for prepayment shall cease to accrue, said Certificates shall cease to be entitled to any benefit or security under the Trust Agreement (except for payment of particular Certificates for which moneys are being held by the Trustee from such moneys), and the Holders of said Certificates shall have no rights in respect thereof except to receive payment of the prepayment price thereof and accrued interest to the date fixed for prepayment.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Pledge Under the Trust Agreement

Under the Trust Agreement, the Authority and the Corporation appoint the Trustee to hold and disburse moneys paid to it pursuant to the Purchase Agreement and the Sale Agreement, to execute, deliver and administer the Certificates, to apply and disburse Installment Payments to the Holders of the Certificates and to perform certain other duties. The Trustee in turn accepts such appointment under the terms of the Trust Agreement.

In order to secure the payment of the principal, prepayment premium, if any, and interest with respect to the Certificates, under the Trust Agreement, the Corporation and the Authority pledge to the Trustee all of their interests in the Revenues (consisting primarily of the Installment Payments) and any other amounts (including proceeds of the sale of the Certificates) held in any fund or account established pursuant to the Trust Agreement, except moneys in the Rebate Fund,

Administrative Fees and Expenses and certain other amounts paid by the Corporation pursuant to the Sale Agreement (consisting of certain expenses and amounts paid as indemnification). Under the Trust Agreement, the Authority transfers in trust, grants a security interest in and assigns for the benefit of the Holders of the Certificates: (i) all of its interests in Revenues and other assets pledged as described in the preceding sentence; and (ii) all of its right, title and interest in the Sale Agreement (except for the right to indemnification by the Corporation and the right to receive any administrative fees and expenses payable to the Authority). The Corporation transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders: (i) all of its interests in the Installment Payments; (ii) all of its interests in Revenues and other assets pledged as described in the first sentence of this paragraph; and (iii) all of its right, title and interest in the Purchase Agreement. See APPENDIX C—“SUMMARY OF PRINCIPAL, LEGAL DOCUMENTS—Trust Agreement—Pledge and Assignment; Debt Service Fund.”

Although a security interest in various property and other collateral has been given by the Corporation to the Bank as security for the payment of the Corporation’s obligations under the Reimbursement Agreement (see “LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT”), such security interest has not been given to the Trustee or the Holders of the Certificates and such additional collateral does not secure the Certificates.

Alternate Letter of Credit and Alternate Credit Facility

General. Under the Sale Agreement, the Corporation is required to maintain or cause to be maintained the Letter of Credit or an Alternate Letter of Credit. At any time the Corporation may, at its option, and shall at least 60 days prior to the expiration date of any existing Letter of Credit (unless otherwise permitted by the Trust Agreement or any existing Alternate Credit Facility) cause to be delivered an Alternate Letter of Credit. In lieu of keeping the Letter of Credit in place as required under the Sale Agreement, the Corporation may deposit with the Trustee an Alternate Credit Facility for the Certificates.

Alternate Letter of Credit. The Sale Agreement specifies certain requirements that apply to any Alternate Letter of Credit, including without limitation, the following:

The Alternate Letter of Credit shall be an irrevocable letter of credit or other irrevocable credit facility, issued by a commercial bank or other financial institution, the terms of which must in all material respects be similar to the Letter of Credit; provided that the expiration date of such Alternate Letter of Credit shall be a date not earlier than one year from its date of issuance, subject to earlier termination upon payment in full of all Certificates in accordance with the Trust Agreement.

Not less than 30 days prior to the delivery of an Alternate Letter of Credit, the Corporation shall: (i) deliver to the Trustee a commitment for the delivery of such Alternate Letter of Credit; (ii) inform the Trustee of the date on which the Alternate Letter of Credit will become effective, which date shall not be less than five calendar days prior to the stated expiration date of the existing Letter of Credit; and (iii) inform the Trustee of the rating expected to apply to the Certificates after the Alternate Letter of Credit is delivered. On or prior to the date of delivery of an Alternate Letter of Credit, the Corporation shall furnish to the Trustee: (i) an opinion of Special Counsel stating that the delivery of such Alternate Letter of Credit to

the Trustee is authorized under and complies with the terms of the Trust Agreement and will not adversely affect the Tax-exempt status of the Certificates; (ii) an opinion that such Alternate Letter of Credit is enforceable in accordance with its terms (except to the extent that enforceability thereof may be limited by bankruptcy reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable remedies); and (iii) written evidence from the rating agency then rating the Certificates that the Certificates will have a long-term rating of Fitch "A-" (or equivalent) or higher or, if the Certificates only have a short-term rating, such short-term equity will be in the highest short-term rating category (without regard to "+s" or "-s").

Alternate Credit Facility. The Sale Agreement also specifies certain requirements that apply to any Alternate Credit Facility, including without limitation, the following:

- (i) The Alternate Credit Facility must be approved by the Authority or any successors and assigns;
- (ii) The provisions of the Alternate Credit Facility must be acceptable to the Trustee;
- (iii) The term of the Alternate Credit Facility must extend at least one year or to at least the first date on which the Certificates are subject to prepayment, pursuant to the Trust Agreement, whichever is longer; and
- (iv) The Alternate Credit Facility must be in an amount sufficient to pay principal of, interest, Purchase Price and any prepayment premium payable upon optional prepayment of the Certificates.

Not less than 30 days prior to the delivery of an Alternate Credit Facility, the Corporation shall: (i) deliver to the Trustee a commitment for the delivery of such Alternate Credit Facility; (ii) inform the Trustee of the date on which the Alternate Credit Facility will become effective, which date shall not be less than five calendar days prior to the stated expiration date of the existing Credit Facility; and (iii) inform the Trustee of the rating expected to apply to the Certificates after the Alternate Credit Facility is delivered. On or prior to the date of delivery of an Alternate Credit Facility, the Corporation shall furnish to the Trustee: (i) an opinion of Special Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under and complies with the terms of the Trust Agreement and will not adversely affect the Tax-exempt status of the Certificates; (ii) an opinion to the effect that such Alternate Credit Facility is enforceable in accordance with its terms, except to the extent that enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable rights; and (iii) written evidence from the rating agency then rating the Certificates that the Certificates will have a long-term rating of Fitch "A-" (or equivalent) or higher or, if the Certificates only have a short-term rating, such short-term rating will be in the highest short-term rating category (without regard to "+ 's" or "-'s") and that such substitution will not result in a reduction or withdrawal of the then current rating on the Certificates.

Limited Obligations

THE CERTIFICATES EVIDENCE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE TRUST AGREEMENT. NONE OF THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”) OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE AUTHORITY OR ABAG OR ANY OF THEIR MEMBERS TO PAY ALL OR ANY PORTION OF THE INSTALLMENT PAYMENTS. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE AUTHORITY TO MAKE THE INSTALLMENT PAYMENTS CONSTITUTES A DEBT OR LIABILITY OF THE AUTHORITY OR ABAG OR THE MEMBERS 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 RESTRICTION, 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 CERTIFICATES SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE CERTIFICATES. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

Letter of Credit

On the date of issuance of the Certificates, the Bank will issue in favor of the Trustee the Letter of Credit in the original amount of the Certificates (the “Principal Component”) plus an amount not to exceed in the aggregate Two Hundred Ninety-Five Thousand Eight Hundred Ninety-One and No/100 Dollars (\$295,891.00) (the “Interest Component”) with respect to up to forty-five (45) days (the “Interest Coverage Period” of accrued interest on the Outstanding Certificates (as defined in the Trust Agreement) calculated at the rate of 12% per annum and on the basis of a year of 365/6 days, but no more than the amount of interest actually accrued on the Outstanding Certificates for the Interest Coverage Period. The Principal Component will be reduced and the Interest Component will be reduced and reinstated as provided in the Letter of Credit.

The Letter of Credit will permit the Trustee to draw up to an amount equal to the then applicable amount of the Principal Component and the Interest Component to pay the unpaid principal of and accrued interest on the Certificates. All Drawings (as defined in the Letter of Credit) under the Letter of Credit will be paid with the Bank’s immediately available funds without any requirement that the Trustee, the holders of the Certificates or the Bank make any prior claims against the Corporation.

The Letter of Credit will expire at 4:00 p.m. Pacific time, on the date (the “Expiration Date”) which is the earliest of: (i) the Stated Expiration Date (as defined below); (ii) the date of

payment of Acceleration Drawing or Maturity Drawing (defined as a drawing for principal of and interest with respect to maturing Certificates); or (iii) the date when the Trustee surrenders the Letter of Credit to the Bank for cancellation. For purposes of the preceding sentence, the “Stated Expiration Date” shall mean the Initial Stated Expiration Date and each Extended Stated Expiration Date, if any (as defined below). “Initial Stated Expiration Date” means August 1, 2012. “Extended Stated Expiration Date” means the one year anniversary of the Initial Stated Expiration Date and each successive scheduled Stated Expiration Date if at least one hundred fifty (150) days before the Initial Stated Expiration Date or such later scheduled Stated Expiration Date, as the case may be, the Bank has given the Trustee written notice stating its intent to extend the Stated Expiration Date. By acceptance of the Letter of Credit, the Trustee agrees to surrender the Letter of Credit on the earliest to occur of the following: (a) the honoring of the final drawing to be made under the Letter of Credit; (b) the Stated Expiration Date; (c) the date of payment of an Acceleration Drawing or Maturity Drawing; (d) the first Business Day on which there are no Certificates Outstanding; (e) the second Business Day after the start of a Term Interest Rate Period; or (f) the date of delivery of an Alternate Letter of Credit to the Trustee and its becoming effective with respect to the Certificates (subject to the further provisions of the Reimbursement Agreement).

Each Drawing honored by the Bank under the Letter of Credit will immediately reduce the Letter of Credit Amount by the amount of such Drawing, subject to reinstatement as set forth in the Letter of Credit.

To the extent not inconsistent with the express provisions thereof, the Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits, 2007 Revision, International Chamber of Commerce Publication No. 600 (the “UCP”), with the exception of Articles 17(c), 32 and 38 thereof. As to matters not covered by the UCP, the Letter of Credit shall be governed by the laws of the State of California, without regard to choice of law principles. If the Letter of Credit expires during an interruption of business as described in Article 36 of Publication No. 600, the Bank agrees to honor any Drawing within three Business Days after the resumption of business.

Reimbursement Agreement

General. The Corporation and the Bank have executed a Letter of Credit Reimbursement Agreement dated as of August 1, 2007 (the “Reimbursement Agreement”), which, inter alia, sets forth the terms and conditions whereby the Corporation is required to repay to the Bank any amounts drawn by the Trustee under the Letter of Credit and grants the Bank certain security interests in property and other collateral of the Corporation and in the funds and accounts held pursuant to the Trust Agreement, subject to the rights of the owners of the Certificates. Capitalized terms used in this section and not otherwise defined shall have the meanings given such terms as set forth in the Reimbursement Agreement.

Under the Reimbursement Agreement, the Corporation agrees to comply with various covenants, including but not limited to, covenants to: maintain its existence; comply with applicable laws; maintain insurance; pay claims and indebtedness when due; provide financial statements and other operating reports to the Bank from time to time; and satisfy certain financial covenants regarding net worth and debt service coverage ratios. Under the Reimbursement

Agreement, the Corporation also agrees to certain restrictions on its investments, acquisitions and capital expenditures.

Under the Reimbursement Agreement, the consent of the Bank is required for disbursement of Certificate proceeds for costs of the Project. The conditions precedent for the consent of the Bank to the initial disbursement of Certificate proceeds will be satisfied upon execution and delivery of the Certificates. However, under the terms of the Reimbursement Agreement, no Certificate proceeds may be disbursed after the initial disbursement on the date of delivery of the Certificates until certain additional conditions are met with respect to the Project.

The Reimbursement Agreement and other agreements securing the Corporation's obligation to reimburse the Bank do not secure the Trustee, the Holders of the Certificates or the Certificates.

Optional Redemption Under the Reimbursement Agreement. Pursuant to the Reimbursement Agreement, the Bank requires the Corporation to cause the optional prepayment of Certificates on the January Interest Payment Date of each year, commencing with the Interest Payment Date in January 2008. See “THE CERTIFICATES—Prepayment Provisions—Optional Prepayment.”

Based upon its anticipated draw-down schedule for Certificate proceeds, the Corporation expects that the Certificates (in Authorized Denominations) will be redeemed no earlier than as set forth in the following schedule:

Prepayment Date (January 1)	Principal Amount
2008	\$220,000
2009	\$540,000
2010	\$560,000
2011	\$575,000
2012	\$600,000
2013	\$620,000
2014	\$640,000
2015	\$665,000
2016	\$685,000
2017	\$710,000
2018	\$735,000
2019	\$760,000
2020	\$785,000
2021	\$815,000
2022	\$845,000
2023	\$875,000
2024	\$905,000
2025	\$935,000
2026	\$970,000
2027	\$1,000,000
2028	\$1,035,000
2029	\$1,075,000
2030	\$1,110,000
2031	\$1,150,000
2032	\$1,190,000

The schedule above is an estimate only and may vary depending on the timing of disbursements of Certificate proceeds by the Trustee and the use of such proceeds by the Corporation under the terms of the Trust Agreement and the Reimbursement Agreement.

The Corporation's prepayment obligations described above are solely for the benefit of the Bank and may be waived or modified by the Bank in accordance with the terms of the Reimbursement Agreement.

Certain Bank Notices Resulting in an Event of Default Under the Trust Agreement. Pursuant to the Trust Agreement, there shall be an Event of Default thereunder in the event the Bank delivers a notice to the Trustee that either: (i) an “event of default” has occurred under the Reimbursement Agreement and directs the Trustee to accelerate the Certificates or directing the Trustee to require mandatory tender by the Certificate holders of the Certificates for purchase; or (ii) the Bank will not reinstate the interest portion of the Letter of Credit after a drawing as provided in the Letter of Credit. See APPENDIX C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – TRUST AGREEMENT—Events of Default and Remedies.” The Bank may deliver the notice referred to in (i) above at any time that an “Event of Default” under the Reimbursement Agreement has occurred and is continuing.

The Corporation and the Bank may amend the Reimbursement Agreement at any time without the consent of the Trustee, the Authority, the Holders of the Certificates or any other person and any such amendment could amend the conditions under which the Corporation would be in default thereunder and thereby increase the ability of the Bank to give the notices described in the preceding paragraph which would result in an Event of Default under the Trust Agreement.

Events of Default. The following is a summary of certain actions which constitute an event of default under the Reimbursement Agreement. This summary is qualified by reference to the complete text of the Reimbursement Agreement. Capitalized terms used in the section and not otherwise defined shall have the meanings given such terms as set forth in the Reimbursement Agreement.

