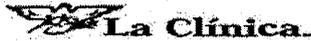


NEW ISSUE - BOOK-ENTRY ONLY
Bank Qualified

RATINGS:
Standard & Poor's: "A+"
See "RATINGS" herein.

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, based on existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes and (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), but Bond Counsel expresses no opinion as to whether interest on the Bonds is taken into account in computing adjusted current earnings, which is used in determining the federal alternative minimum tax for certain corporations. It is the opinion of Bond Counsel that the Bonds are "qualified tax-exempt obligations" under section 265(b)(3) of the Code. It is the opinion of Bond Counsel that interest on the Bonds is exempt from personal income taxation imposed by the State of California. For a more complete description, see "TAX MATTERS" herein.



\$3,855,000 ABAG Finance Authority for Nonprofit Corporations Revenue Bonds (La Clínica de La Raza, Inc.), Series 2010

Dated: Date of Delivery

CUSIP: 00037C QV5

Due: December 1, 2030

The Bonds described herein are issued by ABAG Finance Authority for Nonprofit Corporations (the "Authority") pursuant to Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code, and an indenture of Trust, dated as of December 1, 2010 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). It is anticipated that the Bonds will be issued and delivered on the date set forth below in fully registered form and, if and when issued, will be registered in the name of Cede & Co., as the registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Bonds will be made in book-entry form. Purchasers of beneficial interests (the "Beneficial Owners") will not receive certificates representing their interests in the Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, all references herein to Registered Owner shall mean Cede & Co., and not the Beneficial Owners of the Bonds. Payments of principal, redemption price, interest and, with respect to tendered Bonds, Purchase Price of the Bonds, will be made directly to DTC by the Trustee or The Bank of New York Mellon Trust Company, N.A., as tender agent, as applicable, so long as Cede & Co., as nominee for DTC, is the Registered Owner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants as more fully described herein. See APPENDIX F — BOOK-ENTRY SYSTEM.

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

Payment of principal of, interest on, and Purchase Price of the Bonds at the Initial Rate (defined below) pursuant to the Indenture is supported by an irrevocable direct-pay letter of credit (the "Initial Letter of Credit") being issued concurrently with the issuance of the Bonds by Union Bank, N.A. (the "Bank").



The Initial Letter of Credit will be issued in an amount equal to the aggregate principal amount of the Bonds plus 185 days' interest thereon calculated at the Initial Rate. The Initial Letter of Credit, unless extended, will expire on December 1, 2017, and will permit the Trustee to draw thereunder amounts sufficient to pay (a) the principal of the Bonds when due, upon redemption or upon acceleration, (b) regularly scheduled interest on the Bonds or payment of interest on a date established for the redemption or acceleration of the Bonds, and (c) the Purchase Price of Bonds subject to mandatory tender at the end of the Initial Period.

The Bonds will initially bear interest from the date of original issuance at the rate of 3.95% per annum (the "Initial Rate"), payable on June 1 and December 1 of each year commencing June 1, 2011, to but not including December 1, 2017 (the "Initial Period"). Thereupon, all Bonds will be subject to mandatory tender for purchase at the Purchase Price, with no option to retain such Bonds, and unless a different rate period is designated pursuant to the Indenture, will be converted to and remarketed at a Variable Rate, as described below. Under certain circumstances the interest rate borne by the Bonds may be converted to a Variable Rate, a Reset Rate or a Fixed Rate. The Bonds are subject to mandatory purchase by the Trustee on any date the interest rate is converted to a different mode. See "DESCRIPTION OF THE BONDS - Variable Rate," "Reset Rate" and "Fixed Rate."

The Bonds will be subject to redemption prior to their stated maturity date at the prices, on the terms and upon the occurrence of the events described herein. See "DESCRIPTION OF THE BONDS - Redemption of Bonds." In addition, the maturity of the Bonds may be accelerated upon the occurrence of certain events. See "SUMMARY OF INDENTURE AND LOAN AGREEMENT - INDENTURE - Defaults and Remedies." During the Initial Period, the Bonds will not be subject to optional tender for purchase by Bondholders.

THIS OFFICIAL STATEMENT IS INTENDED SOLELY FOR USE WITH RESPECT TO THE BONDS DURING THE INITIAL PERIOD WHEN THE BONDS BEAR INTEREST AT THE INITIAL RATE AND AT NO TIME THEREAFTER.

This cover page contains certain information for general reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making any investment decisions. While this Official Statement describes the operations of and provides financial information about La Clínica de La Raza, Inc. (the "Corporation") and potential investors should consider that information, the Bonds are being offered primarily on the basis of the Initial Letter of Credit and the financial strength of the Bank. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein or in the Indenture.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and the approval of legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for Union Bank, N.A. by Rutan & Tucker, LLP, Costa Mesa, California, and for the Corporation by Virtual Law Partners LLP, San Francisco, California, as the Corporation's Counsel, and by Jennings, Strouss & Salmon, P.L.C., Phoenix, Arizona, as Disclosure Counsel and for the Authority by Chapman and Cutler, LLP, its special counsel. It is expected that delivery of the Bonds will be made through the facilities of DTC on or about December 30, 2010.

PiperJaffray.

The date of this Official Statement is December 22, 2010

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No broker, dealer, salesman or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or by the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of any Bonds by any person in any jurisdiction in which such offer, solicitation or sale is not authorized, or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale. The information set forth under the captions "THE AUTHORITY" and "NO LITIGATION — The Authority" has been furnished by the Authority. All other information set forth herein has been obtained from the Corporation, the Bank and other sources (other than the Authority) that are believed to be reliable. The adequacy, accuracy or completeness of such information is not guaranteed by, and is not to be construed as a representation of, the Authority or the Underwriter. The information and expressions of opinion contained herein are subject to change without notice after the date hereof and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Bank or the Corporation since the date hereof.

The Bank does not assume, nor will it assume, any responsibility as to the completeness or accuracy of any of the information contained in this Official Statement, all of which has been furnished by others, with the exception of the information which appears under the caption "THE BANK" which was provided by the Bank. Without limiting the foregoing, the Bank makes no representation as to the suitability of the Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. The Bank's role with respect to the Bonds is limited to providing the Initial Letter of Credit described herein to the Trustee.

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF THE SECURITIES ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED (THE "TRUST INDENTURE ACT"), IN RELIANCE UPON AN EXEMPTION CONTAINED IN THE TRUST INDENTURE ACT.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Corporation does not plan to issue any updates or revisions to those forward-looking statements if or when changes to its expectations or events, conditions or circumstances in which such statements are based occur.

\$3,855,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
Revenue Bonds
(La Clínica de La Raza, Inc.), Series 2010

PROFESSIONAL SERVICES

Bond Counsel
Quint & Thimmig LLP
San Francisco, California

Remarketing Agent
Piper Jaffray

Letter of Credit Bank
Union Bank, N.A.

Tender Agent
The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Trustee
The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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APPENDIX C	SUMMARY OF INDENTURE AND LOAN AGREEMENT
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OFFICIAL STATEMENT

\$3,855,000

**ABAG Finance Authority for Nonprofit Corporations
Revenue Bonds
(La Clínica de La Raza, Inc.), Series 2010**

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to provide information in connection with the issuance and sale of ABAG Finance Authority for Nonprofit Corporations Revenue Bonds (La Clínica de La Raza, Inc.), Series 2010, in the aggregate principal amount of \$3,855,000 (the "Bonds"). The Bonds will be issued pursuant to Chapter 5 of Division 7 of Title 1 (commencing with section 6500) of the California Government Code (the "Act"), an Indenture of Trust, dated as of December 1, 2010 (the "Indenture"), between ABAG Finance Authority for Nonprofit Corporations (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and a resolution of the Authority adopted on December 1, 2010.

Pursuant to a loan agreement (the "Loan Agreement"), dated as of December 1, 2010, between the Authority and La Clínica de La Raza, Inc., a California nonprofit public benefit corporation (the "Corporation"), the Authority will loan the proceeds received from the sale of the Bonds to the Corporation to (i) renovate and improve a 14,230 square foot building located at 1040 Oak Grove Road in Concord, California, purchased by the Corporation in March of 2009, to be used as a medical and dental community clinic, and (ii) pay certain costs of issuance and credit enhancement costs in connection with the Bonds, as described herein under "THE CORPORATION" and "THE PROJECT."

The Bonds, when issued, will bear interest at the Initial Rate for the Initial Period.

The Bonds will be secured by an irrevocable direct-pay letter of credit (the "Letter of Credit") issued by Union Bank, N.A. (the "Bank" or the "Credit Bank"). Under the Letter of Credit, the Trustee will be permitted to draw an amount not exceeding the stated amount indicated in the Letter of Credit (the "Stated Amount") for the payments of principal of, Purchase Price of and interest on, the Bonds (other than Bonds owned by or for the account of the Corporation or the Bank ("Pledged Bonds")), whether at maturity, prior redemption, upon acceleration, mandatory purchase or otherwise. The Stated Amount of the Letter of Credit on any date will be based upon the aggregate principal amount of the Outstanding Bonds on or prior to such date and interest on such Bonds for 185 days calculated the Initial Rate based on a 365-day year. In consideration for issuing the Letter of Credit, the Corporation will enter into a Reimbursement Agreement, dated as of December 1, 2010 (the "Reimbursement Agreement"), with the Bank. For a further description of the Letter of Credit and the terms of the Reimbursement Agreement, see "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" herein.

To support the Bonds, the Corporation will cause the Bank to issue and deliver to the Trustee the Letter of Credit pursuant to the Reimbursement Agreement. The Letter of Credit will expire on December 1, 2017, unless extended or terminated as described herein. Under the Letter of Credit, the Trustee will be entitled to draw up to an amount sufficient to pay (a) the principal of the Bonds upon mandatory redemption, or acceleration and interest on the Bonds in an amount not to exceed 185 days computed at the Initial Rate or (b) the Bonds are subject to mandatory purchase by the Trustee at the end of the Initial Period. The Corporation will agree in the Reimbursement Agreement to reimburse the Bank

for drawings made under the Letter of Credit and the Corporation will agree to make certain other payments to the Bank.

The obligations of the Corporation to the Bank under the Reimbursement Agreement will be secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of December 1, 2010 from the Corporation to the Bank and by a security interest in certain personal property of the Corporation. See "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" herein.

Neither the faith and credit nor the taxing power of the State or any political subdivision or agency of the State is pledged to the payment of the principal of, premium, if any, Purchase Price of, or interest on, the Bonds nor is the State or any political subdivision thereof in any manner obligated to make any appropriation for the payment thereof. The Bonds and the Indenture under which they will be issued will state that the principal of such Bonds, the premium, if any, and the interest thereon shall not be deemed to constitute a debt or liability of the State or any political subdivision or agency of the State except to the extent they are limited obligations of the Authority. The Bonds are special, limited obligations of the Authority, and the Authority shall under no circumstances be obligated to pay the Bonds except from the revenues and other funds pledged therefor under the Indenture. The Authority has no taxing power.

Certain Information Related to this Official Statement

Definitions of certain words and terms used in this Official Statement and summaries of the Indenture, Loan Agreement, Letter of Credit, and Reimbursement Agreement are included in this Official Statement or in APPENDIX C – "SUMMARY OF INDENTURE AND LOAN AGREEMENT." Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to such documents are qualified in their entirety by reference to the definitive forms of such documents. See "MISCELLANEOUS" herein.

THIS OFFICIAL STATEMENT IS INTENDED SOLELY FOR USE WITH RESPECT TO THE BONDS DURING THE INITIAL PERIOD WHEN THE BONDS BEAR INTEREST AT THE INITIAL RATE AND AT NO TIME THEREAFTER. SEE "THE BONDS" HEREIN.

THE CORPORATION

The Corporation is a California nonprofit public benefit corporation organized as and determined by the Internal Revenue Service to be a charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code.") As such it is exempt from federal and State of California income tax. The Corporation runs a community health care program out of numerous clinics in and around the East San Francisco Bay Area. See APPENDIX A – "INFORMATION CONCERNING LA CLÍNICA DE LA RAZA, INC." for a discussion of the Corporation's operations. See also APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF LA CLÍNICA DE LA RAZA, INC."

THE PROJECT

The Project involves the renovation of an existing building in Concord, California, consisting of 14,230 square feet. The renovated facility will house an existing clinic currently operated at a different location and provide mental and dental services to the community. See APPENDIX A – "INFORMATION CONCERNING LA CLÍNICA DE LA RAZA, INC. – The Health Clinic Project" for a more complete description of the Project.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

<u>Sources</u>	
Principal Amount of Bonds	\$3,855,000
Corporation Contribution ⁽¹⁾	<u>350,000</u>
Total Sources	<u>\$4,205,000</u>
<u>Uses</u>	
Loan Fund	\$3,855,000
Costs of Issuance Fund ⁽²⁾	<u>350,000</u>
Total Uses	<u>\$4,205,000</u>

⁽¹⁾ All or a portion of this amount will be reimbursed to the Corporation through the United Health/PacifiCare California small issuance grant program.

⁽²⁾ Includes Underwriter's fee, Bank fees and costs, legal fees, rating agency fees, trustee fees and other miscellaneous expenses.

THE AUTHORITY

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

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

DESCRIPTION OF THE BONDS

General

The Bonds will be issued in fully registered form without coupons in minimum denominations of \$5,000 and any integral multiple of \$1,000 in excess thereof from the Closing Date until the earlier of the

first Variable Date, if any, Reset Date, if any, or the Conversion Date, if any, upon which the Bonds will be issued in the minimum denomination of \$100,000 (in the case of Variable Rate Bonds) and \$5,000 (in the case of Reset Rate Bonds and Fixed Rate Bonds), and any integral multiple of \$1,000 in excess thereof. (Under certain circumstances, the Bonds may be issued in smaller denominations. See APPENDIX C – “SUMMARY OF INDENTURE AND LOAN AGREEMENT – INDENTURE - Definitions” for a definition of “Authorized Denominations.”)

The Bonds will bear interest from and including the date of issue at the Initial Rate as described below. The principal of, and premium, if any, on each Bond will be payable upon the presentation and surrender of such Bond, when due, at the Principal Office of the Trustee. During the Initial Period, interest on each Bond will be payable on June 1 and December 1 of each year, commencing June 1, 2011. During any Variable Rate Period, interest on each Bond will be payable on the first Business Day of each month. During any Reset Period and after the Conversion Date, interest will be payable on each June 1 and December 1. Interest on each Bond will be paid by check mailed on each Interest Payment Date by first-class mail, postage prepaid to the Registered Owner of the Bond as of the applicable Record Date at the address of such Registered Owner set forth on the bond registration books of the Trustee. In addition, interest may be paid, at the request of a Registered Owner of at least \$1,000,000 aggregate principal amount of Bonds, by bank wire transfer in immediately available funds to an account in the United States designated by such Registered Owner to the Trustee in writing at least 15 days before the Record Date for such payments, any such account designation to remain in effect until withdrawn.

During the Initial Period and during any Reset Period and after the Conversion Date, interest on the Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. During any Variable Period, the interest accrued on the Bonds will be calculated on the basis of a 365-day or 366-day year, for the actual number of days elapsed.

Initial Rate

The Bonds will initially bear interest from the date of original issuance at the Initial Rate payable on June 1 and December 1 of each year commencing June 1, 2011. The Initial Period will begin on such original issuance and end on December 1, 2017. At the end of the Initial Period all Bonds will be subject to mandatory tender and purchase by the Trustee at the Purchase Price. At the same time all Bonds will be converted to a Variable Rate, a Reset Rate or a Fixed Rate as elected by the Corporation in accordance with the provisions of the Indenture as described below. If no election is made, the Bonds will be converted to a Variable Rate.

During the Initial Period, the Bonds will not be subject to optional tender by Bondholders for purchase. However, during the Initial Period, the Bonds will be supported by the Initial Letter of Credit which will be drawn upon by the Trustee to pay interest, any redemption amount and the principal amount upon acceleration of the Bonds or their mandatory purchase at the end of the Initial Period.

Variable Rate

The first Variable Rate, if any, shall apply to the period beginning on the date the Bonds are converted to a Variable Rate and ending on the next Wednesday. Thereafter the Variable Rate of interest borne by the Bonds shall apply during each period beginning on any Thursday and to and including the following Wednesday (regardless of whether either such day is a Business Day) (each such period a “Variable Interest Accrual Period”). In order to establish a Variable Rate, the Corporation must deliver a written notice to each of the Trustee, the Authority, the provider of the Letter of Credit Bank, the Tender Agent and the Remarketing Agent specifying the Variable Rate Adjustment Date, which shall be a Business Day not less than 30 days after notice is received by the Trustee. Such notice must be

accompanied by (i) a draft of an opinion of Bond Counsel to be provided to the Trustee on or before the Variable Rate Adjustment Date, dated as of the Variable Rate Adjustment Date, to the effect that the establishment of the Variable Rate in accordance with the procedure described in the Indenture is permitted by the Indenture and the Act and will not adversely affect the exclusion of interest on the Bonds (other than by a "substantial user" of the Project or a "related person" within the meaning of Section 147 of the Code) from gross income for federal income tax purposes, (ii) an unconditional commitment of a bank or other entity authorized to provide alternate security hereunder to issue the Letter of Credit to be in effect upon and after the Variable Rate Adjustment Date, together with accompanying documentation required by the Loan Agreement, unless the then outstanding Letter of Credit satisfied the requirements of the Loan Agreement and the provider of the Letter of Credit has consented to the Letter of Credit remaining in effect during the Variable Period, (iii) the form of notice to be given by the Trustee to the owners of such Bonds with respect to the establishment of a Variable Rate, and (iv) payment to the Trustee of such amount as the Trustee reasonably determines may be required in connection with the establishment of the Variable Rate, including, but not limited to, its own fees and expenses and the cost of printing Bonds.

Each Variable Rate will be determined by the Remarketing Agent and reported to the Trustee, the Tender Agent, the Corporation and the provider of the Letter of Credit. Any Variable Interest Accrual Period will end on the day before a Reset Date or the Conversion Date or on the last date on which any Bonds are outstanding, and no Variable Interest Accrual Period will commence on the Business Day immediately preceding any Interest Payment Date. Any Bondholder may obtain information on the Variable Rate by request to the Trustee. The amount of interest paid on each Interest Payment Date during each Variable Period for each minimum Authorized Denomination of Bonds will be determined by multiplying each different interest rate applicable to such Bonds during the Variable Interest Accrual Period by such minimum Authorized Denomination and with respect to each such rate, multiplying the resulting product by the actual number of days elapsed during such period during which such rate was effective and dividing the resulting product by 365 or 366, as appropriate, and then totaling the results for each such interest rate and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). For purposes of computing accrued interest in connection with the purchase, redemption or acceleration of Bonds while they bear interest at a Variable Rate, the day that such accrued interest is due will be treated as the day after the last day of an Interest Period.

The Variable Rate for the Bonds determined by the Remarketing Agent on each Variable Interest Computation Date will be that rate of interest not exceeding the Maximum Interest Rate which, if borne by such Bonds, would, in its judgment, having due regard to prevailing financial market conditions, be the interest rate necessary, but which would not exceed the minimum interest rate necessary, in order for the market value of such Bonds on said date to be 100% of the principal amount thereof (disregarding accrued interest) if such Bonds were sold on such Variable Interest Computation Date; provided, however, that in no event is the Variable Rate at any time permitted to exceed the Maximum Interest Rate per annum.

The determination of the Variable Rate by the Remarketing Agent will (in the absence of manifest error) be conclusive and binding on the holders of the Bonds, the Authority, the Corporation, the provider of the Letter of Credit, the Remarketing Agent, the Tender Agent and the Trustee, and each will be protected in relying on it.

Reset Rate

The rate of interest on the Bonds may be established at a Reset Rate on the last day of the Initial Period, on any Interest Payment Date immediately following a Variable Period or on the day after any Reset Period. In order to establish a Reset Date, the Corporation must deliver a written notice to each of the Trustee, the Authority, the provider of the Letter of Credit, the Tender Agent and the Remarketing

Agent specifying (i) the Reset Date, which must be a Business Day not less than 30 days after such notice is received by the Trustee, (ii) the proposed duration of the Reset Period, which must be at least six months and must terminate on the date immediately prior to an Interest Payment Date, and (iii) the date on which the Reset Rate will be determined by the Remarketing Agent, which date may not be later than the Business Day immediately preceding the Reset Date. Such notice must be accompanied by (i) a draft of an opinion of Bond Counsel to be provided to the Trustee on or before the Reset Date, dated as of the Reset Date, to the effect that the establishment of the Reset Rate in accordance with the procedure described in the Indenture is permitted by the Indenture and the Act and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds (other than by a "substantial user" of the Project or a "related person" within the meaning of Section 147 of the Code), (ii) an unconditional commitment of a bank or other entity authorized to provide alternate security under the Indenture to issue the Letter of Credit to be in effect upon and after the Reset Date, together with accompanying documentation required by the Loan Agreement unless the then outstanding Letter of Credit satisfies the requirements of the Loan Agreement and the provider of the Letter of Credit has consented to the Letter of Credit remaining in effect during the Reset Period, (iii) the form of notice to be given to the holders of such Bonds with respect to the establishment of a Reset Rate, and (iv) payment to the Trustee of such amount as the Trustee reasonably determines may be required in connection with the establishment of the Reset Rate, including, but not limited to, its own fees and expenses and the cost of printing Bonds.

The Trustee is required to give notice to the registered owners of the Bonds, by first-class mail, not less than 25 days before the Reset Date specifying (i) the proposed Reset Date; and (ii) that all Bonds are subject to mandatory tender on the Reset Date and that all Bonds must be tendered to the Tender Agent for purchase not later than 10:00 a.m., New York City time, on the Reset Date at a price equal to the principal amount thereof plus interest accrued to such date.

If evidence of the unconditional commitment of a bank or other entity authorized to provide alternate security under the Indenture to issue the Letter of Credit to be in effect upon and after the Reset Date satisfactory to the Authority and the Trustee is not received at least 10 days before the applicable reset date, or if the Letter of Credit to be in effect upon and after a Reset Date is not delivered to the Trustee by 8:30 a.m. California time on the applicable Reset Date, or if on any Business Day at least 10 days before the applicable Reset Date the Trustee receives written notice from the Corporation to the effect that it no longer wishes to change the interest rate on the Bonds to the proposed Reset Rate, or if on any Business Day within 10 days before (but not less than 5 days before) the applicable Reset Date the Trustee receives written notice from the Remarketing Agent that a Market Risk Event has occurred, the Trustee is required to immediately give notice to the Registered Owners, in the same manner that the notice of the establishment of the Reset Rate described in the preceding paragraph was given, canceling such notice and stating either that (a) such Bonds will bear interest at a Variable Rate and will nonetheless be subject to mandatory tender and purchase on the day which was specified as the Reset Date in the notice previously sent to Registered Owners, if the Trustee then holds an irrevocable, direct-pay Letter of Credit meeting the requirements of the Loan Agreement or (b) if such Letter of Credit is not then held by the Trustee, such Bonds will be redeemed pursuant to the Indenture. The Trustee is also required to provide written notice of the cancellation to the provider of the Letter of Credit, the Authority, the Corporation and the Remarketing Agent. If on or before the applicable Reset Date the Trustee has not received an opinion of Bond Counsel dated as of the Reset Date in the form of the draft opinion, as required by the Indenture, the Trustee is required to give notice to the owners of such Bonds as specified in the Indenture.

Any Bond not tendered to the Tender Agent on or before a Reset Date will be deemed to have been tendered for purchase on such Reset Date pursuant to the Indenture for all purposes of the Indenture. Payment of the Purchase Price of any such Bond will not be made until such Bond is delivered and surrendered to the Tender Agent.

From and after each Reset Date until the last day of the related Reset Period, the Bonds will bear interest at the applicable Reset Rate, payable on June 1 and December 1 of each year, commencing on the Interest Payment Date next following the Reset Date, computed on the basis of a 360-day year comprised of twelve 30-day months. The Reset Rate will be that rate, determined by the Remarketing Agent on the date specified by the Corporation, which, in the judgment of the Remarketing Agent, having due regard to prevailing financial market conditions, would be the minimum rate which would be required to be borne by such Bonds in order for the market value of the Bonds on said date to be 100% of the principal thereof (disregarding accrued interest), provided that in no event may the Reset Rate exceed the Maximum Interest Rate, except as provided in the Indenture.

The determination of a Reset Rate by the Remarketing Agent in accordance with the provisions of the Indenture will (in the absence of manifest error) be conclusive and binding upon the holders of the Bonds, the Authority, the provider of the Letter of Credit, the Remarketing Agent, the Corporation, the Tender Agent and the Trustee, and each will be protected in relying on it.

At least 30 and not more than 40 days prior to the Interest Payment Date following the final day of a Reset Period, the Corporation is required to elect to have the Bonds bear interest from and after such Interest Payment Date at a Reset Rate for a new Reset Period, or at a Fixed Rate or Variable Rate, by giving written notice of such election to the Trustee, the Authority, the provider of the Letter of Credit and the Remarketing Agent. If the Corporation fails to make such election, or fails to satisfy the conditions for the establishment of a Reset Date, as required by the Indenture and described herein, by the applicable dates provided in the Indenture, the Trustee is required to immediately notify Registered Owners, in the same manner that the notice of the Reset Rate was given, stating either (a) if the Trustee has received an irrevocable, direct-pay Letter of Credit meeting the requirements of the Loan Agreement, the interest on the Bonds will be a Variable Rate and specifying the procedure for determining such rate and the procedures for purchase of such Bonds as set forth in the Indenture, or (b) if the Trustee is not in receipt of such Letter of Credit, such Bonds will be redeemed pursuant to the Indenture.

Upon every Reset Date or Variable Rate Adjustment Date, the Trustee is required to cause new Bonds to be prepared, with the cooperation of the Authority, at the expense of the Corporation, in substantially the same form as provided in the Indenture. Any such Bonds are required to be executed and authenticated as provided in the Indenture and are required to be delivered to Registered Owners on the Reset Date, or Variable Rate Adjustment Date, as applicable, without charge in exchange for any outstanding Bonds.

Fixed Rate

The rate of interest on the Bonds may be established at a Fixed Rate on the last day of the Initial Period, on any Interest Payment Date immediately following a Variable Period or on the day after any Reset Period. In order to convert the Bonds to a Fixed Rate, the Corporation must deliver a written notice to the Trustee, the Authority, the provider of the Letter of Credit, the Tender Agent and the Remarketing Agent specifying (i) the Conversion Date, which must not be less than 30 days after such notice is received by such parties and (ii) the date on which the Fixed Rate will be determined by the Remarketing Agent, which date may not be later than the Business Day immediately preceding the Conversion Date. Such notice must be accompanied by (i) a draft of an opinion of Bond Counsel to be dated as of the Conversion Date and furnished to the Trustee on or before the Conversion Date to the effect that conversion of the interest rate on the Bonds to a Fixed Rate is permitted by the Indenture, the Act and, with respect to the Conversion of the Bonds, will not adversely affect the exclusion of interest on the Bonds (other than by a "substantial user" of the Project or a "related person" within the meaning of Section 147 of the Code) from gross income for federal income tax purposes, (ii) an unconditional commitment of a bank to issue the Letter of Credit to be in effect upon and after Conversion, together with the accompanying documentation required by the Loan Agreement, unless the then outstanding

Letter of Credit satisfies the requirements of the Loan Agreement and the Bank has consented to the Conversion, or unless the Authority will have approved the Conversion without a Letter of Credit, (iii) the form of notice to be given by the Trustee to the owners of the Bonds with respect to Conversion, and (iv) payment to the Trustee of such amount as the Trustee reasonably determines may be required in connection with conversion of the interest rate on the Bonds to a Fixed Rate, including, but not limited to, its own fees and expenses and the cost of printing Bonds.

The Trustee is required to give notice to the Registered Owners of the Bonds, by first-class mail, not less than 25 days before the Conversion Date, specifying: (i) that the interest rate on the Bonds will be established at the Fixed Rate and the date the Fixed Rate will become effective; (ii) that all Bonds are subject to mandatory tender on the Conversion Date and that all Bonds must be tendered to the Tender Agent for purchase not later than 10:00 a.m., New York City time, on the Conversion Date at a price equal to the principal amount thereof plus interest accrued to such date.

If evidence of the unconditional commitment of a bank or other entity authorized to provide alternate security hereunder to issue the Letter of Credit to be in effect upon and after Conversion satisfactory to the Authority and the Trustee is not received at least 10 days before the Conversion Date, or if the Letter of Credit to be in effect upon and after Conversion is not delivered to the Trustee by 8:30 a.m. California time on the applicable Conversion Date, or if on any Business Date at least 10 days before the Conversion Date, the Trustee receives written notice from the Corporation to the effect that it no longer wishes to proceed with the conversion of the interest rate on the Bonds to a Fixed Rate, or if on any Business Day within 10 days (but not less than 5 days) before the Conversion Date, the Trustee receives written notice from the Remarketing Agent that a Market Risk Event has occurred or that it has resigned or been removed as Remarketing Agent in accordance with the Indenture, and the Trustee has not been notified of the appointment of a successor Remarketing Agent, the Trustee is required to give immediate notice to the Registered Owners, in the same manner that the notice of conversion of the interest rate on such Bonds to a Fixed Rate was given, canceling such notice of conversion and stating either that (a) such Bonds will bear interest at a Variable Rate and will nonetheless be subject to mandatory tender and purchase on the day specified as the Conversion Date in the notice previously sent to Registered Owners, if the Trustee then holds an irrevocable, direct-pay Letter of Credit meeting the requirements of the Loan Agreement or (b) if such Letter of Credit is not then held by the Trustee, the Bonds will be redeemed pursuant to the Indenture. The Trustee is also required to provide written notice of the cancellation to the provider of the Letter of Credit, the Authority, the Corporation and the Remarketing Agent. If on or before the Conversion Date the Trustee has not received an opinion of Bond Counsel dated as of the Conversion Date, the Trustee will give notice to the owners of such Bonds as specified in the Indenture.

Any Bond not tendered to the Tender Agent on or before the Conversion Date will be deemed to have been tendered for purchase on the Conversion Date for all purposes of the Indenture. Payment of the Purchase Price of any such Bond will not be made until such Bond is delivered and surrendered to the Tender Agent.

From and after Conversion and until maturity, the Bonds will bear interest at the Fixed Rate, payable on June 1 and December 1 of each year, commencing on the Interest Payment Date next following the Conversion Date, computed on the basis of a 360-day year of twelve 30-day months. The Fixed Rate will be that rate, determined by the Remarketing Agent on the date specified in the notice from the Corporation, which, in the judgment of the Remarketing Agent, having due regard for prevailing financial market conditions, would be required, but would not exceed the minimum rate which would be required, to be borne by the Bonds in order for the market value of the Bonds on such date to be 100% of the principal amount thereof (disregarding accrued interest), provided that in no event may the Fixed Rate exceed the Maximum Interest Rate, except as permitted in the Indenture.

The determination of the Fixed Rate by the Remarketing Agent will (in the absence of manifest error) be conclusive and binding on the holders of the Bonds, the Authority, the Trustee, the Tender Agent, the Bank and the Remarketing Agent, and each will be protected by relying on the rate. The Trustee is required, upon request of any Registered Owner, to notify such Registered Owner of the Fixed Rate to be in effect on and after the Conversion Date.

Upon Conversion, the Trustee is required to cause new Bonds to be prepared with the cooperation of the Authority, at the expense of the Corporation, in substantially the same form as set forth in the Indenture and stating the Fixed Rate. Any such Bonds are required to be executed and authenticated as provided in the Indenture and are required to be delivered to Registered Owners on the Conversion Date without charge in exchange for any outstanding Bonds.

Purchase of Bonds

Any Bond, or any units of principal amount thereof in Authorized Denominations, shall be purchased from the sources prescribed in the Indenture, (1) on any Business Day during a Variable Period for the Bonds on demand of the Registered Owner of such Bond made in accordance with the Indenture, (2) upon the substitution for the existing Letter of Credit of a Letter of Credit or other credit instrument, surety instrument or other form of credit enhancement meeting the requirements of the Loan Agreement and the Indenture, (3) on a Reset Date or the Conversion Date, if tendered or deemed tendered pursuant to the Indenture, or (4) at the end of the Initial Period, in each case at a purchase price equal to the principal amount thereof, or of any units thereof purchased in Authorized Denominations, plus interest accrued thereon, if any, to the date of purchase, provided that any units of principal amount of Bonds remaining unpurchased shall be in Authorized Denominations.

Anything in the Indenture to the contrary notwithstanding, (i) no Bonds will be purchased or remarketed pursuant to the Indenture if an Event of Default thereunder (other than an Event of Default as described under subparagraph 4 of the description of Events of Default under the Indenture set forth in APPENDIX C) herein has occurred and is continuing, and (ii) no Bonds will be purchased or remarketed pursuant to the Indenture after the Conversion Date or during any Reset Period (except on a Reset Date), nor will any Bond be purchased pursuant to the Indenture if such Bond is a Pledged Bond or is registered in the name of the Authority, the Corporation or the provider of the Letter of Credit or known by the Trustee to be registered in the name of any affiliate of the Corporation or any nominee of the Authority, the Corporation or the provider of the Letter of Credit; provided, however, that the Trustee will have no duty to make any inquiry as to such nominee.

Redemption of Bonds

So long as the Bonds bear interest at the Initial Rate, the Bonds are subject to redemption prior to their stated maturity date as follows:

(a) In whole or in part on any Interest Payment Date, at a price equal to the principal amount of Bonds redeemed without premium or penalty, upon prepayment of the Loan in whole or in part, in an amount as nearly equal as possible to, but not exceeding, the amount of any net proceeds of insurance or condemnation awards not used to repair or replace the Project;

(b) In whole or in part on any date on and after December 1, 2012, at the election of the Corporation, at a price equal to the principal amount redeemed, without premium or penalty, plus accrued interest thereon to the date fixed for redemption;

(c) In whole on the Conversion Date, if the conditions specified in the Indenture are not met, or upon the establishment of a Variable Rate Adjustment Date or a Reset Date and the conditions

specified in the Indenture are not met at a price equal to the principal amount thereof, without premium or penalty, plus interest accrued thereon to the date fixed for redemption;

(d) In whole on any date at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption (which date will be not less than ten days after receipt by the Trustee of written notice from the Bank of a default under the Reimbursement Agreement as provided in the Loan Agreement), without premium or penalty, upon acceleration of the Loan in whole under the Loan Agreement;

(e) In whole, at a price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium or penalty, on the last Business Day which is not less than five days before the date of expiration of the Initial Letter of Credit unless the Trustee receives a renewal or extension of or replacement for the Initial Letter of Credit meeting the requirements of the Loan Agreement not less than twenty days before the expiration of the Initial Letter of Credit; and

(f) In the principal amounts and on the dates set forth below, without premium or penalty, plus accrued and unpaid interest thereon:

<u>December 1</u>	<u>Amount</u>
2012	\$155,000
2013	160,000
2014	165,000
2015	170,000
2016	175,000
2017	180,000

Notice of Redemption. Except as otherwise provided in the Indenture, notice of redemption is required to be given by the Trustee for and on behalf of the Authority, by first-class mail, not more than 60 nor less than 20 days (or, in the case of a redemption described in paragraphs (c), (d) and (e) above, not less than five days) prior to the redemption date, to the Bank, the Tender Agent and the Registered Owner of each Bond called for redemption, at its address as it appears on the registration books, but neither failure to mail such notice to the Bank or to any Registered Owner nor any defect in any notice so mailed will affect the sufficiency of the proceedings for the redemption of any of the Bonds. Each notice of redemption must state the redemption date, the place of redemption, the source of the funds to be used for such redemption, the principal amount and, if less than all, the distinctive numbers of the Bonds to be redeemed, and must also state that the interest on the Bonds in such notice designated for redemption will cease to accrue from and after such redemption date and that on said date there will become due and payable on each of said Bonds the principal amount thereof to be redeemed and interest accrued thereon to the redemption date and the premium, if any, thereon (such premium to be specified).

The Trustee is authorized and directed by the Indenture to give notice of the call for redemption of Bonds at the times set forth in the Indenture, to fix the date for any such redemption, and, if moneys are available, to redeem the Bonds so called on the date so fixed by the Trustee and set forth in such notice.

Manner of Redemption. Bonds called for partial redemption will be selected for redemption by lot in any manner the Trustee deems appropriate in whole multiples of minimum Authorized Denominations. In no event will a part of any Bond be redeemed which will result in the part remaining outstanding being an amount less than a minimum Authorized Denomination.

Except as permitted pursuant to the Indenture, upon surrender to the Trustee of any Bond which is to be redeemed only in part, the Authority will execute and the Trustee is required to authenticate and deliver to the owner thereof, without charge to the owner thereof, a new Bond or Bonds of like series and

maturity and of Authorized Denominations requested by such owner in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Mandatory Tender of Bonds in Lieu of Redemption. Any Bonds called for redemption under the provisions of the Indenture described in subparagraphs (c), (d) or (e) above will be subject to mandatory tender in lieu of redemption unless the Bank consents in writing to such redemption. Bonds subject to such mandatory tender in lieu of redemption will be purchased by the Bank on the date on which such Bonds were to have been redeemed (the "Bank's Purchase in Lieu of Redemption Date") at a purchase price equal to the redemption price thereof, plus accrued interest, if any, thereon to, but not including, the Bank's Purchase in Lieu of Redemption Date. Bonds purchased by the Bank as described above will be purchased with proceeds from a draw under the Initial Letter of Credit. Bonds to be purchased by the Bank's Purchased in Lieu of Redemption Date will be deemed to have been purchased by the Bank. Bonds purchased by the Bank as described above will be registered in the name of the Bank or as otherwise designated by the Bank in writing, and will be deemed to be Pledged Bonds unless otherwise directed by the Bank by written notice to the Trustee, the Tender Agent, the Corporation and the Remarketing Agent, and interest accruing on such Bonds on and after the Bank's Purchase in Lieu of Redemption Date will be payable solely to the Bank. The Trustee or Tender Agent will authenticate (and the Authority will execute, if necessary) and deliver to the Bank a new Bond as provided in the Indenture.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price being held by the Trustee, the Bonds so called for redemption will, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, interest on the Bonds so called for redemption will cease to accrue, said Bonds will cease to be entitled to any lien, benefit or security under the Indenture, and the holders of said Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds fully redeemed pursuant to provisions of the Indenture will be cancelled and destroyed by the Trustee, which will thereupon deliver to the Authority a certificate evidencing such destruction.

REMARKETING AGENT

Piper Jaffray & Co. (in such capacity, together with any successor appointed pursuant to the Indenture, the "Remarketing Agent") has been appointed the initial Remarketing Agent pursuant to the Indenture and has entered into a separate Remarketing Agreement with the Corporation, dated as of December 1, 2010 (the "Remarketing Agreement"). The Remarketing Agent will use its best efforts to remarket the Bonds (or portions thereof) at a price of par plus accrued interest, if any, on each date that such Bonds (or portions thereof) are required to be purchased pursuant to the Indenture, and, if such Bonds are not remarketed on such date (such Bonds being hereinafter referred to as "Unremarketed Bonds"), the Remarketing Agent will continue to use its best efforts to place such Unremarketed Bonds at a price of par plus accrued interest, if any.

The Remarketing Agent may at any time resign and be discharged of its duties and obligations under the Indenture and the Remarketing Agreement by giving no less than thirty (30) days' written notice to the Corporation, the Trustee, the provider of the Letter of Credit, and the Authority. The Remarketing Agent may be removed by the Corporation by an instrument signed by the Corporation and approved by the provider of the Letter of Credit, filed no less than thirty (30) days in advance of such removal with the Remarketing Agent, the Authority, the Trustee and the provider of the Letter of Credit. Any such resignation or removal will not become effective until the appointment of a successor remarketing agent as provided in the Indenture.

The Remarketing Agent will not have any remarketing responsibilities during the Initial Period.

SECURITY FOR THE BONDS

The Bonds are special, limited obligations of the Authority and the principal of and premium, if any, and interest on the Bonds will be payable solely from, and will be secured by a pledge of, the Loan Repayments required to be paid by the Corporation pursuant to the Loan Agreement, except to the extent payable from certain amounts held by the Trustee under the Indenture, including the proceeds of the Bonds and moneys drawn under the Initial Letter of Credit. All rights of the Authority under the Loan Agreement will be pledged and assigned to the Trustee, pursuant to the Indenture, except certain rights reserved to the Authority. In addition, the payment of the principal and Purchase Price of and interest on the Bonds is supported by the Initial Letter of Credit issued by the Bank for the benefit of the Registered Owners. See "THE INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" herein.

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

THE BANK

The following information concerning the Bank has been provided by representatives of the Bank and has not been independently confirmed or verified by the Underwriter, the Authority or the Corporation. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

Union Bank, N.A.

Union Bank, N.A. is a full-service commercial bank providing an array of financial services to individuals, small businesses, middle-market companies, and major corporations. The Bank operates 339 branches and 561 ATM's in California, Oregon, Washington, and Texas, as well as two international offices. The Bank serves commercial clients across the country, and has a retail customer base of approximately 1 million households.

Union Bank, N.A. is the primary subsidiary of UnionBanCal Corporation, the second-largest commercial bank holding company headquartered in California, based on assets of \$86 billion at June 30,

2010. UnionBanCal is a wholly owned subsidiary of The Bank of Tokyo-Mitsubishi UFJ, Ltd., and a member of the Mitsubishi UFJ Financial Group, Inc., one of the world's largest financial organizations.

For the quarter ending June 30, 2010, the UnionBanCal Corporation had loans totaling \$48.4 billion, total assets of \$84.3 billion and total deposits of \$66.3 billion. For 2009, a net loss of \$65 million was reported, \$59 million of which were expenses directly related to the privatization transaction by the Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) to acquire all outstanding shares of UnionBanCal Corporation common stock. The transaction was completed in November 2008. Net income for 2008 was \$268.9 million. Copies of the latest annual report and the most recent quarterly report may be obtained at www.unionbank.com or at the Bank's Los Angeles office, located at 445 South Figueroa Street, Los Angeles, California 90071.

THE INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The following is a summary of certain provisions of the Initial Letter of Credit and the Reimbursement Agreement. This summary is not to be considered a full statement of the terms of either the Initial Letter of Credit or the Reimbursement Agreement and accordingly, is qualified by reference thereto and is subject to the full text thereof. Unless otherwise defined, capitalized terms used herein shall have the same meanings given such terms in the Reimbursement Agreement. See "MISCELLANEOUS" herein regarding obtaining a copy of the Initial Letter of Credit and the Reimbursement Agreement."

Initial Letter of Credit

On the date of issuance of the Bonds, the Bank will issue in favor of the Trustee the Initial Letter of Credit in the original principal amount of the Bonds plus an amount equal to 185 days of interest on all Outstanding Bonds calculated at the Initial Rate, on the basis of a 365-day year (as such amount may from time to time be reduced and reinstated as provided in the Initial Letter of Credit). The Initial Letter of Credit will permit the Trustee to draw up to an amount equal to the then outstanding principal amount and up to 185 days of interest on the Bonds at the Initial Rate to pay the unpaid principal thereof and accrued interest on the Bonds when due, at maturity or upon acceleration, redemption or purchase pursuant to a mandatory tender.

The Initial Letter of Credit will expire on the date that is the earliest of (a) December 1, 2017, provided however, the Corporation may request the Bank to extend the Initial Letter of Credit by making such a request not less than six months prior to the expiration date, but extension of the expiration date of the Initial Letter of Credit is solely at the Bank's discretion; (b) the date on which the Bank honors a payment on the Initial Letter of Credit in connection with the purchase or redemption of all of the Bonds, the conversion of the interest rate on the Bonds or a final payment with respect to the Bonds; (c) fifteen (15) days after receipt by the Trustee of written notice from the Bank directing the Trustee to purchase or redeem all outstanding Bonds and present a final drawing under the Initial Letter of Credit as a result of the occurrence of an Event of Default under the Reimbursement Agreement; or (d) the date on which the Initial Letter of Credit is surrendered by the Trustee to the Bank.

While in effect, the Initial Letter of Credit entitles the Trustee to draw on the Initial Letter of Credit, on such dates and at such times as are specified in the Initial Letter of Credit.

Each drawing honored by the Bank under the Initial Letter of Credit will immediately reduce the Stated Amount by the amount of such drawing, subject to reinstatement on the terms set forth in the Initial Letter of Credit. All drawings under the Letter of Credit will be paid with the Bank's own funds.

See APPENDIX C – “SUMMARY OF INDENTURE AND LOAN AGREEMENT – INDENTURE – Letter of Credit” for a more complete description of the requirements and operation of the Initial Letter of Credit to pay the principal and Purchase Price of the Bonds and accrued interest as well as the requirements for substitution of a new Initial Letter of Credit for an existing Letter of Credit.

Reimbursement Agreement

The Bonds are initially supported by the Initial Letter of Credit which will be issued by the Bank pursuant to the provisions of the Reimbursement Agreement. The Bank has entered into the Reimbursement Agreement with the Corporation providing for, among other things, the Corporation's reimbursement to the Bank of all amounts drawn upon under the Initial Letter of Credit.

The Reimbursement Agreement provides for commitment fees, drawing fees, transfer fees and other fees and charges. The Corporation's obligations under the Reimbursement Agreement are to be secured by a deed of trust encumbering the Corporation's interest in the Project property. The Corporation's obligations to the Bank will also be secured by a security interest in certain deposit accounts of the Corporation held at the Bank, a security interest in the interest rate swap entered into by the Corporation with the Bank to hedge the variable rate interest exposure of the Corporation on the Bonds, as well as a security interest in the Pledged Bonds. The security described above in this paragraph does not provide security for the Bonds.

The Corporation has made comprehensive representations and warranties about itself and its operations in the Reimbursement Agreement to induce the Bank to issue the Initial Letter of Credit. These representations and warranties include, among others, representations as to due corporate authorization and execution of the Bank's documents, due organization, enforceability of the Bank documents, compliance with loans, no material litigation, and no existing defaults.

The Reimbursement Agreement contains affirmative and negative covenants and reporting requirements. The covenants of the Corporation include, among others: payment of all amounts due to the Bank; obtaining the Bank's consent to modify the Project budget or to make material changes to the Project; payment of taxes, charges and other obligations; maintenance of insurance; maintenance of the Corporation's legal existence and qualification; compliance with laws; obtaining and maintaining licenses and permits; providing the Bank right of access and inspection; maintenance of proper books and records; completion of the Project and maintenance and repair of the Project; continued conduct of business by the Corporation and a prohibition against the Corporation undertaking new lines of business; maintenance by the Corporation of a prescribed debt service coverage ratio; a covenant limiting net losses in any two consecutive fiscal years; Project occupancy requirements; requirement for annual bond redemptions in designated amounts; certain limitations on further indebtedness or guarantees by the Corporation or loans by the Corporation to others; limitation on further liens; prohibition against dissolution or merger and limitations on asset dispositions; restrictions affecting change in principal place of business or location of assets, change in name, legal structure or jurisdiction of incorporation or other similar changes; and prohibition against certain lease transactions. Reporting requirements include requirements to furnish: annual audited financial statements of the Corporation; quarterly management-prepared financial statements of the Corporation; after completion of the Project monthly and annual operating statements for the Project; notice of default; notice of material litigation; notice of violations of governmental requirements; and such other information as the Bank may reasonably request.

The Reimbursement Agreement also sets out certain Events of Default. These include, among others: (i) failure to pay any amount due the Bank; (ii) any attachment of Indenture funds; (iii) failure of any representation or warranty to have been true in any material respect; (iv) loss of tax exemption; (v) any default under documents entered into with the Bank or if any event of default occurs under the Indenture; (vi) dissolution or insolvency of the Corporation or bankruptcy, reorganization or similar proceedings affecting the Corporation, other than involuntary proceedings dismissed within 60 days;

(vii) any execution or similar process in excess of \$500,000 remaining outstanding against the Corporation for 10 days; (viii) failure to maintain required permits or licenses; (ix) failure to comply with governmental regulatory agreements affecting the Project; (x) failure to maintain insurance on the Project, to protect against liens, to commence and complete Project improvements, or failure to perform covenants in the Reimbursement Agreement within certain cure periods; (xi) default under any other indebtedness of the Corporation; and (xii) failure to comply with its financial covenants.

Upon the occurrence of an Event of Default under the Reimbursement Agreement, the Bank may: (i) call all or a portion of the Bonds for redemption in accordance with the Indenture; (ii) declare a mandatory tender of the Bonds in accordance with the Indenture; (iii) request that all Bonds be tendered for purchase as Pledged Bonds by the Bank; (iv) enforce its rights under its deed of trust and other security documentation; (v) enforce its rights against the Corporation through legal action; and (vi) exercise other remedies under applicable law or other agreements.

The Bank and the Corporation may, from time to time, amend the Reimbursement Agreement without notice to, or consent of, the Trustee, the Authority or the Registered Owners.

BONDHOLDERS' RISKS

The following is a discussion of certain risks that could affect payments to be made with respect to the Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete or prioritized description of all risks that could affect such payments. Prospective investors in the Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto.

The Bonds are being offered primarily on the basis of the Initial Letter of Credit and the financial strength of the Bank; however, because the Corporation has the primary obligation to pay the Bonds through Loan Repayments, and would be the source for such payment if for any reason the Bank fails to honor the Initial Letter of Credit, the operations and financial condition of the Corporation are also discussed in this Official Statement and should be considered by prospective investors.

Security for the Bonds

The Bonds are special, limited obligations of the Authority payable exclusively out of the Loan Repayments payable under the Loan Agreement and draws on the Initial Letter of Credit (and, in certain circumstances, Bond proceeds and income from the temporary investment thereof) (the "Revenues"). The Bonds are secured by a pledge by the Authority of the Revenues to the Trustee in favor of the Registered Owners of the Bonds in accordance with the Indenture.

Expiration of the Initial Letter of Credit

The Initial Letter of Credit expires on December 1, 2017 (the "Stated Expiration Date"). If the Letter of Credit is not extended or a substitute Letter of Credit is not obtained by the Corporation, the Bonds will be subject to mandatory redemption. There can be no assurance that the Corporation will be able to obtain an extension of the Initial Letter of Credit or a substitute Letter of Credit. The Bank is under no obligation to extend the Initial Letter of Credit beyond the Stated Expiration Date. See "DESCRIPTION OF THE BONDS — Redemption of Bonds" and "THE INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT — Initial Letter of Credit" herein. The Stated Expiration Date for the Initial Letter of Credit should not adversely affect any Registered Owners during any Interest Period that does not extend beyond the Stated Expiration Date.

The Bonds are subject to mandatory tender in the event the Initial Letter of Credit is not extended. The ability of the Corporation to obtain an extension of the Initial Letter of Credit will depend on its financial performance and other factors which could affect credit decisions. The Bonds are also subject to mandatory tender upon replacement of the Initial Letter of Credit with a substitute Letter of Credit.

Bank's Obligations Unsecured

The ability of the Bank to honor draws upon the Initial Letter of Credit is based solely upon the Bank's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. No provision has been made for replacement of or substitution for the Initial Letter of Credit in the event of any deterioration in the financial condition of the Bank. None of the Authority, the Corporation or the Bank assumes any liability to any purchaser of the Bonds as result of any deterioration of the financial condition of the Bank. Upon any insolvency of the Bank, any claim by the Trustee against the Bank would be subject to bank receivership proceedings.

Acceleration of Maturity

An event of default under the Bond Indenture or an Event of Default under the Reimbursement Agreement may result in an acceleration of the maturity of the Bonds. In such event, a Bondholder whose Bonds are accelerated may not have the opportunity to hold such Bonds for a time period consistent with such Bondholder's original investment intentions.

Marketability

The Underwriter and Remarketing Agent may engage in secondary market transactions with respect to the Bonds but are under no obligation to do so. There is no assurance that a secondary market for the Bonds will develop or that Registered Owners who wish to sell their Bonds will be able to do so in the secondary market.

Changes in Bond Ratings

The lowering or withdrawal of the investment rating initially assigned to the Bonds could adversely affect the market price and the market for the Bonds. See "RATINGS" herein.

Default by the Corporation under the Reimbursement Agreement

No representation or assurance can be made that profits will be realized by the Corporation in amounts sufficient to make the payments required under the Reimbursement Agreement. If the Corporation is unable to make the payments required under the Reimbursement Agreement, the Bank will have the right, among other things, to direct the Trustee to redeem the Bonds or give notice of the mandatory tender of the Bonds. See "DESCRIPTION OF THE BONDS — Redemption of Bonds" and "Mandatory Tender of Bonds in Lieu of Redemption," and "THE INITIAL LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" herein.

Limitation on Enforcement of Remedies

Enforcement of the remedies under the Indenture, the Loan Agreement, the Reimbursement Agreement and the Initial Letter of Credit may be limited or restricted by laws relating to bankruptcy and insolvency, and rights of creditors under application of general principles of equity, and may be substantially delayed in the event of litigation or statutory remedy procedures. All legal opinions delivered in connection with the Bonds relating to the enforceability of the Indenture, the Loan Agreement, the Reimbursement Agreement and the Initial Letter of Credit will contain an enforceability

exception relating to the limitations which may be imposed by bankruptcy and insolvency laws, and the rights of creditors under general principles of equity.

Suitability of Investment

An investment in the Bonds involves a certain degree of risk. Prospective investors should carefully examine this Official Statement, including the Appendices hereto, and their ability to bear the economic risk of such an investment, and then determine whether or not the Bonds are an appropriate investment for them.

General Factors Affecting the Bank

The Bank is subject to regulation and supervision by various regulatory bodies. New regulations could impose restrictions upon the Bank which would restrict its ability to respond to competitive pressures. Various legislative or regulatory changes could dramatically impact the banking industry as a whole and the Bank specifically. The banking industry is highly competitive in many of the markets in which the Bank operates. Such competition directly impacts the financial performance of the Bank. Any significant increase in such competition could adversely impact the Bank and its ability to meet its obligations pursuant to the Letter of Credit.

Prospective purchasers of the Bonds should evaluate the financial strength of the Bank based upon the information contained in and referred to under the caption "THE BANK" and other information available upon request from the Bank and should not rely upon any governmental supervision by any regulatory entity.

General Factors Affecting the Corporation

No representation or assurance can be made that operating revenues will be realized by the Corporation in amounts sufficient to make the payments required under the Loan Agreement and the Reimbursement Agreement or to make other payments in amounts sufficient to pay the principal of and interest on the Bonds in the event the Bank wrongfully dishonors a properly presented and conforming draw under the Initial Letter of Credit or repudiates the Initial Letter of Credit. Future revenues and expenses are subject to, among other things, the capabilities of the Corporation and future economic and other conditions that are unpredictable.

Tax Covenants

The Loan Agreement and the Tax Certificate set forth certain requirements and constraints in order to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes, including, but not limited to, limitations on the use of the proceeds of the Bonds and limitations on the use and operation of the Project financed with the proceeds of the Bonds. Failure of the Corporation to comply with these requirements and constraints could result in a default under the Loan Agreement, the Tax Certificate and the Reimbursement Agreement and an acceleration or redemption of the Bonds under the Indenture. Failure to accelerate or redeem the Bonds could result in a loss of the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Tax-Exempt Status of the Corporation

The tax-exempt status of the Bonds presently depends upon the Corporation's maintenance of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities.

Currently, the primary penalty available to the Internal Revenue Service ("IRS") under the Code is the revocation of tax-exempt status. Loss of tax-exempt status by the Corporation could potentially result in a loss of tax exemption of the Bonds and of other tax-exempt debt of the Corporation, if any, and defaults in covenants regarding the Bonds and other related tax-exempt debt, if any, would be likely triggered. Loss of tax-exempt status could also result in substantial tax liabilities on income of the Corporation. For these reasons, loss of tax-exempt status of Corporation could have material adverse consequences on the financial condition of the Corporation.

Less onerous sanctions have been enacted which focus enforcement on private persons who transact business with an exempt organization rather than the exempt organization, but these sanctions do not replace the other remedies available to the IRS as mentioned above.

Unrelated Business Income

In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt entities with respect to their exempt activities and the generation of unrelated business taxable income ("UBTI"). The Corporation does not currently participate in activities which generate UBTI. If the Corporation participates in UBTI generating activities in the future it covenants that it will comply with federal and state guidelines for the proper reporting of such income.

Project Risks

Whether or not the Project will be completed on schedule depends on a number of factors, many of which may be beyond the control of the Corporation. These include, but are not limited to, delays in governmental approvals, adverse weather, strikes, delays in the delivery of materials, environmental restrictions, or similar unknown or unforeseeable contingencies. Further, although construction work will be inspected periodically by the Corporation's architects, there can be no assurance that the Project will conform to construction specifications or State and local regulations. Construction costs could exceed the amounts originally forecast due to a number of factors out of the Corporation's control. The occurrence of any of the foregoing could result in considerable delays in, or the impossibility of, completion of the Project, thereby resulting in a failure to achieve anticipated operating results.

Medi-Cal and Medicare Programs

Medi-Cal is the Medicare program run by the State of California. It is a program of medical assistance jointly funded by the federal government and the State of California. The State of California has faced and continues to face significant financial challenges, including erosion of general fund tax revenues, falling real estate values, slowing economic growth and higher unemployment. The financial challenges facing California will likely negatively affect the Medi-Cal program through budget cuts and reduction of reimbursement to health care providers like the Corporation. The Corporation is highly dependent on the Medi-Cal program as a revenue source and the Corporation is liable to be materially adversely affected if funding of the Medi-Cal program is reduced by either or both federal and State sources.

The Corporation is less dependent on reimbursement from the Medicare program, but it still is an important payor. Both the Medi-Cal and Medicare programs are a highly regulated programs with severe financial penalties and possible de-certification as an eligible provider if the complicated rules and regulations of either of these programs are violated. These adverse consequences provide an on-going material risk to all participating health care providers, including the Corporation.

Dependence Upon Governmental Funding

A portion of the Corporation's services are provided to persons eligible for certain benefits that are funded under federal, State, and various county grant programs. A significant portion of the Corporation's revenues are derived from the programs which are funded through county, State and federal resources. As a result, the success of the Corporation's operations are greatly dependent upon continued funding of these programs by various counties, the State, and federal government, and upon the continued existence of provider contracts for such programs with counties or other governmental entities.

For an historical revenue breakdown of the Corporation's dependence upon various governmental funding sources see APPENDIX A — "INFORMATION CONCERNING LA CLÍNICA DE LA RAZA, INC. — Financial Information – Major Revenue Sources."

Licensing, Surveys, Facility Inspections and Audits

Health facilities, including those of the Corporation, are subject to numerous legal, regulatory, professional and private licensing and certification requirements. Renewal and continuance of certain of these licenses and certifications are based on inspections, surveys, audits, or other reviews, some of which may require or include affirmative action or response by the Corporation. These activities generally are conducted in the normal course of business of health facilities. Nevertheless, an adverse decision could result in a loss or reduction in the Corporation's scope of licensure or certification, or could reduce the payment received or require repayment by the Corporation of amounts previously remitted.

Management of the Corporation currently anticipates no difficulty renewing or continuing currently held licenses or certifications of the Corporation, nor does it anticipate a reduction in revenues resulting from such events that would materially adversely affect the operations or financial condition of the Corporation. Nevertheless, actions in any of these areas could result in the loss in utilization or revenues, or the Corporation's ability to operate all or a portion of its clinics, and, consequently, could adversely affect the Corporation's ability to perform under the Loan Agreement and the Reimbursement Agreement.

Conditional Use of Facilities

The Corporation currently operates certain of its programs in facilities that may be subject to revocation of conditional use permits or zoning specifications. Loss of any number of its use permits, changes in local land use regulations, or future legislative changes affecting land use policy could cause significant detriment to the Corporation's ability to operate its programs.

Factors That Could Affect the Enforceability of the Loan Agreement

The ability of the Trustee to enforce the agreements set forth in the Loan Agreement may be limited by laws relating to bankruptcy (see "Bankruptcy Considerations" directly following), insolvency, reorganization or moratorium and by other similar laws affecting creditors rights. In addition, the Trustee's ability to enforce such agreements will depend upon the exercise of various remedies specified by such documents which may in many instances require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or be limited.

The various legal opinions to be delivered concurrently with the execution and delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights.

Bankruptcy Considerations

The rights and remedies of the Registered Owners of the Bonds are subject to various provisions of the federal Bankruptcy Code. If the Corporation were to file a petition for relief under Chapter 11 of the Bankruptcy Code, its revenues and certain of its accounts receivable and other property created or otherwise acquired after the filing of such petition and for up to one year prior to the filing of such petition may not be subject to the security interest created under the Loan Agreement and the Indenture for the benefit of the Trustee and the Authority. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Corporation and its property, and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property. If the bankruptcy court so ordered, the property of the Corporation, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of the Corporation.

The Corporation could file a plan for the adjustment of its debts in any such proceeding which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Affiliation, Merger, Acquisition and Divestiture

The Corporation may from time to time evaluate and pursue potential merger, affiliation and acquisition candidates as part of its overall strategic planning and development process. In addition, as part of the Corporation's ongoing planning and property management functions, the Corporation may review the use, compatibility and business viability of its operations and may, from time to time, pursue changes in the uses of such facilities and operations. Discussion with respect to affiliation, merger, acquisition, disposition or change in use are held on an intermittent and confidential basis with other parties. As a result, it is possible that the organization and assets and other facilities which currently comprise the Corporation may change from time to time, subject to the restrictions imposed in the Loan Agreement and the Reimbursement Agreement.

Claims and Insurance Coverage

In recent years, the number of malpractice and general liability suits and the dollar amounts of damage recoveries have increased nationwide, resulting in substantial increases in malpractice insurance premiums. Malpractice and other actions alleging wrongful conduct and seeking punitive damages are often filed against providers such as the Corporation. Insurance does not provide coverage for judgments for punitive damages. While the Corporation currently carries general liability insurance, which the Corporation's management considers adequate, the Corporation is unable to predict the availability or cost of such insurance in the future. See APPENDIX A – "INFORMATION CONCERNING LA CLÍNICA DE LA RAZA, INC. – Insurance.