(i) the Corporation fails to make any payment of principal or interest to the Bank under the Reimbursement Agreement within three (3) Business Days after receipt of written notice thereunder;

(ii) the Corporation fails to make a deposit of funds required under the Reimbursement Agreement within ten (10) business days after written notice from the Bank or fails to comply with any other covenants contained in the Reimbursement Agreement or the Certificate Documents that calls for the payment of money, and does not cure that failure within ten (10) business days after notice from the Bank;

(iii) The Corporation fails to comply with any covenant or obligation, not relating to the payment of money, contained in the Certificate Documents, the Real Estate Documents or this Agreement or a representation or warranty by the Corporation contained in the Certificate Documents, the Real Estate Documents or this Agreement becomes incorrect and does not cure that failure or cause such representation or warranty to be correct within thirty (30) days, unless

such failure or incorrectness is not reasonably capable of being cured within such thirty (30)-day period (but is reasonably capable of being cured or caused to be correct within ninety (90) days) and the Corporation commences action to cure such failure or to cause such representation or warranty to be correct within such thirty (30)-day period and diligently and continuously prosecutes such action to completion and causes such failure to be cured or incorrectness to be corrected within ninety (90) days; provided, however, that if a specific time period for cure or correction has been provided in the Certificate Documents, the Real Estate Documents or the Reimbursement Agreement, such specific time period shall control;

(iv) the Corporation loses its rights or is in default under, has breached, or fails to promptly and completely observe or perform any provision applicable to it as set forth in any agreement other than the Certificate Documents or the Real Estate Documents involving the borrowing of money or the advance of provision of credit in excess of One Million Five Hundred Thousand and No/100ths Dollars (\$1,500,000.00) to which the Corporation may be a party as an obligor, and does not cure such default or fails to perform within ten (10) business days;

(v) any "event of default" shall have occurred under any of the Certificate Documents or the Real Estate Documents (as defined respectively therein), under any of the 1998 Documents (as defined therein) or any document, instrument or agreement evidencing or securing the obligations secured by the Nichols Deeds of Trust, except to the extent that all of the other parties entitled to enforce the Nichols Deeds of Trust have waived such default in writing;

(vi) the Corporation's representations or warranties herein, or in any agreement, instrument, or certificate in connection herewith, are or become materially false or misleading;

(vii) all or a substantial or material portion of the Property is damaged or destroyed or condemned, seized or appropriated by any Governmental Authority (as defined therein) and Bank has reasonably determined that as a result thereof the security of the Deed of Trust has been materially impaired;

(viii) the failure by the Corporation to be in good standing under the laws of the State of California;

(ix) There is a material deviation, without the prior written approval of Bank or except as specifically authorized herein, in the work of construction or development from the Plans (as defined therein), the appearance of defective workmanship or materials or Bank's obtaining knowledge of any encroachment to which it has not previously consented; provided, however, that if such deviations, defects or encroachments are curable and do not relate, in the reasonable judgment of Bank, to matters which are of an emergency nature, such deviations, defects or encroachments shall not constitute a default hereunder if Corporation has commenced to cure such defect within thirty (30) days after such notice and continues to proceed diligently to cure such defect within one hundred twenty (120) days thereafter;

(x) the obtaining by any person of an order or decree in any court of competent jurisdiction or other governmental agency enjoining the construction or development of any of the Improvements or enjoining or prohibiting the Corporation or the Bank or either of them from performing the Reimbursement Agreement, which order or decree is not vacated or released and

which prohibitions are not discontinued within sixty (60) days after the granting of such order or decree;

(xi) (a) a petition for relief under any present or future state or federal law regarding bankruptcy, reorganization or other relief to debtors is filed by or against the Corporation (and, if filed against the Corporation, is not discharged within thirty (30) days of the date of such filing); (b) a receiver, liquidator, sequestrator, trustee, conservator or other similar official of any property of the Corporation, is appointed; (c) the Corporation makes a general assignment for the benefit of creditors, becomes insolvent, or unable to pay its debts generally as they mature; (d) an attachment or execution is levied against any substantial portion of the Property, the Project, or any other property of the Corporation; or (e) a liquidation or dissolution of the Corporation or a filing by or against the Corporation of a petition for liquidation or dissolution of the Corporation;

(xii) any lien or security interest granted under the Deed of Trust or the Security Agreement loses validity or priority; provided, however, that no Event of Default shall occur by reason of the lien of any mechanic, laborer, supplier or materialman if Corporation (1) deposits with Bank a bond or other security satisfactory to Bank in the amount of 150% of such lien within thirty (30) days of receiving notice of such lien, and (2) diligently and promptly obtains the discharge of such lien;

(xiii) any governmental authority takes or institutes action, which, in the opinion of the Bank, will adversely affect the Corporation's condition, or ability to repay the obligations under the Reimbursement Agreement;

(xiv) the occurrence of a default by the Corporation under, or the surrender abandonment, termination or rescission of, any Real Estate Document or the amendment, modification or assignment of any Real Estate Document without the Bank's prior written consent;

(xv) A Material Adverse Effect (as defined therein) occurs; or

(xvi) the Corporation violates or fails to comply with any Requirement of Law which has an adverse effect, directly or indirectly, on the security of Bank for the obligations of the Corporation.

Other Outstanding Corporation Certificates

The Authority has previously issued other certificates of participation for the benefit of the Corporation, of which \$12,865,000 is currently outstanding as of July 1, 2007 (the "Outstanding Certificates") pursuant to a separate trust agreement dated as of January 1, 1998 relating to the Outstanding Certificates (the "1998 Trust Agreement") which is secured by, among other matters, installment payments to be made by the Corporation pursuant to an installment purchase agreement dated as of January 1, 1998 relating to the Outstanding Certificates (the "1998 Purchase Agreement"), pursuant to an installment sale agreement dated as of January 1, 1998 relating to the Outstanding Certificates (the "1998 Sale Agreement") and pursuant to a separate credit facility available under a credit agreement dated as of January 1, 1998 (the "Outstanding Letter of Credit"). A default under the 1998 Trust Agreement, the 1998 Purchase Agreement or the 1998 Sale Agreement would not constitute a default under the Trust

Agreement, the Purchase Agreement or the Sale Agreement; however, a default under the Reimbursement Agreement relating to, among other matters, the Outstanding Certificates, could result in an acceleration of the Certificates. See “LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT – Reimbursement Agreement.”

The Certificates are not secured by the Outstanding Letter of Credit, the installment payments pledged under the 1998 Trust Agreement or any other assets securing the Outstanding Certificates; and the owners of the Outstanding Certificates have no claim against the Installment Payments or the amounts drawn under the Letter of Credit.

THE BANK

The information under this heading has been provided solely by U.S. Bank National Association and is believed to be reliable, but has not been verified independently by the Authority, the Corporation, the Underwriter or the Trustee. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Authority, the Corporation or the Trustee.

U.S. Bank National Association is a national banking association organized under the laws of the United States and is the largest subsidiary of U.S. Bancorp. At March 31, 2007, the Bank reported total assets of \$220 billion, total deposits of \$132 billion and total shareholders’ equity of \$21 billion. The foregoing financial information regarding the Bank has been derived from and is qualified in its entirety by the unaudited financial information contained in the Federal Financial Institutions Examination Council report Form 031, Consolidated Report of Condition and Income for a Bank with Domestic and Foreign Offices (“Call Report”), for the quarter ended March 31, 2007. The publicly available portions of the quarterly Call Reports with respect to the Bank are on file with, and available upon request from, the FDIC, 550 17th Street, NW, Washington, D.C. 20429 or by calling the FDIC at (877) 275-3342. The FDIC also maintains an Internet website at www.fdic.gov that contains reports and certain other information regarding depository institutions such as the Bank. Reports and other information about the Bank are available to the public at the offices of the Comptroller of the Currency at One Financial Place, Suite 2700, 440 South LaSalle Street, Chicago, IL 60605.

U.S. Bancorp is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the “SEC”). U.S. Bancorp is not guaranteeing the obligations of the Bank and is not otherwise liable for the obligations of the Bank.

Except for the contents of this section, the Bank and U.S. Bancorp assume no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement.

THE AUTHORITY

The ABAG Finance Authority for Nonprofit Corporations (the “Authority”) is a joint exercise of powers authority duly organized and existing under the laws of the State of California. The Authority was formed pursuant to the terms of a Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992 (the “Joint Powers

Agreement”), and the Joint Exercise of Powers Law of the State (constituting Chapter 5, commencing with Section 6500, of Division 7 of Title 1 of the California Government Code) (the “Act”), in order to assist nonprofit corporations and other entities to obtain financing for projects located within the several jurisdictions of Authority members with purposes serving the public interest.

THE CERTIFICATES EVIDENCE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE TRUST AGREEMENT. NONE OF THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”) OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE AUTHORITY OR ABAG OR ANY OF THEIR MEMBERS TO PAY ALL OR ANY PORTION OF THE INSTALLMENT PAYMENTS. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE AUTHORITY TO MAKE THE INSTALLMENT PAYMENTS CONSTITUTES A DEBT OR LIABILITY OF THE AUTHORITY OR ABAG OR THE MEMBERS 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 RESTRICTION, 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 CERTIFICATES SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE CERTIFICATES. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

THE CORPORATION

The information provided in this section has been provided by the Corporation and no representation is made by the Authority, the Bank or the Underwriter as to its accuracy or completeness.

The Harker School (the “Corporation”), a California nonprofit public benefit corporation, is a coeducational, non-sectarian, college preparatory school serving kindergarten through grade 12. The Corporation was established in 1893. Located in San Jose, Harker has three campuses on approximately 66 acres. Total enrollment is currently 1,699 students who attend from throughout the greater Bay Area, including San Jose, Saratoga, Los Gatos, Los Altos, Fremont and Morgan Hill.

The Corporation’s income is exempt from income taxation pursuant to Section 501(a) as described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”).

For more detailed information concerning the history, governance, organization and operations of the Corporation, see APPENDIX A—“THE CORPORATION.”

THE PROJECT

The information provided in this section has been provided by the Corporation and no representation is made by the Authority, the Bank or the Underwriter as to its accuracy or completeness.

The Project involves the acquisition, construction and equipping of new educational facilities, including a science and technology building, athletic field, swimming pool and pool facility building. For additional information concerning the Project, see APPENDIX A—“THE CORPORATION—The Project.”

ESTIMATED USES OF CERTIFICATE PROCEEDS

The following table sets forth the estimated uses of proceeds from the sale of the Certificates.

Sources of Funds:

Certificate Proceeds	\$ 20,000,000
Corporation Contribution	<u>9,004,160</u>
Total Sources of Funds	\$ <u>29,004,160</u>

Uses of Funds:

Project Costs	\$ 28,408,979
Costs of Delivery ⁽¹⁾	<u>595,181</u>
Total Uses of Funds	\$ <u>29,004,160</u>

(1) Costs of Delivery include Letter of Credit fees and costs, Special Counsel fee, Underwriter’s discount, Underwriter’s Counsel fee, Trustee and Tender Agent fees, Trustee Counsel fees, Corporation’s Counsel fee, Rating Agency fee, printing costs and other miscellaneous costs of delivery.

ABSENCE OF MATERIAL LITIGATION

The Authority

There is no material litigation that has been served on the Authority or, to the best knowledge of its officers, that is otherwise pending or threatened which seeks to restrain or enjoin the sale, execution or delivery of the Certificates which in any way contests or affects the validity of the Certificates or any proceedings of the Authority taken with respect to the execution, delivery or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Certificates, the use of the Certificate proceeds or the existence or powers of the Authority relating to the execution and delivery of the Certificates.

The Corporation

There is no material litigation of any nature now pending against the Corporation or, to the knowledge of its officers, threatened which seeks to restrain or enjoin the sale, execution or delivery of the Certificates or which in any way contest or affects the validity of the Certificates

or any proceedings of the Corporation taken with respect to the execution, delivery or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Certificates, the use of the Certificate proceeds or the existence or powers of the Corporation relating to the execution and delivery of the Certificates. There is no controversy or litigation of any nature now pending against the Corporation, or to the knowledge of any of their officers, threatened, which, if successful, would materially adversely affect the operations or financial condition of the Corporation.

UNDERWRITING

The Certificates will be purchased from the Authority by Westhoff, Cone & Holmstedt, as Underwriter, pursuant to a purchase contract. The Underwriter has agreed to purchase the Certificates from the Authority at a purchase price equal to the \$20,000,000 aggregate principal amount of the Certificates. Simultaneously with the delivery of the Certificates, a fee in the aggregate amount of \$117,000 will be paid to the Underwriter in connection with the Underwriter's offering and sale of the Certificates to the public. The purchase contract among the Authority, the Underwriter and the Corporation provides that the Underwriter will purchase all of the Certificates, if any Certificates are issued and delivered.

The initial offering prices set forth on the cover page of this Official Statement may be changed by the Underwriter from time to time without notice.

RATING

Fitch ("Fitch") has assigned a rating of "AA-/F1+" to the Certificates based on assurance that the payment of principal of and interest on the Certificates will be payable from drawings under the Letter of Credit. This rating reflects only the views of Fitch and any explanation of the significance of such rating should be obtained from Fitch. No application was made to any other rating agency for the purpose of obtaining an additional rating thereon. Any explanation as to the significance of the rating assigned may only be obtained from Fitch. There is no assurance that any rating will continue for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency establishing the rating, circumstances so warrant. Neither the Underwriter nor the Authority have taken any responsibility either to bring to the attention of the Holders of the Certificates any proposed downward revision in the rating of the Certificates or to oppose any such proposed revision. Any change in or withdrawal of such rating could have an adverse effect on the market price of the Certificates.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the Authority ("Special Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each Installment Payment paid by the Authority designated as and comprising interest and received by Owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Special Counsel is of the further opinion that such interest is not a specific preference

item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Special Counsel expresses no opinion regarding any other tax consequences related to the accrual or receipt of the interest portion of the Installment Payments or the ownership or disposition of the Certificates. A complete copy of the proposed form of opinion of Special Counsel is contained in APPENDIX B hereto.

Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable on their respective Certificate Payment Dates (or, in some cases, at their earlier call date) (“Premium Certificates”) will be treated as having amortizable premium. No deduction is allowable for the amortizable premium in the case of securities, like the Premium Certificates, the interest with respect to which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner’s basis in a Premium Certificate, will be reduced by the amount of amortizable premium properly allocable to such beneficial owner. Beneficial owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest with respect to obligations such as the Certificates. The Authority and the Corporation have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest with respect to the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest with respect to the Certificates being included in gross income for federal income tax purposes, possibly from the date of original delivery of the Certificates. The opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Counsel’s attention after the date of delivery of the Certificates may adversely affect the value of, or the tax status of interest with respect to, the Certificates. Accordingly, the opinion of Special Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Special Counsel has relied on the opinion of Wilson, Sonsini, Goodrich & Rosati, counsel to the Corporation (“Corporation Counsel”) regarding the current qualification of the Corporation as an organization described in Section 501(c)(3) of the Code, the intended operation of the facilities to be financed or refinanced by the Certificates as substantially related to the Corporation’s charitable purpose under Section 513 of the Code, and other matters. Neither Special Counsel nor Corporation Counsel can give or has given any opinion or assurance about the future activities of the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the IRS. Failure of the Corporation to be organized and operated in accordance with the IRS’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code or to operate the facilities financed or refinanced by the Certificates in a manner that is substantially related to the Corporation’s charitable purpose under Section 513 of

the Code may result in interest on the Certificates being included in federal gross income, possibly from the date of original delivery of the Certificates.

Although Special Counsel is of the opinion that interest with respect to the Certificates is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

The opinion of Special Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Counsel's judgment as to the proper treatment of the Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service or the courts. Furthermore, Special Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Corporation have covenanted, however, to comply with the requirements of the Code.

Special Counsel's engagement with respect to the Certificates ends with the delivery of the Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the Authority, the Corporation or the beneficial owners regarding the tax-exempt status of interest represented by the Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the Corporation and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt securities is difficult, obtaining an independent review of IRS positions with which the Authority or the Corporation legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Certificates for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Certificates, and may cause the Authority, the Corporation or the beneficial owners to incur significant expense.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. As one example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest with on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposals, clarification of the Code, or court decisions may also affect the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incidental to the authorization, issuance and sale of the Certificates are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Special Counsel. A complete copy of the proposed form of Special Counsel opinion is contained in APPENDIX B hereto, and will be delivered simultaneously with the issuance of the Certificates. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by its Counsel, Nixon Peabody LLP; for the Corporation by its Counsel, Wilson, Sonsini, Goodrich & Rosati, P.C., Palo Alto, California; and for the Bank by McDonough Holland & Allen, P.C., Sacramento, California.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Certificates, the Trust Agreement, the Sale Agreement, the Purchase Agreement, the Letter of Credit, the Reimbursement Agreement and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof, and statements herein are qualified in their entirety by reference to said documents for full and complete statements of their provisions.

The Authority is a conduit issuer and has not prepared or participated in the preparation of this Official Statement and is not responsible for the statements made herein except for the information under the captions “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION – The Authority” and the Authority will not participate in or be responsible for the offering, sale, distribution, or remarketing of the Certificates.

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APPENDIX A

THE CORPORATION

The information provided in this Appendix A has been provided by the Corporation and no representation is made by the Authority, the Bank, the Underwriter or the Trustee as to its accuracy or completeness.

General

The Harker School (the “Corporation” or the “School”) was established in 1893. Harker is a California non-profit corporation and also a 501(c)(3) charitable organization under the Internal Revenue Code which owns and operates a coeducational, non-sectarian, K-12, independent day School. Its existing facilities include three separate campuses located in San Jose, CA.

The Lower School for grades K-5 is located on a 10 acre campus owned by Harker at 4300 Bucknall Rd. The Lower School is a full service facility with over 70,000 square feet of buildings providing space for 30 classrooms, labs, library and athletic complex. There is also a competition size swimming pool on the property.

The Middle School for grades 6-8 is located on property utilized under a 20-year lease at 3800 Blackford Ave. This campus is 40 acres with 120,000 square feet of buildings providing space for 39 classrooms, labs, library, performing arts theater and athletic facilities.

The Upper School for grades 9-12 is located on a 16-acre campus owned by Harker at 500 Saratoga Avenue. The campus is on 16 acres with 116,000 square feet of buildings providing space for 50 classrooms, labs, library, sports complex and auditorium.

The School provides a broad based and challenging college preparatory education and a wide range of extra curricular activities, particularly in the arts and athletics. In addition, the School sponsors a full after school enrichment program. The School has a highly selective admissions policy in order to maintain its high academic standards and is fully accredited by the Western Association of Schools and Colleges, the California Association of Independent Schools and the American Camping Association.

Students in grades 1-8 take the ERB test (Educational Records Bureau Comprehensive Testing Program III) annually to assess their progress. The School’s median students have consistently scored above the 90th percentile in verbal ability, reading comprehension, writing, quantitative ability and mathematics. Student in grades 10-11 take the PSAT.

The Project

The Project is for capital improvements on the Upper School campus and includes the construction of a state-of-the-art Science and Technology Center, athletic field, pool and a pool facility building. The estimated cost of the total project is \$28.4 million. The Science and Technology Center is a 52,000 sq. ft. building and will house chemistry, physics, biology, and

technology classroom space. The building will feature a 200 seat theater-style auditorium. The Center will be ready for occupancy in the fall of 2008.

Table 1: Project Budget

Design Consultants	\$ 2,163,988
Construction	22,919,794
Other Project Costs	<u>3,325,197</u>
Total Budget	\$ <u>28,408,979</u>

Board of Trustees

The School is governed by a Board of Trustees consisting of thirteen members who establish policy, approve plans, budgets and expenditures and review the operations of The School. The Board appoints the Head of School to devise and implement day-to-day operational policies. There are three additional officers elected from this Board, each of which serves at the pleasure of the Board.

The present Board of Trustees is comprised of the following members:

Table 2: Board of Trustees

<u>Name</u>	<u>Occupation</u>
Lionel Allan, Chairman	Attorney
Martin Lundie, Treasurer	CFO
Phyllis Carley, Secretary	Retired
Howard E. Nichols	Consultant to The Harker School
Diana F. Nichols	Consultant to The Harker School
Sally Anderson	Educator/Philanthropist
Linda Emery	Businesswoman
Navindra Jain	Engineer
Christopher Nikoloff	Head of School
Joseph Sabeh	Real Estate Broker/Developer
Mohammed Kaleemuddin	Businessman
Jeffery Lee	Dentist
Lynette Stapleton	Community Volunteer

Officers

Lionel Allan, Chairman. Mr. Allan has been on the Board of Trustees of The School since 1998 and was elected Chairman in 2002. Mr. Allan is a 1965 cum laude graduate of the University of Michigan and received his JD from Stanford Law School in 1968. Upon graduation, Mr. Allan clerked for Chief Judge Robert Peckham at the U.S. District Court in San Francisco. Later, he was in private practice in Silicon Valley as a corporate and securities

lawyer and most recently serves as an advisor or outside director to start-up and public companies as well as lecturing frequently for Stanford Directors' College.

Martin Lundie, Treasurer. Mr. Lundie has been on the Board of Trustees of the School since 1999 and currently serves as Treasurer of the Board and as Chairman of the Finance Committee. Mr. Lundie received a B.S. in Accounting and a LLB from the University of the Witwatersrand in South Africa. He was admitted to the Bar in South Africa and has successfully completed all parts of the CPA exam. Mr. Lundie has more than twenty years experience as a Chief Financial Officer. He is currently CFO at Picolight, a designer and manufacturer of optical components for the data storage and network markets.

Phyllis Carley, Secretary. Mrs. Carley has been on the Board of Directors of the School since 1981 and has served as secretary of the Board since 1982. Mrs. Carley is a graduate of Salinas Junior College, now Hartnell College in Salinas. She holds the distinct honor of being the first employee of The Harker Academy of Palo Alto in 1952, (predecessor of The School) and was an administrative assistant for The School until her retirement in 1989. During her career, Mrs. Carley was also a legal secretary for the Salinas Police Department and the Salinas Justice Court in Monterey County.

Administration

Set forth below are the principal administrators at the School:

Table 3: Principal Administrators

<u>Name</u>	<u>Position</u>
Christopher Nikoloff	Head of School
Jennifer Gargano	Asst. Head of School
Joe Rosenthal	Director of Advancement
Nan Nielson	Director of Admissions
Marie Clifford	Business Manager

The following are brief resumes of the principal administrators at the School.

Chris Nikoloff, Head of School, has been employed at the School since 1999 and was appointed Head of School in 2005. Mr. Nikoloff graduated from Boston University earning magna cum laude in English literature and philosophy, and summa cum laude in Education for his Master's of Arts and Teaching. He was employed by the French-American Middle School in Berkeley before joining The Harker School.

Jennifer Gargano, Assistant Head of School, received her Bachelor of Science Degree in Elementary Education with a minor in Mathematics and her Master of Arts Degree in Mathematics Education from DePaul University in Chicago, IL. Ms. Gargano began working for The Harker School in 1999 as a Mathematics teacher for the Upper School. She became the Middle School Division Head in 2002 and moved into her current position as Assistant Head for Academics in 2004.

Joseph J. Rosenthal, Director of Advancement and Residential Life, has been employed at the School since 1984, was appointed boarding program director in 1986 and Director of Advancement and Residential Life in 1996. Mr. Rosenthal received his B.S. in Business and Commerce from Santa Clara University, California in 1984. He was lead houseparent and admissions representative at The School from 1984-86 and served as boarding program director from 1986 until his present appointment in 1996. In 2004, Mr. Rosenthal received a Certified Fund Raising Executive designation from CFRE International.

Nan Nielson, Director of Admissions, has been employed at the School since 1976 and was appointed as director of admissions in 1997. Ms. Nielson received a B.A. in English, with a Math minor from the University of Redlands in 1970 and a Secondary Education California Teaching Credential from the University of Santa Barbara in 1971. Prior to coming to Harker, she taught math at Ortega Junior High School in Cupertino from 1972-76. She taught math at Harker from 1976 and served as department chair until her appointment as director of admissions in 1997.

Marie Clifford, Business Manager, has been employed at The Harker School since 1989. She received a B.S. in Chemistry in 1961 and an M.S. in Industrial Engineering in 1980 from Northwestern University in Boston Massachusetts. Prior to working at The Harker School, Marie was employed for sixteen years by Polaroid Corporation. Marie worked in a variety of engineering and management positions culminating in the position as Head of Quality Assurance U.S. Manufacturing Hardware.

Faculty and Other Employees

There are 169 full time teachers at the School. They have an average teaching experience of fourteen years. Forty two teachers hold masters degrees; eleven teachers hold doctorates. Every member of the faculty holds an appropriate degree or credential for the subject taught. The median salary for a teacher at the School is in excess of \$69,000. In addition to a salary, teachers also have a comprehensive benefits package that includes health and dental insurance, life insurance and a qualified retirement plan.

Tuition

The annual tuition for the 2006-2007 school year ranged from \$19,975 to \$27,865. The average annual rate of tuition increases from 2004 to 2007 was 6.125%.

Enrollment

The enrollment at the School for the 2006-2007 school year is 1700 students. Enrollment growth at the School has averaged 2.64% per year since 2002.

Graduates

The Upper School graduated 167 students in 2007. This was an increase of 17% over 2006. The Upper School graduating class has increased an average of 12% from 2003 to 2007.

Competition

The Harker School benchmarks against a number of schools in the San Francisco Bay Area based on data from the Independent Schools Business Officers Association. Annual tuition for these schools currently ranges from approximately \$13,320 to \$27,590.

The School maintains a careful record of all students who leave the school. Records indicate that the highest percentage leave because of job or family relocation. The School's average re-enrollment of 94% is well above the average for independent schools across the country.

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APPENDIX B

PROPOSED FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

ABAG Finance Authority For Nonprofit Corporations
Oakland, California

ABAG Finance Authority For Nonprofit Corporations
Variable Rate Demand Certificates of Participation
(The Harker School Project)
Series 2007

 (Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the ABAG Finance Authority For Nonprofit Corporations (the "Authority") in connection with the execution and delivery of \$20,000,000 aggregate principal amount of Variable Rate Demand Certificates of Participation Evidencing a Proportionate Interest of the Holders Thereof in Installment Payments to be Paid by the Authority to The Harker School (the "Certificates"). In such connection, we have reviewed an Installment Sale Agreement, dated as of August 1, 2007 (the "Sale Agreement") and an Installment Purchase Agreement (the "Purchase Agreement"), each made by and between the Authority and The Harker School (the "Corporation"); a Trust Agreement (the "Trust Agreement"), dated as of August 1, 2007, by and among the Authority, the Corporation and Union Bank of California, N.A., as Trustee (the "Trustee"); the Tax Certificate and Agreement, dated as of the date hereof, by and between the Authority and the Corporation (the "Tax Certificate"); opinions of counsel to the Authority, the Corporation, and the Trustee; certificates of the Authority, the Corporation, and the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

We have relied on the opinion of Wilson, Sonsini, Goodrich & Rosati, P.C., counsel to the Corporation, concerning among other matters, the current qualification of the Corporation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and the use of the facilities financed with the proceeds of the Certificates in activities that are not considered unrelated trade or business activities of the Corporation within the meaning of Section 513 of the Code. We note that such opinion is subject to a number of qualifications and limitations. Failure of the Corporation to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond-financed facilities in activities that are considered unrelated trade or business activities of the Corporation within the meaning of

Section 513 of the Code, may result in interest with respect to the Certificates being included in gross income for federal income tax purposes, possibly from the date of issuance of the Certificates.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their execution and delivery. We have no obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the first and second paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Purchase Agreement, the Sale Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest portion of the Purchase Payments to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Certificates, the Trust Agreement, the Purchase Agreement, the Sale Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Trust Agreement, the Purchase Agreement or the Sale Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto.

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

1. The Purchase Agreement, the Sale Agreement, and the Trust Agreement have been duly executed and delivered by the Authority and, assuming the due authorization, execution and delivery by the other parties thereto, constitute valid and binding obligations of the Authority.

2. The obligation of the Authority to make Installment Payments pursuant to the terms of the Purchase Agreement constitutes a valid and binding obligation of the Authority,

payable from funds of the Authority lawfully available therefor, and does not constitute a debt of the Authority or the State of California within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the Authority or the State of California is obligated to levy or pledge any form of taxation or for which the Authority or the State of California has levied or pledged any form of taxation.

3. Assuming due authorization, execution and delivery of the Trust Agreement and the Certificates by the Trustee, the Certificates are entitled to the benefits of the Trust Agreement.

4. The component of each Purchase Payment designated as and constituting interest paid by the Authority under the Purchase Agreement and received by the registered owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the accrual or receipt of such interest or the ownership or disposition of the Certificates.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the principal legal documents and is supplemental to the summary of other provisions of such documents described elsewhere in this Official Statement. These summaries do not purport to be comprehensive, and reference should be made to the Installment Purchase Agreement, the Installment Sale Agreement and the Trust Agreement, for a full and complete statement of their respective provisions. All capitalized terms not defined in this Official Statement have the meanings set forth in the Trust Agreement.

DEFINITIONS OF CERTAIN TERMS

Act means Title 3 of the Government Code of the State, as now in effect and as it may from time to time hereafter be amended, supplemented or recodified.

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

Agreement, Installment Sale Agreement or Sale Agreement means the Installment Sale Agreement, dated as of August 1, 2007, between the Authority and the Corporation, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Trust Agreement.

Alternate Credit Facility means bond insurance or other similar credit enhancement meeting the requirements of the Sale Agreement.

Alternate Letter of Credit means an alternate irrevocable letter of credit, including, if applicable, a confirming letter of credit, or similar credit facility issued by a commercial bank, savings institution or other financial institution, the terms of which will in all material respects be the same as those of the initial Letter of Credit, delivered to the Trustee pursuant to the Sale Agreement.

Authority means the ABAG Finance Authority for Nonprofit Corporations, a joint exercise of powers agency organized and existing under the laws of the State.

Authorized Denomination means (i) during any Weekly Interest Rate Period or Term Interest Rate Period of less than one year, \$100,000 or any integral multiple of \$5,000 in excess thereof and (ii) during any Term Interest Rate Period of one year or more, \$5,000 or any integral multiple thereof.

Authorized Representative means, (1) with respect to the Authority, the President, the Chief Financial Officer, or the Secretary of the Authority or any other person as may be designated and authorized to sign for the Authority, and (2) with respect to the Corporation, either (a) the Head of School or the Business Manager, or (b) any other person designated as an Authorized Representative of the Corporation by a Statement of the Corporation signed by the Head of School or the Business Manager and filed with the Trustee.

Available Moneys means (1) moneys derived from drawings under the Letter of Credit, that are not commingled with any other moneys, (2) moneys held by the Trustee (other than in the Rebate Fund or the account described in the Trust Agreement and subject to a first-priority perfected lien under the Trust Agreement for a period of at least one hundred twenty-three (123) days and not commingled with any moneys so held for less than said period and during and prior to which period no petition in bankruptcy was filed by or against, and no receivership, insolvency, assignment for the benefit of creditors or other similar proceeding has been commenced by or against the Corporation or the Authority.

Bank means U.S. Bank, National Association, as the Letter of Credit Bank, and any other commercial bank, savings and loan association or other financial institution issuing a Letter of Credit then in effect and party to a Reimbursement Agreement.

Book-Entry Certificates means the Certificates registered in the name of the nominee of the Depository, or any successor securities depository for such Certificates, as the registered owner thereof pursuant to the terms and provisions of the Trust Agreement.

Business Day means any day of the year other than a Saturday, Sunday, or other day on which the Bank or the principal corporate trust offices of the Trustee are not required or authorized to be closed.

Certificateholder or Holder, whenever used with respect to a registered Certificate, means the person in whose name such Certificate is registered.

Certificates means the certificates of participation, evidencing a proportionate interest of the Holders thereof in Installment Payments to be made by the Authority pursuant to the Purchase Agreement, designated as ABAG Finance Authority For Nonprofit Corporations Variable Rate Demand Certificates of Participation (The Harker School Project) Series 2007.

Certificate Payment Date means, with respect to a Certificate, the date on which principal and premium, if any, evidenced by such Certificate becomes due and payable, whether at maturity or on prepayment.

Certificate Year means, for purposes of the Purchase Agreement, the Sale Agreement and the Trust Agreement, the period of 12 consecutive months ending on January 1 in any year in which Certificates are Outstanding, provided that the first Certificate Year will commence on the date of original execution and delivery of the Certificates.

Code means the Internal Revenue Code of 1986 and the regulations issued thereunder or any successor thereto. Reference to any particular Code section will, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

Corporate Trust Office or corporate trust office means the principal corporate trust office of the Trustee at 350 California Street, 11th Floor, San Francisco, California 91404 provided however that for purposes of payment, prepayment, exchange, transfer, surrender and cancellation of Certificates it means 120 S. San Pedro Street, 4th Floor, Los Angeles, California 90051, Attention: Corporate Trust Department, or such other or additional offices as may be designated by the Trustee.

Corporation means The Harker School, a nonprofit public benefit corporation duly organized and existing under the laws of the State, or any corporation which is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of its assets permitted under the Sale Agreement.