Litigation may also arise from the corporate and business activities of the Corporation including from its status as an employer. Many of these risks would be covered by insurance, but some might not be. For example, certain antitrust claims, claims arising from wrongful termination, claims arising from physical harm or assault, including sexual molestation, business disputes and workers' compensation claims may not be covered by insurance or other sources and may, in whole or in part, be a liability of the Corporation if determined or settled adversely.

Environmental Laws and Regulations

Facilities such as those operated by the Corporation are subject to certain federal, State and local environmental and occupational health and safety laws and regulations which address, among other things, operations of facilities and properties owned or operated by organizations similar to the Corporation. These regulatory requirements include: air and water quality control requirements, waste management requirements, specific regulatory requirements applicable to asbestos, polychlorinated biphenyls, and radioactive substances, requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the facilities, requirements for training employees in the proper handling and management of hazardous materials and wastes, and other requirements.

In their role as owners and/or operators of properties or facilities, organizations similar to the Corporation may be subject to liability for investigating and remedying any hazardous substances which are located on the property, including any such substances that may have migrated off of the property. Typical operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants, or contaminants. As such, operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property or the environment, may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines, and may result in investigations, administrative proceedings, penalties or other governmental agency actions. There can be no assurance that the Corporation will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Corporation.

At the present time, management of the Corporation is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues which, if determined adversely to the Corporation, would have material adverse consequences.

Seismic Risks

Many health care facilities in California are in close proximity to active earthquake faults. A significant earthquake in Northern California could destroy or disable one or more of La Clínica's facilities. Some of La Clínica's facilities are in areas which have been prone to earthquakes in the past. La Clínica does not carry earthquake insurance.

Other Factors

In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Corporation, or the market value of the Bonds, to an extent that cannot be determined at this time:

- (1) The Corporation could be required by a change in the federal income tax or other federal, state or local laws to render substantially greater services without charge or at a reduced charge.
- (2) Employee strikes and other adverse labor actions could result in a substantial decrease in revenues without corresponding decreases in costs.
- (3) There could be shortages of personnel rendering services at the various levels of care within similar health care facilities.
- (4) Competition from other competitive facilities now or hereafter located in the service areas of the facilities operated by the Corporation may adversely affect revenues of the Corporation.

Development of health maintenance and other alternative health delivery programs could result in decreased usage of the facilities operated by the Corporation.

(5) Cost and availability of any insurance, including self-insurance, such as malpractice, fire, automobile, and general comprehensive liability, that health care facilities of similar size and type as those operated by the Corporation generally carries may adversely affect revenues. The costs of such insurance have increased significantly in the past few years, and such increases are likely to continue in the near future.

(6) A decline in the population, a change in the age composition of the population, or a decline in the economic conditions of the Corporation's service area could adversely and materially affect the Corporation's revenues.

(7) Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety and outpatient health care delivery may reduce utilization, and, revenues of the facilities of the Corporation. Technological advances in recent years have accelerated the trend toward the use by health care providers of sophisticated and costly equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in utilization, but the ability of the Corporation to offer the equipment or services may be subject to the availability of equipment or specialists, governmental approval or the ability to finance these acquisitions or operations.

(8) Mandatory wage or price controls could be established which could result in higher operating costs and decreased cash flows to make debt service payments.

(9) Increased unemployment or other adverse economic conditions in the service area of the Corporation which would increase the proportion of patients who are unable to pay fully for the cost of their care.

(10) Regulatory actions which might limit the ability of the Corporation to undertake capital improvements at its facilities or to develop new health services.

(11) Reductions in charitable giving by the Corporation's donors could reduce revenues.

(12) Unfavorable trends in the national, state or local economy or political climate could adversely affect the operations of similar health care facilities. There could be unfavorable changes in state legislation which currently regulates the health care industry; increased governmental regulations which could adversely affect the Corporation's ability to deliver services to clients; governmental changes or reductions in rates and other methods of reimbursement of the Corporation for services delivered; loss of confidence in the Corporation's ability to deliver quality services by state or county officials, care professionals and/or the public which would adversely affect the level of revenue forecasted; increasing malpractice and other claims; competition by other for-profit or nonprofit entities; unforeseen major repairs of the Corporation's properties; and/or increases in insurance or other operating costs without the Corporation being able to obtain corresponding increases in revenues.

TAX MATTERS

In the opinion of Quint & Thimmig LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item nor included in adjusted current earnings for the purposes of the federal alternative minimum tax. Interest on the Bonds is also exempt from present State of California personal

income taxes. The Bonds constitute "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code. Bond Counsel has expressed no other opinion with respect to any deduction for federal tax law purposes of interest on indebtedness incurred or continued by a holder of the Bonds or a related person to purchase or carry the Bonds. A complete copy of the form of opinion of Bond Counsel is set forth in Appendix A hereto.

The opinion described in the preceding paragraph assumes compliance by the Authority and the Corporation with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the Corporation have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon on or after any such change that occurs or action that is taken upon the advice or approval of bond counsel other than Quint & Thimmig LLP.

The accrual or receipt of such interest may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

RATINGS

Standard & Poor's Ratings Services ("S&P"), has assigned a rating of "A+" based on the delivery of the Initial Letter of Credit. Such rating reflects only the view of S&P at the time such rating is given,

and the Authority, the Corporation and the Underwriter make no representation as to the appropriateness of such rating or that such rating will not be changed, suspended or withdrawn.

S&P relies on the Underwriter, the Bank and its counsel, Bond Counsel and other experts for the accuracy and completeness of the information submitted in connection with the rating. The rating is not a "market" rating nor a recommendation to buy, hold or sell the Bonds, and such rating may be changed, suspended or withdrawn as a result of changes in, or unavailability of, information. Any downward revision, suspension or withdrawal of such rating could have an adverse effect on the market price and marketability of the Bonds. An explanation of the significance of such rating may be obtained only from S&P at the following address: 55 Water Street, New York, NY 10041.

Neither the Authority, the Underwriter, the Corporation or the Bank has undertaken any responsibility to bring to the attention of Registered Owners any proposed revisions or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. See "BONDHOLDERS' RISKS – Changes in Bond Ratings" herein. Should the rating on the Bonds change, the Corporation is required to give notice of that event pursuant to its continuing disclosure obligation with respect to the Bonds. See "CONTINUING DISCLOSURE" below.

UNDERWRITING

The Authority has agreed to sell, and the Underwriter has agreed to purchase, the Bonds at a price equal to the aggregate principal amount thereof. The Underwriter will be paid a fee in the amount of \$65,000 from amounts deposited in the Costs of Issuance Fund. The Underwriter's obligation is subject to certain conditions precedent, and the Underwriter does not have the right to purchase less than all the Bonds. The Underwriter intends to offer the Bonds to the public initially at the offering price set forth on the cover page hereof and may subsequently change such offering price and other selling terms from time to time without prior notice. The Bonds may be offered by the Underwriter and sold to certain dealers (including dealers depositing such Bonds into investment trusts, accounts or funds) and others at prices lower than the public offering price set forth on the cover page hereof.

The Underwriter has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings, including the Bonds, allocated to The Underwriter at the original offering prices. Under the Distribution Agreement, the Underwriter will share with AAM a portion of the fee or commission, exclusive of management fees, paid to the Underwriter.

The Underwriter may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds.

CONTINUING DISCLOSURE

The Corporation has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Corporation, if any, by not later than nine months following the end of the Corporation's fiscal year commencing with the report for the fiscal year ending June 30, 2011 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of such events will be filed by the Corporation with the Municipal Securities Rulemaking Board (the "MSRB"). The specific nature of the information to be contained in the Annual Report or the notices of such events is set forth in APPENDIX E — FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission

Rule 15c2-12(b)(5). The Corporation has represented to the Underwriter that it has not failed to meet any continuing disclosure obligation in the past.

Independently, the Bank is subject to the information requirements of the Securities Exchange Act, and in accordance therewith files reports and other information with the Securities and Exchange Commission. Such reports and other information are available from the Bank from the sources identified under the captions "THE BANK."

The Authority has no continuing disclosure obligations in relation to the Bonds.

NO LITIGATION

The Authority

There is no litigation now pending (with service of process against the Authority having been completed) against the Authority or, to the knowledge of its officers, threatened against the Authority which seeks to restrain or enjoin the issuance, sale, execution, or delivery of the Bonds, or which contests the validity of the Bonds, any proceeding of the Authority taken concerning the issuance or sale thereof, the security provided for the payment of the Bonds, or the existence or powers of the Authority relating to the issuance of the Bonds.

The Corporation

There is no litigation now pending against the Corporation or, to the knowledge of its officers, threatened against the Corporation which seeks to restrain or enjoin the issuance, sale, execution, or delivery of the Bonds, or which contests the validity of the Bonds, any proceeding of the Corporation taken concerning the issuance or sale thereof or the security provided for the payment of the Bonds. There is no litigation or proceeding pending or, to the knowledge of the Corporation, threatened against the Corporation which could adversely affect the validity of the Loan Agreement or the Reimbursement Agreement, or the ability of the Corporation to comply with the terms of its obligations under the Loan Agreement or the Reimbursement Agreement.

FINANCIAL INFORMATION

The audited financial statements of the Corporation for the fiscal years ended June 30, 2010 and 2009 are included in APPENDIX B hereto. Other financial information about the Corporation is set out in APPENDIX A – "INFORMATION CONCERNING LA CLÍNICA DE RAZA, INC. – Financial Information."

INDEPENDENT AUDITORS

The financial statements of La Clínica De La Raza, Inc. as of June 30, 2010 and 2009 and for the years then ended, included in APPENDIX B, have been audited by Moss Adams LLP, independent auditors, as stated in its report included in APPENDIX B. Moss Adams has not been engaged to perform and has not performed since the date of the report included in APPENDIX B, any procedures on the financial statements addressed in that report.

LEGAL MATTERS

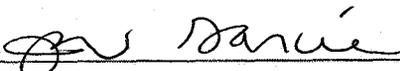
Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Copies of such opinion will be available at the time of the delivery of the Bonds. Certain legal matters will be passed upon for Union Bank, N.A. by Rutan & Tucker LLP, Costa Mesa, California. Certain matters will be passed upon for the Corporation by Virtual Law Partners LLP, San Francisco, California, as Corporation Counsel, by Jennings, Strauss & Salmon, P.L.C., Phoenix, Arizona, as Disclosure Counsel, and for the Authority by Chapman and Cutler LLP, its special counsel.

MISCELLANEOUS

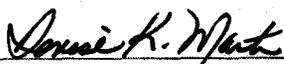
The foregoing and subsequent summaries and descriptions of provisions of the Bonds, the Indenture, the Loan Agreement, the Initial Letter of Credit, and the Reimbursement Agreement, and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof, and reference is made to said documents for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the forms of Indenture, Loan Agreement, Initial Letter of Credit, and Reimbursement Agreement may be obtained during the offering period upon request directed to Piper Jaffray, 2321 Rosecrans Avenue, Suite 3200, El Segundo, California 90245.

This Official Statement has been approved by the Corporation. This Official Statement is not to be considered as a contract or agreement between the Authority or the Corporation and the purchasers or holders of any of the Bonds.

LA CLÍNICA DE LA RAZA, INC.

By: 

Title: Chief Executive Officer

By: 

Title: Vice President

APPENDIX A

INFORMATION CONCERNING LA CLÍNICA DE LA RAZA, INC.

The information set forth below has been provided by La Clínica de La Raza, Inc. The Authority makes no representations or warranties as to the accuracy or completeness of any of the information set forth below.

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THE CORPORATION

Background

Established in 1971, La Clínica de La Raza, Inc. ("La Clínica") is the largest community health center in the East San Francisco Bay Area. Based in the City of Oakland in Alameda County, La Clínica served nearly 62,000 patients in 2009. La Clínica's patients are 69% Latino, 7% Asian, 10% African American, and 14% White, and 89% of the patients served by La Clínica have family incomes at or below 150% of the federal poverty level.

La Clínica is a California nonprofit public benefit corporation incorporated in 1971. It is exempt from federal taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). La Clínica is also exempt from California state income taxation, and charitable donations to La Clínica are deductible by individuals.

In response to the lack of health care service for Latinos in East Oakland, a group of concerned students, health professionals and community activists came together in 1971 to establish a multiple-service free clinic which would be controlled by the community it served. Staffed by five volunteers, La Clínica initially offered free medical care. Medical, dental, eye and mental health students and professionals volunteered at the clinic. Later, the clinic developed a sliding scale for payment of its services and hired staff.

In 1984, La Clínica established its first satellite clinic by merging with the San Antonio Neighborhood Health Center, a previously independent clinic founded in 1977. A [third] satellite opened in 1987, Clínica Alta Vista, which specializes in teen services. In 1993, La Clínica opened a school-based clinic at Hawthorne Elementary School in East Oakland. La Clínica expanded to Contra Costa County in 1999, opening a medical and dental clinic in Pittsburg. In the Fall of 2002, La Clínica began operating La Clínica Vallejo, a medical clinic located in the city of Vallejo in Solano County. In September 2003, La Clínica opened a satellite clinic in the Monument Corridor area of Concord/Pleasant Hill in Contra Costa County, and assumed the management of the dental clinic at Children's Hospital Oakland. In November 2003, La Clínica opened a new 40,000 square foot clinic at the Fruitvale Village at the Fruitvale BART Station in Oakland. La Clínica's most recent sites include a number of sites in the city of Vallejo: a dental clinic (2006), a prenatal care clinic (2006), and a primary/urgent care clinic (2008). Today, La Clínica operates 25 service locations throughout the Bay Area that include 5 school-based health centers, 1 optometry clinic, 3 mental health service sites, 7 dental clinics, 6 medical clinics, and 3 health education sites. It is through these 25 locations scattered throughout the Alameda, Contra Costa, and Solano counties that La Clínica serves its communities.

La Clínica offers a full range of health care services that includes prenatal care (including hospital deliveries), gynecology, pediatrics, adolescent medicine, adult medicine, dentistry, optometry and ophthalmology, mental health, social services, nutrition and health education. See "CURRENT FACILITIES AND SERVICES" below.

La Clínica serves approximately 61,000 patients per year and has an annual budget of approximately \$73 million. Funding is derived primarily from government grants and contracts, and third party reimbursements such as Medicaid and private insurance. See "FINANCIAL INFORMATION" below.

Mission

La Clínica's mission is to improve the quality of life of the diverse communities it serves by providing culturally appropriate, high quality, and accessible health care for all. In keeping with the basic tenets of the guiding principles upon which the original storefront clinic was established 40 years ago,

La Clínica is committed to: (1) providing affordable health services to all persons, regardless of their ability to pay, in a manner that is culturally sensitive; (2) recognizing the total well-being of the patient population by considering the social, economic, mental and physical health needs of its patients; (3) advocating for a more humane and effective health care system, and; (4) responding to new market opportunities and service needs that are prompted by new technology, an evolving health care industry, the changing political environment, and the social, health, and economic demographics of the community.

CURRENT FACILITIES AND SERVICES

La Clínica's current facilities consist of approximately 128,000 square feet of clinical and office space spread across several locations in the cities of Oakland, San Lorenzo, Pittsburg, Pleasant Hill, and Vallejo. System-wide, La Clínica operates 31 sites - 25 service sites and 6 administrative sites. La Clínica owns 73,000 square feet, comprised of 11 sites, which includes the 40,000 square foot La Clínica de La Raza site at the Fruitvale Transit Village in Oakland and the 16,306 square foot San Antonio Neighborhood Health Center in Oakland's San Antonio district. The majority of La Clínica's other sites are less than 5,000 square feet. La Clínica leases its other sites under various long-term [short-term] lease agreements. Its facilities contain currently 119 exam rooms and 44 dental chairs.

La Clínica addresses the linguistic and cultural needs of Latino and other non-English speaking immigrant populations in the communities it serves. Staff language capability includes Spanish and Cantonese. La Clínica is known for its excellent clinical program. Clinical distinctions achieved by La Clínica include:

- Oakland Children's Hospital Outstanding Teaching Award for a Community Attending Physician
- Kaiser Permanente's Children's Health and Safety Oakland Pacesetter Award for outstanding service to children and youth
- National Health Service Corps Primary Care Team of the Year for developing new ways of delivering prenatal care to low income women
- Alameda Health Consortium Quality HIV Services Recognition for La Clínica's dental services
- Public Service Award from Public Advocates

Patients surveyed by La Clínica express high levels of satisfaction with its services, with 92% stating that they rate La Clínica's services as good or great. During [2009] approximately 80% of diabetic patients served by La Clínica had controlled blood sugar levels (less than 9%); 70% of patients with hypertension had blood pressure that was in control (less than 140/90); and La Clínica has achieved an 84% pediatric immunization rate. Most of La Clínica's physicians are board-certified. La Clínica is the only licensed outpatient mental health clinic for the Spanish-speaking population in north Alameda County.

Health Care Programs and Support Services.

La Clínica offers primary care and support services as described below:

Current primary care services include:

Dentistry	Obstetrics (including hospital deliveries)
Family Practice	Pediatrics
Gynecology	Optometry and ophthalmology
Internal Medicine	Mental health (including psychiatry)

Support services include:

Chronic care management	Nutritional counseling and education
Health education	Social work case management

On-site specialty care includes:

Cardiology	Orthodontics
Chiropractic	Otolaryngology
Dermatology	Periodontics
Gastroenterology	Podiatry
Pedodontics	

When patients require other specialties, La Clínica refers those patients to outside providers.

La Clínica also has formal linkages with teaching institutions that place students and residents at its clinic. These teaching institutions include:

- Chabot College - Dental Hygiene Program
- Children's Hospital Oakland Pediatric Residency Program
- University of California, San Francisco Schools of Nursing, Dentistry and Medicine
- Alameda County Medical Center
- University of the Pacific School of Dentistry

La Clínica physicians have admitting privileges at a number of local hospitals, including Alta Bates Summit Medical Center and Children's Hospital Oakland.

In calendar year 2009, La Clínica served 61,909 patients and provided a total of 304,198 visits at all sites combined; 182,939 medical visits; 68,661 dental clinic visits; 17,447 mental health visits; and 35,151 other visits including eye, nutrition, health education and case management.

Laboratory. La Clínica has a "moderately complex" laboratory (as defined by the U.S. Department of Health & Human Services under Section 330 of the Public Health Service Act as revised by the Clinical Laboratory Improvement Amendments (COLA)) at the La Clínica de La Raza Fruitvale Village site which performs approximately 60% of lab tests in-house. The balance of lab tests are sent out to commercial laboratories, such as: Quest Laboratories, LabCorp and St. Rose Hospital. La Clínica's laboratory maintains a successful quality control program with regular COLA inspections.

The laboratory supervisor is an experienced licensed clinical laboratory technician, with medical director supervision.

Pharmacy. La Clínica operates two fully-licensed pharmacies located at La Clínica de La Raza Fruitvale Fruitvale Village and at San Antonio Neighborhood Health Center. These pharmacies process over 11,000 prescriptions each month. Due to specific contractual provisions, La Clínica's pharmacy can serve patients of other community-based health clinics, but not the general public.

X-Ray. La Clínica owns a simple x-ray unit located at the La Clínica de La Raza Fruitvale Village site. The X-ray technician produces plain films which are read by an outside radiologist on contract. When immediate service is requested by the provider, a patient may bring films directly back to the clinic. The X-ray unit serves clinic and outside patients referred by local physicians.

After-Hours Coverage. After-hours care is available through La Clínica's 24-hour on-call system. Patient calls to the clinic after hours are passed to mid-level providers to handle, and reports of these calls are later filed in the patient's charts. If further consultation is needed, the appropriate on-call physician is contacted. The answering service has Spanish, English, and Cantonese language capabilities or arrangements for such language assistance.

Management Information System and Information Technology. La Clínica uses an in-house customized system called Merritt Software to operate its patient registration, appointments, billing and accounts receivable system. The system has an on-line open/close encounter system used in all service areas: medical, dental, eye, mental health, social services and health education. Bilingual patient statements are generated monthly, but the system is capable of generating bills on demand. A variety of standard reports regarding productivity and utilization by provider, specialty, or site are prepared monthly for management. La Clínica also has a pharmacy information system that interfaces with the Merritt information system in real time, thereby avoiding duplication of data entry.

Over the next few years, La Clínica will be implementing a new electronic practice management and health record system that will replace the current Merritt Software system. La Clínica has selected NextGen for this purpose.

La Clínica has been able to expand its information technology capacity from 440 to 1,315 ports (with 5,000 port expansion capacity for future growth needs). This has enabled La Clínica to add more internal users onto the system; has significantly increased data processing speed; and has expanded memory and data storage capacity.

Quality Assurance. La Clínica, under the supervision of the Office of the Chief Medical Officer (OMD), has a quality assurance and quality improvement program as part of its dedication to providing quality care as stated in the La Clínica's Mission Statement. The quality assurance program is designed to track various Clinical and non-Clinical measures for promoting quality and improving patient care throughout its operations. The Chief Medical Officer, Clinical Director of Quality, and a Projects Planner lead the quality assurance program.

Quality assurance is conducted on a number of levels at La Clínica as outlined below:

- *QA Subcommittee of the Board of Directors:* The La Clínica QA Subcommittee of the Board is responsible for reviewing all research proposals, the La Clínica Health Care Plan, summary report of patients' complaints and quality audit results. The Board QA Committee provides technical assistance on the operations-wide quality program. The QA Subcommittee of the Board meets monthly. This meeting is chaired by a Board member with support from the Clinical Director of Quality and the Chief Medical Officer.

- *Continuous Quality Improvement (CQI)*: An operations-wide continuous quality improvement committee meets monthly to discuss how to improve quality across La Clínica. A list of topics is agreed upon at the start of each year and is discussed at the monthly meetings. Members of this committee come from all departments at La Clínica, including Medical, Dental, Optical, Purchasing, Operations, Planning, Training and Human Resources, and contribute to discussions about what each department can do to improve quality. This meeting is chaired by the Clinical Director of Quality with input from the Chief Medical Officer and the Planning Department. Minutes for this meeting are posted on La Clínica's Intranet for all employees to read.
- *Medical Quality Assurance (MQA) Committee*: MQA is comprised of clinicians who meet monthly and are charged with the development, modification and approval of clinical protocols. All medical record forms for inclusion in the medical chart are reviewed and approved by MQA. Additional tasks of the MQA include peer review, evaluation of clinical audits, and recommendations for corrective measures as appropriate. This meeting is chaired by the Clinical Director of Quality with input from the Chief Medical Officer. Minutes for this meeting are posted on La Clínica's Intranet for all employees to read. All clinical protocols and medical forms approved are posted on the Intranet.
- *Peer Review*: Peer review meetings occur on a quarterly basis. Topics are brought to the MQA for approval. Peer review includes both an educational and a chart audit component. The peer review meeting is for clinicians and is typically led by a clinician with support services provided by the Clinical Director of Quality. In addition to these individual peer reviews, La Clínica communicates directly with providers about quality improvement efforts and expectations through a monthly E-clinician newsletter, which is distributed to all providers.
- *Other Quality Activities*: A number of other quality activities occur at La Clínica to ensure operations-wide quality care to all patients, including chronic care management, clinical risk management, pharmacy-related quality matters, provider credentialing, perinatal service review, and other quality improvement committees.

Program Review and Planning. La Clínica providers assist in prioritizing the key health problems of patients. La Clínica has a participatory style of management and therefore priorities are generally discussed at Management Team. Besides management team, La Clínica maintains many *ad hoc* committees made up of representatives from various departments depending on the nature of the issue. The Chief Executive Officer and Chief Medical Officer ultimately have the responsibility for making decisions for the organization. If the issue is particularly controversial or is outside the original scope of a board directive, the Chief Executive Officer and Chief Medical Officer will take the issue to the Board of Directors for a final decision. Evaluation mechanisms are established at the time when the program is being developed. Progress is reported to the Chief Executive Officer, Chief Medical Officer, and the Board of Directors on a periodic basis. If there are Clinical indicators, then they are evaluated and reported to the QA Committee.

The business and health care plans are updated annually. The Board of Directors receives monthly status reports on the organization's program activities and budget. Each year the Board of Directors goes through a budget approval process. It also receives a formal presentation of La Clínica's audit report. The QA Committee meets on a monthly basis to review clinical and program issues. The Executive/Finance Committee meets monthly and reviews the fiscal status of the organization. The Personnel Committee meets on an as needed basis to deal with employee grievances, union contract negotiations, and other personnel matters. All committees report and make recommendations for action to the full Board of Directors. La Clínica's planning department tracks all quality indicators of the health care plan and financial indicators of the business plan. The health care plan and business plan are reviewed by the Board of Directors on an annual basis.

Direct input from patients regarding the organization's objectives and priorities is primarily received through the patients who sit on the Board of Directors. Beyond this, each year the La Clínica receives feedback on patient satisfaction. All of La Clínica's primary care medical sites participate in an annual patient satisfaction survey. Dental patients were also included for the first time in a recent survey. This is a direct result of the Chief Executive Officer's and top management's desire that dental be included in La Clínica's quality improvement plans. A one page survey is handed out during a week in October. The survey measures satisfaction with access to care and staff/provider interactions. Patient satisfaction results are compiled by The Community Health Center Network; Solano County surveys are compiled by the La Clínica's Clinical Director of Quality. The survey results are presented at CQI, MQA and Board QA. Areas for improvement based on response rates are addressed by the CQI Committee.

THE HEALTH CLINIC PROJECT

La Clínica owns a 14,230 square foot building in Concord, California. With the application of a portion of the Bond proceeds this facility will be renovated into a medical and dental facility (the "Health Clinic") that will house an existing clinic (La Clínica Monument) currently located in leased space in Pleasant Hill, California. Building renovations will add 2,600 square feet to the existing structure (for a total of 16,958 square feet) by enclosing the exterior walkways to achieve improved interior circulation and a more open feel in the public areas. The new floor plan design will optimize staff efficiencies and patient flow by co-locating compatible clinic functions together. Exam rooms will increase from the current 5 to 12 and dental chairs from 6 to 12. Sustainable design elements, such as solar power, and construction techniques will improve energy efficiency and air quality. The facility will be built to LEED (Leadership in Energy and Environmental Design) standards that will improve the building's overall performance with respect to occupant health and safety, energy efficiency, and environmental factors.

La Clínica Monument is the only nonprofit community health center in Central Contra Costa County and one of the primary sources of care for Latinos and other underserved populations. As a result, La Clínica Monument is facing an explosive service demand that it cannot address in its current site. The Health Clinic will allow La Clínica to expand significantly the number of patients that can be served.

The larger, modern facility will enable the clinic to provide comprehensive services under one roof including medical, behavioral health, dental, patient education, community health education, case management, and optometry services. The project will also improve energy efficiency and air quality, benefiting the environment and lowering operating costs.

More people will have access to quality, culturally competent, comprehensive health care services, as a result of the Health Clinic. By serving more people, the health status of the community will be improved, with greater numbers of children being immunized, more women receiving early prenatal care, and more people with chronic disease being properly case managed.

Once the Health Clinic is completed and La Clínica Monument has relocated, La Clínica will terminate its lease at the Pleasant Hill location

GOVERNANCE

The Board of Directors (the "Board") is made up of 18 members, 10 of whom must be clinic patients. Twelve of the 18 Board members are elected by the patient membership, and six are appointed by the Board. Regardless of the number of Board members holding office at any given time, a majority must be client members, and no more than one-third may be appointed rather than elected. The Board holds monthly meetings, for which minutes are kept. It approves the selection and dismissal of the Chief Executive Officer and is actively involved in the planning processes that guide the organization, including the five-year strategic plan and the approval of the organization's annual budget and health care and

business plans. The Board maintains five standing committees: Finance, Quality Assurance, Executive, Personnel and Community Action.

These committees generally meet on a monthly basis, and report to the full Board on their activities. Part of the committees' role is to work with staff on various aspects of clinic operations and to bring recommendations for policy and other action items to the full Board.

The Board is currently comprised of the following members (officers' positions are also noted):

Board Members Who Are Officers

Robert (Bob) Katter, President - La Clínica's Board of Directors. Mr. Katter is employed at First DataBank in San Francisco California, as Vice President of sales and marketing. Mr. Katter has more than 15 years experience leading companies in the healthcare technology and services industry. He earned an MBA from Yale University and a BA in Chemistry from St. Olaf College. His Board term is 2009-2011.

Denise (Denny) Martin, Vice-President - La Clínica's Board of Directors. Ms. Martin is employed at the San Francisco Foundation as program director for public policy, advocacy, and community health focusing on programs designed to improve the health of communities, particularly underserved populations, by expanding access to services, promoting prevention to reduce illness, and advancing health policy reform. She earned a Master's in Public Health in Policy and Administration from UC Berkeley and a Bachelor of Science degree in Nursing from Northwestern University. Her Board term is 2010-2012.

Ramon Terrazas, MD, MPH, Secretary - La Clínica's Board of Directors. Dr. Terrazas is employed by the San Francisco Fire Department serving as Medical Director for the Office of the Department Physician. He earned his MD degree from Harvard Medical School, an MPH degree from Medical College of Wisconsin, and a B.S. Degree in Genetics from UC Berkeley. His term is 2010-2012.

Peter Manoleas, LCSW, Treasurer - La Clínica's Board of Directors. Mr. Manoleas is a Licensed Clinical Social Worker in private practice. Mr. Manoleas is also a lecturer and a field consultant at the School of Social Welfare at UC Berkeley. He earned his Master in Social Work from UC Berkeley. His term is 2009 – 2011.

Amy Prevedel, Parliamentarian - La Clínica's Board of Directors. Ms. Prevedel is a Library Literary Consultant with the Oakland Public Library, where she evaluates a library based adult literacy program that includes one-to-one tutoring, small group instruction, computer assisted learning, and family literacy programming. She earned an M.A. degree in Education from San Francisco State University and a B.A. in English Literature from Reed College. Her term is 2009-2011.

Other Board Members

Blanca Cetin is a Community Development Manager for the Greater Bay Area Region of Wells Fargo Bank. Ms. Cetin provides resources to neighborhoods and organizations with an interest in financial education, workforce development, supporting affordable housing and assists small businesses throughout Alameda, Contra Costa and a small portion of Santa Clara counties. She earned a B.A. in Diplomacy and World Affairs with a minor in Art History and Spanish Language Culture from Occidental College. Her term is 2010-2012.

Rosalva Diaz works part time with the UC Berkeley Cooperative Extension. Ms. Diaz is also self employed proprietor of a juice bar and café. She is an avid community activist participating with various community organizations in Oakland's Fruitvale District. Her term is 2010-2012.

Norma Guerrero is currently attending college pursuing a career in nursing. Ms. Guerrero is a veterinarian in her native country of Mexico. Her term is 2010-2012.

Sasha Marie Guzman is an Administrative Consultant, currently working with Stanford University. Ms. Guzman was previously with the Alameda County Medical Center as an Executive Assistant/Chief of Staff in the Board of Trustees Office. Ms. Guzman earned an M.A. degree in Psychology with a focus in Children and Adolescent Development and a B.S. degree in Psychology both from the University of Houston. Her term is 2009-2011.