Costs of Delivery means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Corporation and related to the authorization, execution, sale and delivery of the Certificates, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, fees and expenses of the Authority (including, but not limited to, the Authority's initial fee consisting of five one-hundredths of one percent (.05%) of the aggregate principal amount of the Certificates and fees of the Authority's counsel), filing and recording fees, documentary transfer tax, premiums for title insurance, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, initial Administrative Fees and Expenses, fees and charges for preparation, execution, transportation and safekeeping of Certificates, and any other cost, charge or fee in connection with the original execution and delivery of Certificates.

Costs of Delivery Fund means the fund designated and established as the "Harker School Costs & Delivery Fund" pursuant to the provisions of the Trust Agreement.

County means the County of Santa Clara, a county and political subdivision of the State duly organized and existing under the Constitution and the laws of the State.

Depository means The Depository Trust Company and its successors and assigns, or any other depository selected in accordance with the provisions of the Trust Agreement, which agrees to follow the procedures requires to be followed by such depository in connection with the Certificates.

Determination of Taxability means the occurrence or existence of any of the conditions or events more fully described in the Sale Agreement.

Direct Participants means those broker-dealers, banks and other financial institutions from time to time for which DTC holds the Certificates as securities depository.

Event of Default, for purposes of the Trust Agreement, means any of the events of default specified in Section 7.01 of the Trust Agreement.

Fitch means Fitch, Inc. a corporation organized and existing under the laws of the State of Delaware, doing business as Fitch Ratings, its successors and their assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a nationally-recognized statistical rating organization, "Fitch" shall be deemed to refer to any other nationally-recognized statistical rating organization (other than S&P or Moody's) designated by the Authority, with the approval of the Corporation, by notice to the Bank, the Trustee, the Remarketing Agent and the Tender Agent.

Holder or Certificateholder, whenever used with respect to a registered Certificate, means the person in whose name such Certificate is registered.

Information Services means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's "Mergent/FIS, Inc.," 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bonds Department; the Municipal Securities Rulemaking Board, CDI Pilot, 1640 King St., Suite 300, Alexandria, Virginia 22314; and Standard and Poor's "Called Bond Record," 55 Water Street, New York, NY 10041; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds, or no such services, as the Bank may designate to the Trustee in writing.

Installment Payments means all of the payments so designated and required to be made by the Authority pursuant to the Purchase Agreement.

Installment Purchase Agreement or **Purchase Agreement** means that certain Installment Purchase Agreement, dated as of August 1, 2007, between the Authority and the Corporation, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Trust Agreement.

Installment Sale Agreement or **Agreement** or **Sale Agreement** means the Installment Sale Agreement, dated as of August 1, 2007 between the Authority and the Corporation, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Trust Agreement.

Interest Account means the account by that name established pursuant to the provisions of the Trust Agreement.

Investment Securities means any of the following which at the time are legal investments under the laws of the State for moneys held under the Trust Agreement and then proposed to be invested therein: (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and including (if such instruments become legal investments under the laws of the State for moneys held under the Trust Agreement) certificates or other instruments evidencing ownership interests in such direct obligations of the United States of America such as CATS, TIGRs, Treasury Receipts and Stripped Treasury Coupons) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America; (2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Federal Farm Credits Banks, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, or by any agency, department or instrumentality of the United States if such obligations are rated in one of the two highest rating categories by S&P or Moody's or Fitch; (3) bonds of the State or of any county or city of the State rated by S&P or Moody's or Fitch in one of the two highest rating categories; (4) repurchase agreements or investment agreements issued by banks (including the Trustee), lead banks of parent holding companies, or savings and loan associations, with a combined

capital and surplus aggregating at least \$100,000,000 and the unsecured securities of which are rated by S&P and Moody's or Fitch (if such rating agency is then rating any of the Certificates) in one of the two highest rating categories, or secured by a letter of credit issued by such bank, lead bank or savings and loan association, or (in the case of a repurchase agreement) the underlying securities of which are obligations described in clause (1) or (2) of this definition and are required to be continuously maintained at a market value (valued at least quarterly) at least equal to the repurchase price from time to time payable with respect thereto, or (in the case of an investment agreement) continuously secured and collateralized by obligations described in clause (1) or (2) of this definition having a market value (valued at least quarterly) at least equal to the principal balance collectible pursuant thereto; provided, however, that (a) the Trustee shall have received a perfected first security interest in the obligations securing such repurchase agreements or investment agreements, (b) the Trustee shall hold the obligation securing such repurchase agreements or investment agreements, and (c) the Trustee shall hold such obligations free and clear of the claims of third parties; (5) interest-bearing bankers acceptances and demand or time deposits (including certificates of deposit) in banks (including the Trustee) and savings and loan associations, provided such deposits are either (a) secured at all times, in the manner and to the extent provided by law, by collateral security (described in clause (1) or (2) of this definition) of a market value of no less than the amount of money so invested or (b) in banks (including the Trustee) or savings and loan associations having a combined capital and surplus of at least one hundred million dollars (\$100,000,000) or (c) fully insured by the Federal Deposit Insurance Corporation; (6) bankers acceptances or certificates of deposit of, or time deposits in, any bank (including the Trustee), lead bank of a parent holding company, or savings and loan association whose unsecured obligations are rated in one of the two highest rating categories by S&P and Moody's and Fitch (if such rating agency is then rating any of the Certificates); (7) commercial paper of "prime" quality of the highest ranking or one of the two highest rating categories as provided by S&P or Moody's or Fitch and issued by corporations organized and operating within the United States and having total assets in excess of one hundred million dollars (\$100,000,000); (8) shares in money market mutual funds (including those advised by the Trustee or its affiliates) registered under the Investment Company Act of 1940, which are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G," "AAA-m," "AA-m," and if rated by Moody's, "Aaa," "Aal" or "Aa2"; and any other investment approved in writing by the Bank and the Corporation.

Law means Articles 1, 2 and 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, as now in effect and as it may from time to time hereafter be amended, supplemented or recodified.

Letter of Credit means, as applicable, (i) that certain Letter of Credit issued by the Bank, naming the Trustee as beneficiary and delivered on the date of issuance and delivery of Certificates, pursuant to a Reimbursement Agreement and (ii) in the event of delivery of an Alternate Letter of Credit, such Alternate Letter of Credit.

Letter of Credit Account means the account by that name in the Revenue Fund established pursuant to the Trust Agreement.

Maximum Rate means twelve percent (12%) per annum.

Moody's means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a nationally-recognized statistical rating organization, "Moody's" shall be deemed to refer to any other nationally-recognized statistical rating organization (other than S&P or Fitch) designated by the Authority, with the approval of the Corporation, by notice to the Bank, the Trustee, the Remarketing Agent and the Tender Agent.

Official Statement means that certain Official Statement, dated the date of sale of the Certificates, relating to the Certificates (including all exhibits or appendices thereto), used in connection with the offer and sale of the Certificates.

Opinion of Counsel, whenever used with respect to an opinion to be delivered pursuant to the provisions of the Purchase Agreement, the Sale Agreement or the Trust Agreement, means a written opinion of counsel (who may be counsel for the Authority) selected by the Authority.

Outstanding, when used as of any particular time with reference to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates theretofore, or thereupon being, authenticated and delivered by the Trustee under the Trust Agreement except: (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Certificates with respect to which all liability of the Authority will have been discharged in accordance with the defeasance provisions of the Trust Agreement; and (3) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates will have been executed and delivered by the Trustee pursuant to the Trust Agreement.

Paying Agent means the Paying Agent described in the Trust Agreement.

Payment Date means January 1, 2037 and (i) the first Wednesday of each month of each year commencing September 5, 2007 (or the next succeeding Business Day if such Wednesday is not a Business Day) during a Weekly Interest Rate Period or the last Business Day of a Term Interest Rate Period or (ii) January 1 and July 1 during a Term Interest Rate Period of one year or more.

Person means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Prepayment Account means the account by that name established pursuant to the provisions of the Trust Agreement.

Prepayment Price means, with respect to any Certificate (or portion thereof), the principal amount with respect to such Certificate (or portion) payable upon prepayment thereof pursuant to the provisions of such Certificate and the Trust Agreement.

Principal Account means the account by that name in the Revenue Fund established pursuant to the Trust Agreement.

Project means the financing and/or reimbursing of the costs incurred in connection with the acquisition, construction, and improvement of certain portions of the School Facilities, as more fully described in the Sale Agreement.

Project Fund means the Harker School Project Fund established pursuant to the provisions of the Trust Agreement.

Purchase Agreement or **Installment Purchase Agreement** means that certain Installment Purchase Agreement, dated as of August 1, 2007, between the Authority and the Corporation, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Trust Agreement.

Purchase Agreement Default means any of the events of default so specified in the Purchase Agreement.

Purchase Date means the date on which any Certificate is required to be purchased pursuant to the Trust Agreement.

Purchase Payments means the payments so designated and required to be made by the Corporation pursuant to the provisions of the Sale Agreement.

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

Rating Agency means Moody's, if Moody's is then rating the Certificates, S&P, if S&P is then rating the Certificates and/or Fitch, if Fitch is then rating the Certificates, or such other nationally-recognized statistical rating organization then rating the Certificates.

Rebate Fund means the Rebate Fund established pursuant to the provisions of the Trust Agreement.

Record Date means (i) the Business Day immediately preceding the applicable Interest Payment Date during a Weekly Interest Rate Period or any Term Interest Rate Period of less than one year, and (ii) whether or not a Business Day, the fifteenth day of the month prior to an Interest Payment Date during any Term Interest Rate Period of one year or greater.

Reimbursement Agreement means the Letter of Credit Reimbursement Agreement, dated as of August 1, 2007, between the Corporation and the Bank, as may be amended or supplemented from time to time, or any other similar agreement entered into in connection with the issuance of the Letter of Credit or of any Alternate Letter of Credit.

Remarketing Agent means with respect to the Certificates, Westhoff, Cone and Holmstedt and its successors in such office under the Trust Agreement.

Remarketing Agreement means the Remarketing Agreement, dated as of August 1, 2007, between the Corporation and the Remarketing Agent or the agreement or instrument pursuant to which a successor to the Remarketing Agent will perform its services.

Revenue Fund means the Revenue Fund established pursuant to the provisions of the Trust Agreement.

Revenues means all amounts received by the Authority or the Trustee for the account of the Authority under the Trust Agreement pursuant or with respect to the Sale Agreement, including, without limiting the generality of the foregoing, Installment Payments (including both timely and delinquent payments, any late charges, and regardless of source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Trust Agreement, but not including any Administrative Fees and Expenses, amounts received or on deposit in the Rebate Fund or any indemnification payments received by the Authority from the Corporation pursuant to the Purchase Agreement, the Sale Agreement or the Trust Agreement.

S&P means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a nationally-recognized statistical rating organization, "S&P" shall be deemed to refer to any other nationally-recognized statistical rating organization (other than Moody's or Fitch) designated by the Authority, with the approval of the Corporation, by notice to the Bank, the Trustee, the Remarketing Agent and the Tender Agent.

Sale Agreement, Installment Sale Agreement or Agreement means the Installment Sale Agreement, dated as of August 1, 2007, between the Authority and the Corporation, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Trust Agreement.

Sale Agreement Default Means any of the events of default so specified in the Sale Agreement.

School Facilities means (i) that certain real property described in the Sale Agreement, including all easements, parking and access rights appurtenant to such real property; (ii) all buildings, structures, fixtures and improvements on the aforesaid real property, but not including any removable items of furnishing, fixtures and equipment.

Securities Depositories means the following registered securities depositories: The Depository Trust Company, 55 Water Street, New York, New York 10041-0099 (for notices of redemption – Attn: Call Notification Department, Redemption Notice Enclosed, Fax-(212) 855-7232, 7233, 7234 or 7235; for notices of tender – Attn: Put Bonds Unit, Put Notice Enclosed, Fax-(212) 855-5235); or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

SIFMA Index means the "Securities Industry and Financial Markets Association Municipal Swap Index" (such index previously known as the "Bond Market Association

Municipal Swap Index” and the “PSA Municipal Swap Index”) announced by Municipal Market Data on the rate determination date and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meets specified criteria established by the Securities Industry and Financial Markets Association. The SIFMA Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the interest on which is tax-exempt and not subject to any personal “alternative minimum tax” or similar tax under the Code unless all tax-exempt securities are subject to such tax.

State means the State of California.

Supplemental Payments means the payments so designated and required to be made by the Corporation pursuant to the provisions of the Sale Agreement.

Supplemental Purchase Agreement means any supplemental installment purchase agreement hereafter duly authorized and entered into between the Authority and the Corporation, supplementing, modifying or amending the Purchase Agreement; but only if and to the extent such Supplemental Purchase Agreement is specifically authorized under the Purchase Agreement and under the Trust Agreement.

Supplemental Sale Agreement means any supplemental installment sale agreement hereafter duly authorized and entered into between the Authority and the Corporation, supplementing, modifying or amending the Sale Agreement; but only if and to the extent that such Supplemental Sale Agreement is specifically authorized under the Sale Agreement and under the Trust Agreement.

Supplemental Trust Agreement means any supplemental trust agreement hereafter duly authorized and entered into among the Authority, the Corporation and the Trustee, supplementing, modifying or amending the Trust Agreement; but only if and to the extent such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

Tax Agreement means that certain Tax Certificate and Agreement, dated as of the date of initial execution and delivery of the Certificates, and executed by the Authority and the Corporation, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

Tax-exempt means, with respect to interest on any obligations of a state or local government, including the Certificates, that such interest is excluded from gross income for federal income tax purposes (other than in the case of a Holder of any Certificates who is a substantial user of the Project or a related person within the meaning of Section 147(a) of the Code) whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

Tender Agent means initially the Trustee and any successor tender agent appointed pursuant to the Trust Agreement.

Term Interest Rate means a non-variable interest rate on Certificates established in accordance with the Trust Agreement.

Term Interest Rate Period means each period during which a Term Interest Rate is in effect.

Trust Agreement means that certain Trust Agreement, dated as of August 1, 2007, among the Authority, the Corporation and the Trustee, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

Trustee means Union Bank of California, N.A., a national banking association organized and existing under the laws of the United States, or its successor, as trustee under the provisions of the Trust Agreement.

INSTALLMENT PURCHASE AGREEMENT

Installment Purchase and Sale of the School Facilities

Pursuant to the Purchase Agreement the Corporation sells to the Authority, and the Authority purchases from the Corporation, the School Facilities at the price set forth in the Purchase Agreement and otherwise in the manner and in accordance with the provisions of the Purchase Agreement. The Authority and the Corporation agree that legal and equitable title to the School Facilities will immediately be deemed conveyed to and vested in the Authority.

Payment Provisions

Purchase Price. The purchase price of the School Facilities is \$20,000,000 (the “principal component”) plus the interest with respect to the unpaid balance of such principal component over the term of the Purchase Agreement, all in accordance with the installment payment schedule set forth in the Purchase Agreement. All amounts attributable to interest (the “interest component”) as specified in said schedule will be paid by the Authority as and constitute interest.

The Authority will pay the purchase price through Installment Payments, over a period of approximately twenty-five (25) years; provided, however, that the Authority’s obligation to make the Installment Payments is limited exclusively to the payments, and other moneys and assets received by the Trustee on behalf of the Authority pursuant to the Sale Agreement, and the Authority is not directly or indirectly or contingently or morally obligated to make Installment Payments from any other moneys or assets of the Authority. Subject to that limitation, the Installment Payments will be paid semiannually by the Authority in accordance with the installment payment schedule set forth in the Purchase Agreement.

The Installment Payments will be made to the Trustee at the Corporate Trust Office. In the event the Authority should fail to make any of the Installment Payments, the Installment Payments so unpaid will continue as an obligation of the Authority until such amount will have been fully paid and the Authority agrees to pay the same with interest thereon at a rate of interest equal to the rate of interest on the unpaid principal components of such unpaid Installment Payments, subject to the limitations set forth in the Purchase Agreement.

The Corporation agrees in the Sale Agreement to make each Purchase Payment due under the Sale Agreement directly to the Trustee in satisfaction of the Authority's Installment Payment obligations under the Purchase Agreement. The Authority grants to the Corporation a security interest in the Purchase Payments for the purpose of securing the Installment Payments due from the Authority under the Purchase Agreement.

The Authority will prepay the Installment Payments in the same amount as any prepayments received from the Corporation pursuant to and subject to the terms of the Sale Agreement and in accordance with the provisions set forth in the Trust Agreement.

Obligations of Authority Unconditional. The obligations of the Authority to make the payments required under the Purchase Agreement and to perform and observe the other agreements on its part contained in the Purchase Agreement are absolute and unconditional except as otherwise provided in the Purchase Agreement, and, until such time as all of the Installment Payments will have been fully paid (or provision for the payment thereof will have been made in accordance with the provisions of the Purchase Agreement), the Authority (i) will not suspend or discontinue any payments provided for in the Purchase Agreement, (ii) will perform and observe all of its other agreements contained in the Purchase Agreement and (iii) will not terminate the Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the School Facilities, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Corporation to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Purchase Agreement.

Nothing in the Purchase Agreement will be construed to release the Corporation from the performance of any of the agreements on its part contained in the Purchase Agreement; and in the event the Corporation should fail to perform any such agreement, the Authority may institute such action against the Corporation as the Authority may deem necessary to compel performance or recover its damages for nonperformance so long as such action will not violate the agreements of the Authority contained in the Purchase Agreement.

Limitation on Liability of Authority. Notwithstanding anything to the contrary contained in the Purchase Agreement, the Authority is not obligated to pay any Installment Payment or any portion of the purchase price or make any other payments or advance any moneys or be liable for any other costs or expenses except from the payments and other moneys and assets received by the Authority pursuant to the Sale Agreement. The Authority is not directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Authority for all or any portion of the purchase price or for all or any portion of such other costs or expenses.

Purchase Agreement Defaults and Remedies

Purchase Agreement Defaults Defined. The following events will be "Purchase Agreement Defaults":

(A) Failure by the Authority to pay or cause to be paid any Installment Payment required to be paid under the Purchase Agreement at the time specified therein;

(B) Failure by the Authority to observe and perform any covenant, condition or agreement in the Purchase Agreement on its part to be observed or performed, other than as described above in paragraph (A) for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the Authority by the Corporation, unless the Corporation will agree in writing to an extension of such time prior to its expiration; or

(C) A Sale Agreement Default.

Remedies on Default. Whenever any Purchase Agreement Default will have happened and be continuing, the Trustee, as assignee of the Corporation, may take any one or more of the following remedial steps:

(D) The Trustee may, if the payment of the Certificates has been accelerated pursuant to the provisions of the Trust Agreement and upon notice to the Authority, declare the principal component of all Installment Payments, plus all accrued and unpaid interest thereon, to be immediately due and payable, whereupon the same will become immediately due and payable; provided, however, that if acceleration of the Certificates has been rescinded and annulled pursuant to the provisions of the Trust Agreement, acceleration of the Installment Payments will be rescinded and annulled, but no such rescission and annulment will extend to or affect any subsequent default or will impair or exhaust any right or power consequent thereto;

(E) The Trustee may exercise and enforce all or any of the rights and remedies provided for in the Sale Agreement; and/or

(F) The Trustee may take whatever action at law or in equity as may appear necessary or desirable to enforce performance and observance of any obligation, condition or covenant of the Authority under the Purchase Agreement.

No Remedy Exclusive. No remedy conferred upon or reserved to the Corporation is intended to be exclusive of any other available remedy or remedies, but each and every such remedy will be cumulative and will be in addition to every other remedy given wider the Purchase Agreement or now or hereafter existing at law or in equity or by statute. No delay in exercising or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it, it will not be necessary to give any notice, other than such notice as may be expressly required under the Purchase Agreement. The Holders of the Certificates executed and delivered pursuant to the Trust Agreement will be deemed third party beneficiaries of all covenants and conditions contained in the Purchase Agreement.

No Additional Waiver Implied by one Waiver. In the event any agreement contained in the Purchase Agreement should be breached by either party and thereafter waived by the other

party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach.

INSTALLMENT SALE AGREEMENT

Installment Purchase and Sale of the School Facilities

Pursuant to the Sale Agreement the Authority sells to the Corporation, and the Corporation purchases from the Authority, the School Facilities at the purchase price (payable in installments) specified in the Sale Agreement and otherwise in the manner and in accordance with the provisions of the Sale Agreement. The Authority and the Corporation agree that legal and equitable title to the School Facilities will immediately be deemed conveyed to and vested in the Corporation.

Payment Provisions

Purchase Price. The Corporation will pay the purchase price for the School Facilities conveyed by making installment payments, to be referred to as “Purchase Payments”. The Corporation will pay the Purchase Payments to the Trustee, as assignee of the Authority, for deposit in the Interest Account and Principal Account of the Reserve Fund. The Purchase Payments, in the aggregate, will be in an amount sufficient for the payment in full of all obligations to the Holders of the Certificates from time to time Outstanding under the Trust Agreement, including (i) the total interest components due and payable with respect to the Installment Payments of the Authority under the Purchase Agreement and (ii) the total principal components of such Installment Payments; less the amount of other funds available for such payment as provided in the Trust Agreement. The Purchase Payments will be due and payable on or prior to each Payment Date in an amount equal to the amount required by the Trustee to make the deposits required by the Trust Agreement on the applicable Payment Date, taking into account any other funds in the Interest Account or Principal Account of the Revenue Fund, as applicable, available for such deposits (including any amount transferred to the Interest Account or Principal Account, as applicable, in accordance with the terms of the Trust Agreement). Each Purchase Payment will be paid in lawful money of the United States of America to the Trustee at the Corporate Trust Office and held, invested, disbursed and applied as provided in the Trust Agreement. The Corporation will make each such Purchase Payment directly to the Trustee in satisfaction of the Authority’s Installment Payment obligations under the Purchase Agreement. In the event the Corporation should fail to make any of the payments required by the provisions of the Sale Agreement, the installment so in default will continue as an obligation of the Corporation until the amount in default will have been fully paid with interest thereon at a rate of interest equal to the rate of interest on the principal components of such unpaid Purchase Payments.

The obligation of the Corporation to make any payment under the Sale Agreement will be deemed to have been satisfied to the extent of any corresponding payment made by the Bank to the Trustee under the Letter of Credit.

The Corporation will pay to the Authority, at the time the Sale Agreement is executed and delivered, an amount sufficient to pay any taxes which may be imposed by the State or the

County on the sale, resale, use, possession or ownership of the School Facilities pursuant to the Sale Agreement and the Purchase Agreement. If the State or the County later requires the payment of additional taxes on such sale, and resale, use, possession or ownership, the Corporation will pay such amounts when and as due and payable.

Supplemental Payments. In addition to Purchase Payments, the Corporation will also pay to the Authority, the Trustee, or to the Remarketing Agent, as the case may be, "Supplemental Payments," as follows:

(G) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received under the Sale Agreement or in any way arising due to the transactions contemplated by the Sale Agreement, the Purchase Agreement or the Trust Agreement (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Authority or the Trustee and taxes based upon or measured by the net income of the Authority or the Trustee; provided, however, that the Corporation will have the right to protest and contest any such taxes or assessments and to require the Authority or the Trustee, at the Corporation's expense, to protest and contest any such taxes or assessments levied upon the Authority or the Trustee and that the Corporation will have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Holders, the Authority or the Trustee;

(H) The annual (or other regular) fees and expenses of the Trustee and all reasonable fees, charges and expenses of the Trustee for any extraordinary services rendered by the Trustee under the Trust Agreement, as and when the same become due and payable;

(I) The fees and expenses of such accountants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports or opinions or to provide such other services required under the Sale Agreement, the Purchase Agreement or the Trust Agreement;

(J) The annual (or other regular) fees of the Remarketing Agent as set out in the Remarketing Agreement;

(K) Fees and expenses of the Authority in connection with the Sale Agreement, the Purchase Agreement, the Certificates or the Trust Agreement or any other documents contemplated hereby or thereby, including, without limitation the Authority's initial fee and its annual fee, expenses incurred by counsel to the Authority in connection with the authorization, sale and delivery of the Certificates, and any litigation which may at any time be instituted involving the Sale Agreement, the Purchase Agreement, the Certificates or the Trust Agreement or any other documents contemplated thereby for which the Corporation may be liable to indemnify the Authority pursuant to the Sale Agreement, and expenses incurred by the Authority in supervision and inspection of the

Corporation and its operations with respect to the use and application of the financing proceeds; and

(L) All other reasonable and necessary fees and expenses attributable to the Sale Agreement.

Such Supplemental Payments will be billed to the Corporation by the Trustee, the Authority, or the Remarketing Agent from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Trustee or the Authority for one or more of the above items. After such a demand, amounts so billed will be paid by the Corporation within thirty (30) days after receipt of the bill by the Corporation. Notwithstanding the foregoing, the Authority will not be required to submit a bill to the Corporation for payment of the Authority's annual fee, which will be due and payable annually in advance, and which will equal 0.02% of the aggregate principal amount of Certificates issued under the Trust Agreement. Further, notwithstanding the foregoing, but without diminishing the right of the Trustee or the Remarketing Agent to collect the fees expressly stipulated in the Trust Agreement and the Remarketing Agreement, the Corporation will have no obligation to reimburse the Trustee or the Remarketing Agent for any expense or costs arising out of the gross negligence, willful misconduct, breach or bad faith of the Trustee, any Co-Trustee, the Remarketing Agent, or their respective agents, employees or contractors.

Obligations of the Corporation Unconditional; Net Contract. The obligations of the Corporation to make the Purchase Payments and Supplemental Payments required under the Sale Agreement and to perform and observe the other agreements on its part contained in the Sale Agreement are absolute and unconditional, and will not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any Certificates remain Outstanding or any Supplemental Payments remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the School Facilities, commercial frustration of purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, or any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Sale Agreement, the Purchase Agreement or the Trust Agreement. The Sale Agreement will be deemed and construed to be a "net contract," and the Corporation will pay absolutely net the Purchase Payments, Supplemental Payments and all other payments required under the Sale Agreement, regardless of any rights of set-off, recoupment, abatement or counterclaim that the Corporation might otherwise have against the Authority or the Trustee or any other party or parties.

Credits for Payments. The Corporation will receive credit against its payments required under the Sale Agreement, in addition to any credits resulting from payment or repayment from other sources, as follows:

(a) on installments of interest in an amount equal to moneys in the Interest Account of the Revenue Fund, to the extent such amounts have not previously been credited against such payments;

(b) on installments of principal in an amount equal to moneys in the Principal Account of the Revenue Fund, to the extent such amounts have not previously been credited against such payments; and

(c) on installments of principal and interest in an amount equal to the amount specified in the Certificate of the Corporation filed with the Trustee pursuant to the provisions of the Sale Agreement in connection with the prepayment of Purchase Payments. Such credits will be made against the installments of Purchase Payments specified in said Certificate of the Corporation.

Prepayment From Insurance or Eminent Domain Proceeds. The Corporation will have the right at any time or from time to time to the extent, in the manner and as permitted by the provisions of the Trust Agreement, to prepay all or any part of the Purchase Payments from moneys derived from condemnation awards or the proceeds of hazard insurance relating to the School Facilities, and the Authority will accept such prepayments when the same are tendered by the Corporation. All such prepayments will be deposited upon receipt in the Prepayment Account of the Revenue Fund and used for the prepayment or purchase of Outstanding Certificates in the manner and subject to the terms and conditions set forth in the Trust Agreement. Prior to any prepayment of Purchase Payments, the Corporation will deliver to the Trustee a Statement of the Corporation identifying the Certificate Payment Dates of the Certificates to be prepaid through such prepayments of Purchase Payments. The Corporation also will have the right to surrender Certificates acquired by it in any manner whatsoever to the Trustee for cancellation, and such Certificates, upon such surrender and cancellation, will be deemed to be paid and retired. Notwithstanding any such prepayment or surrender of Certificates, as long as any Certificates remain Outstanding or any Purchase Payments or Supplemental Payments remain unpaid, the Corporation will not be relieved of its obligations under the Sale Agreement.

Assignment of Authority's Rights

As security for the payment of the Certificates, the Authority assigns to the Trustee the Authority's rights under the Sale Agreement, including the right to receive payments thereunder (except the right of the Authority to receive certain payments, if any, with respect to expenses and indemnification, or to enforce its rights under the Sale Agreement and its rights of indemnification and consent), and the Authority directs the Corporation to make the payments required under the Sale Agreement (except such payments for expenses and indemnification) directly to the Trustee. The Corporation assents to such assignment and agrees to make payments directly to the Trustee without defense or set-off by reason of any dispute between the Corporation and the Authority or the Trustee.

Certain Covenants of the Corporation

The Corporation agrees to maintain and repair and pay all utilities, taxes, other governmental charges and assessments due from or levied against the Project. The Corporation agrees to comply with the requirements in the Tax Agreement which are to the benefit of the Trustee and each and every Holder of the Certificates including the Corporation's covenant not to use Certificate proceeds in such a manner that should adversely affect the exclusion from gross income for federal income taxation purposes of interest on the Certificates. The Corporation agrees to keep the Project insured and free of liens to the extent provided in the Sale Agreement. The Corporation may not dissolve or otherwise dispose of all or substantially all of its assets and will not combine or consolidate with or merge into another person or permit any person(s) to consolidate with or merge into it without the prior written consent of the Authority and the Bank, except as otherwise permitted in the Sale Agreement.

Continuing Disclosure

The Corporation agrees, upon the adjustment to a Term Interest Rate Period for a duration of 270 days or greater with respect to the Certificates pursuant to the Trust Agreement and the remarketing of such Certificates, to comply with all of the continuing disclosure requirements promulgated under S.E.C. Rule 15c2-12, as it may from time to time be amended or supplemented.

Prepayment

Options to Prepay Installments

Under the Sale Agreement, the Corporation will have the option to prepay the amounts payable by paying to the Trustee, for deposit in the Revenue Fund, the amount set forth therein, under the circumstances (as such circumstances may apply to any Certificates) described in "THE CERTIFICATES—Prepayment Provisions—Optional Prepayment."

Mandatory Prepayment

The Corporation will have and accepts the obligation to prepay in whole or in part the Purchase Payments required by the Sale Agreement, together with interest accrued, but unpaid, thereon, to be used to prepay all or a part of the Outstanding Certificates under the following circumstances:

(d) if and when as a result of any changes in the Constitution of the United States of America or the Constitution of the State of California or as a result of any legislative, judicial or administrative action, the Sale Agreement shall have become void or unenforceable or impossible of performance in accordance with the intention and purposes of the parties thereto, or shall have been declared unlawful.

(e) if, due to the untruth or inaccuracy of any representation or warranty made by the Corporation in the Sale Agreement or in connection with the offer and sale of the Certificates, or the breach of any covenant or warranty of the Corporation contained in the Agreement or in the Tax Certificate, interest on the Certificates, or any of them, is

determined not to be Tax-exempt to the Holders thereof (other than a Holder who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code) by a final administrative determination of the Internal Revenue Service or judicial decision of a court of competent jurisdiction in a proceeding of which the Corporation received notice and was afforded an opportunity to participate in to the full extent permitted by law. A determination or decision will be considered final for this purpose when all periods for administrative and judicial review have expired.

(f) if mandatory prepayment is otherwise required by the Trust Agreement or by any Supplemental Trust Agreement.

Non-Liability of Authority; Expenses; Indemnification

Non-Liability of Authority. Neither the Authority nor any of its members shall be obligated to pay Installment Payments or the principal component or interest component with respect to the Certificates, except from Revenues (attributable to payments made by the Corporation) and other moneys and assets received by the Trustee on behalf of the Authority pursuant to the Sale Agreement. Neither the Authority nor any of its members shall be directly or indirectly or contingently or morally obligated to use any other moneys or assets for all or any portion of the sale price or Installment Payments or for all or any portion of such other costs or expenses. Neither the faith and credit nor the taxing power of the State, the County or any political subdivision thereof or the Authority or any of its members is pledged to the payment of the principal component or interest component with respect to the Certificates.