Jo Ann Intili is employed as an Evaluation Specialist with JBS International, Inc. She designs or assists with the design of evaluation and research projects. Ms. Intili earned a Ph.D. degree in Design and Evaluation of Educational Programs and a M.A. degree in Sociology from Stanford University. She also earned an M.A. degree in Design and Training Programs for English as a second language from New York University. Her term is 2010-2012.

Aisha Hampton-Bowser is an Office Manager and Document Retention Manager at Natixis Global Associates, an asset management company. Ms. Hampton-Bowser has ten years of administrative experience, with studies in Business Administration at City College of San Francisco. Her term is 2009-2011.

Yvonne Hudson is employed with the City of Oakland, Office of Personnel Resource Management Retirement and Benefits Division. Ms. Hudson earned a B.A. degree in Management from University of Redlands. She also holds an A.A. degree from West Los Angeles College in Business Management. Her term is 2010-2012.

Carmen Larosa is employed with Comfort Care in Orinda, California as a caretaker. Ms. LaRosa attended Western Career College in Pleasant Hill and is a Certified Medical Assistant. She is also trained as a health promoter and provides presentations on health education at community events. Her term is 2010 – 2011.

Michael C. Moore, J.D. has a Juris Doctorate degree from Roger Williams University School of Law and a Bachelor of Fine Arts from the California Institute of the Arts. Mr. Moore is on the Mayor's Commission on Persons with Disabilities in Oakland, California. His term is 2010 – 2011.

Jill Noonan, J.D., R.N., is currently employed with the California Transplant Donor Network and functions as a Hospital Services Liaison. Ms. Noonan earned a Juris Doctorate degree from John F. Kennedy School of Law. She is a Registered Nurse and is certified in Critical Care. Her term is 2009-2011.

Jorge Perez worked for ten years in an auto body shop, then became its owner. A victim of the economy, Mr. Perez closed the business. He is currently attending college, and pursuing a career change. His term is 2010-2012.

Shirley Steinback is employed with Kaiser Permanente as Medical Group Administrator for the East Bay. Ms. Steinback earned a Master of Arts in Education and Organizational Development from UC San Francisco, and holds a B.S. in Nursing from California State University, San Jose. Her term is 2009-2011.

Paul Swenson is President and CEO for John Muir Health physician network. He previously was Executive Vice President of Administration with responsibility for finance, IT, human resources, legal department; and, the John Muir Community Health Alliance. Mr. Swenson holds an MBA degree from UC Berkeley, Walter A. Haas School of Business. His term is 2010-2012.

Executive Management

The Chief Executive Officer ("CEO") reports directly to the Board. All other staff report to the CEO who ultimately has responsibility for all hiring and firing. There are nine people, who directly report to the CEO: the Chief Medical Officer, who is responsible for all clinical and quality assurance activities, the Chief Dental Officer, who is responsible for all clinical and quality assurance activities related to dental services, the Chief Financial Officer, who oversees the fiscal management of the organization including billing and registration, accounting, and materials management, the Chief Information Officer who oversees information systems and technology; the Chief of Planning and Strategic Advancement, who oversees planning, fund development, grants management and major project development and management; the Human Resources Director, who is responsible for staff recruitment, union negotiations and relations, risk management, employee benefits management, staff development and training, job creation and classification, personnel policies and procedures, and compliance with government employment regulations. Executive management is also comprised of the following persons: the Director of Business Development and Community Relations is responsible for building external partnerships and community relations and education; the Chief of Clinical Operations, who oversees clinic site operations and facilities maintenance and security; and the Compliance Officer, who is responsible for managing La Clínica's corporate compliance program.

The executive management team is as follows:

Jane Garcia, MPH has been the *Chief Executive Officer* since 1983, and has been with the organization since 1978. Under her direction, the organization has developed from a relatively small clinic in the Fruitvale neighborhood of Oakland (Alameda County) to a health care delivery system with twenty-five service locations in Alameda, Contra Costa and Solano Counties. She holds an MPH from UC Berkeley and a BA from Yale University. In addition to her service at La Clínica, she serves on the Board of Directors of the Alameda Health Consortium, the Community Clinic Consortium, the Community Health Center Network, The California Endowment, NCB Capital Impact, and the California Primary Care Association. She has frequently held leadership roles such as chairperson for these Boards of Directors. She has won numerous awards for her community service and achievements, from a wide variety of organizations, including the Equal Rights Advocates, the Perinatal Network of Alameda County, the San Francisco Foundation, the Contra Costa County Commission of Women, the Alameda County Commission of Women, and the East Bay Business Times.

Patricia Zayas, MD, MPH became the *Chief Medical Officer* of La Clínica in 2005. She has been a licensed and practicing physician in family medicine for more than 20 years, including 18 years at La Clínica. Before becoming Medical Director, she was the Associate Medical Director for Clínica Alta Vista, the agency's teen clinic, for 12 years, and the Associate Medical Director for School Based Health Centers for 2 years. She holds an MD from the University of California, San Francisco. She is fluent in English and Spanish.

Ariane Terlet, DDS Chief Dental Officer, joined La Clínica in 1989. She began working as a dentist at La Clínica upon her graduation from dental school in 1986. In addition to her role at La Clínica, Dr. Terlet has a private dental practice, and is very involved in statewide dental advocacy, including previous service on California's Dental Board. Under her leadership, La Clínica has built five dental clinics in three counties. She has been honored for her work by the California Primary Care Association, the California Dental Association and the Berkeley Dental Society. She holds a DDS from the University of the Pacific Dental School. She is fluent in English and Spanish.

Bruce Carp, MBA, Chief Financial Officer, has over twenty years of experience as the chief financial officer of venture capital funded, public, private and non-profit companies. In addition, he has twenty years of senior management experience directing the development of successful agencies recognized as industry leaders. He holds an MBA from Boston University and a BA from Tufts University. Mr. Carp has been at La Clínica since early 2003. Prior to beginning his position at La Clínica, he founded and operated Bay Pacific Health Plan (now a part of Aetna Health Plans), and served in leadership roles at various agencies including Alta Med Health Services, Pathmakers, and Meriten Emergency Medicine Management.

Fernando Cortez, Chief Information Officer, joined La Clínica in 1989. He has completed the Microsoft Certified Systems Engineer, MCSE, program at Diablo Valley College, along with two years at U.C., Berkeley, School of Engineering, Mechanical and Nuclear Engineering Double Major program. Prior to attending U.C. Berkeley, Fernando completed a two year program at Alameda College, Laney College, and Merritt College, majoring in Pure Mathematics, leading to a transfer to the University of California Berkeley, School of Engineering. Fernando spent four years in the U.S. Navy, primarily working in the naval medical system in computer data base management.

Anita Addison, MCP, MPH, Chief of Planning and Strategic Advancement, joined La Clínica in 1989, and has master's degrees in public health and city and regional planning from the University of California, Berkeley; and a Bachelor's Degree in Sociology from Stanford University. Ms. Addison has experience in major capital project development, and recently completed a certificate program in Project Management from U.C., Berkeley. She served as project lead for La Clínica's 40,000 square foot facility project at the Fruitvale Village completed in November 2003 and the 16,000 square foot renovation and expansion project at the San Antonio Neighborhood Health Center completed in June 2009. Prior to joining La Clínica, Ms. Addison worked on a 35,000 square foot health care facility project for the William F. Ryan Community Health Center in New York City. Ms. Addison currently serves on the advisory committee of the California Healthcare Foundation's Designing Ambulatory Clinics Project.

Viola Lujan, Director of Business Development and Community Relations, has been at La Clínica since 1973. Ms. Lujan served as the Regional Director from 2002 to 2010, where she oversaw much of the growth and development of La Clínica's services in Contra Costa and Solano counties. Prior to this position, Ms. Lujan was La Clínica's Finance Director from 1978 to 2002. She also served as the office manager for La Clínica's mental health department from 1975-1978. Ms. Lujan studied Finance, Accounting, and Education at the University of California at Berkeley and Irvine.

Sandra Ruiz, Human Resources Director, joined La Clínica in 2009. Ms. Ruiz previously worked as the HR Director of Center for Elders Independence. Ms. Ruiz has a Master's Degree in Industrial/Organizational Psychology from San Francisco State University where she focused on organizational change and development, leadership effectiveness, and workforce training and development. She is also certified as a Senior Professional in Human Resources from the Society for Human Resource Management HR Certification Institute.

Nathan Perumal, Compliance Officer, joined La Clínica in 2010. Mr. Perumal brings a wealth of expertise and experience acquired over more than 20 years in the insurance and healthcare industries. Prior to joining La Clínica, he worked for the Muir Medical Group IPA of Walnut Creek as the Privacy and Information Security Officer. He has also worked at Healthcare Compliance Solutions of San Francisco, where he was a founder and partner, as well as various management consulting and leadership roles at Kaiser Permanente of Oakland.

The position of *Chief of Clinical Operations* is currently vacant at La Clínica.

STRATEGIC PLANNING

La Clínica has a five-year strategic plan that is developed by management staff and the Board. This document guides the overall work of the organization and is incorporated into the business plan that is updated on an annual basis. Staff and the Board are involved in reviewing progress of current goals and objectives, assessing the community's and the organization's needs, and ensuring that new goals and objectives are consistent with these identified needs and La Clínica's mission.

Currently, La Clínica is seeking to improve and upgrade its facilities and operational systems. This includes building the Health Clinic and purchasing property in Contra Costa County to house La Clínica's medical and dental clinics in Pittsburg.

FINANCIAL INFORMATION

La Clínica maintains a variety of government and private grants and contracts. About 50% of La Clínica's revenues are derived from grants and contracts. The largest funders are the U.S. Department of Health and Human Services under the Section 330 Community Health Center Program of the Bureau of Primary Health Care and the Alameda County Health Care Services Agency. Both of these sources have funded La Clínica since the 1970's. The other 50% is derived from third party billing and direct patient fees. Below is a summary of the top 6 revenue sources which make up about 70% of L Clínica's revenues.

Major Revenue Sources

<u>Source</u>	Fiscal Years Ended June 30,		
	<u>2008</u> (Audited)	<u>2009</u> (Audited)	<u>2010</u> (Audited)
U.S. Department of Health & Human Services (grant) (<i>Ongoing funding since 1978</i>)	\$ 4,592,426	\$ 4,813,775	\$ 5,939,581
Alameda County Medically Indigent Program (contract) (<i>Ongoing funding since 1971</i>)	3,552,840	3,520,394	3,521,988
Alameda County Mental Health Program (contract) (<i>Ongoing funding since 1973</i>)	3,674,514	2,876,665	3,482,986
Medicaid Patient Fees (<i>Revenue source since 1972</i>)	15,004,112	16,158,478	17,436,978
Alameda Alliance for Health Plan (managed care insurance plan) (<i>Funded since Plan's inception (1996)</i>)	4,089,298	44,699,761	5,167,928
Self-pay patient fees (<i>Revenue source since 1972</i>)	3,681,330	3,897,097	5,245,000

Summary of Operations

The following is a Summary of Statements of Revenues and Expenses of La Clínica for each of the three fiscal years ended June 30, 2010, derived from its audited financial statements. The Summary of Statements of Revenues and Expenses should be read in conjunction with the audited financial statements and notes that appear in APPENDIX B to this Official Statement.

The following Summary of Statements of Revenues and Expenses for the four months ending October 31, 2009 and 2010 is derived from unaudited results, but management believes they include all adjustments necessary for a fair presentation for the periods presented. Results for an interim period should not be considered indicative of the results for a full year.

	Fiscal Years Ended			Four Months Ended	
	2008 (Audited)	2009 (Audited)	2010 (Audited)	2009 (Unaudited)	2010 (Unaudited)
Revenues and Other Support					
Grants and Contributions	\$21,846,105	\$21,050,623	\$22,815,986	\$ 7,027,906	\$ 6,758,960
Patient, Third-Party Fees and Capitation Revenue	34,196,468	37,096,043	43,984,837	14,422,784	14,965,025
Contributions In-Kind	1,351,302	1,432,619	1,685,592	381,261	270,610
Other income	<u>915,822</u>	<u>948,575</u>	<u>995,155</u>	<u>511,045</u>	<u>424,395</u>
Total Revenues and Support	\$58,309,697	\$60,527,860	\$69,481,570	\$22,342,996	\$22,418,990
Expenditures					
Program Services	\$44,924,861	\$49,932,701	\$56,839,938	\$17,278,290	\$19,202,392
Support Services	<u>6,742,037</u>	<u>8,202,378</u>	<u>8,769,345</u>	<u>3,067,860</u>	<u>3,115,941</u>
Total Expenditures	\$51,666,898	\$58,135,080	\$65,609,283	\$20,346,150	\$22,318,333
Excess Revenues	\$ 6,642,799	\$ 2,392,780	\$ 3,872,287	\$ 1,996,846	\$ 100,657
Changes in Net Assets	\$ 6,642,799	\$ 2,392,780	\$ 3,872,287	\$ 1,996,846	\$ 100,657
Net Assets – Beginning of Year	<u>\$21,447,510</u>	<u>\$28,890,309</u>	<u>\$30,483,089</u>	<u>\$28,090,309</u>	<u>\$34,355,376</u>
Net Assets – End of Year/Period	<u>\$28,090,309</u>	<u>\$30,483,089</u>	<u>\$34,355,376</u>	<u>\$30,087,155</u>	<u>\$34,456,033</u>

Management's Discussion and Analysis

La Clínica's budget strategy is to generate a surplus to meet organizational goals and protect against unforeseen contingencies. The above financial summary for the fiscal years ending June 30, 2010, and June 30, 2009, demonstrates a 12.7% increase in net assets, from \$30,483,084 on June 30, 2009, to \$34,355,376 on June 30, 2010. This growth stems from operations and fund-raising for the Health Clinic as detailed in La Clínica's audited financial statements attached hereto as APPENDIX B

The following describes some of the key trends in La Clínica's revenue and expenses:

Grants and Contracts Revenue. La Clínica derives its support from grants and contracts awarded by the U.S. Department of Health and Human Services, State of California, Alameda County, and other local government and a host of private foundations. The total revenue from such grants and contracts for year ended June 30, 2010 increased by 8% from June 30, 2009 due to an increase in the number of awards from fiscal year 2009 to fiscal year 2010.

Patient Fee Revenues. More patients were served in 2010 than in 2009, which resulted in higher patient fee revenues. This was the result of service expansion and improved provider productivity.

Expenses. Expenses are broadly grouped as Total Program Services, Management and General and Fundraising. Total Program Services, as a percentage of total expense, have remained relatively constant. They were 88% for the fiscal year ending June 30, 2009 and 87% for the fiscal year ending June 30, 2010. La Clínica experienced an increase of 13% in total expenses primarily due to service expansion and salary increases.

Historical Debt Service Coverage

Based on the operating results of La Clínica for the fiscal years ended in 2008, 2009 and 2010, the following table sets forth the actual long-term debt service coverage ratios achieved by La Clínica.

	Fiscal Years Ended June 30,		
	<u>2008</u> (Audited)	<u>2009</u> (Audited)	<u>2010</u> (Audited)
Excess of Revenues over Expenses	\$6,642,799	\$2,392,780	\$3,872,287
Plus: Non-operating Revenues	0	0	0
Plus: Depreciation and Amortization, and Interest Expense	<u>1,175,187</u>	<u>1,212,342</u>	<u>1,530,969</u>
Net Income Available for Debt Service	\$7,817,986	\$3,605,122	\$5,403,256
Historical Annual Debt Service ⁽¹⁾	\$ 374,608	\$ 656,744	\$ 567,261
Historical Debt Service Coverage Ratio	<u>20.87x</u>	<u>5.49x</u>	<u>9.53x</u>

Source: La Clínica's audited financial statements for the fiscal years ended June 30, 2008, 2009 and 2010.

⁽¹⁾ Equals the actual annual debt service for the Long-Term Indebtedness of La Clínica, including the 2001 Bonds.

Days Cash on Hand

For this table, "Days Cash on Hand" is defined, for any fiscal year, as the quotient obtained by dividing (a) La Clínica's cash and cash equivalents (including Board-designated funds and including funded depreciation) as of the end of such fiscal year by (b) the quotient of dividing (i) La Clínica's operating expenses (excluding depreciation, amortization, allowance for bad debts, and any other noncash expenses) for such fiscal year by (ii) the number of days in such fiscal year. Below is a chart showing the Days Cash on Hand for La Clínica for the last three fiscal years ended in 2008, 2009 and 2010

	Fiscal Years Ended June 30,		
	<u>2008</u> (Audited)	<u>2009</u> (Audited)	<u>2010</u> (Audited)
Unrestricted Cash Reserves:			
Cash and Cash Equivalents	\$15,921,323	\$14,317,608	\$18,498,859
Board Designated Funds	<u>0</u>	<u>0</u>	<u>0</u>
Total Unrestricted Cash	\$15,921,323	14,317,608	18,498,859
Daily Cash Expenditures:			
Total Operating Expense	\$51,166,898	58,135,080	65,609,283
Number of Days in Fiscal Year	<u>÷ 366</u>	<u>÷ 365</u>	<u>÷ 365</u>
Daily Cash Expenditures	\$ 139,800	\$ 159,274	\$ 179,751
Number of Days Cash on Hand	114	90	103

Source: La Clínica's audited financial statements for the fiscal years ended June 30, 2008, 2009 and 2010.

Capitalization

La Clínica's actual and pro forma capitalization as of June 30, 2010, adjusted as if the Bonds had been outstanding as of that date, is as follows.

	As of June 30, 2010	
	<u>Actual</u>	<u>Pro Forma</u>
Long-term Debt:		
The Bonds		\$ 3,855,000
2001 Bonds	\$ 5,400,000	5,400,000
Other Long-term Debt	<u>4,314,943</u>	<u>4,314,943</u>
Total Long-term Debt	\$ 9,714,943	\$13,569,943
Less Current Maturities of Long-term Debt	<u>321,101</u>	<u>321,101</u>
Net Long-term Debt	\$ 9,393,842	\$13,248,842
Total Net Assets (exclusive of restricted)	<u>\$33,834,336</u>	<u>\$33,834,336</u>
Total Capitalization	\$43,228,178	\$47,083,178
Debt to Capital Ratio	<u>0.22x</u>	<u>0.28x</u>

Source: Actual information as of June 30, 2010, has been derived from La Clínica's audited financial statements.

INSURANCE

La Clínica maintains general liability insurance with a limit of \$1,000,000 for each occurrence, \$500,000 for any one incident of fire damage, \$20,000 for medical expenses for any one person, \$1,000,000 for personal and advertising injury, \$3,000,000 in general aggregate, \$1,000,000 for automobile liability for La Clínica's van and truck, and other non-owned automobiles used by employees in the course of business, and \$1,000,000 for employee dishonesty. La Clínica has Officers and Directors Liability insurance with a limit of \$1,000,000 for each loss and \$2,000,000 in the aggregate. La Clínica is covered for professional liability insurance by the Federal Tort Claims Act (FTCA), a program established through federal legislation that protects La Clínica and its agents as if they were employees of the United States government. FTCA does not limit the amount of coverage per incident or in the aggregate, and maintains additional wraparound insurance to cover individuals and circumstances which may be excluded by FTCA. La Clínica also maintains worker's compensation insurance. La Clínica maintains \$21,953,053 of Blanket building coverage.

La Clínica does not carry earthquake insurance and does not plan to acquire such insurance.

LICENSURE AND MEMBERSHIPS

The Corporation is an eligible provider under Medi-Cal. The Corporation's community clinics are licensed by the State of California, Department of Public Health, all of which are presently in effect. The Corporation does not anticipate any difficulty in renewing its licenses.

The Corporation is a member of various healthcare related organizations including National Association of Community Health Centers, California Primary Care Association, Alameda Health Consortium, Community Health Center Network, Community Clinic Consortium of Contra Costa and Solano Centers, and Solano Coalition for Better Health.

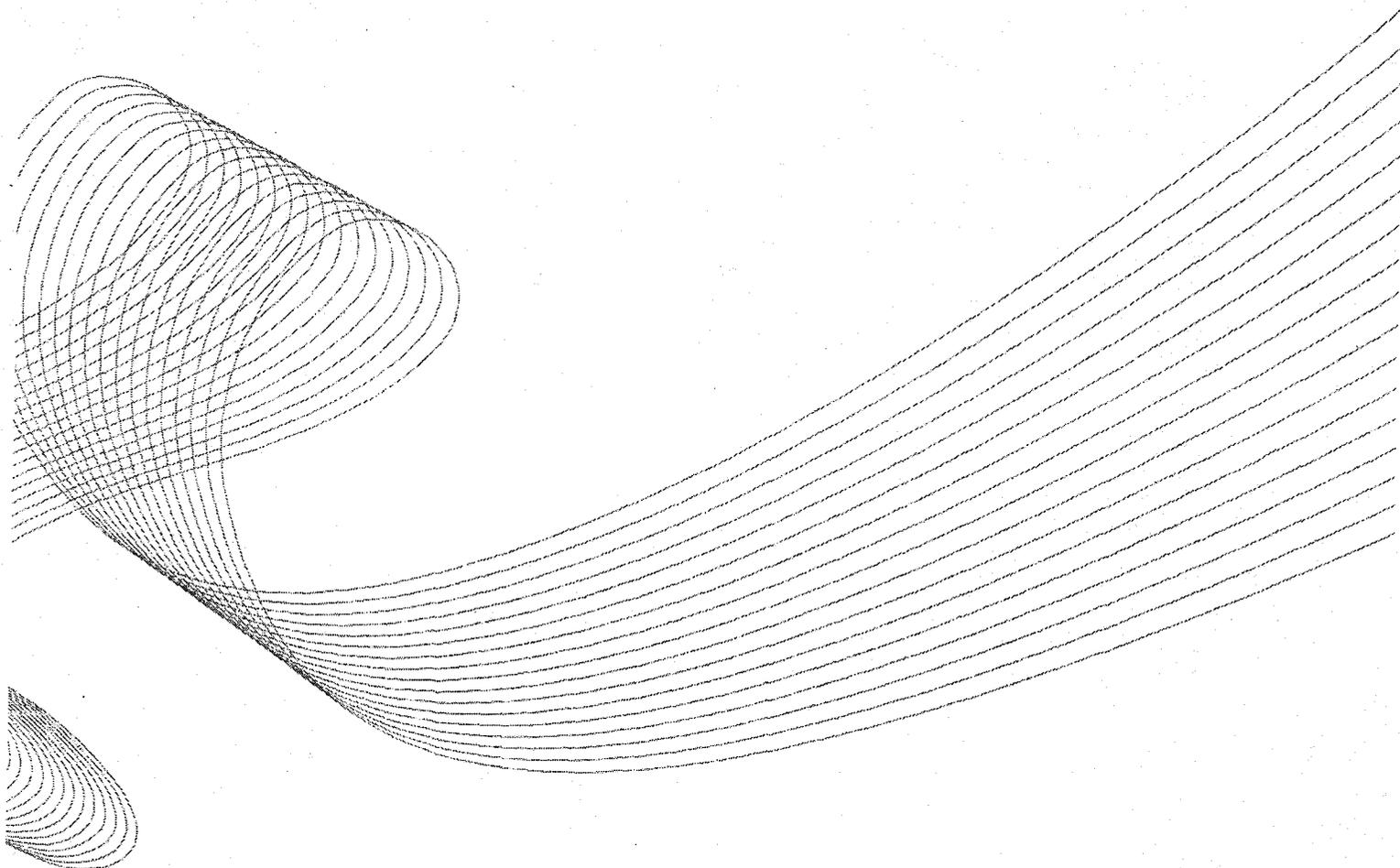
EMPLOYEES

As of December 31, 2009, La Clínica had a total of 595 full-time-equivalent (FTE) employees. Of these employees, 27 FTE were physicians, 25 FTE were mid-level practitioners (physician assistants, nurse practitioners, nurse midwives), 22 FTE were dentists, and 4 FTE were dental hygienists. Management of La Clínica considers relations with La Clínica's employees to be satisfactory. Regular full-time and part-time employees are represented by S.E.I.U. Local 1021 (a Social Services Union). This union represents clerical, technical and professional staff, including physicians. La Clínica has been unionized since 1986. The current union contract ran through September 30, 2010; however, La Clínica is currently in negotiations with the union and anticipates the new two-year contract will be ratified by December 31, 2010.

La Clínica offers benefits to all eligible employees. Among the benefits La Clínica offers its employees are: (i) medical, dental and life insurance; (ii) vision coverage provided to employees and their immediate family members; (iii) retirement plan through payroll deduction; (iv) tax-sheltered annuity plan through payroll deduction; (v) flexible health care, dependent care benefit plan and commuter reimbursement plan through payroll deduction; (vi) credit union membership through payroll deduction; (vii) various types of leave including educational leave, vacation, bereavement, sick leave, and paid holidays; and (viii) \$200 per fiscal year for education tuition and travel.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF
LA CLÍNICA DE LA RAZA, INC.**



Independent Auditor's Report

La Clinica De La Raza, Inc.

June 30, 2010 and 2009

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
La Clinica de La Raza, Inc.

We have audited the accompanying statements of financial position of La Clinica de La Raza, Inc. (the "Organization") (a non-profit organization), as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of La Clinica de La Raza, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Clinica de La Raza, Inc., as of June 30, 2010 and 2009, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



San Francisco, California
November 16, 2010

FINANCIAL STATEMENTS

LA CLINICA DE LA RAZA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,406,060	\$ 4,054,580
Short-term investments	6,345,437	3,509,686
Patient accounts receivable, net of allowance for doubtful accounts of \$3,869,325 in 2010 and \$3,111,637 in 2009	5,134,323	5,129,562
Grants and contracts receivable	2,992,904	2,877,308
Other receivables	153,898	228,690
Inventory	241,181	496,904
Prepaid expenses	425,059	356,641
Total current assets	<u>20,698,862</u>	<u>16,653,371</u>
LONG-TERM ASSETS		
Assets limited as to use	1,204,156	1,933,626
Long-term investments	6,747,362	6,333,190
Property, plant, and equipment, net of accumulated depreciation	24,723,886	24,179,664
Total assets	<u>\$ 53,374,266</u>	<u>\$ 49,099,851</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,865,252	\$ 1,660,705
Estimated third-party payor settlements	296,474	763,948
Accrued liabilities	3,531,316	2,965,117
Deferred revenue	3,610,905	3,295,459
Current portion of long-term obligations	321,101	121,439
Total current liabilities	<u>9,625,048</u>	<u>8,806,668</u>
LONG-TERM OBLIGATIONS, net of current portion	<u>9,393,842</u>	<u>9,810,094</u>
Total liabilities	<u>19,018,890</u>	<u>18,616,762</u>
NET ASSETS		
Unrestricted	33,834,336	30,151,901
Temporarily restricted	521,040	331,188
Total net assets	<u>34,355,376</u>	<u>30,483,089</u>
Total liabilities and net assets	<u>\$ 53,374,266</u>	<u>\$ 49,099,851</u>

See accompanying notes.

LA CLINICA DE LA RAZA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Grants and contributions	\$ 22,550,386	\$ 265,600	\$ 22,815,986
Patient, third-party fees, and capitation revenue	43,984,837	-	43,984,837
Contributions in-kind	1,685,592	-	1,685,592
Other income	995,155	-	995,155
Total revenues and support	69,215,970	265,600	69,481,570
EXPENDITURES			
Program services	56,839,938	-	56,839,938
Support services	8,769,345	-	8,769,345
Total expenditures	65,609,283	-	65,609,283
Excess of revenues and other support over expenditures	3,606,687	265,600	3,872,287
NET ASSETS RELEASED FROM RESTRICTIONS USED FOR PURCHASE OF PROPERTY AND EQUIPMENT	75,748	(75,748)	-
CHANGES IN NET ASSETS	3,682,435	189,852	3,872,287
NET ASSETS, beginning of year	30,151,901	331,188	30,483,089
NET ASSETS, end of year	\$ 33,834,336	\$ 521,040	\$ 34,355,376

See accompanying notes.

LA CLINICA DE LA RAZA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Grants and contributions	\$ 20,674,871	\$ 375,752	\$ 21,050,623
Patient, third-party fees, and capitation revenue	37,096,043	-	37,096,043
Contributions in-kind	1,432,619	-	1,432,619
Other income	948,575	-	948,575
Total revenues and support	60,152,108	375,752	60,527,860
EXPENDITURES			
Program services	49,932,701	-	49,932,701
Support services	8,202,379	-	8,202,379
Total expenditures	58,135,080	-	58,135,080
Excess of revenues and other support over expenditures	2,017,028	375,752	2,392,780
NET ASSETS RELEASED FROM RESTRICTIONS USED FOR PURCHASE OF PROPERTY AND EQUIPMENT	1,162,538	(1,162,538)	-
CHANGES IN NET ASSETS	3,179,566	(786,786)	2,392,780
NET ASSETS, beginning of year	26,972,335	1,117,974	28,090,309
NET ASSETS, end of year	\$ 30,151,901	\$ 331,188	\$ 30,483,089

See accompanying notes.

LA CLINICA DE LA RAZA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2010

	Program Services						Support Services			Total Program and Support Services	
	Medical	Dental	Eye	Ancillary	Mental Health	Community Health Education	Total Program Services	Management and General	Fund-Raising		Total Support Services
Personnel	\$ 17,530,870	\$ 7,045,960	\$ 617,943	\$ 2,336,988	\$ 1,873,883	\$ 1,894,449	\$ 31,300,093	\$ 5,424,766	\$ 151,254	\$ 5,576,020	\$ 36,876,113
Fringe benefits	4,514,080	1,734,269	156,798	643,663	483,644	488,290	8,020,744	1,400,585	39,028	1,439,613	9,460,357
Consultants	560,151	51,312	48,607	-	125,170	52,735	837,975	246,694	900	247,594	1,085,569
New facility	6,336	-	-	-	-	-	6,336	-	-	-	6,336
Contracted service	1,796,276	540,040	14,994	166,705	134,962	351,949	3,004,926	943,517	532	944,049	3,948,975
Space and utilities	991,479	231,941	130,353	40,779	76,659	90,593	1,561,804	357,366	-	357,366	1,919,170
Supplies	2,589,996	1,087,521	245,993	1,805,063	84,242	164,376	5,977,191	332,141	7,777	339,918	6,317,109
Equipment lease/maintenance	85,246	15,283	2,511	2,941	4,350	10,264	120,595	34,448	-	34,448	155,043
Travel	66,597	4,429	-	1,535	7,229	56,102	135,892	53,125	3,474	56,599	192,491
Other	1,327,508	237,358	30,743	70,351	584,294	453,074	2,703,328	(698,640)	14,618	(684,022)	2,019,306
Bad debt	1,057,103	515,283	48,212	93,079	-	26,189	1,739,866	-	-	-	1,739,866
La Clinica functions	11,204	2,632	-	44	-	14,739	28,619	49,603	10,403	60,006	88,625
Insurance	-	-	-	-	9,050	-	9,050	154,693	-	154,693	163,743
Interest	328,213	8,283	-	9,755	374	3,756	350,381	290	-	290	350,671
Recruitment	8,322	300	150	75	585	450	9,882	20,968	9,120	30,088	39,970
Fundraising	-	-	-	-	-	-	-	-	65,641	65,641	65,641
Depreciation	658,614	188,584	13,311	60,929	54,134	57,684	1,033,256	145,430	1,612	147,042	1,180,298
Total Expenditures	\$ 31,531,995	\$ 11,663,195	\$ 1,309,615	\$ 5,231,907	\$ 3,438,576	\$ 3,664,650	\$ 56,839,938	\$ 8,464,986	\$ 304,359	\$ 8,769,345	\$ 65,609,283

See accompanying notes.