The Corporation acknowledges in the Sale Agreement that the Authority’s sole source of moneys to pay Installment Payments will be provided by the payments made by the Corporation pursuant to the Sale Agreement, together with investment income on certain funds and accounts held by the Trustee under the Trust Agreement, and agrees that if the payments to be made under the Sale Agreement shall ever prove insufficient to pay any Installment Payment or all principal components and interest components with respect to the Certificates as the same shall become due (whether by maturity, prepayment, acceleration or otherwise), then upon notice from the Trustee, the Corporation shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal components or interest components, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Corporation, the Authority or any third party.

Expenses. The Corporation covenants and agrees to pay and indemnify the Authority and the Trustee (the assignee of its rights under the Sale Agreement) against all fees, costs and charges, including fees of attorneys, accountants, consultants and other experts, incurred in good faith and arising out of or in connection with the Sale Agreement, the Purchase Agreement, the Trust Agreement, the Certificates or any related document, except to the extent arising out of the gross negligence, willful misconduct, breach, or bad faith of the Trustee, any Co-Trustee, the Remarketing Agent, or their respective agents, employees or contractors.

Indemnification. The Corporation agrees to the extent permitted by law, to indemnify and hold harmless the Authority, the Association of Bay Area Governments

("ABAG") and the Trustee (the assignee of the Authority's rights under the Sale Agreement) and their members, directors, officers, employees and agents from and against any and all losses, claims, damages, liabilities or expenses, of every conceivable kind, character and nature whatsoever (excepting therefrom only such losses, claims, damages, liabilities or expenses arising from the negligence of the Trustee), including, but not limited to, losses, claims, damages, liabilities, or reasonable expenses arising out of, resulting from or in any way connected with (1) the School Facilities or the conditions, occupancy, use, possession, conduct or management of, work done in or about, or from the planning, design, acquisition, installation or construction, of the School Facilities or any part thereof; including, without limitation, any liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the School Facilities; (2) any violation of contract, agreement or restriction relating to the School Facilities; (3) any violation of law, ordinance or regulation affecting the School Facilities or any part thereof or the ownership or occupancy or use thereof; (4) the execution, delivery and sale of any Certificates and the carrying out of any of the transactions contemplated by the Certificates, the Sale Agreement, the Trust Agreement, the Purchase Agreement, the Tax Agreement or any related document; or (5) any written statements or representations made by any underwriter to any purchaser of the Certificates or any other person or entity with respect to the Corporation, the School Facilities, the Authority, ABAG, the Trustee or the Certificates, including, but not limited to, statements or representations of facts, any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the Certificates; provided, however, that such indemnification will not apply to (a) in the case of the Authority, information in the Official Statement, in the section entitled "The Authority" and (b) in the case of the Trustee, any information in the Official Statement relating to the Trustee or its powers or that is otherwise provided by the Trustee for inclusion in such statement. Promptly after receipt by an Indemnified Party (as defined below) of notice of the commencement of any action in respect of which indemnification may be sought pursuant to the Sale Agreement, the person in respect of which indemnification may be sought (the "Indemnified Party") will promptly notify the person against whom such indemnification may be sought (the "Indemnifying Party") in writing, but the omission to so notify the Indemnifying Party will not relieve the Indemnifying Party from any liability which it may have to any Indemnified Party under the Sale Agreement other than to the extent of prejudice caused directly or indirectly by such omission nor affect any rights it may have to participate in and/or assume the defense of any action brought against any Indemnified Party. In case such action is brought against an Indemnified Party, and such Indemnified Party notifies the Indemnifying Party of the commencement thereof, the Indemnifying Party will be entitled to participate in and, to the extent that it chooses so to do, to assume the investigation and defense thereof (including the employment of counsel reasonably satisfactory to such Indemnified Party), and the Indemnifying Party will assume the payment of all fees and expenses relating to such investigation and defense and will have the right to negotiate and consent to settlement thereof. Any one or more of the Indemnified Parties will have the right to employ separate counsel in any such action and to participate in the defense thereof, and after notice from the Indemnifying Party to such Indemnified Party of its election to assume the defense thereof, the fees and expenses of such separate counsel will be at the expense of the Indemnifying Party if a conflict of interest exists or could develop between such party and the

Indemnifying Party in connection with such action and in such event the Indemnifying Party will pay the fees and expenses of the separate counsel necessary to resolve the conflict. The Indemnifying Party will not be liable for any settlement of any such action effected without its consent, but, if settled with the consent of the Indemnifying Party or if there be a final judgment for the plaintiff in any such action as to which the Indemnifying Party has received notice in writing as required, the Indemnifying Party agrees to indemnify and hold harmless the Indemnified Party from and against any loss or liability by reason of such settlement or judgment to the extent provided in the Sale Agreement.

Notwithstanding the provisions of the Sale Agreement, the Corporation will not be liable for or obligated to indemnify or hold the Trustee (or any of its respective incorporators, members, commissioners, officers, employees or agents) harmless against any loss or damage to property or injury or death to any person or any other loss or liability if and to the extent such loss, damage, liability, injury or death results from the negligence, bad faith breach or willful misconduct of the Trustee (or any of its respective incorporators, members, commissioners, officers, employees or agents) or a breach of the Trustee's obligations under the Sale Agreement or any agreement referred to therein.

Sale Agreement Defaults and Remedies

Sale Agreement Defaults. The following events will be “Sale Agreement Defaults”:

(M) Failure by the Corporation to pay in full any payment required under the Sale Agreement when due, whether at maturity, upon a date fixed for prepayment, by declaration or otherwise pursuant to the terms of the Sale Agreement;

(N) If any representation or warranty made by the Corporation in the Sale Agreement or in any document, instrument or certificate furnished to the Trustee or the Authority in connection with the execution and delivery of the Certificates will at any time prove to have been incorrect in any material respect as of the time made;

(O) If the Corporation fails to observe or perform any covenant, condition, agreement or provision in the Sale Agreement on its part to be observed or performed, other than as described in paragraph (A) or (B), above, or breaches any warranty by the Corporation contained in the Sale Agreement, for a period of 60 days after written notice, specifying such failure or breach and requesting that the same be remedied, has been given to the Corporation by the Authority or the Trustee; except that, if such failure or breach can be remedied but not within such 60-day period and if the Corporation has taken all action reasonably possible to remedy such failure or breach within such 60-day period, such failure or breach will not become a Sale Agreement Default for so long as the Corporation will diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(P) If the Corporation files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or

admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the School Facilities;

(Q) If a court of competent jurisdiction enters an order, judgment or decree declaring the Corporation an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Corporation or of the whole or any substantial part of the School Facilities, or approving a petition filed against the Corporation seeking reorganization of the Corporation under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree will not be vacated or set aside or stayed within 60 days from the date of the entry thereof;

(R) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Corporation or of the School Facilities, and such custody or control will not be terminated within 60 days from the date of assumption of such custody or control;

(S) If any Event of Default under the Trust Agreement or a Purchase Agreement Default will occur.

Remedies on Default. If a Sale Agreement Default occurs, then, and in each and every such case during the continuance of such Sale Agreement Default, the Authority or the Trustee may take any one or more of the remedial steps set forth below:

(T) If the Purchase Payments and the Certificates represented thereby have been declared to be due and payable immediately pursuant to the Trust Agreement and upon notice in writing to the Corporation, the Authority or the Trustee will declare all installments of Purchase Payments and Supplemental Payments payable for the remainder of the term of the Sale Agreement to be immediately due and payable, whereupon the same will be immediately due and payable, anything in the Sale Agreement to the contrary notwithstanding.

(U) The Authority and the Trustee may take whatever action, at law or in equity, as may appear necessary or desirable to collect the Purchase Payments, Supplemental Payments and any other payments then due and thereafter to become due under the Sale Agreement or to enforce the performance and observance of any obligation, covenant, agreement or provision contained in the Sale Agreement to be observed or performed by the Corporation.

Any such action by the Authority or the Trustee, however, is subject to the condition that if, at any time after such action and before any judgment or decree for the payment of the moneys due will have been obtained or entered, there will be deposited with the Trustee a sum sufficient to pay all Purchase Payments the payment of which is overdue, with interest on such overdue principal component of such overdue Purchase Payments at the rate borne by the respective Certificates, and the reasonable charges and expenses of the Trustee, and any and all other defaults known to the Authority or the Trustee (other than in the payment of the Purchase Payments due and payable solely by

reason of such action) will have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will have been made therefor, then, and in every such case, the Trustee will rescind and annul such action and its consequences and waive such default; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

Remedies Not Exclusive; No Waiver of Rights. No remedy conferred upon or reserved to the Authority or the Trustee under the Sale Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy, to the extent permitted by law, will be cumulative and will be in addition to every other remedy given under the Sale Agreement or now or hereafter existing at law or in equity or otherwise. In order to entitle the Authority or the Trustee to exercise any remedy, to the extent permitted by law, reserved to such party in the Sale Agreement, it will not be necessary to give any notice, other than such notice as may be expressly required under the Sale Agreement. Such rights and remedies as are given to the Authority under the Sale Agreement will also extend to the Trustee, and the Trustee may exercise any rights and will be charged with the obligations of the Authority under the Sale Agreement, and the Trustee and the Holders of the Certificates executed and delivered under the Trust Agreement will be deemed third party beneficiaries of all covenants and conditions contained in the Sale Agreement.

No delay in exercising or omitting to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Expenses on Default. In the event the Corporation should default under any of the provisions of the Sale Agreement and the Authority or the Trustee should employ attorneys or incur other expenses for the collection of the payments due under the Sale Agreement, the Corporation agrees that it will on demand therefor pay to the Authority or the Trustee the reasonable fees such attorneys and such other reasonable expenses so incurred by the Authority or the Trustee.

TRUST AGREEMENT

The Trust Agreement sets forth the terms of the Certificates, the nature and extent of the security, various rights of the Holders of the Certificates, rights, duties and immunities of the Trustee and the rights and obligations of the Authority and the Corporation. Certain provisions of the Trust Agreement are summarized below. Other provisions are summarized in this Official Statement under the caption "THE CERTIFICATES." THESE SUMMARIES DO NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND ARE QUALIFIED IN THEIR ENTIRETIES BY REFERENCE TO THE FULL TERMS OF THE TRUST AGREEMENT.

Validity of Certificates

The validity of the authorization, execution and delivery of the Certificates is not dependent on and will not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Sale Agreement or the Purchase Agreement.

Pledge and Assignment; Revenue Fund

(A) Subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and any other amounts (including proceeds of the sale of Certificates) held in any fund or account established pursuant to the Trust Agreement (except the Rebate Fund and certain amounts relating to reimbursement of expenses or indemnification) are pledged to secure the full payment of the principal component of, premium, if any, and interest with respect to the Certificates in accordance with their terms and the provisions of the Trust Agreement and thereafter to secure the Bank to the extent of its interest in such Revenues and certain other funds or accounts established under the Trust Agreement. Notwithstanding any other provision of the Trust Agreement, the benefits under any Letter of Credit or Alternate Credit Facility will apply only to the Certificates for which such Letter of Credit or Alternate Credit Facility was issued, and moneys in the account established under the Trust Agreement for unclaimed moneys held for the Certificates deemed tendered but not presented for purchase will be held solely for the benefit of the former Holders of such Certificates as provided in the Trust Agreement. Said pledge will constitute a lien on and security interest in such assets and will attach, be perfected and be valid and binding from and after delivery by the Trustee of the Certificates, without any physical delivery thereof or further act.

(B) The Authority will transfer in trust, grant a security interest in and assign to the Trustee, for the benefit of the Holders from time to time of the Certificates, and thereafter for the benefit of the Bank to the extent of its interest therein (i) all of its interests in the Revenues and other assets pledged in subsection (A) of this Section, and (ii) all of the right, title and interest of the Authority in the Sale Agreement and to receive Purchase Payments, except for the right to receive any Administrative Fees and Expenses payable to the Authority and the rights of the Authority under the Sale Agreement. The Corporation will transfer in trust, grant a security interest in and assign to the Trustee, for the benefit of the Holders from time to time of the Certificates, (i) all of its interests in the Installment Payments, (ii) all of its interest in the Revenues and other assets pledged in subsection (A) of this Section and (iii) all of the right, title and interest of the Corporation in the Purchase Agreement. The assignment is to the Trustee solely in its capacity as Trustee under the Trust Agreement and not in its individual, personal or corporate capacity. The assignment of any rights or interests in the Sale Agreement and Purchase Agreement to the Trustee will be subject to the provisions of the Trust Agreement. The Trustee is not responsible for any representations, warranties or covenants of the Authority or the Corporation under the Sale Agreement or the Purchase Agreement.

The Trustee will be entitled to and will collect and receive all of the Revenues, and will deposit such Revenues into the Revenue Fund required to be established and maintained by the Trust Agreement. The Trustee also will be entitled to and will take all steps, actions and proceedings following a Sale Agreement Default reasonably necessary in its judgment to enforce

all of the rights of the Authority which have been assigned to the Trustee and all of the obligations of the Corporation under the Sale Agreement.

Funds and Accounts

The Trustee will establish, maintain and hold in trust the following funds and accounts pursuant to the Trust Agreement:

- (1) Project Fund
- (2) Costs of Delivery Fund
- (3) Revenue Fund consisting of:
 - (a) Interest Account
 - (b) Principal Account
 - (c) Prepayment Account
 - (d) Letter of Credit Account
- (4) Rebate Fund

Application of Project Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the “Harker School Project Fund” (the “Project Fund”). Moneys in the Project Fund will be used and withdrawn by the Trustee, as directed by Requisitions of the Corporation, submitted by the Authorized Representative of the Corporation, to pay the costs of the Project.

(A) Before any payment from the Project Fund shall be made, the Authorized Representative of the Corporation shall file or cause to be filed with the Trustee a Requisition of the Corporation approved by the Bank stating: (i) the item number of such payment; (ii) the name of the Person to whom each such payment is due, which may be the Corporation in the case of reimbursement for costs of the Project theretofore paid by the Corporation; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; (v) that obligations in the stated amounts have been incurred by the Corporation and either have been paid by the Corporation or are presently due and payable and that each item thereof is a proper charge against the Project Fund and has not been previously paid therefrom; and (vi) that there has not been filed with or served upon the Corporation notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the Persons named in such Requisition of the Corporation, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

(B) Upon receipt of each such Requisition of the Corporation, the Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the

Project Fund. The 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 so paid, which has not been released or will not be released simultaneously with such payment, other than materialmen's or mechanics' liens accruing by operation of law.

(C) When the Project has been completed, the Corporation will deliver to the Trustee a Statement of the Corporation approved by the Bank 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). Subject to the provisions of the Trust Agreement, the Corporation will direct the Trustee by said Statement of the Corporation to transfer (upon the receipt of such Statement) any remaining balance in the Project Fund, less the amount of any such retention, to the Interest Account.

Costs of Delivery Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Harker School Costs of Delivery Fund." All moneys deposited in the Costs of Delivery Fund will be used to pay Costs of Delivery of the Certificates. At the end of 180 days from the date of initial execution and delivery of the Certificates or upon earlier receipt of a Statement of the Corporation that amounts in said fund are no longer required for the payment of Costs of Delivery, said fund will be closed and any amounts then remaining will be transferred to the Project Fund.

Allocation of Revenue

On or before any date on which the principal components of and interest with respect to (whether at maturity, or by prepayment or acceleration) the Certificates is due and payable, the Trustee will transfer funds from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee is directed and agrees to establish and maintain within the Revenue Fund), the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: to the Interest Account, the aggregate amount of interest with respect to the Certificates due and payable on the next succeeding Interest Payment Date or date of prepayment or purchase of all Certificates then Outstanding, until the balance in said account is equal to said aggregate amount of interest.

Second: to the Principal Account, the amount paid by the Corporation and designated as or attributable to principal components of the Certificates in the most recent Purchase Agreement equal to the aggregate amount of principal components becoming due on the Certificate Payment Date, plus the aggregate amount of sinking fund payments, if any, required to be made pursuant to the Trust Agreement.