LA CLINICA DE LA RAZA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2009

	Program Services					Community Health Education	Total Program Services	Support Services		Total Support Services	Total Program and Support Services
	Medical	Dental	Eye	Ancillary	Mental Health			Management and General	Fund-Raising		
Personnel	\$ 15,283,298	\$ 5,310,580	\$ 613,049	\$ 2,474,823	\$ 1,716,394	\$ 1,601,846	\$ 26,999,990	\$ 4,818,036	\$ 171,394	\$ 4,989,430	\$ 31,989,420
Fringe benefits	3,754,741	1,229,313	147,698	608,749	422,326	402,222	6,565,049	1,182,802	44,453	1,227,255	7,792,304
Consultants	447,252	53,092	33,629	-	66,392	31,905	632,270	386,023	15,300	401,323	1,033,593
Contracted service	1,554,035	471,851	25,781	175,942	63,289	428,778	2,719,676	858,476	423	858,899	3,578,575
Space and utilities	863,085	204,388	120,712	61,673	71,331	115,986	1,437,175	316,189	-	316,189	1,753,364
Supplies	2,663,730	764,479	259,213	1,941,071	38,644	202,499	5,869,636	358,306	6,943	365,249	6,234,885
Equipment lease/maintenance	68,209	15,965	2,300	4,182	4,311	10,083	105,050	36,128	-	36,128	141,178
Travel	58,303	3,938	-	929	7,097	47,031	117,298	56,006	2,170	58,176	175,474
Other	1,364,785	192,947	39,424	82,145	490,167	428,946	2,598,414	(596,606)	10,148	(586,458)	2,011,956
Bad debt	1,101,302	519,655	70,018	108,706	-	33,190	1,832,871	-	-	-	1,832,871
La Clinica functions	7,366	2,149	-	58	-	5,143	14,716	94,585	15,685	110,270	124,986
Insurance	29,373	945	1,494	-	-	2,644	34,456	92,641	-	92,641	127,097
Interest	112,762	26,240	-	19,394	505	6,182	165,083	682	-	682	165,765
Recruitment	23,169	745	-	-	2,490	869	27,273	36,421	60	36,481	63,754
Fundraising	-	-	-	-	-	-	-	-	63,281	63,281	63,281
Depreciation	481,104	178,916	9,034	52,248	56,034	36,408	813,744	228,252	4,581	232,833	1,046,577
Total Expenditures	\$ 27,812,514	\$ 8,975,203	\$ 1,322,352	\$ 5,529,920	\$ 2,938,980	\$ 3,353,732	\$ 49,932,701	\$ 7,867,941	\$ 334,438	\$ 8,202,379	\$ 58,135,080

See accompanying notes.

LA CLINICA DE LA RAZA, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,872,287	\$ 2,392,780
Adjustments to reconcile the increase in net assets to net cash from operating activities		
Depreciation	1,180,298	1,046,577
Net unrealized (gains) losses on investments	(267,400)	59,887
Provision for bad debts	1,739,866	1,832,871
Interest income	(263,593)	(230,019)
Change in operating assets and liabilities		
Patient accounts receivable	(1,744,627)	(2,343,053)
Grants and contracts receivable	(115,596)	87,695
Estimated third-party payor settlements	(467,474)	(1,227,370)
Other receivables	74,792	(127,365)
Inventory	255,723	(163,316)
Prepaid expenses	(68,418)	(48,358)
Accounts payable	204,547	339,263
Accrued liabilities	566,199	682,958
Deferred revenue	315,446	261,616
Net cash from operating activities	<u>5,282,050</u>	<u>2,564,166</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,983,656)	(5,000,000)
Proceeds from sale of investments	4,264,726	2,857,774
Purchases of property, plant, and equipment	(1,724,520)	(6,782,255)
Proceeds from disposition of assets limited as to use	729,470	2,515,070
Net cash used in investing activities	<u>(3,713,980)</u>	<u>(6,409,411)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on long-term obligations	(216,590)	(490,979)
Net cash used in financing activities	<u>(216,590)</u>	<u>(490,979)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,351,480	(4,336,224)
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,054,580</u>	<u>8,390,804</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 5,406,060</u>	<u>\$ 4,054,580</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 350,163	\$ 157,926
NON CASH TRANSACTIONS		
Construction in progress purchased with accounts payable	\$ 23,329	\$ 379,900
Capitalized interest included in construction in progress	\$ -	\$ 263,800

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - La Clinica de La Raza, Inc. (the "Organization") is a non-profit organization incorporated in February 1971 for the purpose of operating a comprehensive community health center. It provides a full range of services, which include medical, dental, eye, mental health, health education, nutrition, social support, pharmacy, laboratory, and x-ray. The Organization's mission is to improve the quality of life of the diverse communities it serves by providing culturally appropriate, high-quality, and accessible health care for all.

Located in Oakland and San Lorenzo of Alameda County, Pittsburg and Pleasant Hill of Contra Costa County, and Vallejo of Solano County, the Organization served 61,909 patients last year. The clinic operates at 15 sites: La Clinica de La Raza at the Fruitvale Transit Village, La Clinica de La Raza Dental on Fruitvale Avenue, Casa del Sol (a mental health clinic), Clinica Alta Vista (a teen clinic), San Antonio Neighborhood Health Center, Family Optical (eye clinic), two Women Infants and Children ("WIC") programs, one in the San Antonio Neighborhood Health Center and one in a free standing site, a dental clinic at Children's Hospital Oakland, a medical clinic at Pittsburg, a dental clinic at Pittsburg, a medical and dental clinic in Pleasant Hill, three medical clinics in Vallejo, and a dental clinic in Vallejo. The Organization also runs five school-based clinics at Hawthorne-Whitton Elementary School, Roosevelt Middle School, Fremont High, San Lorenzo High, and Oakland Tech High.

The Organization derives its support from grants and contracts awarded by the United States Department of Health and Human Services ("DHHS"), State of California, Alameda County, City of Oakland, and a host of other local governments, private foundations, and corporations.

The following programs and supporting services are included in the accompanying financial statements:

PROGRAMS:

Medical - The medical clinics provide basic health care for people of all ages: family medicine, internal medicine, pediatrics, and obstetrics-gynecology.

Dental - The dental department offers the following dental services: dental hygiene, general dentistry, orthodontics, periodontics, pedodontics, endodontics, and oral surgery.

Eye - The eye care department offers optometry and ophthalmology services.

Ancillary - The ancillary department includes in-patient, pharmacy, radiology, and laboratory services.

Mental Health - The mental health department offers counseling services for children and adults.

Community Health Education - The clinic provides nutritional programs such as therapeutic nutritional counseling, nutrition education, and the Women, Infant, and Children program. The clinic also includes the health education department which offers classes, support groups and other activities on various health topics, including diabetes, cholesterol, chronic illness, prenatal, smoking prevention, smoking cessation, high blood pressure, HIV/AIDS, and family planning. These services are provided to community residents and patients.

SUPPORT SERVICES:

Management and General - Management and general services include the functions necessary to maintain a viable community health services program, ensure an adequate working environment, provide coordination and articulation of the Organization's program strategy through the Office of Chief Executive Officer, secure proper administrative functioning of the Board of Directors, assure compliance for the program administration of the Organization, and manage the financial and budgetary responsibilities of the Organization.

Fund-Raising - Fund-raising expenses are the costs related to activities that involve encouraging potential donors to contribute assets, services, or time. Fund-raising costs are expensed when incurred.

Cash and Cash Equivalents - Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less.

LA CLINICA DE LA RAZA, INC.
NOTES TO FINANCIAL STATEMENTS

Assets Limited As to Use – Assets limited as to use primarily include designated assets set aside by the Board of Directors for specific purposes including future capital improvements, over which the Board of Directors retains control and may at its discretion subsequently use for other purposes.

Investments – All investments in money market funds, mutual funds, debt securities and equity investments are measured at fair value in the statement of financial position. Investment income or loss is included in unrestricted net assets unless their use is temporarily or permanently restricted by donor or law. Unrealized gains and losses on investments are included in changes in unrestricted net assets unless the income or loss is restricted by donor or law.

Inventory – Inventory consists of office and medical supplies, and is stated at lower of cost or market.

Property, Plant, and Equipment – Property, plant, and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Leasehold improvements are amortized over the shorter of the life of the lease or the useful life of the improvements.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Cost or maintenance and repairs are charged to expense as incurred. Estimated useful lives are as follows:

Buildings and improvements	15 - 40 years
Furniture and equipment	3 - 5 years
Software	3 years

The Organization periodically evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset.

Deferred Revenue – Deferred revenue consists primarily of Short Doyle contracts with Alameda County to provide mental health services and Department of Health and Human Services contracts to provide primary and preventive health services and grants from various organizations.

Professional Liability Insurance – The Organization is covered under the Federal Tort Claims Act that provides coverage based upon occurrence. Management is not aware of any pending claims that exceed the limitations provided by this coverage.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor imposed stipulations. Investment earnings are recorded as unrestricted net assets for certain temporarily restricted funds in accordance with the Organization's spending rule and for certain funds in accordance with donor stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or passage of time. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor imposed stipulations are maintained by the Organization in perpetuity. There were no permanently restricted net assets during the year.

Revenue Recognition – The Organization has agreements with third-party payors that provide for payment amounts, which differ from its standard charges. A summary of major payment arrangements is as follows:

Patient Services Revenue – For the years ended June 30, 2010 and 2009, approximately 63% and 60%, respectively, of the Organization's revenues are from patients who are covered by Medicare, Medi-Cal, or third-party insurance carriers. These payors limit payment for services based upon their respective schedules of usual, customary, and reasonable fees. An allowance for contractual adjustments results from the difference between the payment based on the usual, customary, and reasonable fee and the Organization's standard charge. The allowance is recorded as a deduction from patient revenues. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Capitation Revenue – The Organization contracts with health maintenance organizations ("HMOs") to provide health care services to HMO enrollees. Under the various contracts, the Organization receives a per enrollee amount (capitated payment) each month covering all primary care physicians services needed by the HMO enrollees. Capitation payments are recognized as premium revenue during the period in which the Organization is obligated to provide services to HMO enrollees.

Federal Funding – The Organization participates in the Medi-Cal and Medicare programs as a Federally Qualified Health Center ("FQHC"), which provides for cost reimbursement as an all-inclusive provider. This program provides reimbursement at a single rate for all types of services provided by the Organization on an encounter reporting basis.

Sliding Fee Scales – The Organization provides discounted medical, dental, and optometry services to self-pay patients on a sliding fee scale based on the patient's gross income. Sliding fee discounts for self-pay patients for the years ended June 30, 2010 and 2009, total \$6,294,258 and \$4,726,485, respectively, and are included in the accompanying statement of activities.

Grants and Contributions – The Organization receives grants from federal agencies, the State of California, and Alameda County, as well as contributions from private organizations. Government grants are reimbursed based on actual expenses incurred or units of services provided. Revenue from these grants is recognized either when expenses are incurred or when services are provided. Revenue recognition depends on the grant award agreements. Contribution revenue is reported when cash is received, unconditional promises are made, or ownership of other assets is transferred to the organization. Contributions may be restricted for either specific operating purposes or for capital purposes.

Donations – Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Noncash donations are recorded at their estimated fair values at the date of donation. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are reported as donated services.

Functional Allocation of Expenses – In order to provide information in regard to service efforts, the costs of providing each of the Organization's programs and support services have been presented in a separate statement of support, revenue, and expenses. In order to provide this presentation, certain costs were required to be allocated among the programs and services.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The Organization provides for estimated losses on accounts receivable based on prior bad debt experience and generally does not charge interest on past due balances. Past due status is based upon the date of services provided. Uncollectible receivables are charged-off when deemed uncollectible. Recoveries from previously charged-off accounts are recorded when received.

Income Taxes – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

LA CLINICA DE LA RAZA, INC.
NOTES TO FINANCIAL STATEMENTS

The Organization adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740-10, *Income Taxes* relating to accounting for uncertain tax positions for fiscal years beginning after December 15, 2008. The Organization had no unrecognized tax benefits which would require an adjustment to the July 1, 2009 beginning balance of net assets and had no unrecognized tax benefits at June 30, 2010. The Organization files Federal and California exempt organization returns. The Organization is no longer subject to income tax examinations by taxing authorities for years before 2007 for its federal and 2006 for its state tax filings.

Reclassifications – Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

Recent Accounting Pronouncements – During the year, the Organization adopted FASB ASC Topic 105-65 (formerly known as Statements of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles - a replacement of FASB Statement No. 162*). The Codification establishes one level of authoritative GAAP and is effective for annual financial statements issued after September 15, 2009. Adoption of the Codification will not have an impact on the Organization's financial statements but will change the references to accounting pronouncements in the notes to those statements.

During the year, the Organization adopted Accounting Standards Update ("ASU") 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. This guidance adds disclosure requirements for investments that are within the scope of paragraphs ASC 820-10-15-4 and 15-5 (regardless of whether the practical expedient in paragraph ASC 820-10-35-59 has been applied) and measured at fair value on a recurring or nonrecurring basis during the period, to disclose information that enables users of its financial statements to understand the nature and risks of the investments and whether the investments are probable of being sold at amounts different from net asset value per share.

In September 2009, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. This guidance adds new requirements for disclosures about transfers in and out of Level 1 and Level 2 measurements and the reasons for the transfers; and a gross presentation activity within the Level 3 roll forward, presenting separately information about purchases, sales, issuances, and settlements. This guidance is effective for annual reporting periods beginning after December 15, 2009. Management is reviewing the impact of adoption of ASU 2010-06 for the next fiscal year.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

Financial instruments potentially subjecting the Organization to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds, and various debt and equity investments in excess of the Securities Investor Protection Corporation ("SIPC") insurance threshold. Demand deposits are placed with a local financial institution, and management has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market and credit risk. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the statements. The risk associated with the investments is mitigated through diversification.

Credit risk related to patient accounts receivable arises from the granting of credit without collateral to patients, most of whom are residents of Alameda County in the State of California. The mix of receivables from patients and third-party payors is as follows:

	2010	2009
Medi-Cal	24%	29%
Medicare	4%	4%
Self-pay	30%	28%
Other third-party payors	42%	39%
	100%	100%

LA CLINICA DE LA RAZA, INC.
NOTES TO FINANCIAL STATEMENTS

Patient accounts receivable consisted of the following as of June 30, 2010 and 2009:

	2010	2009
Receivable from patients and their insurance carriers	\$ 6,513,528	\$ 5,552,309
Receivable from Medicare	331,951	310,573
Receivable from Medi-Cal	2,158,169	2,378,317
Total patient accounts receivable	9,003,648	8,241,199
Less: allowance for uncollectible accounts	3,869,325	3,111,637
Patient accounts receivable, net	\$ 5,134,323	\$ 5,129,562

NOTE 3 - INVESTMENTS

Effective July 1, 2008, the Organization adopted FASB ASC Topic 820 "Fair Value Measurements and Disclosures." FASB ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FASB ASC Topic 820 has been applied prospectively as of the beginning of 2008.

FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Available-for-Sale Securities - Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization does not have investments classified as Level 3.

LA CLINICA DE LA RAZA, INC.
NOTES TO FINANCIAL STATEMENTS

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall at June 30, 2010 and 2009:

	<u>Fair Value 2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Available-for-sale				
Cash and cash equivalent and money market	\$ 2,399,699	\$ 2,399,699	\$ -	\$ -
Corporate notes	3,233,117	3,233,117	-	-
Government notes	6,898,932	6,898,932	-	-
Non-US securities	105,769	105,769	-	-
Multi asset fund	455,282	-	455,282	-
Total available-for-sale investments	13,092,799	12,637,517	455,282	-
Assets limited as to use				
Mutual funds	105,384	105,384	-	-
Cash and cash equivalent and money market	1,098,772	1,098,772	-	-
Total assets limited as to use	1,204,156	1,204,156	-	-
Total	\$ 14,296,955	\$ 13,841,673	\$ 455,282	\$ -
	<u>Fair Value 2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Available-for-sale				
Cash and cash equivalent and money market	\$ 2,483,452	\$ 2,483,452	\$ -	\$ -
Corporate notes	2,596,585	2,596,585	-	-
Government notes	4,372,232	4,372,232	-	-
Multi asset fund	390,607	-	390,607	-
Total available-for-sale investments	9,842,876	9,452,269	390,607	-
Assets limited as to use				
Mutual funds	91,119	91,119	-	-
Cash and cash equivalent and money market	1,842,507	1,842,507	-	-
Total assets limited as to use	1,933,626	1,933,626	-	-
Total	\$ 11,776,502	\$ 11,385,895	\$ 390,607	\$ -

The following methods were used to estimate the fair value of all other financial instruments:

Cash and cash equivalents – The carrying amount approximates fair value.

Assets limited as to use – These assets consists primarily of certificates of deposit and money market accounts. The carrying amount reported in the statement of financial position is fair value.

Available-for-sale securities – Fair values, which are the amounts reported in the statement of financial position, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Estimated third party settlements – The carrying amount reported in the statement of financial position for estimated third party payor settlements approximates its fair value.

Long-term debt – The fair value of long-term debt is estimated based on discounted cash flow analyses, based on the Organization's current incremental borrowing rates for similar types of borrowing arrangements. The debt instruments as of June 30, 2010 and 2009, materially approximate their carrying values (Note 5).

LA CLINICA DE LA RAZA, INC.
NOTES TO FINANCIAL STATEMENTS

The following table presents estimated fair values of the Organization's financial instruments in accordance with FASB ASC Topic 820:

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalent and money market	\$ 3,498,471	\$ 3,498,471	\$ 4,325,959	\$ 4,325,959
Corporate notes	\$ 3,233,117	\$ 3,233,117	\$ 2,596,585	\$ 2,596,585
Government notes	\$ 6,898,932	\$ 6,898,932	\$ 4,372,232	\$ 4,372,232
Non-U.S. securities	\$ 105,769	\$ 105,769	\$ -	\$ -
Mutual funds	\$ 105,384	\$ 105,384	\$ 91,119	\$ 91,119
Multi asset fund	\$ 455,282	\$ 455,282	\$ 390,607	\$ 390,607

Investments, stated at fair value, at June 30, 2010 and 2009 include:

	2010	2009
Cash and cash equivalent and money market	\$ 2,399,699	\$ 2,483,452
Corporate notes	3,233,117	2,596,585
Government notes	6,898,932	4,372,232
Non-U.S. securities	105,769	-
Multi asset fund	455,282	390,607
	<u>13,092,799</u>	<u>9,842,876</u>
Less: current portion	6,345,437	3,509,686
Long-term portion	<u>\$ 6,747,362</u>	<u>\$ 6,333,190</u>

Investment income for assets limited as to use, cash and cash equivalents, and investments are primarily comprised of interest income. Investment income and realized and unrealized (gains) losses included in other income consists of the following for the years ended June 30, 2010 and 2009:

	2010	2009
Interest income	<u>\$ 263,593</u>	<u>\$ 230,019</u>
Net unrealized (gains) losses on investments	<u>\$ 267,400</u>	<u>\$ 59,887</u>

The following tables present fair value measurements of investments in certain entities that calculate net asset value per share at June 30:

2010	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
TIFF Multi Asset funds (a)	\$ 455,282	-	daily	0-30 days
2009	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
TIFF Multi Asset funds (a)	\$ 390,607	-	daily	0-30 days

(a) The TIFF Multi Asset fund invests, either directly or indirectly through its investments in acquired funds, in common and preferred stocks, real estate investment trusts, high yield bonds, securities issued or guaranteed by the U.S. government, corporate bonds, and short term investments, such as high quality, short term money market instruments. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

LA CLINICA DE LA RAZA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION

Property, plant, and equipment consist of the following:

	2010	2009
Land	\$ 2,085,517	\$ 2,085,517
Buildings and improvement	25,943,515	25,567,809
Equipment	4,759,064	4,090,501
Construction in progress	772,506	92,257
	<u>33,560,602</u>	<u>31,836,084</u>
Less: accumulated depreciation	8,836,716	7,656,420
Property, plant, and equipment, net of accumulated depreciation	<u>\$ 24,723,886</u>	<u>\$ 24,179,664</u>

Depreciation expense for the years ended June 30, 2010 and 2009 totaled \$1,180,298 and \$1,046,577, respectively. There was \$0 and \$263,800 capitalized interest for the years ended June 30, 2010 and 2009, respectively.

NOTE 5 - LONG-TERM OBLIGATIONS

Mortgages and notes payable are as follows:

	2010	2009
Revenue bonds, 2001B; interest payments at 3.125% are due monthly until June 2004, when principal and interest payments at a variable rate begin; rate capped at 6% through September 2009; collateralized by assets of the location; maturing July 2033; the bonds are guaranteed by a letter of credit in the amount of \$5,892,135 from Citibank, N.A. and are subject to certain financial performance covenants.	\$ 5,400,000	\$ 5,500,000
Note payable to NCB Development Corporation, monthly installments of interest at 6.185%, maturing at September 2017, at which time a balloon payment of \$2,902,357 is due. This note is secured by the San Antonio location's assets.	2,902,357	2,902,357
Note payable to NCB Development Corporation, monthly installments of interest at 6.185%, maturing at September 2037, at which time a balloon payment of \$1,010,643 is due. This note is secured by the San Antonio location's assets.	1,010,643	1,010,643
Note payable to CPCA Ventures, monthly installments of interest at 3.175%, maturing at October 2013; secured by the San Antonio location's assets. The monthly payments are inclusive of payments towards the principal.	400,842	515,994
Mortgage note payable to Office of Statewide Health Planning and Development with an interest rate of 2%, secured by property located on 1501 Fruitvale, monthly principal and interest payment of \$123 maturing July 2010.	1,101	2,539
	<u>9,714,943</u>	<u>9,931,533</u>
Less: current portion	321,101	121,439
Long-term portion	<u>\$ 9,393,842</u>	<u>\$ 9,810,094</u>

Management believes all financial related debt covenants were met in the years ended June 30, 2010 and 2009.

LA CLINICA DE LA RAZA, INC.
NOTES TO FINANCIAL STATEMENTS

Scheduled principal repayments on long-term obligations are as follows:

Year Ending June 30,			
2011	\$	321,101	
2012		220,000	
2013		220,000	
2014		140,842	
2015		100,000	
Thereafter		8,713,000	
	\$	9,714,943	

NOTE 6 - EMPLOYEE TAX DEFERRED ANNUITY PLAN

The Organization entered into a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees who have completed probation period. Effective July 1, 2007, the Employer shall contribute \$1.00 to \$1.53 per hour for eligible employees. Employees hired on or after May 8, 1995, shall be required to serve three years with the Organization before they are fully vested for accumulated pension contributions upon separation. Employees hired on or after February 17, 1999, will be entitled to 33% of accumulated contributions upon separation after one year of service, 66% after two years of service, and 100% after three years of service.

Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code, if they wish. Plan expense was \$1,055,573 and \$981,746 for the years ended June 30, 2010 and 2009, respectively.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of the following:

	2010	2009
Restricted contributions for capital improvements	\$ 397,896	\$ 331,188
Restricted contributions for program purposes	123,144	-
	\$ 521,040	\$ 331,188

NOTE 8 - CONTRIBUTIONS IN-KIND

Contributions in-kind consist of the following:

	2010	2009
Pharmaceuticals	\$ 1,235,229	\$ 1,147,975
Donated services	321,629	284,644
Contribution revenue	128,734	-
	\$ 1,685,592	\$ 1,432,619

LA CLINICA DE LA RAZA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – COMMITMENTS

The Organization has entered into several non-cancelable operating leases primarily for facilities and vehicles that are expiring at various dates through January 2015. The leases also require the Organization to pay certain annual operating costs, including maintenance and insurance. Lease expense for the years ended June 30, 2010 and 2009, is \$1,156,052 and \$1,069,498, respectively.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2011	\$ 883,337
2012	708,557
2013	687,407
2014	541,189
2015	238,882
	<u>\$ 3,059,372</u>

NOTE 10 – RELATED-PARTY TRANSACTIONS

Community Health Center Network ("CHCN") is a partnership between seven health service organizations to provide a comprehensive range of professional health care and social services in a manner respectful of the community values and traditions. Incorporated in 1996, CHCN introduced the managed care business to its member clinics by serving as a network of management services organization which administers a risk-sharing arrangement between the member clinics. Under the risk-sharing arrangement, the Organization receives capitated payments for providing primary care physician services to covered patients. The Organization periodically receives cash payments under the risk-sharing arrangement, and a certain amount of cash receipts are withheld on behalf of the member clinics to pay their respective outstanding claims for services. During the years ended June 30, 2010 and 2009, the revenue received in excess of expenditures incurred was \$1,366,177 and \$1,186,880, respectively. However, there are certain claims and obligations against this excess which cannot be readily determined. Management feels that the net resultant amount is not material; and, accordingly, no due to/from CHCN at June 30, 2010 and 2009, have been recorded. CHCN has not determined whether there is an operating surplus and has not approved a distribution amount to the Organization as of the date of issuance of the financial statements. In FY 2010, the Organization recognized \$357,190 relating to prior year operating surplus included in Patient, third-party fees, and capitation revenues in the Statements of Activities.

NOTE 11 – CONTINGENCIES

The Organization is aware of certain asserted and unasserted legal claims. While the outcome cannot be determined at this time, it is management's opinion that the liability, if any, from these actions will not have a material adverse effect on the Organization's financial position.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Organization is subject to similar regulatory reviews, there are no reviews currently underway, and management believes that the outcome of any potential regulatory review will not have a material adverse effect on the Organization's financial position.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are issued.

The Organization has evaluated subsequent events through November 16, 2010 which is the date the financial statements are issued.

APPENDIX C

SUMMARY OF INDENTURE AND LOAN AGREEMENT

The following is a summary of certain provisions of the Indenture and the Agreement which are not described elsewhere in this Official Statement. These summaries do not purport to be comprehensive and reference should be made to the Indenture and the Agreement for a full and complete statement of their provisions. All capitalized terms not defined in this Official Statement have the meaning set forth in the Indenture.

THE INDENTURE

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

Definitions

"Acceleration Default" shall mean an Event of Default described in the Agreement.

"Act" means Chapter 5 of Division 7 of Title 1 (commencing with section 6500) of the California Government Code), as now in effect.

"Act of Bankruptcy" shall mean the filing of a petition by or against the Corporation or any guarantor of the Corporation under the Bankruptcy Code.

"Act of Bankruptcy of the Bank" shall mean the closing, liquidation, insolvency or bankruptcy of the Credit Bank, or its failure to pay its debts generally as such debts become due or its admission in writing of its inability to pay any of its indebtedness or its consent to appointment of a receiver, liquidator, trustee or similar official for itself or for all or any substantial part of its properties or assets or the appointment of any such trustee, receiver, liquidator or similar official or the institution of insolvency, reorganization, arrangement or liquidation proceedings (or similar proceedings) by or against the Credit Bank.

"Affiliate" shall mean any entity owning all or any portion of the Corporation, or any entity owned in whole or in part by the Corporation or any Guarantor (as defined in the Credit Agreement) or any entity owned in whole or in part by any entity which owns all or a part of the Corporation or any Guarantor.

"Agents" shall mean the Remarketing Agent, the Tender Agent and any paying agent under the Indenture.

"Agreement" shall mean the Loan Agreement, dated as of December 1, 2010, among the Trustee, the Authority and the Corporation, as originally executed or as it may from time to time be supplemented or amended in accordance with the provisions thereof.

"Authority" means the ABAG Finance Authority for Nonprofit Corporations, a joint exercise of powers authority of the State, including any successors or assignees.

"Authority Documents" shall mean the Indenture, Loan Agreement and the Tax Certificate (to the extent of certifications of the Authority).

"Authorized Amount" shall mean the authorized principal amount of the Bonds.

"Authorized Authority Representative" means the President, the Chief Financial Officer and the Secretary of the Authority, or the designee of any of them, or any other person designated to act in such capacity by a Certificate of the Authority containing the specimen signature of such person, which certificate may designate an alternate or alternates.

"Authorized Bank Representative" shall mean any person who at the time and from time to time may be designated as such, by written certificate furnished to the Authority and the Trustee containing the specimen signature of such person and signed on behalf of the Credit Bank by any officer of the Credit Bank, which certificate may designate an alternate or alternates.

"Authorized Corporation Representative" shall mean any person who at the time and from time to time may be designated as such, by written certificate furnished to the Authority and the Trustee containing the specimen signature of such person and signed on behalf of the Corporation, which certificate may designate an alternate or alternates.

"Authorized Denominations" shall mean (a) during the Initial Period, any Reset Period or after the Conversion Date, \$5,000 and any integral multiple of \$1,000 in excess thereof, and (b) during any Variable Period, \$100,000 and any integral multiple of \$1,000 in excess thereof.

"Available Amounts" shall mean (1) moneys derived from drawings under the Letter of Credit and not commingled with any other amounts, (2) any other amounts for which, in each case, the Trustee has received, at the time such amounts are deposited with the Trustee, an opinion of counsel experienced in bankruptcy matters to the effect that the use of such amounts to make payments on the Bonds would not be voidable as preferential payments under section 547 of the United States Bankruptcy Code should the Authority, the Corporation or Affiliate become a debtor in proceedings commenced thereunder, and (3) investment income derived from the investment of moneys described in clause (1) or (2).

"Bankruptcy Code" shall mean Title 11 of the United States Code, as amended.

"Bond" or *"Bonds"* means the ABAG Finance Authority for Nonprofit Corporations Revenue Bonds (La Clínica de La Raza, Inc.), Series 2010, authorized and issued by the Authority, authenticated by the Bond Registrar and delivered under the Indenture.

"Bond Counsel" shall mean an attorney at law or firm of attorneys acceptable to the Authority, of nationally recognized standing in matters pertaining to the validity of and federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America, but shall not include counsel for the Corporation or the Credit Bank.

"Bond Fund" shall mean the fund established pursuant to the Indenture.

"Bond Participants" shall mean those broker-dealers, banks and other financial institutions for which the Securities Depository holds Bonds from time to time as securities depository.

"Business Day" shall mean any day which is not a Saturday or Sunday and on which banks in the City of New York, New York, banks and trust companies in the city in which the Principal Office of the Trustee is located and banks in the city in which the Principal Office of the Credit Bank is located are not required or authorized by law to remain closed and on which the New York Stock Exchange is not closed.

"Certificate of the Authority" shall mean a written certificate, request, requisition or statement signed in the name of the Authority by an Authorized Authority Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing Date" shall mean the date of initial issuance and delivery of the Bonds.

"Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time and the regulations thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such successor Code, be deemed to be reference to the successor to such Code section. Each reference to a section of the Code shall be deemed to include the United

States Treasury Regulations in effect or proposed from time to time with respect thereto and applicable to the Project or the Bonds or the use of the proceeds thereof.

"Conversion" shall mean establishment of the interest rate on the Bonds at the Fixed Rate, pursuant to the Indenture.

"Conversion Date" shall mean the date on which the Fixed Rate becomes effective, which date may be any Interest Payment Date immediately following the Initial Period, a Variable Period or the day after any Reset Period.

"Cost of Issuance Fund" shall mean the fund established pursuant to the Indenture.

"Cost of the Project" shall mean the sum of the items, or any such item, authorized to be paid from the Loan Fund pursuant to the provisions of the Indenture.

"Corporation" means La Clínica de La Raza, Inc, a nonprofit, public benefit corporation, duly organized and validly existing under the laws of the State of California and qualified as a nonprofit corporation pursuant section 501(c)(3) of the Code, or any entity which is the surviving, resulting or transferee entity in any merger, consolidation or transfer of assets permitted under the Agreement.

"County" shall mean the County of Contra Costa, California.

"Credit Agreement" or *"Reimbursement Agreement"* shall mean the Reimbursement Agreement, dated as of December 1, 2010, between the Corporation and the Credit Bank, as originally executed or as it may from time to time be supplemented or amended in accordance with the provisions thereof and the Indenture, providing for the issuance of the Letter of Credit, and any subsequent agreement pursuant to which a substitute Letter of Credit is issued.

"Credit Bank" or *"Bank"* shall mean Union Bank, N.A., as issuer of the Letter of Credit, or any issuer of a substitute Letter of Credit as permitted under the Agreement, and the respective successors and assigns of the business thereof and any surviving, resulting or transferee banking association or corporation with or into which it may be consolidated or merged or to which it may transfer all or substantially all of its banking business.

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

"DTC" means The Depository Trust Company.

"Event of Default," as used in the Indenture other than with respect to defaults under the Agreement, shall have the meaning specified in the Indenture.

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

"Fitch" shall mean Fitch Ratings, and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Bank, as assigns credit ratings.

"Fixed Rate" shall mean the interest rate borne by the Bonds after Conversion and until the maturity date of the Bonds, determined in accordance with the Indenture.

"Holder" or "Bondholder" or "Owner" shall mean the person in whose name any Bond is registered.

"Immediate Notice" shall mean notice given immediately by telephone, telecopy, e-mail or other electronic means to such telex, telecopier, telephone or other number as the addressee or recipient of such communication shall have previously notified the sender thereof in writing. Said notice shall be promptly confirmed in writing.

"Indenture" shall mean the Indenture of Trust, dated as of December 1, 2010, by and between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions thereof.

"Interest Payment Date" shall mean, for interest accrued during the Initial Period, June 1 and December 1 of each year, commencing on the June 1, 2011; for interest accrued during any Variable Period, the first Business Day of each month; for interest accrued during any Reset Period, June 1 and December 1 of each year, commencing on the June 1 or December 1 next following the applicable Reset Date; and, for interest accrued on and after the Conversion Date, June 1 and December 1 of each year, commencing on the June 1 or December 1 next following the Conversion Date, except that the final Interest Payment Date shall be December 1, 2030, unless the Bonds are earlier paid in full.

"Initial Period" shall mean the period beginning on the Closing Date and ending on December 1, 2017, during which the Bonds will bear interest at the Initial Rate.

"Initial Rate" shall mean the rate of interest borne by the Bonds during the Initial Period.

"Investment Securities" shall mean any of the following (including any funds comprised of the following, which may be funds maintained or managed by the Trustee or any of its affiliates): (a) United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged and fully and unconditionally guaranteed for the timely payment of principal and interest (including State and Local Government Series); (b) obligations, participations or other instruments of or issued by a federal agency or a United States government-sponsored enterprise, the principal of and interest on which is unconditionally guaranteed by the United States; (c) any obligations on which the interest is exempt from federal income taxation and which are rated by the Rating Agency in its highest long-term or short-term rating category; (d) certificates of deposit (including those placed by a third party pursuant to an agreement between the Corporation and the Trustee) issued by, or time or demand deposits, trust funds, trust deposits, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, banker's acceptances, or other banking arrangements with, a nationally or state-chartered bank (including the Credit Bank and the Trustee or any of its affiliates) or savings and loan association which, to the extent they are not insured by federal deposit insurance, are collateralized by securities eligible to secure public deposits in the State or which are issued by or with such an institution having a minimum capital of \$500,000,000 and rated within the top two ratings of a nationally recognized rating service; (e) taxable government money market portfolios restricted to obligations with maturities of one year or less issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States of America; (f) investment in money market mutual funds having a rating in the highest investment category granted thereby from S&P or Moody's, including, without limitation any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee; (g) commercial paper having, at the time of investment or contractual commitment to invest therein, a rating from S&P and Moody's, of A1 and P1, respectively; (h)

Repurchase and reverse repurchase agreements collateralized with securities described in clauses (a) or (b) of this definition, including those of the Trustee or any of its affiliates; and (i) any other investments selected by the Corporation and approved by the Credit Bank.

"Letter of Credit" shall mean that certain irrevocable, direct-pay letter of credit issued by the Credit Bank on or before the Closing Date, or any reissuance or extension thereof or any substitute letter of credit or other credit instrument, surety instrument or other form of credit enhancement provided during the Initial Period meeting the requirements of the Loan Agreement, provided during any Variable Period meeting the requirements of the Agreement, or provided during any Reset Period meeting the requirements of the Agreement, or provided in connection with or after Conversion meeting the requirements of the Agreement, it being understood that no more than one Letter of Credit may at any one time secure payment of the Bonds.

"Loan" shall mean the loan made by the Authority to the Corporation pursuant to the Agreement for the purpose of providing financing for the acquisition and rehabilitation of the Project.

"Loan Agreement" shall mean the Agreement as defined in the Indenture.

"Loan Repayments" means the payments required to be made by the Corporation pursuant to the Agreement.

"Market Risk Event" shall mean (a) (i) legislation enacted by Congress, or introduced in Congress, or recommended to Congress for passage by the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation has been referred for consideration, or (ii) a decision rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (iii) an order, ruling, regulation or communication (including a press release) issued by the United States Department of the Treasury or the Internal Revenue Service, or (iv) any action taken or statement made by or on behalf of the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States Congress which indicates or implies that legislation will be introduced in the current or next scheduled session of the United States Congress, in each case referred to in clauses (i), (ii), (iii) and (iv) above with the purpose or effect, directly or indirectly, of imposing federal income taxation upon interest to be received by any owner of the Bonds (other than a "substantial user" of the Project or a "related person" within the meaning of section 147 of the Code); or (b) legislation enacted or any action taken by the Securities and Exchange Commission which, in the opinion of counsel to the Remarketing Agent, has the effect of requiring the Bonds to be registered under the Securities Act of 1933, as amended (the "Securities Act"), or any other "security," as defined in the Securities Act, issued in connection with or as part of the remarketing of the Bonds to be so registered or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended; or (c) any event shall have occurred or shall exist which, in the reasonable judgment of the Remarketing Agent, makes or has made untrue or incorrect in any material respect any statement or information contained in the reoffering circular distributed in connection with remarketing of Bonds on a Reset Date or the Conversion Date or is not or was not reflected in such reoffering circular but should be or should have been reflected therein in order to make the statements or information contained therein, in the light of the circumstances under which they were made, not misleading in any material respect; or (d) in the reasonable judgment of the Remarketing Agent, any event which makes it impractical or inadvisable for the Remarketing Agent to remarket or enforce agreements to remarket Bonds because (i) trading in securities generally shall have been suspended on the New York Stock Exchange, Inc., or a general banking moratorium shall have been established by federal, New York or State of California authorities, or (ii) the State of California shall have taken any action, whether administrative, legislative, judicial or otherwise, which materially and adversely affects the Remarketing Agent's ability to remarket the Bonds, or (iii) a war involving the United States or other national calamity shall have occurred.

"Maximum Interest Rate" shall mean the lesser of 10% or the maximum interest rate permitted by applicable law from time to time.

"Moody's" shall mean Moody's Investors Service, Inc, a Delaware corporation, and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Bank, as assigns credit ratings.

"Net Proceeds," when used with respect to any insurance proceeds or condemnation award, shall mean the amount remaining after deducting from the gross proceeds thereof all expenses (including attorneys' fees) incurred in the collection of such proceeds or award.

"Opinion of Counsel" shall mean a written opinion of counsel, who may be counsel for the Authority or Bond Counsel or counsel for the Trustee.

"Outstanding," when used as of any particular time with reference to Bonds, shall, subject to the provisions of the Indenture, mean all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except:

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds for the payment or redemption of which moneys or securities in the necessary amount (as provided in the Indenture) shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of the Indenture.

"Person" shall mean an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

"Pledge Agreement" shall mean the Security Agreement (Pledged Bonds and Funds), dated as of December 1, 2010, by and among the Credit Bank, the Corporation and the Trustee.

"Pledged Bonds" means Bonds held by or for the benefit of the Credit Bank pursuant to the Indenture and the Pledge Agreement.

"Principal Office" with respect to the Trustee shall mean the principal corporate trust office of the Trustee located at the address set forth in the Indenture.

"Project" shall mean the renovation and improvement of a 14,230 square foot building located at 2000 Sierra Road (formerly 1040 Oak Grove Road) in Concord, California, purchased by the Corporation in March of 2009, to be used as a medical and dental community clinic, replacing an existing facility in Pleasant Hill, California, to be owned and operated by the Corporation.

"Purchase Price," with respect to any Bond required to be purchased pursuant to the Indenture, shall mean the principal amount of such Bond plus interest accrued thereon to the Demand Date or the date of mandatory tender.

"Rating Agency" shall mean S&P and any other nationally recognized rating agency then providing a rating for the Bonds.

"Rebate Fund" shall mean the fund established pursuant to the Indenture.

"Rebate Instructions" shall mean those calculations and written directions required to be delivered to the Trustee by the Corporation pursuant to the Tax Certificate.

"Rebate Requirement" shall have the meaning assigned thereto in the Tax Certificate.

"Record Date" shall mean, with respect to each Interest Payment Date for interest accrued during a Variable Period, the close of business on the Business Day immediately preceding such Interest Payment Date and, with respect to any Interest Payment Date for interest accrued during the Initial Period, during a Reset Period or after Conversion, the close of business on the fifteenth day of the month (whether or not a Business Day) before such Interest Payment Date.

"Register" means the registration book for the Bonds required to be maintained by the Trustee pursuant to the Indenture.

"Related Person" shall mean "related person" as that term is used in section 1.103-10(e) of the Treasury Regulations.

"Remarketing Agent" shall mean the remarketing agent appointed in accordance with the Indenture.

"Remarketing Agreement" shall mean the Remarketing Agreement, dated as of December 1, 2010, by and between the Corporation and the Remarketing Agent and any similar substitute or additional such agreement providing for the remarketing of the Bonds, in each case as supplemented or amended from time to time.

"Remarketing Date" shall mean the date, prior to each Demand Date, by which the Remarketing Agent is required to notify the Trustee, the Tender Agent and the Credit Bank of the Bonds for which it has found purchasers, as set forth in the Indenture.

"Requisition" shall mean a written requisition signed by an Authorized Corporation Representative and an Authorized Bank Representative in the form set forth in and as required by the Indenture.

"Reset Date" shall mean any date upon which the Bonds begin to bear interest at a Reset Rate for the succeeding Reset Period, which date may be any Interest Payment Date immediately following a Variable Period or the day after any Reset Period.

"Reset Period" shall mean each period during which the Bonds bear interest at a Reset Rate.

"Reset Rate" shall mean the rate of interest borne by the Bonds as determined in accordance with the Indenture.

"Responsible Officer" of the Trustee shall mean and include any managing director, any president, any vice-president, any assistant vice-president, any treasurer, any assistant treasurer, any secretary, any assistant secretary, any senior associate, any associate or any other officer or officers at the Principal Office with direct responsibility for the regular administration of matters related to the Indenture.

"Revenues" shall mean all amounts pledged under the Indenture to the payment of principal of, premium, if any, and interest on the Bonds, consisting of the following: (i) all moneys drawn by the Trustee under the Letter of Credit, (ii) any portion of the net proceeds of the Bonds deposited with the Trustee under the Indenture, (iii) any income earned on investments pursuant to the Indenture, and (iv) any repayments of the Loan required to be made by the Corporation pursuant to the Agreement, but such term shall not include payments to the United States, the Authority or the Trustee pursuant to the Agreement or the Indenture.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Bank, as assigns credit ratings.

"State" shall mean the State of California.

"Supplemental Indenture" or *"indenture supplemental thereto"* shall mean any indenture hereafter duly authorized and entered into between the Authority and the Trustee in accordance with the provisions of the Indenture.

"Tax Certificate" shall mean the Certificate as to Arbitrage dated the Closing Date, executed and delivered by the Authority and the Corporation, together with the Certificate Regarding Use of Proceeds dated the Closing Date, executed by the Corporation, including all exhibits and other attachments thereto, or any subsequent certificate in the form required by Bond Counsel.

"Tender Agent" means the Tender Agent appointed in accordance with the Indenture.

"Tender Notice" shall mean a notice of demand for purchase of Bonds given by any Bondholder pursuant to the Indenture.

"Trustee" shall mean The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States of America, or its successor for the time being as Trustee under the Indenture.

"Variable Interest Accrual Period" shall (except as otherwise specified below) mean a period of one week's duration, from and including Thursday to and including the following Wednesday (regardless of whether either such day is a Business Day), except that any Variable Interest Accrual Period shall end on the day before a Reset Date or the Conversion Date or on the last date on which any Bonds are outstanding, and provided further that no Variable Interest Accrual Period shall commence on the Business Day immediately preceding any Interest Payment Date. Any Variable Interest Accrual Period which would otherwise commence on the Business Day preceding an Interest Payment Date shall commence instead on such Interest Payment Date, and the preceding Variable Interest Accrual Period shall extend to and include the Business Day prior to such Interest Payment Date.

"Variable Interest Computation Date" shall mean, with respect to any Variable Interest Accrual Period, the Wednesday immediately preceding the first day of such Variable Interest Accrual Period or, if such Wednesday is not a Business Day, the next preceding Business Day.

"Variable Period" shall mean each period during which the Bonds bear interest at a Variable Rate.

"Variable Rate" shall mean the variable rate of interest borne by the Bonds as determined in accordance with the Indenture.

"Variable Rate Adjustment Date" shall mean any date upon which the Bonds begin to bear interest at a Variable Rate for the succeeding Variable Period.

"Written Consent," "Written Demand," "Written Direction," "Written Election," "Written Notice," "Written Order," "Written Request" and "Written Requisition" of the Authority shall mean, respectively, a written consent, demand, direction, election, notice, order, request or requisition signed on behalf of the Authority by an Authorized Authority Representative.

Loan Fund

The Trustee shall immediately disburse moneys from the Loan Fund as soon as reasonably practicable after it receives a Requisition therefor signed by an Authorized Corporation Representative and approved in writing by an Authorized Bank Representative. Other than the initial Requisitions submitted on the closing date, the Trustee shall disburse to an account established at the Credit Bank in the name of the Corporation all funds set forth in the Requisition approved by the Credit Bank. Upon receipt of notice from the Credit Bank, the Trustee shall disburse from the Loan Fund all (or some portion as specified in such notice) of an approved Requisition directly to the Credit Bank (and not to an account of the Corporation). Except as otherwise provided in the Indenture, no disbursements from the Loan Fund shall be made if the Trustee shall have knowledge or notice of an Event of Default existing under the Agreement.

Upon the occurrence of an Event of Default under the Indenture and acceleration of the Bonds, amounts on deposit in the Loan Fund shall be transferred to the Bond Fund.

Disbursements from the Loan Fund

Pursuant to and upon the conditions set forth in the Indenture, the Trustee shall disburse the funds in the Loan Fund to fund the acquisition and rehabilitation of the Project. The Corporation shall request the Trustee to disburse moneys in the Loan Fund only by means of Requisitions which have been approved in writing by the Credit Bank. Each such Requisition shall request payment only for the costs set forth in the next paragraph and shall comply with the provisions of the Tax Certificate.

Subject to the requirements of the Indenture, and to the limitations contained in the Credit Agreement, amounts on deposit in the Loan Fund may be distributed to an account established at the Credit Bank in the name of the Corporation for any of the following purposes (except that any distribution of funds pursuant to subparagraph (f) below shall be transferred to the Bond Fund):

(a) Payment to the Corporation of such amounts, if any, as shall be necessary to reimburse the Corporation in full for all advances and payments made by it, at any time prior to or after the delivery of the Bonds, in connection with (i) the preparation of plans and specifications for rehabilitation of the Project and (ii) the acquisition and rehabilitation of the Project;

(b) Payment for labor, services, materials and supplies used by or furnished to the Corporation to improve the site and to rehabilitate the Project, as provided in the plans, specifications and work orders therefor; payment of the costs of acquiring, constructing, and installing utility services or other related facilities; payment of the costs of acquiring all personal property deemed necessary to rehabilitate the Project; and payment of the miscellaneous expenses incidental to any of the foregoing items;

(c) Payment of the fees, if any, of architects, engineers, legal counsel and supervisors engaged by the Authority, the Corporation or the Credit Bank expended in connection with rehabilitation of the Project;

(d) Payment of expenses incurred in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the rehabilitation of the Project;

(e) Payment of any other costs permitted by the Act and by the provisions of the Indenture and by the Credit Agreement; and

(f) Redemption of the Bonds.

Without limitation to any other provisions of the Agreement or the Indenture, affording protection to or limiting liability of the Trustee, the Trustee shall be under no obligation to investigate or monitor the purpose for which funds are disbursed from the Loan Fund, or the use or application of moneys disbursed in accordance with the Indenture, and shall incur no liability therefor.

Cost of Issuance Fund

The costs of issuing the Bonds includes, without limitation, all printing expenses in connection with the Bonds, the Indenture and the Agreement and any official statement for the Bonds, the fees and expenses of the Authority and its counsel, acceptance and initial annual fee of the Trustee (including reasonable counsel fees), fees of the Rating Agency, Remarketing Agent and Tender Agent, underwriter's fee and legal fees and expenses of Bond Counsel, counsel to the underwriters, counsel to the Credit Bank and (to the extent related to issuance of the Bonds) counsel to the Corporation.

Before each payment is made from the Cost of Issuance Fund by the Trustee, there shall be filed with the Trustee a Written Requisition of the Corporation, accompanied by copies of appropriate invoices or other evidence of amounts due and stating with respect to each payment to be made, (i) the requisition number, (ii) the name and address of the person to whom payment is due (which may be the Authority if

the payment is to reimburse the Authority for amounts previously paid), (iii) the purpose for which the payment is to be made, (iv) the amount to be paid, (v) that each obligation mentioned therein has been properly incurred and is a proper charge against the Cost of Issuance Fund, and (vi) that none of the items for which payment is requested has been previously paid or reimbursed from the Cost of Issuance Fund.

Any amounts remaining in the Cost of Issuance Fund on the date six months after the Closing Date, but not including any amounts in respect of which the Trustee has received written notice from the Authority that such amounts are expected by the Authority to be required to pay other costs payable from such fund, shall be transferred by the Trustee to the Bond Fund.

Pledge of Revenues

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture (except to the extent provided in the Indenture with respect to the Rebate Fund and moneys to be used to pay the Purchase Price of Bonds and the account described in the Indenture) are pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture, except that moneys drawn on the Letter of Credit to pay the purchase price of Bonds tendered for purchase pursuant to the Indenture shall be held in trust solely for the benefit of the holders of such Bonds entitled thereto, and thereafter to secure the obligations owed to the Credit Bank (provided, however, that the pledge granted to the Credit Bank shall not include moneys drawn on the Letter of Credit and shall be in all respects subordinate to the pledge granted to the Trustee, until such time as all amounts payable to the owners of the Bonds are paid in full) arising under the Credit Agreement to the extent of its interest in such Revenues. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery of the Bonds, without any physical delivery thereof or further act.

All Revenues shall be held in trust for the benefit of the holders from time to time of the Bonds and the Credit Bank in the manner and priority set forth in the Indenture but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture.

Bond Fund

The Trustee shall deposit in the Bond Fund from time to time upon receipt thereof, (i) all amounts drawn by the Trustee under the Letter of Credit as provided in the Indenture, (ii) any income received from the investment of moneys on deposit in the Bond Fund, and (iii) any other Revenues, including insurance proceeds, condemnation awards and other Loan prepayment amounts received from or for the account of the Corporation. Amounts drawn under the Letter of Credit and other Available Amounts shall not be commingled with other moneys in the Bond Fund, and the Trustee shall set up separate subaccounts in the Bond Fund for such amounts of each type.

Except as provided in the Indenture, by the written direction of the Authority of the Corporation given pursuant to the Tax Certificate and the Agreement, moneys in the Bond Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds as the same shall become due, whether at maturity or upon redemption or acceleration or otherwise. In making such payments, the Trustee shall (a) first use Available Amounts held under the Indenture, except proceeds of a draw under the Letter of Credit, (b) then use amounts drawn by the Trustee under the Letter of Credit and (c) then use any other Revenues received by the Trustee.

Investment of Moneys

Except as otherwise provided in the Indenture, any moneys in any of the funds and accounts to be established by the Trustee pursuant to the Indenture shall be invested by the Trustee, if and to the extent then permitted by law, in Investment Securities selected and directed in writing by the Corporation (which shall take the provisions of the Tax Certificate into account in directing such investments) with the written approval of the Credit Bank with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than the date(s) on which it is estimated that such moneys will be required by the Trustee. In the absence of such instructions, the Trustee shall invest such funds in

Investment Securities described in clause (e) of the definition thereof in accordance with the written direction of the Credit Bank with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than the date(s) on which it is estimated that such moneys will be required by the Trustee. Amounts drawn under the Letter of Credit shall not be invested. Available Amounts held in the Bond Fund other than amounts drawn under the Letter of Credit shall be invested only in Investment Securities described in clause (a) or (b) of the definition thereof maturing or subject to payment upon demand of the holder thereof within 30 days after the acquisition of any such investment and in any event not later than the date on which it is estimated that such moneys will be required by the Trustee. The Trustee shall have no liability or responsibility for any loss resulting from any investment made and administered in accordance with the Indenture.

Whether or not any investment made by the Trustee qualifies as an Investment Security shall be determined at the time the investment is made by the party directing such investment, and after that time the Trustee shall be under no obligation to monitor whether any investment continues to qualify as an Investment Security.

The Authority (and the Corporation by its execution of the Agreement) covenant that all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued by the Trustee (as of the date that valuation is required by the Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in any reserve fund shall be valued at their present value (within the meaning of section 148 of the Code).

The Authority (and the Corporation by its execution of the Agreement) acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority or the Corporation the right to receive brokerage confirmations of security transactions as they occur (at no additional cost), the Authority and the Corporation specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority and the Corporation periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

For the purpose of determining the amount in any fund or account other than the Rebate Fund, all Investment Securities credited to such fund or account shall be valued at cost (which shall be measured exclusive of accrued interest after the first payment of interest following purchase).

Any interest, profit or loss on such investment of moneys in any fund or account (other than the Rebate Fund) shall be credited or charged to the respective funds or accounts from which such investments are made. Any interest profit or loss on investment of moneys in the Rebate Fund shall be deposited when received in the Rebate Fund in accordance with the Tax Certificate. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss resulting from such sale or redemption.

The Trustee or any of its affiliates may make any and all investments permitted under the Indenture through its own bond department as principal or agent and may charge reasonable, customary fees for placing such investments. The Trustee or any of its affiliates may act as sponsor or advisor in connection with any investments.

Assignment to Trustee; Enforcement of Obligations

The Authority transfers, assigns and sets over to the Trustee, for the benefit of the Bondholders, and the Trustee accepts, all of the Revenues and all moneys at any time held in any fund under the Indenture, except any amounts held in the Rebate Fund. The Authority also transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the holders from time to time of the Bonds, all of its right, title and interest in and privileges under the Agreement (but none of its obligations), except for any deposits to the Rebate Fund, the Authority's right to receive payments under the Agreement, the Authority's right to give consents and approvals thereunder, and the right of the Authority to enforce certain covenants of the

Corporation relating to compliance with the Act and maintenance of the tax-exempt status of the Bonds; and any Revenues or other amounts payable to the Trustee under the Indenture or under the Agreement which are collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority, as the agent of the Trustee, and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall, subject to the provisions of the Indenture, take all steps, actions and proceedings reasonably necessary in its judgment (1) to enforce the terms, covenants and conditions of the Agreement and the Letter of Credit and (2) to assure compliance with all covenants, agreements and conditions on the part of the Authority contained in the Indenture with respect to the Revenues.

Letter of Credit

The Authority authorizes and directs the Trustee, and the Trustee agrees, to draw on the Letter of Credit in accordance with its terms in order to receive payment thereunder on the following dates in the following amounts:

(a) on each Interest Payment Date, in an amount which, together with Available Amounts in the Bond Fund, will be sufficient to pay the interest due and payable on such Interest Payment Date on all outstanding Bonds;

(b) on any date fixed for redemption of Bonds in an amount which, together with Available Amounts in the Bond Fund (including amounts drawn pursuant to paragraph (a) above), will be sufficient to pay the redemption price, including accrued interest;

(c) on the date fixed for payment of the Bonds in connection with any declaration of the acceleration of the maturity of the Bonds following an Event of Default as provided in the Indenture, in an amount which, together with Available Amounts in the Bond Fund, will be sufficient to pay all principal and interest due on the Bonds as a result of such declaration on the date fixed for such payment;

(d) on each Demand Date, Reset Date and Conversion Date, in an amount sufficient to pay the Purchase Price of any Bonds tendered or deemed tendered pursuant to the Indenture and not remarketed; and

(e) on the final maturity date of the Bonds, in an amount which, together with Available Amounts in the Bond Fund (including amounts drawn pursuant to paragraph (a) above), will be sufficient to pay the principal and interest due on all outstanding Bonds on such final maturity date.

Each such drawing shall be made not later than the time required by the Letter of Credit in order to receive payment thereunder on the Business Day on which payment of the amount of such drawing is required to be made to the holders of the Bonds pursuant to the Indenture. The Trustee shall give notice of each such drawing to the Corporation promptly at the making of each draw. The Trustee shall comply with all provisions of the Letter of Credit in order to realize upon any drawing thereunder and will not draw upon the Letter of Credit any amounts for payment of Pledged Bonds or Bonds registered on the Trustee's Bond register in the name of the Authority, the Corporation or the Credit Bank or actually known by a Responsible Officer of the Trustee to be registered in the name of any Affiliate of the Corporation or any nominee of the Authority, the Corporation, the Credit Bank or any Affiliate of the Corporation; provided, however, that the Trustee shall have no duty to make any inquiry as to any such nominees.

The Trustee agrees (i) to accept any Letter of Credit conforming to the requirements of the Agreement which is delivered to the Trustee while the Bonds bear interest at a Variable Rate in substitution for the then outstanding Letter of Credit, (ii) to accept any Letter of Credit conforming to the requirements of the Agreement which is delivered to the Trustee in substitution for the then outstanding Letter of Credit in connection with a Reset Date or in connection with an Act of Bankruptcy of the Bank during an Interest Period, and (iii) to accept any Letter of Credit conforming to the requirements of the Agreement which is delivered to the Trustee in substitution for the then outstanding Letter of Credit in connection with Conversion or in connection with an Act of Bankruptcy of the Bank at any time after Conversion; provided, however, that each Letter of Credit delivered to the Trustee in substitution for the then outstanding Letter of Credit must be accompanied by a written statement, signed by an officer of each Rating Agency which then

maintains a rating on the Bonds, to the effect that the rating on the Bonds will not be reduced or withdrawn solely as a result of the delivery of such Letter of Credit, and in any event will not be less than one rating category lower than the initial rating on the Bonds, without the consent of the Authority. The Trustee shall send notice to Bondholders of the expected date of substitution of the then-existing Letter of Credit pursuant to clause (i) of the preceding sentence (the "Substitution Date"), as such Substitution Date is indicated in the notice from the Corporation to the Trustee pursuant to the Agreement, not later than fifteen (15) days prior to such Substitution Date; provided that such notice of expected Substitution Date may be rescinded upon failure of the successful delivery to the Trustee of a substitute Letter of Credit conforming with the provisions of the Agreement and the Indenture by such Substitution Date. Upon acceptance of any such substitute Letter of Credit, the Trustee shall surrender the superseded Letter of Credit to the issuer thereof and shall give notice of such substitution to Bondholders by first-class mail within five Business Days of receipt by the Trustee of such substituted Letter of Credit.

The Trustee shall give all required notices to the Credit Bank in accordance with the provisions of the Letter of Credit, including but not limited to notice of a substitute Letter of Credit, notice of a successor trustee and notice of discharge or defeasance of the Indenture. The Trustee shall transfer in a timely manner to any paying agent, if other than the Trustee, duly appointed under the Indenture all amounts drawn under the Letter of Credit in order to make payments on the Bonds, or, in the case of a draw on the Letter of Credit to pay the Purchase Price of any Bonds tendered pursuant to the Indenture and not remarketed pursuant to the Indenture, the Trustee may arrange for payments under the Letter of Credit to be made directly to the Tender Agent, in which case the Trustee may require the Tender Agent to give written notice to the Trustee confirming each such payment.

Remaining Funds

When there are no longer any Bonds outstanding, all amounts due to the Credit Bank under the Credit Agreement, and all fees, charges and expenses of the Trustee, the Tender Agent and any paying agents have been paid or provided for, all fees and expenses of the Authority relating to the Project and the Indenture have been paid or provided for, all other amounts payable under the Indenture and under the Agreement have been paid and the Indenture has been discharged and satisfied, the Trustee shall pay to the Corporation by check or wire any amounts remaining in the funds and accounts established under the Indenture (other than any special fund established pursuant to the Indenture and except as otherwise required by the Tax Certificate).

Rebate Fund

The Authority shall require the Corporation to pay to the Trustee for deposit in the Rebate Fund the Rebate Requirement as provided in the Tax Certificate (which is incorporated in the Indenture by reference). Moneys held in the Rebate Fund are pledged to secure payments to the United States government and the Authority, the Corporation, the Credit Bank, the Trustee and the Bondholders shall have no rights in or claim to such moneys. The Trustee shall invest all amounts held in the Rebate Fund in Investment Securities as provided in the Rebate Certificate and as directed in writing by the Authority. In the absence of such instructions, the Trustee shall hold such funds uninvested.

Upon receipt of the Rebate Instructions required by the Tax Certificate to be delivered to the Trustee, the Trustee shall remit part or all of the balance held in the Rebate Fund to the United States government, as so directed in the Rebate Instructions. In addition, if the Rebate Instructions so direct, the Trustee shall deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as the Rebate Instructions direct.

The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of the Indenture and any other agreement relating to the Bonds with respect to calculation and payment of rebate if it follows the Rebate Instructions and it shall have no independent duty to review any rebate calculations or enforce the compliance with such rebate requirements.

Authority Fee Fund

The Trustee shall deposit in the Authority Fee Fund the amounts paid to it by the Corporation, as required by the Agreement, and shall remit such amounts to the Authority and/or the Administrator, as the Authority shall direct, yearly within 10 days of receipt by the Trustee of such amounts or less frequently as the Authority may direct the Trustee in writing. The balance of the Authority Fee Fund shall be invested at the written direction of the Authority and, in the absence of such direction, such funds shall be held uninvested, and any investment earnings thereon shall be retained in the Authority Fee Fund and disbursed to the Authority from time to time along with the balance of the Authority Fee Fund.