Third: to the Prepayment Account, the aggregate amount of principal and premium next coming due by acceleration or by prepayment permitted or required under Article IV of the Trust Agreement, or any portion thereof paid by the Corporation.

Priority of Moneys in Revenue Fund

Funds for the payment of the principal component of or prepayment price of and interest with respect to Certificates will be derived from the following sources in the order of priority indicated in each of the accounts in the Revenue Fund; provided however, that amounts in the respective accounts in the Revenue Fund will be used to pay when due (whether upon prepayment, acceleration, interest payment date, maturity or otherwise) the principal components or prepayment price of and interest with respect to Certificates held by holders other than the Bank or the Corporation, prior to the payment of the principal component and interest with respect to Certificates held by the Bank or the Corporation:

- (i) moneys paid into the Letter of Credit Account of the Revenue Fund from a draw by the Trustee under the Letter of Credit enhancing the Certificates;
- (ii) moneys paid into the Interest Account, if any, representing interest components received at the initial sale of the Certificates and proceeds from the investment thereof which will be applied to the payment of interest thereon;
- (iii) moneys paid into the Revenue Fund pursuant to the Trust Agreement and proceeds from the investment thereof, which constitute Available Moneys;
- (iv) any other moneys (other than from draws on the Letter of Credit enhancing the Certificates) paid into the Revenue Fund and deposited in the Revenue Fund and proceeds from the investment thereof, which constitute Available Moneys; and
- (v) any other moneys paid into the Revenue Fund and deposited in the Revenue Fund and proceeds from the investment thereof, which are not Available Moneys.

Letter of Credit Account and Letter of Credit

The Trustee will create within the Revenue Fund a separate account called the “Letter of Credit Account,” into which all moneys drawn under the Letter of Credit to pay principal or interest components or prepayment price of the Certificates will be deposited and disbursed. Neither the Corporation nor the Authority will have any rights to or interest in any Letter of Credit Account. Each Letter of Credit Account will be established and maintained by the Trustee and held in trust apart from all other moneys and securities held under the Trust Agreement or otherwise, and over which the Trustee will have the exclusive and sole right of withdrawal for the exclusive benefit of the Holders of the Certificates with respect to which such drawing was made.

The Trustee will draw moneys under the Letter of Credit in accordance with the terms thereof in an amount necessary to make timely payments of principal components of, premium, if any, and interest with respect to the Certificates enhanced by such Letter of Credit,

other than Certificates owned by or for the account of the Corporation or the Bank, when due whether at maturity, interest payment date, prepayment, acceleration or otherwise. In addition, the Trustee will draw moneys under the Letter of Credit in accordance with the terms thereof to the extent necessary to make timely payments required to be made pursuant to, and in accordance with the Trust Agreement. The Trustee will draw any moneys under each Letter of Credit pursuant to this subparagraph prior to the drawing of moneys from any other fund or account under the Trust Agreement.

Immediately after making a drawing under the Letter of Credit which has been honored, the Trustee will reimburse the Bank for the amount of the drawing using moneys, if any, contained in:

- (A) the Interest Account, if the drawing was to pay interest with respect to the Certificates enhanced by such Letter of Credit;
- (B) the Principal Account, if the drawing was to pay principal components of the Certificates enhanced by such Letter of Credit; and
- (C) the Prepayment Account, if the drawing was to prepay Certificates enhanced by such Letter of Credit.

If at any time there will have been delivered to the Trustee an Alternate Letter of Credit or Alternate Credit Facility pursuant to the Sale Agreement, then the Trustee will accept such Alternate Letter of Credit or Alternate Credit Facility and promptly surrender the related previously held Letter of Credit to the Bank, in accordance with the terms of such Letter of Credit, for cancellation. If at any time there will cease to be any Certificates Outstanding under the Trust Agreement, the Trustee will promptly surrender all Letters of Credit to the Bank, in accordance with the terms of such Letters of Credit, for cancellation. The Trustee will comply with the procedures set forth in each Letter of Credit relating to the termination thereof.

The Trustee will hold and maintain each Letter of Credit for the benefit of the Holders whose Certificates are enhanced by such Letter of Credit until the Letter of Credit expires in accordance with its terms. The Trustee will diligently enforce all terms, covenants and conditions of the Letter of Credit, including payment when due of any draws on such Letter of Credit, and the provisions relating to the payment of draws on, and reinstatement of amounts that may be drawn under, such Letter of Credit, and will not consent to, agree to or permit any amendment or modification of such Letter of Credit which would materially adversely affect the rights or security of the Holders of the Certificates enhanced by such Letter of Credit. If at any time during the term of any Letter of Credit any successor Trustee will be appointed and qualified under the Trust Agreement, the resigning or removed Trustee will request that the Bank transfer such Letter of Credit to the successor Trustee. If the resigning or removed Trustee fails to make this request, the successor Trustee will do so before accepting appointment. When a Letter of Credit expires in accordance with its terms or is replaced by an Alternate Letter of Credit, the Trustee will immediately surrender such Letter of Credit to the Bank.

Application of the Rebate Fund. The Trustee will establish and maintain the Rebate Fund in accordance with the provisions of the Trust Agreement and the Tax Agreement.

Investment of Moneys in Funds and Accounts. Subject to the limitations provided in the Trust Agreement, all moneys in any of the funds and accounts established pursuant to the Trust Agreement shall be invested by the Trustee solely at the written direction of the Corporation and solely in Investment Securities. All Investment Securities shall be acquired subject to the limitations set forth in the Trust Agreement, the limitations as to maturities set forth in the Trust Agreement and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Corporation. In the absence of any other written investment directions from the Corporation, the Trustee shall invest solely in Investment Securities set forth in clause (8) of the definition thereof. Moneys in all funds and accounts shall be invested in Investment Securities maturing not later than the dates on which it is estimated that such moneys will be required pursuant to the terms of the Trust Agreement by the Trustee. Notwithstanding anything else in the Trust Agreement, moneys in the Letter of Credit Account of the Revenue Fund shall be held uninvested, and any moneys held for the payment of particular Certificates (other than in the account created pursuant to the section regarding unclaimed moneys in the Trust Agreement, which shall be held uninvested) shall be held uninvested or if invested shall be solely invested in direct obligations of the United States of America or bonds or other obligations guaranteed by the United States of America or bonds or other obligations guaranteed by the United States government or for which the full faith and credit of the United States of America is pledged for the full and timely payment of principal and interest thereof (or mutual funds which (i) consist solely of such investments and (ii) are rated by the Rating Agency at least as high as the current rating on the Certificates), rated in the highest rating category applicable to which investments which mature not later than the date on which it is estimated that such moneys will be required to pay the Certificates (but in any event maturing in not more than thirty days).

All interest, profits and other income received from the investment of moneys in the Rebate Fund shall be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in the Project Fund shall be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to the Trust Agreement (i) prior to completion of the Project will be deposited when received in the Project Fund and (ii) from and after completion of the Project shall be deposited when received in such fund or account. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

Investment Securities acquired as an investment of moneys in any fund or account established under the Trust Agreement shall be credited to such fund or account.

Subject to the Trust Agreement, the Trustee may commingle any of the funds or accounts established pursuant to the Trust Agreement (other than the Letter of Credit Account of the Revenue Fund, Available Moneys, moneys being aged to become Available Moneys, remarketing proceeds, or moneys held for payment of particular Certificates, including moneys

held in the account created pursuant to the Trust Agreement in a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee shall be accounted for separately as required by the Trust Agreement, and provided further that the Trustee shall not be liable or responsible for any loss resulting from such commingling, except to the extent arising out of the negligence, bad faith, or willful misconduct of the Trustee, a Co-Trustee, or their respective agents or employees. The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment or as sponsor or advisor with respect to any Investment Securities subject to the Corporation's right to direct investments in accordance with the Trust Agreement. The Trustee may sell at the best price reasonably obtainable by it, or present for prepayment, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, except to the extent of the willful misconduct of Trustee, a Co-Trustee, or their respective agents or employees, the Trustee shall not be liable or responsible for any loss resulting from such investment or the sale or liquidation thereof. The Trustee shall not be responsible for any tax, fee or other charge in connection with any investment, reinvestment or the liquidation thereof.

Particular Covenants

Extension of Payment of Certificates. Neither the Corporation nor the Authority shall directly or indirectly extend or assent to the extension of the payment dates of any of the Installment Payments or the Certificates represented thereby or the time of payment of any of the claims for interest represented thereby by the purchase or funding of such Certificates or claims for interest or by any other arrangement and if the payment dates of any of the Installment Payments or Certificates represented thereby or the time of payment of any such claims for interest shall be extended, such Certificates or claims for interest shall not be entitled, in case of any default under the Trust Agreement, to the benefits of the Trust Agreement, except subject to the prior payment in full of the principal component of all of the Installment Payments or Certificates represented thereby then Outstanding and of all claims for interest with respect thereto which shall not have been so extended.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned pursuant to the Trust Agreement while any of the Certificates are Outstanding, except the pledge and assignment created by the Trust Agreement and the subordinate pledge of funds held in the Project fund made by the Corporation to the Bank in the Security Agreement. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other trust agreements for any of its corporate purposes and reserves the right to issue other obligations for such purposes.

Accounting Records of the Trustee. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with sound industry practice, in which complete and accurate entries shall be made of all transactions relating to the proceeds of Certificates, the Revenues, the Sale Agreement, the Purchase Agreement, and all funds and accounts established pursuant to the Trust Agreement. Such books of record and account shall be available for inspection by the Authority, the Corporation and any Certificateholder, or his

agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

On or before December 1 of each year, the Trustee shall file and furnish to the Authority (only if requested in writing by the Authority) a statement (which need not be audited) covering receipts, disbursements, allocation and application of Revenues and any other moneys (including proceeds of Certificates) in any of the funds and accounts established pursuant to the Trust Agreement for the Certificate Year ended on the preceding January 1.

Events of Default and Remedies

Events of Default. The term “Event of Default” as used in the Trust Agreement means any of the following:

(V) default in the due and punctual payment of the principal component of or Prepayment Price or interest with respect to the Certificates when and as the same shall become due and payable, or failure to make payments in connection with mandatory tenders or remarketings;

(W) default by the Authority or the Corporation in the observance of any of the covenants, agreements or conditions on its part contained in the Trust Agreement, if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority, the Bank and the Corporation by the Trustee, or to the Authority, the Bank, the Corporation and the Trustee by the Holders of not less than 25% in aggregate principal amount of the Certificates at the time Outstanding;

(X) receipt by the Trustee of notice from the Bank that (i) an Event of Default (as defined in the Reimbursement Agreement) has occurred under the Reimbursement Agreement and directing the Trustee to declare an event of default thereunder;

(Y) receipt by the Trustee of notice to the effect that the Bank has not been reimbursed for a payment under the Letter of Credit and stating that the Interest Components available to be drawn thereunder have not been reinstated and directing the Trustee to declare an event of default thereunder and to accelerate the Certificates; or

(Z) a Purchase Agreement Default or a Sale Agreement Default.

Upon actual knowledge by the President, any Vice President, Assistant Vice President, or Trust Officer of the Trustee of the existence of any Event of Default, the Trustee shall notify the Corporation, the Bank, and the Authority in writing as soon as practicable.

Acceleration of Maturities. If an Event of Default described in paragraph (C) or (D) above has occurred and is continuing, the Trustee shall, and if any Event of Default described in paragraphs (A), (B) or (E) above has occurred and is continuing, the Trustee may, and upon the written request of the Holders of a majority in aggregate principal amount of the Certificates then Outstanding (with the written consent of the Bank) shall, by notice in writing to the Authority and the Corporation, declare the principal component of all of the Installment

Payments and the Certificates by which they are represented then Outstanding, and the interest accrued with respect thereto, to be due and payable immediately, and upon such declaration the same shall become and shall be immediately due and payable. Interest with respect to the Certificates shall cease to accrue as of the date of acceleration. Upon declaration of acceleration under the Trust Agreement the Trustee shall immediately take such actions as are necessary to draw on the Letter of Credit and shall exercise and enforce such rights as exist under the Sale Agreement.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall be deposited with the Trustee a sum sufficient to pay all Installment Payments the payment of which is overdue, with interest on such overdue principal component of such overdue Installment Payments at the rate borne by the respective Certificates, and the reasonable charges and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of the Installment Payments due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of not less than a majority in aggregate principal amount with respect to the Certificates then Outstanding, by written notice to the Authority, the Bank, the Corporation and the Trustee, or the Trustee if such declaration was made by the Trustee, may, on behalf of the Holders of all of the Certificates, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Trust Agreement (except as otherwise set forth in the Trust Agreement and except for amounts, if any, on deposit in the Rebate Fund) shall be applied by the Trustee as follows and in the following order:

(1) To the payment of any charges and expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Certificates and payment of reasonable charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Trust Agreement;

(2) To the payment of the principal or Prepayment Price and interest then due with respect to the Certificates (upon presentation of the Certificates to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Trust Agreement, as follows:

(i) Unless the principal component of the Installment Payments shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the

amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Prepayment Price with respect to any Certificates which shall have become due, whether on their stated Certificate Payment Dates or by call for prepayment, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Certificates, and, if the amount available shall not be sufficient to pay or prepay in full all the Certificates due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Prepayment Price due on such date to the Persons entitled thereto, without any discrimination or preference;

(ii) If the principal component of the Installment Payments shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid with respect to the Certificates, with interest on the overdue principal at the rate borne by the respective Certificates, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Certificate over any other Certificate, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

Trustee to Represent Certificateholders. The Trustee is irrevocably appointed under the Trust Agreement (and the successive respective Holders of the Certificates by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Certificates for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Certificates, the Trust Agreement, the Sale Agreement, the Purchase Agreement, and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default under the Trust Agreement or other occasion giving rise to a right in the Trustee to represent the Holders, the Trustee in its discretion may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained therein, or in the aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Trust Agreement, the Sale Agreement, the Purchase Agreement, or any law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Trust Agreement pending such proceedings. All rights of action under the Trust Agreement or the Certificates or otherwise may be prosecuted and enforced by the Trustee without the possession

of any of the Certificates or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Certificates, subject to the provisions of the Trust Agreement.

Certificateholders' Direction of Proceedings. Anything in the Trust Agreement to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Certificates then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee under the Trust Agreement, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Trust Agreement, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction or would expose the Trustee to personal liability.

Limitation on Certificateholders' Right to Sue. No Holder of any Certificate shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Trust Agreement, the Sale Agreement, the Purchase Agreement, or any other applicable law with respect to such Certificate, unless: (1) such Holder shall have given to the Trustee and the Corporation written notice of the occurrence of an Event of Default; (2) the Holders of not less than 25% in aggregate principal amount of the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers granted under the Trust Agreement or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Certificates of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Certificates shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Trust Agreement or the rights of any other Holders of Certificates, or to enforce any right under the Trust Agreement, the Sale Agreement, the Purchase Agreement or other applicable law with respect to the Certificates, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Certificates, subject to the provisions of the Trust Agreement (including the section of the Trust Agreement relating to Extension of Payment of Certificates).

Notwithstanding any other provision in the Trust Agreement, each Certificateholder shall have the right to receive payment of the principal and interest represented by said Certificateholder's Certificate at the respective dates on which the same become due and payable in accordance with the terms, from the source and in the manner provided in such

Certificate and in the Trust Agreement, and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Certificateholder.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Holders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Holders, then in every such case the Authority, the Bank, the Corporation, the Trustee and the Holders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Trust Agreement, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Bank, the Corporation, the Trustee and the Holders shall continue as though no such proceedings had been taken.

No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Certificates to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Trust Agreement to the Trustee or to the Holders of the Certificates may be exercised from time to time and as often as may be deemed expedient.