Certain Covenants of the Authority

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture. When and as paid in full, all Bonds, if any, shall be delivered to the Trustee, shall forthwith be cancelled and shall thereafter be redelivered to the Authority.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in to the Indenture shall be deemed to limit the right of the Authority to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

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 under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Tax Covenants.

(a) The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(b) The Authority agrees to comply with section 148(f) of the Code, relating to rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds. This covenant shall survive payment in full or defeasance of the Bonds.

(c) The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

(d) The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

(e) The Authority covenants that, from the proceeds of the Bonds and investment earnings thereon, an amount not in excess of two percent (2%) of the proceeds of the Bonds will be used for costs of issuance of

the Bonds, all within the meaning of section 147(g)(1) of the Code. For this purpose, if the fees of the original purchaser of the Bonds are retained as a discount on the purchase of the Bonds, such retention shall be deemed to be an expenditure of proceeds of the Bonds for said fees.

(f) Notwithstanding any provision of the Indenture, if the Corporation shall provide to the Trustee, the Credit Bank and the Authority an opinion of Bond Counsel that any action required under to the Indenture is no longer required, or that some further action is required to maintain the Tax-exempt status of interest on the Bonds, the Trustee and the Authority may rely conclusively on such opinion in complying with the requirements of the Indenture, and the covenants contained in the Indenture shall be deemed to be modified to that extent.

Continuing Disclosure. The Authority and the Trustee acknowledge that pursuant to the Agreement, the Corporation shall, upon the adjustment to a Fixed Rate on the Bonds pursuant to the Indenture, undertake the continuing disclosure requirements promulgated under S.E.C. Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, and the Authority shall have no liability to the holders or beneficial owners of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of the Indenture, failure of the Corporation to comply with the requirements of S.E.C. Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, shall not be considered an Event of Default under the Indenture or under the Agreement.

Paying Agents. The Authority, with the written consent of the Trustee and the Credit Bank, may appoint and at all times have one or more paying agents in such place or places as the Authority may designate for the payment of the principal of and the interest (and premium, if any) on the Bonds. Any such paying agent shall be a commercial bank with trust powers or trust company. It shall be the duty of the Trustee to make such arrangements with any such paying agent as may be necessary to assure, to the extent of the moneys held by the Trustee for such payment, the availability of funds for the prompt payment of the principal of and interest and premium, if any, on the Bonds presented at either place of payment. After the transfer of such funds to the paying agent, the Trustee shall not be liable for any subsequent handling, distribution, use, application or loss of all or any part of such funds by the paying agent; provided, however, that nothing in the Indenture shall be interpreted to relieve the Trustee, when acting as paying agent, of responsibility for its own negligence or willful misconduct. The paying agent initially appointed under the Indenture is the Trustee.

Events of Default and Remedies

Events of Default; Acceleration; Waiver of Default. Each of the following events shall constitute an "Event of Default" under the Indenture:

(a) failure to pay the principal of or premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) failure to pay any installment of interest on any Bond when such interest installment shall become due and payable;

(c) failure to pay the Purchase Price of any Bond tendered in accordance with the provisions of to the Indenture when such Purchase Price shall become due and payable; and

(d) failure by the Authority to perform or observe any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and the continuation of such failure for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority, the Corporation, the Tender Agent and the Credit Bank by the Trustee or to the Authority, the Corporation, the Credit Bank and the Trustee by the holders of not less than 25% in aggregate principal amount of the Bonds at the time outstanding (excluding Bonds owned by the Corporation or any Affiliate thereof).

No default specified in (d) above shall constitute an Event of Default unless the Authority, the Corporation or the Credit Bank shall have failed to correct such default within the applicable period;

provided, however, that, if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority, the Corporation or the Credit Bank within the applicable period and diligently pursued until the default is corrected, which correction shall occur no later than 180 days from the date of the default notice. With regard to any alleged default concerning which notice is given to the Corporation or the Credit Bank under the provisions of (d) above, the Authority grants the Corporation and the Credit Bank full authority for the account of the Authority to perform any covenant or obligation the nonperformance of which is alleged in said notice to constitute a default in the name and stead of the Authority with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts and with power of substitution.

During the continuance of an Event of Default, unless the principal of all the Bonds shall have already become due and payable, the Trustee may, and upon the occurrence of any Event of Default specified in (a), (b) or (c) above or upon the written request of the Credit Bank or the holders of not less than 25% in aggregate principal amount of the Bonds at the time outstanding (excluding Bonds owned by the Corporation or any Affiliate thereof), in the case of any other Event of Default, the Trustee shall, by notice in writing to the Authority, the Corporation, the Credit Bank and the Remarketing Agent, declare the principal of all the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. Upon any such declaration of acceleration, the Trustee shall fix a date for payment of the Bonds, which date shall be as soon as practicable after such declaration, and on such date shall draw upon any then outstanding Letter of Credit in accordance with its terms of the Indenture and apply the amount so drawn to pay on such date the principal of and interest on the Bonds so due and payable.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any drawing is made under the Letter of Credit or any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal, and the reasonable fees and expenses of the Trustee, its agents and counsel, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the holders of at least a majority in aggregate principal amount of the Bonds then outstanding, by written notice to the Authority and to the Trustee and with indemnification satisfactory to the Trustee and with the written approval of the Credit Bank, may, on behalf of the holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default, but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Institution of Legal Proceedings by Trustee. If one or more of the Events of Default shall occur and be continuing, the Trustee in its discretion may, and upon the written request of the holders of a majority in principal amount of the Bonds then outstanding (other than Bonds registered in the name of the Corporation, or any guarantor of the Corporation) or upon the written request of the Credit Bank, and upon being indemnified to its satisfaction therefor the Trustee shall, proceed to protect or enforce its rights or the rights of the holders of Bonds under the Indenture, the Agreement and the Letter of Credit, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained therein, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy, provided that any such request from the Bondholders or the Credit Bank shall not be in conflict with any rule of law or with the Indenture, expose the Trustee to personal liability or be unduly prejudicial to Bondholders not joining therein. The holders of a majority in principal amount of the Bonds then outstanding, with the written consent of the Credit Bank, or the Credit Bank, at any time, may in writing to the Trustee, direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture. Notwithstanding the above, nothing in the Indenture shall cause the Trustee to delay in drawing on the Letter of Credit as required by the Indenture, nor shall to the Indenture any indemnification granted to the Authority.

Application of Moneys Collected by Trustee. Upon the occurrence of an Event of Default, any moneys held or collected by the Trustee (except for moneys on deposit in the Rebate Fund) shall be applied in the order following, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account of principal (or premium, if any) or interest, upon presentation of the Bonds and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: For payment of all amounts due to the Trustee under to the Indenture, provided that Letter of Credit proceeds or proceeds received from the remarketing of Bonds shall not be so applied.

Second: For deposit in the Bond Fund and applied to payment of the principal of all Bonds then due and unpaid and the premium, if any, and interest thereon, ratably to the persons entitled thereto without discrimination or preference, except that no payment of principal or premium or interest shall be made with respect to any Bonds registered on the Trustee's Bond register in the name of the Authority, the Corporation or the Credit Bank, or actually known by a Responsible Officer of the Trustee to be registered in the name of any Affiliate of the Corporation or any nominee of the Authority, the Corporation, the Credit Bank or any Affiliate of the Corporation, until all amounts due on all Bonds not so registered have been paid and all amounts due the Credit Bank under the Credit Agreement have been paid.

Third: To the Credit Bank to the extent of any amounts due it under the Credit Agreement as certified by the Credit Bank to the Trustee upon which certification the Trustee may conclusively rely.

Fourth: For payment of all other amounts due to any person under the Indenture or under the Agreement and then, the remainder, if any, to the Corporation.

Remedies Cumulative. No remedy in the Indenture conferred upon or reserved to the Trustee, to the Credit Bank or to any holder of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity.

Power of Trustee To Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the written request of the holders of a majority in principal amount of the Bonds then outstanding or, in the case of an Event of Default described in to the Indenture upon the written request of the Credit Bank, it shall have full power, in the exercise of its discretion for the best interests of the holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default under the Indenture, discontinue, withdraw, compromise or settle or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Credit Bank and by the holders of at least a majority in amount of the Bonds outstanding under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Bondholders' Right To Sue. No holder of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Indenture; (b) the holders of at least a majority in aggregate principal amount of all the Bonds then outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 30 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 Bonds of any remedy under the Indenture, it

being understood and intended that no one or more holders of Bonds shall have any right in any manner whatever by its or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all holders of the outstanding Bonds.

The right of any holder of any Bond to receive payment of the principal of (and premium, if any) and interest on such Bond out of Revenues, as therein provided, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder, notwithstanding the foregoing provisions of the Indenture.

Limitation of Liability to Revenues. Notwithstanding anything in the Indenture contained, the Authority shall not be required to advance any moneys collected by the Authority, by the State of California or by any political subdivision thereof, or from any source of income of any of the foregoing other than the Revenues, for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. The Bonds are limited obligations of the Authority and are payable from and secured by the Revenues only.

The Trustee and Agents

Duties, Immunities and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture, including the duty to draw on the Letter of Credit as required by to the Indenture, and no additional covenants or duties of the Trustee shall be implied in the Indenture or the Letter of Credit. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as prudent persons familiar with such matters would exercise or use under similar circumstances in the conduct of their own affairs.

No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action or its own negligent failure to act or any willful misconduct, except that:

(a) Prior to such an Event of Default under the Indenture and after the curing or waiver of all Events of Default which may have occurred, (i) the duties and obligations of the Trustee shall be determined solely by the express provisions of the Indenture, the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and (ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of the Indenture, but in the case of any such certificate or opinion which by any provision of the Indenture is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of the Indenture on its face;

(b) At all times, regardless of whether or not any Event of Default shall exist, (i) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers or by any agent or attorney of the Trustee appointed with due care unless the Trustee was negligent in ascertaining the pertinent facts and (ii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Credit Bank or in accordance with the directions of the holders of not less than a majority, or such other percentage as may be required under the Indenture, in aggregate principal amount of the Bonds at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture;

(c) The Trustee shall not be required to take notice or be deemed to have notice of (i) any default under the Indenture or under the Agreement, except defaults under to the Indenture, unless a Responsible Officer of the Trustee shall be specifically notified in writing of such default by the Authority, the Credit

Bank or the owners of at least 25% in aggregate principal amount of all Bonds then outstanding, unless a Responsible Officer of the Trustee shall be specifically notified in writing of such default by the Authority;

(d) Before taking any action, other than: (i) drawing on the Letter of Credit, (ii) acceleration of the Bonds; (iii) affecting a mandatory tender or redemption; or (iv) payments to Bondholders under to the Indenture at the request or direction of the Bondholders or the Credit Bank, the Trustee may require that a satisfactory indemnity bond be furnished by the Bondholders or the Credit Bank, as the case may be, for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default in connection with any action so taken;

(e) The Trustee may execute any of the trusts or powers under the Indenture or perform any duties under the Indenture or under the Agreement either directly or through agents, receivers or attorneys and shall not be responsible for the acts or failure to act of any such agents, receivers or attorneys if appointed with due care;

(f) None of the Credit Bank, the Remarketing Agent, the Authority, the Tender Agent, the paying agent (if any) or the Corporation shall be deemed to be agents of the Trustee for any purpose, and the Trustee shall not be liable for any noncompliance of any of them in connection with their respective duties under the Indenture or in connection with the transactions contemplated by the Indenture;

(g) The Trustee shall be entitled to rely upon telephonic notice for all purposes whatsoever so long as the Trustee reasonably believes such telephonic notice has been given by a person authorized to give such notice;

(h) The immunities extended to the Trustee also extend to its directors, officers, employees and agents;

(i) As provided in to the Indenture, the Trustee shall have no liability or responsibility for any loss resulting from any investment made or administered in accordance with to the Indenture;

(j) In performing the trust created by the Indenture, the Trustee shall act solely as trustee for the Bondholders and not in its individual capacity, and all persons, including, without limitation, the Bondholders, the Authority, the Credit Bank and the Corporation, having any claim against the Trustee arising from the Indenture or the Agreement shall look only to the funds and accounts held by the Trustee under the Indenture for payment, except with respect to the Trustee's willful misconduct, negligence or material breach of contractual duty. Except as provided in the preceding sentence, under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds, it being the sole obligation of the Trustee to administer, for the benefit of the Bondholders, the various funds and accounts established under the Indenture;

(k) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds;

(l) The Trustee is authorized and directed to execute, in its capacity as Trustee, the Agreement; and

(m) Anything to the contrary notwithstanding, the Trustee shall not be required to enter, take possession of or take any other action whatsoever with respect to the Project unless the Trustee is satisfied that the Trustee will not be subject to any liability under any local, state or federal environmental laws or regulations of any kind whatsoever or from any circumstances present at the Project relating to the presence, use, management, disposal of or contamination by any environmentally hazardous materials or substances of any kind whatsoever.

None of the provisions contained in the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

The Trustee shall have no responsibility with respect to compliance by the Authority or the Corporation with section 148 of the Code or any covenant in the Indenture or in the Agreement regarding yields on investments. The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

The Trustee agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority or the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority and the City agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

In acting or omitting to act pursuant to the Agreement, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under the Indenture.

Moneys Received by Trustee To Be Held in Trust. Subject to the provisions of to the Indenture and the Rebate Certificate, all moneys received by the Trustee shall, until used or applied as provided in the Indenture, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law or as otherwise expressly provided in the Indenture. Amounts held in the Rebate Fund, amounts drawn under the Letter of Credit and proceeds of any remarketing of Bonds shall not be commingled with any other funds held by the Trustee under the Indenture. Any interest earned on invested moneys shall be deposited in the Rebate Fund to the extent required by the Rebate Certificate as directed by the Authority.

Compensation and Indemnification of Trustee and Agents. The Authority will require the Corporation to make provisions (i) to pay, pursuant to the Agreement, to the Trustee from time to time reasonable compensation for all services rendered by it (including services rendered by agents or attorneys of the Trustee) under the Indenture and under the other agreements related to the Bonds to which it is a party (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); (ii) except as otherwise expressly provided in the Indenture, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by or on behalf of the Trustee in accordance with any provision of the Indenture or other agreement related to the Bonds to which the Trustee is a party or incurred in complying with any request made by the Authority or Rating Agency with respect to the Bonds (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its willful misconduct, negligence or bad faith; (iii) to indemnify the Trustee and its officers, directors, agents and employees for, and to hold it and them harmless against, any loss, liability, cost, claim, suit, judgment, damage or expense (including, without limitation, legal fees and expenses) incurred without willful misconduct, negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, or arising from the Agreement or any other document related to the Bonds, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Indenture or other agreement to which the Trustee is a party; and (4) to indemnify the Trustee for any fees, expenses, disbursement and advances incurred during a period of default, including, without limitation, reasonable fees and expenses of its attorneys and advisors. Such indemnity and agreement to compensate the Trustee shall survive the resignation or removal of the Trustee or the discharge of the Indenture but only as to compensation for duties performed, and claims arising from events occurring, during the term of the Trustee's tenure under the Indenture.

The Agents shall be entitled to reasonable compensation for all services rendered by them as such Agents, and the Authority will require the Corporation to provide for payment or reimbursement of the Agents upon request for all expenses, disbursements and advances incurred or made by the Agents in accordance with any of the provisions of the Indenture (including the reasonable compensation and the expenses and disbursements of their counsel and of all persons not regularly in their employ) except any such expense, disbursement or advance as may arise from their willful misconduct, negligence or bad faith.

If any property, other than cash, shall at any time be held by the Trustee subject to the Indenture, or any supplemental indenture, as security for the Bonds, the Trustee, if and to the extent authorized by a receivership, bankruptcy or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of the Indenture as such security for the Bonds, shall be entitled to make advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon.

The rights of the Trustee and the Agents to compensation for services and to payment or reimbursement for expenses, disbursements, liabilities and advances shall have a lien prior to the Bonds in respect of all property and funds held or collected by the Trustee as such, except funds on deposit in the Rebate Fund, which shall be held solely for the benefit of the government of the United States, and funds held in trust by the Trustee for the benefit of the holders of particular Bonds, proceeds of any drawing on the Letter of Credit and proceeds received from the remarketing of the Bonds, all of which amounts shall be held solely for the benefit of the Bondholders and used only for the payment of principal of and premium, if any, and interest on the Bonds. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Remarketing Agent. The Corporation shall, with the approval of the Credit Bank and written notice to the Trustee, the Tender Agent and the Credit Bank, appoint a Remarketing Agent for the Bonds, subject to the conditions set forth in to the Indenture. The Remarketing Agent initially appointed under the Indenture is Piper Jaffray & Co. The Remarketing Agent shall designate to the Trustee its Principal Office and signify its acceptance of the duties and obligations imposed upon it under the Indenture by execution of the Remarketing Agreement. The Remarketing Agent shall;

(a) act as agent for the Authority in determining the Variable Rate and, if and as necessary, the Reset Rate or the Fixed Rate, act as agent for Bondholders in receiving and holding moneys to pay the Purchase Price thereof and act as agent for the Corporation in all other matters;

(b) notify the Trustee, the Credit Bank and the Tender Agent by Immediate Notice of the Variable Rate determined in accordance with to the Indenture, the Reset Rate determined in accordance with to the Indenture and the Fixed Rate determined in accordance with to the Indenture, and upon request by the Authority, submit copies of any such notices to the Authority;

(c) hold all moneys delivered to it under the Indenture for the purchase of Bonds in trust for the benefit of the person which shall have so delivered such moneys until such moneys shall have been delivered to the Tender Agent for the account of such person and not invest such moneys or commingle such moneys with other funds of the Remarketing Agent;

(d) keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Authority, the Trustee and the Credit Bank at all reasonable times; and

(e) perform the duties and comply with the provisions set forth in to the Indenture.

Remarketing of Bonds. Upon the receipt by the Remarketing Agent of any notice from the Tender Agent that any Bondholder has delivered a Tender Notice pursuant to the Indenture, or upon receipt of any notice from the Trustee of Bonds deemed to have been tendered in accordance with the provisions of to the Indenture, the Remarketing Agent shall offer for sale and use its best efforts to market the Bonds referred to

in such Tender Notice or such notice from the Trustee (which shall be treated as a Tender Notice as provided in to the Indenture) at a price of par plus accrued interest, if any, to the Demand Date, in accordance with the Remarketing Agreement; provided, however, that the Remarketing Agent shall not offer for sale or sell such Bonds to the Authority, the Corporation or any Affiliate of the Corporation. The Remarketing Agent shall give telephonic notice, promptly confirmed in writing, to the Trustee, the Tender Agent and the Credit Bank by 1:00 p.m., New York City time, on the Business Day prior to each Demand Date and 1:00 p.m., New York City time, not less than two days (or such lesser period of time as to which the Trustee and the Tender Agent shall agree) prior to any other Demand Date, including any Reset Date or Conversion Date (the date of each such notice for the purpose of to the Indenture, a "Remarketing Date") specifying the names, addresses and taxpayer identification numbers of the purchasers of, and the principal amount, certificate numbers and denominations of, such Bonds, if any, for which it has found purchasers as of such Remarketing Date, the Purchase Price at which the Bonds are to be sold (which shall be par plus accrued interest, if any, to the Demand Date) and the Demand Date. The Remarketing Agent shall instruct such purchasers to deliver to it, no later than 10:00 a.m., New York City time, on the Demand Date, in same-day funds, the amount required to purchase such Bonds. Upon receipt by the Remarketing Agent of such amount from such purchasers and receipt by the Tender Agent, of the Bonds tendered for purchase and due-bills, if any, at or prior to 10:00 a.m., New York City time, on such Demand Date in good form for delivery, the Remarketing Agent will give written instructions to the Tender Agent, as co-authenticating agent, to transfer the registered ownership of the Bonds to the respective purchasers, and to deliver such Bonds and due-bill, if any, to such purchasers or as otherwise directed by the Remarketing Agent, immediately upon receipt of the Purchase Price of such Bonds. The Remarketing Agent shall remit the Purchase Price of such Bonds to the Tender Agent, no later than 11:00 a.m., New York City time, on the Demand Date, and the Tender Agent shall remit the Purchase Price of such Bonds to the tendering Bondholder or Bondholders entitled to the same as provided in to the Indenture, the Tender Agent shall give telephonic (or other immediate) notice, promptly confirmed in writing, to the Trustee of Bonds which have not been purchased pursuant to the Indenture. In the event that any purchaser which shall have been identified by the Remarketing Agent to the Trustee and the Tender Agent shall fail to pay the Purchase Price for any Bonds prior to 10:00 a.m., New York City time, on the Demand Date, the Remarketing Agent shall not be obligated to accept delivery of such amount after such time. The Remarketing Agent will immediately notify the Trustee and the Tender Agent of any such failure to receive the Purchase Price for such Bonds.

Purchase of Bonds Not Remarketed. If the Trustee receives from the Remarketing Agent, at or before 11:30 a.m., New York City time, on the Demand Date, written notice that any of the Bonds identified in the Tender Notice have not been remarketed, the Trustee shall at or before 12:00 noon New York City time give the Credit Bank telephonic notice of the receipt of such notice from the Remarketing Agent and the Trustee shall immediately draw on the Letter of Credit in an amount sufficient to enable the Tender Agent to pay the Purchase Price of all of the Bonds identified in such written notice. If the Trustee fails to get any such notice from the Remarketing Agent by 11:30 a.m. New York City time on the Demand Date, the Trustee shall immediately draw on the Letter of Credit in an amount sufficient to purchase all Bonds tendered. On each Demand Date the Trustee shall pay to the Tender Agent, but only from amounts drawn under the Letter of Credit, the Purchase Price of any Bonds for which it has received a Tender Notice and which have not been remarketed pursuant to the Indenture or arrange to have such amounts drawn under the Letter of Credit to be paid directly to the Tender Agent. Upon receipt of such Purchase Price from the Trustee and upon receipt of the Bonds tendered for purchase pursuant to the Indenture, the Tender Agent shall pay such Purchase Price to the registered owners thereof. Any amounts drawn under the Letter of Credit to purchase Bonds shall be deposited in the Bond Fund and shall be used solely for such purpose. Any Bonds so purchased with amounts drawn under the Letter of Credit by the Trustee shall be registered in the name of the Credit Bank or otherwise designated in writing by the Credit Bank, and such Pledged Bonds shall be retained by the Tender Agent pursuant to the Pledge Agreement. Amounts drawn under the Letter of Credit which are not used to purchase Bonds pursuant to the Indenture or remarketing proceeds received for Bonds remarketed shall be remitted by the Trustee or the Tender Agent to the Credit Bank not later than the Business Day after each Demand Date. Upon the remarketing of Pledged Bonds, the proceeds of sale shall be delivered to the Credit Bank immediately upon reinstatement of the Available Amount of the Letter of Credit as a reimbursement for draws under the Letter of Credit.

Delivery of Purchased Bonds.

(a) Bonds remarketed by the Remarketing Agent pursuant to the Indenture shall be cancelled by the Tender Agent and new Bonds in a like aggregate principal amount shall be registered by the Tender Agent in the names and shall be in the denominations set forth in the written notice given to the Trustee and the Tender Agent by the Remarketing Agent pursuant to the Indenture, and the Tender Agent shall deliver such Bonds and due-bills, if any, to the Remarketing Agent and shall promptly notify the Trustee in writing of such cancellation and registration. Neither the Trustee nor the Tender Agent shall transfer Pledged Bonds unless the Trustee and the Tender Agent have received written notice from the Credit Bank that the Letter of Credit has been reinstated for an amount at least equal to the proceeds of the Letter of Credit used to pay the Purchase Price of such Bonds, upon reinstatement of the Letter of Credit, the Credit Bank shall provide written notice to the Trustee and the Tender Agent of such reinstatement.

(b) Bonds purchased for the account of the Corporation as Pledged Bonds pursuant to the Indenture (together with any due-bills) shall be registered by the Trustee in the name of the Corporation and shall be retained by the Tender Agent as required by the Indenture. So long as any Bonds are registered in the name of the Corporation, the Credit Bank or any nominee of either, they shall be subordinate to all other Bonds outstanding under the Indenture and may not be tendered for purchase pursuant to the Indenture.

Tender Agent. The Trustee on behalf of the Authority shall appoint the Tender Agent for the Bonds, subject to the conditions set forth in the Indenture. The Tender Agent initially appointed under the Indenture shall be The Bank of New York Mellon Trust Company, N.A.. The Tender Agent, and any successor thereto, shall designate to the Trustee its Principal Office and signify its acceptance of the duties and obligations imposed upon it under the Indenture by a written instrument of acceptance delivered to the Authority, the Trustee and the Remarketing Agent under which the Tender Agent acknowledges its qualifications and authority to act as Tender Agent under the Indenture and agrees, particularly, as follows:

(a) The Tender Agent shall, upon receipt of a Tender Notice from any Bondholder, give Immediate Notice thereof to the Trustee and the Remarketing Agent, specifying the amount of Bonds to be purchased and the Demand Date, and shall, not later than noon, New York City time, the following Business Day, confirm such telephonic notice in writing and deliver to the Remarketing Agent and the Credit Bank a copy of such Tender Notice.

(b) On each Demand Date, the Tender Agent shall give the Remarketing Agent and the Trustee Immediate Notice, confirmed in writing by the following Business Day, of the amount of Bonds delivered pursuant to the Indenture.

(c) The Tender Agent shall hold all Bonds delivered to it pursuant to the Indenture in trust for the benefit of the respective Bondholders which shall have so delivered such Bonds until such Bonds are required by the Indenture to be delivered to the respective purchasers thereof.

(d) The Tender Agent shall hold all moneys delivered to it by the Remarketing Agent for the purchase of Bonds in trust for the benefit of the person which shall have delivered such moneys to the Remarketing Agent until the Bonds purchased with such moneys shall have been delivered to or for the account of such person and shall not invest such moneys or commingle such moneys with other funds of the Tender Agent.

(e) The Tender Agent shall cancel all Bonds for which it has received written notice of remarketing from the Remarketing Agent and shall authenticate new Bonds in a like aggregate principal amount in the names and in the denominations set forth in the written notice given to the Tender Agent by the Remarketing Agent pursuant to the Indenture.

(f) The Tender Agent shall deliver Bonds and due-bills, if any, as directed by the Remarketing Agent in accordance with the Indenture, provided, however, that no Bonds shall be so delivered unless and until the amount of the Letter of Credit has been reinstated in an amount equal to the total principal amount of all Bonds other than those held by the Tender Agent pursuant to the Indenture plus interest thereon. The Tender Agent shall remit the Purchase Price of tendered Bonds to the tendering Bondholders in accordance with the Indenture.

(g) The Tender Agent shall deliver to the Trustee all tendered Bonds promptly upon cancellation following receipt of such Bonds from the holders thereof.

(h) The Tender Agent shall keep such books and records as shall be consistent with prudent industry practice and shall make such books and records available for inspection by the Authority, the Trustee and the Credit Bank at all reasonable times upon prior notice of such inspection.

Modification of Indenture

Modification of Indenture Without Consent of Bondholders. The Authority and the Trustee, from time to time and at any time, subject to the conditions and restrictions in the Indenture contained, may enter into an indenture or indentures supplemental thereto, which indenture or indentures thereafter shall form a part of the Indenture, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power in the Indenture reserved to or conferred upon the Authority, provided that no such covenant, agreement, assignment, pledge or surrender shall materially adversely affect the interests of the holders of the Bonds, as evidenced by the opinion of counsel described in the Indenture;

(b) to evidence the succession of a new Trustee, Tender Agent or Remarketing Agent under the Indenture or to provide for the appointment of a co-trustee or for a paying agent in addition to the Trustee;

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

(d) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any indenture supplemental thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar federal statute, and which shall not materially adversely affect the interests of the holders of the Bonds, as evidenced by the opinion of counsel described in the Indenture;

(e) to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes, as set forth in an opinion of Bond Counsel;

(f) to modify, alter, amend or supplement this indenture if such modification, alteration, amendment or supplement occurs following a mandatory tender of the Bonds; or

(g) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described in the Indenture, if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least 30 days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture.

Any supplemental indenture may be executed by the Authority and the Trustee following notice to the Corporation and the Credit Bank, but without the consent of or, except in the case of clause (g) above, notice to the holders of any of the Bonds at the time outstanding, notwithstanding any of the provisions of the Indenture, provided that (i) the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise; (ii)

the Trustee shall not enter into any such supplemental indenture, except pursuant to clause (g) above, which affects the rights or obligations of the Corporation under the Indenture or under the Agreement without first obtaining the written consent of the Corporation; and (iii) the Trustee shall not enter into any such supplemental indenture, except pursuant to clause (f) above, without first obtaining the written consent of the Credit Bank.

Modification of Indenture With Consent of Bondholders. With the prior written consent of the Credit Bank and the consent of the holders of not less than 60% in aggregate principal amount of the Bonds at the time outstanding (excluding Bonds owned by the Corporation), evidenced as provided in the Indenture, and following notice to the Corporation, the Authority and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental thereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that, except to the extent permitted by the Indenture, no such supplemental indenture shall (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Bond so affected, or (2) reduce the aforesaid percentage of holders of Bonds whose consent is required for the execution of such supplemental indentures, or permit the creation of any lien on the Revenues prior to or on a parity with the lien of the Indenture, except as permitted in the Indenture, or permit the creation of any preference of any Bondholder over any other Bondholder or deprive the holders of the Bonds of the lien created by the Indenture upon the Revenues, or impair the right of the owners of Bonds to demand purchase thereof pursuant to the Indenture, without in each case the consent of the holders of all the Bonds then outstanding. Nothing in this paragraph shall be construed as making necessary the approval of any Bondholder of any supplemental indenture permitted by the provisions of the Indenture. Upon receipt by the Trustee of an Authority resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of written evidence of the consent of the Credit Bank and Bondholders, as aforesaid, the Trustee shall join with the Authority in the execution of such supplemental indenture, unless (a) such supplemental indenture affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture; (b) such supplemental indenture affects the rights or obligations of the Corporation under the Indenture or under the Agreement, in which case the Trustee shall enter into such supplemental indenture only if the Trustee has received the Corporation's written consent thereto; or (c) such supplemental indenture affects the rights or obligations of the Tender Agent under the Indenture, in which case the Trustee shall enter into such supplemental indenture only if the Trustee has received the Tender Agent's written consent thereto.

It shall not be necessary for the consent of the Bondholders to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Authority and the Trustee of any supplemental indenture pursuant to the provisions of the Indenture, the Trustee shall give Bondholders, by first-class mail, a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Defeasance

Discharge of Indenture. If the entire indebtedness on all Bonds outstanding shall be paid and discharged in any one or more of the following ways:

(a) by the payment of the principal of (including redemption premium, if any) and interest on all Bonds outstanding; or

(b) after Conversion, but not before Conversion, by the deposit or credit to the account of the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem Bonds outstanding, whether by redemption or otherwise; or

(c) by the delivery to the Trustee, for cancellation by it, of all Bonds outstanding; and if all other sums payable under the Indenture by the Authority shall be paid and discharged, then and in that case the Indenture shall cease, terminate and become null and void, except only as provided in the Indenture, and thereupon the Trustee shall, upon Written Request of the Authority, and upon receipt by the Trustee of a Certificate of the Authority and an Opinion of Counsel, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Indenture. The fees and charges of the Trustee and the Tender Agent (including reasonable counsel fees and expenses) must be paid in order to effect such discharge. The satisfaction and discharge of the Indenture shall be without prejudice to the rights of the Trustee to charge and be reimbursed by the Corporation for any reasonable expenditures which it may thereafter incur in connection with the Indenture and pursuant to its obligations under the Indenture.