Consent To Defaults

Notwithstanding any other provisions of the Trust Agreement, but subject thereto, so long as the Bank is not continuing wrongfully to dishonor drawings under any Letter of Credit, no Event of Default shall be declared pursuant to subsections (a) or (d) of the definition thereof (see “Events of Default” above) (except in a case resulting from the failure of the Corporation to pay the Trustee’s fees and expenses or to indemnify the Trustee), nor any remedies exercised with respect to any Event of Default by the Trustee or by the Holders (except in a case resulting from the failure of the Corporation to pay the Trustee’s fees and expenses or to indemnify the Trustee) and no Event of Default under the Trust Agreement shall be waived by the Trustee or the Holders to the extent they may otherwise be permitted thereunder, without, in any case, the prior written consent of the Bank. No Event of Default can be waived, in any circumstance, unless the Trustee has received written notice that the Letter of Credit, if any, has been fully reinstated and is in full force and effect and that the notice from the Bank declaring any Event of Default (as defined under the Reimbursement Agreement) under the Reimbursement Agreement has been rescinded by the Bank.

The Remarketing Agent

The Authority, upon the request of the Corporation, will appoint the Remarketing Agent for the Certificates, subject to the conditions set forth in the Trust Agreement. The Remarketing Agent will designate to the Trustee its principal office and signify its acceptance of the duties and obligations imposed on it under the Trust Agreement by a written instrument of acceptance delivered to the Authority and the Trustee under which the Remarketing Agent will agree to perform the obligations of the Remarketing Agent set forth in the Trust Agreement and under which the Remarketing Agent will agree to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority, the Trustee, the Bank and the Corporation at all reasonable times. The

Remarketing Agent will set the interest rates on the Certificates and perform the other duties provided for in the Trust Agreement and will remarket Certificates as provided in the Trust Agreement. There may be separate Remarketing Agents for these two functions. The Remarketing Agent will hold all moneys delivered to it in trust in non-commingled funds for the benefit of the person or entity which shall have so delivered such moneys until such moneys are paid to the Trustee or the Tender Agent as provided in the Trust Agreement. The Remarketing Agent may for its own account or as broker or agent for others deal in Certificates and may do anything any other Holder may do to the same extent as if the Remarketing Agent were not serving as such.

Eligibility of Remarketing Agent; Replacement

(1) Any successor Remarketing Agent will be (i) a bank or trust company having a capitalization of at least \$15,000,000 as shown in its most recent annual report or be a member of the National Association of Securities Dealers, Inc. and (ii) organized and doing business under the laws of the United States or any state or the District of Columbia and authorized by law to perform all the duties imposed upon the Remarketing Agent by the Trust Agreement and the Remarketing Agreement. The initial Remarketing Agent will be Westhoff, Cone & Holmstedt.

(2) The Remarketing Agent may resign by notifying the Authority, the Trustee, the Tender Agent, the Corporation and the Bank at least 45 days before the effective date of such resignation. The Corporation or the Authority may remove the Remarketing Agent and appoint a successor acceptable to the Authority, the Corporation, and the Bank, by notifying the Remarketing Agent and the Trustee. No resignation or removal shall be effective until the successor has delivered an acceptance of its appointment to the Trustee, the Corporation, the Bank and the Authority.

(3) If a Letter of Credit is terminated for any reason, or an Event of Default under the Trust Agreement occurs, the Remarketing Agent for the Certificates will have the right to resign immediately.

The Tender Agent

The Authority appoints the Trustee as the Tender Agent, provided that if the Certificates are not Book-Entry Certificates, the Authority, with the advice of the Corporation, will appoint a successor Tender Agent, subject to the conditions of the Trust Agreement. The Tender Agent will designate its principal office and signify its acceptance of all of the duties and obligations imposed upon it under the Trust Agreement by a written instrument of acceptance delivered to the Authority, the Trustee, the Bank and the Remarketing Agent. The Tender Agent will perform the duties provided for in the Trust Agreement and in exercising such duties will be entitled to the same rights and immunities applicable to the Trustee as set forth in the Trust Agreement and will not be liable for any action or omission to act except for negligence, bad faith, or willful misconduct of the Tender Agent or its agents or employees. Notwithstanding any provision in the Trust Agreement to the contrary, the Tender Agent will not be responsible for any misconduct or negligence on the part of any agent, correspondent, attorney or receiver appointed with due care by it under the Trust Agreement.

Eligibility of Tender Agent; Replacement

The Tender Agent and any successor to the Tender Agent will be a bank or trust company organized and doing business under the laws of the United States or any state and will either (i) have a combined capital and surplus of at least fifty million dollars (\$50,000,000), and be subject to supervision or examination by federal or state authority or (ii) be a wholly-owned subsidiary of a bank, trust company or bank holding company meeting, on an aggregate basis, the tests set out in clause (i). If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. At all times when the Certificates are not Book-Entry Certificates the Tender Agent shall have an office or agency for servicing the Certificates in New York, New York. The Tender Agent or the bank, trust company or bank holding company of which the Tender Agent is a wholly-owned subsidiary shall have a rating of at least Fitch's "BBB" or an equivalent rating from another Rating Agency, or be approved by the Rating Agency.

The Tender Agent may resign by notifying the Authority, the Trustee, the Bank, the Remarketing Agent and the Holders at least 30 days before the effective date of such resignation. The Corporation may remove the Tender Agent and, with the consent of the Authority, the Trustee (if the Trustee is not the Tender Agent) and the Bank, and the Trustee, with the consent of the Corporation and the Bank, may remove the Tender Agent and appoint a successor by notifying the Tender Agent, the Remarketing Agent, the Bank and the Authority. No resignation or removal shall be effective until the successor has delivered an acceptance of its appointment to the Trustee and the predecessor Tender Agent.

In the event of the resignation or removal of the Tender Agent, such Tender Agent will pay over, assign and deliver any moneys held by it as Tender Agent to its successor, or if there is no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of Tender Agent, the Trustee will act as such Tender Agent to the extent it has operational capacity to perform such tasks.

Modification or Amendment of Trust Agreement, Purchase Agreement and Sale Agreement

Amendments Permitted. (A) The Trust Agreement, the Purchase Agreement and the Sale Agreement, and the rights and obligations of the Authority, the Corporation, the Holders of the Certificates and the Trustee may be modified or amended from time to time and at any time by a Supplemental Trust Agreement, Supplemental Purchase Agreement or Supplemental Sale Agreement, as applicable, which the Authority, the Corporation and the Trustee, as applicable, may enter into when the written consent of the Holders of at least a majority in aggregate principal amount of the Certificates then Outstanding shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Certificates of any particular stated Certificate Payment Date remain Outstanding, the consent of the Holders of such Certificates shall not be required and such

Certificates shall not be deemed to be Outstanding for the purpose of any calculation of Certificates Outstanding for purposes of the provisions described under this caption.

No such modification or amendment shall: (1) extend the stated Certificate Payment Date of any Certificate, or reduce the amount of principal represented thereby, or reduce the rate of interest with respect thereto, or extend the time of payment of interest with respect thereto, without the written consent of the Holder of each Certificate so affected; or (2) reduce the aforesaid percentage of Certificates the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Trust Agreement prior to or on a parity with the lien created by the Trust Agreement, or deprive the Holders of the Certificates of the lien created by the Trust Agreement on such Revenues and other assets (except as expressly provided in the Trust Agreement), without the consent of the Holders of all of the Certificates then Outstanding.

(B) The Trust Agreement, the Purchase Agreement and the Sale Agreement and the rights and obligations of the Authority, the Corporation, the Trustee and the Holders of the Certificates may also be modified or amended from time to time and at any time by a Supplemental Trust Agreement, Supplemental Purchase Agreement or Supplemental Sale Agreement, respectively, which the Authority, the Corporation and the Trustee, as applicable, may enter into without the consent of any Holders but with consent of the Bank, but only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority or the Corporation contained in the Trust Agreement, the Purchase Agreement or the Sale Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Certificates (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority or the Corporation in the Trust Agreement, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Certificates;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Trust Agreement, the Purchase Agreement or the Sale Agreement, or in regard to matters or questions arising under the Trust Agreement, the Purchase Agreement or the Sale Agreement, or to make any other revisions or additions to the Trust Agreement, the Purchase Agreement or the Sale Agreement as the Authority or the Corporation may deem necessary or desirable, and which, in the opinion of the Trustee, shall not materially adversely affect the interests of the Holders of the Certificates;

(3) to modify, amend or supplement the Trust Agreement in such manner as to permit the qualification of the Trust Agreement under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which modification, amendment or supplement shall not materially adversely affect the interests of the Holders of the Certificates; or

(4) to provide any additional procedures, covenants or agreements to maintain the exclusion from gross income for federal income tax purposes of interest payable with respect to the Installment Payments, the Purchase Agreement and the Certificates;

(C) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Trust Agreement, Supplemental Sale Agreement or Supplemental Purchase Agreement authorized under the provisions described above which adversely affects the Trustee's own rights, duties or immunities under the Trust Agreement or otherwise.

Defeasance

Discharge of Trust Agreement. Certificates that bear interest at a Term Interest Rate to the maturity thereof may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable thereunder by the Authority:

(a) by paying or causing to be paid with Available Moneys the principal component of, interest with respect to, and premium, if any, on the Certificates Outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Trust Agreement) to pay or prepay with Available Moneys all Certificates; or

(c) by delivering to the Trustee, for cancellation by it, the Certificates then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Trust Agreement by the Authority, then and in that case, at the election of the Authority, and notwithstanding that any Certificates shall not have been surrendered for payment, the Trust Agreement and the pledge of Revenues and other assets made under the Trust Agreement and all covenants, agreements and other obligations of the Authority under the Trust Agreement shall cease, terminate, become void and be completely discharged and satisfied except only as provided below, and thereupon the Trustee shall forthwith execute proper instruments acknowledging satisfaction of and discharging the Trust Agreement.

Discharge of Liability on Certificates

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Trust Agreement) to pay or prepay any Outstanding Certificate (whether upon or prior to its maturity or the prepayment date of such Certificate), provided that, if such Certificate is to be prepaid prior to maturity, notice of such prepayment shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Certificate shall cease, terminate and be completely discharged, except only that the Holder thereof shall thereafter be entitled to payment of the principal component of, premium, if any, and interest with respect to Certificate by the Authority, and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for

their payment, provided further, however, that the provisions of the Trust Agreement shall apply in all events.

Deposit of Money or Securities with Trustee. Whenever in the Trust Agreement or the Purchase Agreement it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or prepay any Certificates, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Trust Agreement (exclusive of the Rebate Fund) and shall be:

(d) lawful money of the United States of America in an amount equal to the principal amount of such Certificates and all unpaid interest thereto to their stated Certificate Payment Dates, except that, in the case of Certificates which are to be prepaid prior to their stated Certificate Payment Dates and in respect of which notice of such prepayment shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Prepayment Price with respect to such Certificates and all unpaid interest thereon to the prepayment date; or

(e) Investment Securities (which are noncallable by the issuer thereof prior to maturity) described in clause (1) of the definition thereof, the principal of and interest on which when due will provide money sufficient to pay the principal or Prepayment Price and all unpaid interest with respect thereto to the stated Certificate Payment Dates or to the prepayment date, as the case may be, represented by the Certificates to be paid or prepaid, as such principal or Prepayment Price and interest become due, provided that, in the case of Certificates which are to be prepaid prior to their stated Certificate Payment Dates, notice of such prepayment shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Trust Agreement and the Purchase Agreement or by Order of the Authority) to apply such money to the payment of such principal or Prepayment Price and interest with respect to such Certificates, and provided further, that with respect to the deposit of Investment Securities as described in this subsection (b), the Trustee shall have received a report from a firm of independent certified public accountants or other financial services firm acceptable to the Rating Agency to the effect that the amount deposited is sufficient to make the payments specified therein.

Payment of Certificates After Discharge of Trust Agreement.

Notwithstanding any provisions of the Trust Agreement, any moneys held by the Trustee in trust for the payment of the principal, Prepayment Price, or interest with respect to any Certificates and remaining unclaimed for two (2) years (or, if less, then one (1) day before such moneys would escheat to the State under then applicable State law) after the principal and interest with respect to all of the Certificates have become due and payable (whether at the stated Certificate Payment Dates or upon call for prepayment or by acceleration as provided in the Trust Agreement), if such moneys were so held at such date, or two (2) years (or, if less, then one (1) day before such moneys would escheat to the State under then applicable State law) after the date of deposit of such moneys if deposited after said date when all of the Certificates

became due and payable, shall, upon Request of the Corporation, be repaid to the Corporation free from the trusts created by the Trust Agreement, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Corporation as aforesaid, the Corporation or the Trustee, as the case may be, may (at the cost of the Corporation) first mail a notice, in such form as may be deemed appropriate by the Trustee to the Holders of the Certificates so payable and not presented and with respect to the provisions relating to the repayment to the Corporation of the moneys held for the payment thereof at the addresses shown on the registration books maintained by the Trustee. In the event of the repayment of any such moneys to the Corporation as aforesaid, the Holders of the Certificates with respect to which such moneys were deposited shall thereafter be deemed to be general unsecured creditors of the Corporation for amounts equivalent to the respective amounts deposited for the payment of such Certificates and so repaid to the Corporation (without interest thereon), subject to any applicable statute of limitations.

TABLE OF CONTENTS

DEFINITIONS OF CERTAIN TERMS	1
INSTALLMENT PURCHASE AGREEMENT	10
Installment Purchase and Sale of the School Facilities	10
Payment Provisions.....	10
Purchase Agreement Defaults and Remedies	11
INSTALLMENT SALE AGREEMENT	13
Installment Purchase and Sale of the School Facilities	13
Payment Provisions.....	13
Assignment of Authority’s Rights	16
Certain Covenants of the Corporation	17
Continuing Disclosure	17
Prepayment	17
Non-Liability of Authority; Expenses; Indemnification.....	18
Sale Agreement Defaults and Remedies.....	20
TRUST AGREEMENT	22
Validity of Certificates.....	23
Pledge and Assignment; Revenue Fund	23
Funds and Accounts.....	24
Allocation or Revenue	25
Priority of Moneys in Revenue Fund.....	26
Letter of Credit Account and Letter of Credit	26
Particular Covenants	29
Events of Default and Remedies.....	30
Consent To Defaults	34
The Remarketing Agent.....	34
The Tender Agent	35
Modification or Amendment of Trust Agreement, Purchase Agreement and Sale Agreement.....	36
Defeasance	38
Discharge of Liability on Certificates.....	38

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APPENDIX D

DTC AND THE BOOK-ENTRY ONLY SYSTEM

Introduction

The information set forth in this section under the subheading “General” has been obtained from sources that the Authority, the Corporation and the Underwriter believe to be reliable, but the Authority, the Corporation and the Underwriter take no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Certificates, as nominee of DTC, references herein to the Owners, Holders or Holders of the Certificates (other than under the caption “TAX MATTERS” herein) shall mean Cede & Co. and shall not mean the Beneficial Owners of the Certificates.

THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE CERTIFICATES UNDER THE TRUST AGREEMENT; (III) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL PREPAYMENT OF THE CERTIFICATES; (IV) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR PREPAYMENT PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE CERTIFICATES; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF CERTIFICATES; OR (VI) ANY OTHER MATTER.

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

Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms as set forth in the Trust Agreement.

General

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’ s partnership nominee). One fully-registered Certificate will be issued for each maturity and each series of the

Certificates each in the aggregate principal amount of such maturity and series, and will be deposited with DTC.

DTC 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 securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. “Direct Participants” include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and Participants are on file with the Securities and Exchange Commission.

Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“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, but Beneficial Owners are 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 interest in the Certificates are to be accomplished by entries made on the books of Direct Participants acting on behalf of Beneficial Owners. **BENEFICIAL OWNERS WILL NOT RECEIVE CERTIFICATES REPRESENTING THEIR OWNERSHIP INTEREST IN CERTIFICATES, EXCEPT IN THE EVENT THAT USE OF THE BOOK-ENTRY SYSTEM FOR THE CERTIFICATES IS DISCONTINUED.**

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of Certificates with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct 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. **THE AUTHORITY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC**

PARTICIPANT OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE CERTIFICATES.

Prepayment notices shall be sent to Cede & Co. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal and interest payments with respect to the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. 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 Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee or the Authority, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

The foregoing description of the procedures and recordkeeping with respect to beneficial ownership interest in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owner is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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