The Authority or the Credit Bank or the Corporation may at any time surrender to the Trustee for cancellation by it any Bonds previously authenticated and delivered which the Authority or the Credit Bank or the Corporation lawfully may have acquired in any manner whatsoever, and such Bonds upon such surrender and cancellation shall be deemed to be paid and retired.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem outstanding Bonds (whether upon or prior to their maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, except only that thereafter the holders thereof shall be entitled to payment by the Authority, and the Authority shall remain liable for such payment, but only out of the money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

Deposit of Money or Securities With Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or credited to the account of or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held shall be Available Amounts constituting:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which there shall have been furnished to the Trustee proof satisfactory to it that notice of such redemption on a specified redemption date has been duly given or provision satisfactory to the Trustee shall be made for such notice, the amount so to be deposited or held shall be the principal amount of such Bonds and interest thereon to the redemption date, together with the redemption premium, if any; or

(b) non-callable, non-prepayable direct obligations of the United States of America or non-callable, non-prepayable obligations which as to principal and interest constitute full faith and credit obligations of the United States of America (the payment of which is fully and unconditionally guaranteed on a timely basis), excluding any such obligations then held by a unit investment trust or money market mutual fund, in such amounts and maturing at such times that the proceeds of said obligations received upon their respective maturities and interest payment dates, without further reinvestment, will provide funds sufficient, in the opinion of a nationally recognized firm of certified public accountants, to pay the principal, premium, if any, and interest to maturity, or to the redemption date, as the case may be, with respect to all of the Bonds to be paid or redeemed, as such principal, premium and interest become due, provided that the Trustee shall have been irrevocably instructed by the Authority to apply the proceeds of said obligations to the payment of said principal, premium, if any, and interest with respect to such Bonds.

LOAN AGREEMENT

The Agreement provides the terms of the loan of Bond proceeds to the Corporation and the repayment of and security for such loan provided by the Corporation. Certain of the provisions of the Agreement are summarized below. *This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Agreement.*

Loan of Bond Proceeds

The Authority covenants and agrees, upon the terms and conditions in the Agreement, to make the Loan to the Corporation in an amount equal to the aggregate principal amount of the Bonds, for the purpose of financing the acquisition and rehabilitation of the Project. Pursuant to said covenant and agreement, the Authority will issue the Bonds upon the terms and conditions contained in the Agreement and the Indenture and will cause the proceeds from the sale of the Bonds to be applied as provided in the Indenture. Except as provided in the Indenture, such proceeds shall be disbursed as provided in the Agreement, subject to approval of the Credit Bank pursuant to the Credit Agreement.

Loan Repayment and Payment of Other Amounts

On or before each Interest Payment Date, until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for such payment shall have been made as provided in the Indenture, the Corporation covenants and agrees to pay to the Trustee as a Loan Repayment on the Loan made to the Corporation from Bond proceeds pursuant to the Agreement, a sum equal to the amount payable on such Interest Payment Date as principal of, and premium, if any, and interest on the Bonds as provided in the Indenture.

The Loan Repayments made pursuant to the Agreement shall at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon redemption or acceleration) and premium, if any, becoming due and payable on the Bonds on each Interest Payment Date; provided that any amount held by the Trustee in the Revenue Fund on the due date for a Loan Repayment pursuant to the immediately preceding paragraph shall be credited against the Loan Repayment due on such date to the extent available for such purpose under the terms of the Indenture; and provided further that, subject to the provisions of this paragraph, if at any time the amounts held by the Trustee in the Revenue Fund are sufficient to pay all of the principal of and interest and premium, if any, on the Bonds as such payments become due, the Corporation shall be relieved of any obligation to make any further Loan Repayments under the provisions of the Agreement. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Revenue Fund is insufficient to make any required payments of principal of (whether at maturity or upon redemption or acceleration) and interest and premium, if any, on the Bonds as such payments become due, the Corporation, immediately upon receipt of notice of such deficiency from the Trustee, shall forthwith pay such deficiency as a Loan Repayment under the Agreement.

The obligation of the Corporation to make any payment under the Agreement shall be deemed to have been satisfied to the extent of any corresponding payment made by the Credit Bank to the Trustee as a result of a drawing under the Letter of Credit. To the extent the Trustee receives a Loan Repayment from the Corporation pursuant to the Agreement after any payment obligation under the Agreement has been satisfied by a drawing under the Letter of Credit, the Trustee shall promptly use such Loan Repayment to reimburse the Credit Bank for such drawing or if the Credit Bank has been reimbursed directly by the Corporation such funds shall be returned to the Corporation.

The Corporation covenants and agrees to pay until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for such payment shall have been made as provided in the Indenture, (i) the Trustee's reasonable annual fee for its ordinary services rendered as trustee, and its reasonable ordinary expenses incurred under the Indenture, as and when the same become due; (ii) the Trustee's reasonable fees, charges and expenses, as bond registrar, Tender Agent and paying agent, and the reasonable fees of any other paying agent for the Bonds as provided in the Indenture, as and when the same become due; (iii) the cost of providing any Bonds required to be provided pursuant to the Indenture; (iv) the reasonable fees of any rating agency then rating the Bonds required to maintain the rating on the Bonds; (v) the reasonable fees of the Remarketing Agent; (vi) all fees and expenses of the Authority in

connection with the loan to the Corporation under the Agreement, the Bonds, the Indenture or any other documents contemplated thereby, including, without limitation the Authority's initial bond administration fee and its annual bond administration fee, expenses incurred by counsel to the Authority in connection with the issuance, sale and delivery of the Bonds, and any litigation which may at any time be instituted involving such loan or the Bonds, the Indenture and any other documents contemplated thereby, and expenses incurred by the Authority in supervision and inspection of the Corporation and its operations with respect to the use and application of such loan; and (vii) all administrative and legal fees and expenses of the Authority, including, without limitation, those pertaining to the representation of the Authority as a "taxpayer" before the Internal Revenue Service in any audit or investigation of the Bonds. The Corporation covenants and agrees to make all payments for the expenses identified in clauses (i) through (vii) above. In addition, the Corporation covenants and agrees to pay all extraordinary expenses and indemnities incurred by the Trustee, the Tender Agent, the Remarketing Agent or the Authority under the Agreement, the Tax Certificate or the Indenture as and when the same become due. The duties of the Corporation under the Agreement shall survive the termination of the Agreement and the termination and discharge of the Indenture.

Payments required to be made by the Corporation under the Agreement (other than for debt service) shall be billed to the Corporation by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the Corporation within thirty (30) days after receipt of the bill by the Corporation. Notwithstanding the foregoing, neither the Authority nor the Trustee shall be required to submit a bill to the Corporation for payment of the Authority's annual bond administration fee, to be collected by the Trustee and which shall be due and payable annually in advance, on each December 1, commencing December 1, 2011, and which shall equal 0.2% of the aggregate principal amount of Bonds as of the Closing Date.

The Corporation also agrees to pay the fees and expenses of the Credit Bank pursuant to the Reimbursement Agreement.

In the event the Corporation should fail to make any of the payments required by the Agreement, such payments shall continue as obligations of the Corporation until such amounts shall have been fully paid. Except as provided in the next sentence, the Corporation agrees to pay such amounts, together with interest thereon, from the date such payments were due, until paid, to the extent permitted by law, at the rate of 10% per annum.

Unconditional Obligation

The obligations of the Corporation to make the payments required by the Agreement and to perform and observe the other agreements on its part contained in the Agreement shall be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim it might otherwise have against the Authority, and, during the term of the Agreement, the Corporation shall pay absolutely net the payments required under the Agreement, free of any deductions and without abatement, diminution or setoff. Until such time as the principal of, premium, if any, and interest on the Bonds shall have been fully paid, or provision for the payment thereof shall have been made as required by the Indenture, the Corporation (i) will not suspend or discontinue any payments provided for in the Agreement; (ii) will perform and observe all of its other covenants contained in the Agreement; and (iii) except as provided in the Indenture, will not terminate the Agreement for any cause, including, without limitation, failure to rehabilitate the Project, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision or either of these or any failure of the Authority or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement or the Indenture, except to the extent permitted by the Agreement.

Assignment of Authority's Rights

As security for the payment of the Bonds, the Authority in the Indenture assigns to the Trustee certain of the Authority's rights under the Agreement, including the right to receive payments under the

Agreement (except for any deposits to the Rebate Fund and the right of the Authority to receive certain payments, if any, with respect to fees, expenses and indemnification under the Agreement), and the Authority directs the Corporation to make the payments required under the Agreement (except such payments for fees, expenses and indemnification which are expressly provided to be paid directly to the Authority) directly to the Trustee. The Corporation assents to such assignment and agrees to make payments directly to the Trustee without defense or setoff by reason of any dispute between the Corporation and the Authority or the Trustee. By virtue of such assignment and with respect to enforcing its own rights, the Trustee shall be a third-party beneficiary of the Agreement and shall have the right to enforce the obligations of the Corporation under the Agreement. Such assignment is to the Trustee solely in its capacity as Trustee under the Indenture and any action taken or not taken by the Trustee with respect to such assignment shall be subject to the provisions of the Indenture.

In consideration for the undertaking by the Corporation to reimburse the Credit Bank for amounts drawn under the Letter of Credit to purchase Bonds which are tendered for purchase and not remarketed pursuant to the Indenture, the Authority assigns to the Corporation all of the Authority's right, title and interest in and to any and all proceeds of any subsequent remarketing of any such Bonds so purchased, and directs the Corporation to direct the Remarketing Agent to pay any such proceeds to the Credit Bank in order to discharge such reimbursement obligation of the Corporation to the Credit Bank in accordance with the terms of the Indenture.

Special Covenants and Agreements

Right of Access to the Project and Records. The Corporation agrees that during the term of the Agreement the Authority, the Trustee and the duly authorized agents of either of them shall have the right (but not any duty) at all reasonable times and upon reasonable notice during normal business hours to enter upon the site of the Project to examine and inspect the Project and to have access to the books and records of the Corporation with respect to the Project. In connection with exercising the inspection rights under the Agreement, the Trustee and the Authority shall use best efforts to not interrupt the operations of the Corporation or the Project.

Maintenance of Existence; Assignments and Conveyance.

(a) The Corporation agrees that, during the term of the Agreement, it will remain in good standing and have the capacity to do business in the State of California and will maintain their existence as a nonprofit, public benefit corporation will not dissolve or otherwise dispose of all or substantially all of its assets and the Corporation will not combine or consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it unless the surviving, resulting or transferee entity assumes the duties and obligations set forth in paragraph (b) below.

(b) Subject to the terms of the Credit Agreement, the rights and obligations of the Corporation under the Agreement may be assigned by the Corporation to any person in whole or in part, subject, however, to each of the following conditions:

(i) Upon any assignment pursuant to the Agreement, the Corporation shall be relieved of any liability for any obligations arising or events occurring after the date of such assignment. No assignment other than pursuant to the Agreement shall relieve the Corporation from primary liability for any of its obligations under the Agreement the basis for which arose prior to the date of such assignment.

(ii) Any assignment from the Corporation shall retain for the Corporation such rights and interests as will permit it to perform its obligations under the Agreement, and any assignee from the Corporation shall assume the obligations of the Corporation under the Agreement to the extent of the interest assigned.

(iii) The Corporation shall, within 10 days after delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of each such assignment together with (1) an instrument of assumption, (2) the written consent of the Credit Bank and the Authority to such assignment, (3) an opinion of Bond Counsel to the effect that such assignment will

not cause interest on the Bonds to be included in gross income for federal income tax purposes, (4) an opinion of counsel to the assignee that the interests assigned have been duly assumed and that such obligations under the Agreement are binding on the assignee and (5) evidence that such other conditions as the Authority and the Trustee may reasonably impose to assure compliance by the assignee and the Project with the requirements of the Agreement have been met.

Notice of Certain Events. The Corporation covenants to notify the Authority and the Trustee in writing of the occurrence of any Event of Default under the Agreement or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default under the Agreement, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto. Such notice shall be given promptly, and in no event less than 10 Business Days after the Corporation receives notice or knowledge of the occurrence of any such event. The Corporation further agrees that it will, and will require the Credit Bank to, give prompt written notice to the Trustee if insurance proceeds or condemnation awards are received with respect to the Project and are not used to repair or replace the Project, which notice shall state the amount of such proceeds or award.

Insurance; Maintenance and Repair. The Corporation agrees to continuously insure the Project or cause the Project to be insured continuously during the term of the Agreement, by means of policies issued by reputable insurance companies admitted to do business in the State of California. The Corporation further agrees to provide the Authority, the Trustee and the Credit Bank with evidence of such insurance, to include the Trustee as an additional insured on all such insurance policies which insure the Project and to certify compliance with the insurance requirements by not later than each anniversary of the Closing Date. The Trustee shall have no responsibility to monitor or review the sufficiency or existence of the insurance on the Project other than to review the evidence of insurance and insurance certifications provided by the Corporation to the Trustee for compliance with the provisions of the Agreement.

The Corporation further agrees to maintain the Project, or cause the Project to be maintained, during the term of the Agreement (i) in a reasonably safe condition and (ii) in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

The Corporation agrees to pay all taxes and assessments on the Project 5 days prior to delinquency.

Tax-exempt Status of the Bonds.

(a) It is the intention of the Authority and the Corporation that interest on the Bonds (other than Bonds held by a "substantial user" of the Project or a "related person" within the meaning of section 147 of the Code) shall be and remain exempt from federal income taxation, and to that end the covenants and agreements of the Authority and the Corporation in the Agreement are for the benefit of the Trustee on behalf of and for each and every holder of the Bonds.

(b) The Corporation covenants and agrees that it will not use or permit the use of any of the funds provided by the Authority under the Agreement or any other funds of the Corporation, directly or indirectly, or direct the Trustee to invest any funds held by it under the Agreement or under the Indenture, or permit the Credit Bank to invest any funds held by it pursuant to the provisions of the Credit Agreement, in such manner as would, or enter into, or allow any "related person" (as defined in section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the Bonds that would, or take or omit to take any other action that would, cause any Bond to be an "arbitrage bond" within the meaning of section 148 of the Code or "federally guaranteed" within the meaning of section 149(b) of the Code and applicable regulations promulgated from time to time thereunder. The Corporation covenants and agrees that it will observe and not violate the requirements of section 148 of the Code and any such applicable regulations. Neither the Corporation nor any Related Person will be a party to any agreement, formal or informal, pursuant to which it has purchased or will purchase any of the Bonds in an amount related to the amount of the Loan.

(c) The Corporation shall comply with all requirements of sections 148 and 149(d) of the Code to the extent applicable to the Bonds. In the event that at any time the Corporation is of the opinion or is otherwise aware that for purposes of the Agreement or of the Indenture it is necessary to restrict or to limit the yield on

the investment of any moneys held by the Trustee under the Indenture or by the Credit Bank under the Credit Agreement, the Corporation shall determine the limitations and so instruct the Trustee or the Credit Bank, as the case may be, in writing and cause the Trustee or the Credit Bank, as applicable, to comply with these limitations.

(d) The Corporation specifically covenants to comply with the covenants and procedures set forth in the Indenture and the Tax Certificate, to cause the Rebate Calculation required by the Tax Certificate to be made at the times specified therein and to deposit in the Rebate Fund annually such amounts as may be necessary to increase the amount on deposit in the Rebate Fund to the Rebate Requirement.

(e) The Corporation shall not use or permit the use of any proceeds of Bonds or any funds of the Corporation, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Bonds being treated as an obligation not described in section 103(a) of the Code.

(f) Notwithstanding any provisions of the Agreement, if the Corporation shall provide to the Trustee, the Authority and the Credit Bank an opinion of Bond Counsel that any specified action required under the Agreement or the Indenture is no longer required or that some further or different action is required to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes, the Trustee, the Authority, the Credit Bank and the Corporation may conclusively rely on such opinion in complying with the requirements of the Agreement and the Indenture and be protected in so doing, and the covenants under the Agreement shall be deemed to be modified to that extent.

(g) The Authority covenants and agrees that it has not taken and will not take, and the Corporation covenants and agrees that it has not taken or permitted to be taken and will not take or permit to be taken, any action which will cause the interest on the Bonds to be included in gross income for federal income tax purposes provided that neither the Corporation nor the Authority shall have violated these covenants if the interest on any of the Bonds becomes taxable to a person solely because such person is a "substantial user" of the Project or a "related person" within the meaning of section 147(a) of the Code, and provided further that none of the covenants and agreements contained in the Agreement shall require either the Corporation or the Authority to enter an appearance or intervene in any administrative, legislative or judicial proceeding in connection with any changes in applicable laws, rules or regulations or in connection with any decisions of any court or administrative agency or other governmental body affecting the taxation of interest on the Bonds.

(h) The Corporation further warrants and covenants that it has not executed and will not execute any other agreement, or any amendment or supplement to any other agreement, with provisions contradictory to, or in opposition to, the provisions of the Agreement, of the Indenture, and that in any event the requirements of the Agreement are paramount and controlling as to the rights and obligations set forth in the Agreement and supersede any other requirements in conflict therewith.

(i) The Corporation further warrants and covenants that it will not allow any proceeds of the Bonds to be used to provide any airplane, skybox or other private luxury box, facility primarily used for gambling or facilities the primary purpose of which is the sale of alcoholic beverages for consumption off premises.

(j) Neither the Corporation nor the Authority will, by an arrangement formal or informal, purchase Bonds in an amount related to the amount of the Loan.

(k) The Corporation covenants that not less than 95 percent of the net proceeds of the Bonds (within the meaning of section 150(a)(3) of the Code) are paid for Qualified Project Costs.

(l) The Corporation covenants that less than twenty-five percent (25%) of the proceeds of the Bonds shall be used, directly or indirectly, for the acquisition of land.

(m) The Corporation covenants that no proceeds of the Bonds shall be used for the acquisition of any tangible property or an interest therein, other than land or an interest in land, unless the first use of such property is pursuant to such acquisition; provided, however, that this limitation shall not apply with respect to any building (and the equipment therefor) if rehabilitation expenditures (as defined in section 145(d) of the Code) with respect to such building equal or exceed 15 percent of the portion of the cost of

acquiring such building (and equipment) financed with Proceeds; and provided, further, that this limitation shall not apply with respect to any structure other than a building if rehabilitation expenditures with respect to such structure equal or exceed 100 percent of the portion of the cost of acquiring such structure financed with the proceeds of the Bonds.

Letter of Credit. At all times before Conversion there shall be provided and continuously available to the Trustee, as beneficiary, an irrevocable Letter of Credit (whether in the form of a letter of credit or any other credit instrument) meeting the requirements of the Agreement while the Bonds bear interest at a Variable Rate or while the Bonds bear interest at a Reset Rate; and at all times after Conversion there shall be provided and continuously available to the Trustee an irrevocable Letter of Credit (whether in the form of a letter of credit or any other credit instrument) meeting the requirements of the Agreement or such other credit enhancement as the Authority shall approve. The Corporation shall have the right (i) at any time during any Variable Period, (ii) at any time following an Act of Credit Bankruptcy of the Credit Bank or if either the long-term or short-term rating of the Credit Bank's senior unsecured debt is lowered or withdrawn and (iii) in connection with Conversion or any Reset Date, to provide to the Trustee a substitute Letter of Credit which meets the requirements of the Agreement, and the Trustee has been directed pursuant to the Indenture to accept any such substitute Letter of Credit. Any merger or similar business combination of the Credit Bank shall not be deemed to be a substitution of the Letter of Credit unless a new letter of credit is sought to be substituted for the Letter of Credit then held by the Trustee. The Corporation shall send notice to the Trustee of the expected date of substitution, pursuant to the Indenture, of the then-existing Letter of Credit (the "Substitution Date") not later than thirty (30) days prior to such Substitution Date.

(a) The following requirements shall apply to any Letter of Credit provided while the Bonds bear interest at the Initial Rate:

(1) The Letter of Credit initially provided shall be effective from no later than the Closing Date, and any Letter of Credit provided in substitution for any then outstanding Letter of Credit shall be for a term commencing not later than the expiration date of the term of the prior Letter of Credit.

(2) The Letter of Credit initially provided shall be for a term expiring not earlier than December 1, 2017, and any Letter of Credit provided in substitution for any then outstanding Letter of Credit shall be for a term with a stated expiration ofmDecember 1, 2017.

(3) Each Letter of Credit shall be in an amount at any date not less than the sum of the aggregate principal amount of the Bonds then outstanding, plus an amount equal to interest on the Bonds for a period of 185 days at the Initial Rate.

(4) Except for its term, each Letter of Credit shall have substantially the same provisions as the Letter of Credit delivered on the Closing Date, including, without limitation, provisions permitting drawings thereunder to pay amounts due on the Bonds on the scheduled dates for payment of such amounts or upon redemption or acceleration, and providing for automatic and irrevocable reinstatement of the amount thereof upon any drawing thereunder to pay interest on the Bonds and shall be in a form acceptable to the Trustee.

(5) Each Letter of Credit shall be issued by a national banking association organized under the National Banking Act, or any successor law, or a banking corporation organized under the laws of any state of the United States, or a savings and loan association or corporation or savings bank organized under the laws of the United States or any state thereof, or a branch or agency of a foreign banking corporation or association licensed in one of the States of the United States, or any other institution, surety or other entity acceptable to the Authority and the Corporation.

(6) Each Letter of Credit delivered to the Trustee must be accompanied by (i) an opinion of Bond Counsel to the effect that delivery of the Letter of Credit complies with the provisions of this Agreement and the Indenture and will not cause interest on the Bonds (other than Bonds held by a "substantial user" of the Project or a "related person" within the meaning of section 147 of the Code) to become includable in gross income for federal income tax purposes; and (ii) one or more opinions

of counsel to the Credit Bank or other counsel to the effect, singly or together, that the Letter of Credit is a legal, valid and binding obligation of the Credit Bank, enforceable against the Credit Bank in accordance with its terms, except as limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of the rights of creditors generally as such laws may be applied in the event of a reorganization, insolvency, liquidation, readjustment of debt or other similar proceeding of or moratorium applicable to the Credit Bank and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and

(7) Each Letter of Credit delivered to the Trustee in substitution for the then outstanding Letter of Credit must be accompanied by a written statement, signed by an officer of each Rating Agency which then maintains a rating on the Bonds, to the effect that the rating on the Bonds will not be reduced or withdrawn solely as a result of the delivery of such Letter of Credit, and in any event will not be less than one rating category lower than the initial rating on the Bonds, without the consent of the Authority.

(b) The following requirements shall apply to any Letter of Credit provided while the Bonds bear interest at a Variable Rate:

(1) Any Letter of Credit shall be for a term of not less than one year, provided that any Letter of Credit may provide that it shall terminate prior to its stated expiration date on the fifth day following a Reset Date or the Conversion Date or upon receipt by the Credit Bank of notice from the Trustee that no Bonds remain outstanding or upon the date of issuance and delivery of a substitute Letter of Credit, except that any Letter of Credit provided in connection with a Reset Date or the Conversion Date shall not be deemed to be a substitute for the Letter of Credit then outstanding, which shall not expire until the close of business on the fifth day following such Reset Date or Conversion Date.

(2) Each Letter of Credit shall be in an amount at any date not less than the sum of the aggregate principal amount of the Bonds then outstanding, plus an amount equal to interest on the Bonds for a period of 35 days at an assumed maximum rate of 10% per annum or such higher rate as may be determined in accordance with the provisions of the Indenture.

(3) Except for its term, each Letter of Credit shall have substantially the same provisions as the Letter of Credit delivered on the Closing Date, including, without limitation, provisions permitting drawings thereunder to pay amounts due on the Bonds on the scheduled dates for payment of such amounts or upon redemption or acceleration and to pay the purchase price of Bonds tendered for purchase as provided in the Indenture, and providing for automatic and irrevocable reinstatement of the amount thereof upon any drawing thereunder to pay interest on the Bonds and shall be in a form acceptable to the Trustee.

(4) Each Letter of Credit shall be issued by a national banking association organized under the National Banking Act, or any successor law, or a banking corporation organized under the laws of any state of the United States, or a savings and loan association or corporation or savings bank organized under the laws of the United States or any state thereof, or a branch or agency of a foreign banking corporation or association licensed in one of the States of the United States, or any other institution, surety or other entity acceptable to the Authority and the Corporation.

(5) Each Letter of Credit delivered to the Trustee must be accompanied by (i) an opinion of Bond Counsel to the effect that delivery of the Letter of Credit complies with the provisions of the Agreement and the Indenture and will not cause interest on the Bonds (other than Bonds held by a "substantial user" of the Project or a "related person" within the meaning of section 147 of the Code) to become includable in gross income for federal income tax purposes; and (ii) one or more opinions of counsel to the Credit Bank or other counsel to the effect, singly or together, that the Letter of Credit is a legal, valid and binding obligation of the Credit Bank, enforceable against the Credit Bank in accordance with its terms, except as limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of the rights of creditors generally as such laws may be applied in the event of a reorganization,

insolvency, liquidation, readjustment of debt or other similar proceeding of or moratorium applicable to the Credit Bank and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and

(6) Each Letter of Credit delivered to the Trustee in substitution for the then outstanding Letter of Credit must be accompanied by a written statement, signed by an officer of each Rating Agency which then maintains a rating on the Bonds, to the effect that the rating on the Bonds will not be reduced or withdrawn solely as a result of the delivery of such Letter of Credit, and in any event will not be less than one rating category lower than the initial rating on the Bonds, without the consent of the Authority.

(c) The following requirements shall apply to any Letter of Credit provided in connection with any Reset Date or during a Reset Period:

(1) Evidence satisfactory to the Authority and the Trustee of the unconditional commitment to deliver the Letter of Credit shall be delivered not less than 10 days before the Reset Date, the Letter of Credit provided in connection with a Reset Date shall be delivered by 8:30 a.m. California time on or before the Reset Date and shall be effective from no later than the Reset Date, and any Letter of Credit provided in substitution for any then outstanding Letter of Credit shall be for a term commencing not later than the expiration date of the prior Letter of Credit.

(2) Each Letter of Credit shall be for a term expiring not earlier than five days after the applicable Reset Period, provided that any Letter of Credit may provide that it shall terminate prior to its stated expiration date upon receipt by the Credit Bank of notice from the Trustee that no Bonds remain outstanding or upon the date of issuance of a substitute Letter of Credit.

(3) Each Letter of Credit shall be in an amount at any date not less than the sum of the aggregate principal amount of the Bonds then outstanding, plus an amount equal to interest on the Bonds at the applicable Reset Rate for a period of at least 185 days.

(4) Each Letter of Credit shall contain provisions permitting drawings thereunder to pay amounts due on the Bonds on the scheduled dates for payment of such amounts or upon redemption or acceleration and to pay the purchase price of Bonds tendered for purchase as provided in the Indenture, and providing for automatic and irrevocable reinstatement of the amount thereof upon any drawing thereunder to pay interest on the Bonds and shall be in a form acceptable to the Trustee.

(5) Each Letter of Credit shall be issued by an entity described in the Agreement.

(6) The commitment to issue the Letter of Credit to be delivered to the Trustee in connection with a Reset Date and each subsequent Letter of Credit delivered to the Trustee must be accompanied by an opinion of Bond Counsel and one or more opinions of counsel to the Credit Bank or other counsel to the effect set forth in the Agreement.

(7) The commitment to issue the Letter of Credit to be delivered to the Trustee in connection with a Reset Date must be accompanied by a written statement, signed by an officer of each Rating Agency which then maintains a rating on the Bonds, to the effect that any rating on the Bonds will not be reduced to a rating which is less than one rating category lower than the initial rating on the Bonds, without the consent of the Authority; and each subsequent Letter of Credit delivered to the Trustee must be accompanied by a written statement of such Rating Agency to the same effect.

(d) The following requirements shall apply to any Letter of Credit provided in connection with or after Conversion, as applicable:

(1) Evidence satisfactory to the Authority and the Trustee of the unconditional commitment to deliver the Letter of Credit shall be delivered not less than 10 days before the Conversion Date, the Letter of Credit provided in connection with Conversion shall be delivered by 8:30 a.m. California time on or before the Conversion Date and shall be effective from no later than the

Conversion Date, and any Letter of Credit provided in substitution for any then outstanding Letter of Credit shall be for a term commencing not later than the expiration date of the prior Letter of Credit.

(2) Each Letter of Credit shall be for a term expiring not earlier than five days after the final maturity date of the Bonds, provided that any Letter of Credit may provide that it shall terminate prior to its stated expiration date upon receipt by the Credit Bank of notice from the Trustee that no Bonds remain outstanding or upon the date of issuance of a substitute Letter of Credit.

(3) Each Letter of Credit shall be in an amount at any date not less than the sum of the aggregate principal amount of the Bonds then outstanding, plus an amount equal to interest on the Bonds at the Fixed Rate for a period of at least 185 days.

(4) Each Letter of Credit shall contain provisions permitting drawings thereunder to pay amounts due on the Bonds on the scheduled dates for payment of such amounts or upon redemption or acceleration, and providing for automatic and irrevocable reinstatement of the amount thereof upon any drawing thereunder to pay interest on the Bonds and shall be in a form acceptable to the Trustee.

(5) Each Letter of Credit shall be issued by an entity described in the Agreement.

(6) The commitment to issue the Letter of Credit to be delivered to the Trustee in connection with Conversion and each subsequent Letter of Credit delivered to the Trustee must be accompanied by an opinion of Bond Counsel and one or more opinions of counsel to the Credit Bank or other counsel to the effect set forth in the Agreement.

(7) The commitment to issue the Letter of Credit to be delivered to the Trustee in connection with Conversion, as provided in the Indenture, must be accompanied by a written statement, signed by an officer of each Rating Agency which then maintains a rating on the Bonds, to the effect that the long-term rating on the Bonds will not be reduced to a rating which is less than one rating category lower than the initial rating on the Bonds, without the consent of the Authority; and each subsequent Letter of Credit delivered to the Trustee must be accompanied by a written statement of such Rating Agency to the same effect.

Continuing Disclosure. The Authority and the Trustee acknowledge that the Corporation shall, upon the adjustment to a Fixed Rate on the Bonds pursuant to the Indenture, undertake the continuing disclosure requirements promulgated under S.E.C. Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, and the Authority shall have no liability to the holders or beneficial owners of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of the Indenture, failure of the Corporation to comply with the requirements of S.E.C. Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, shall not be considered an Event of Default under the Agreement or under the Indenture.

Damage, Destruction and Condemnation; Use of Proceeds

Obligation To Continue Payments. If prior to full payment of the Bonds (or provision for payment thereof in accordance with the provisions of the Indenture) the Project or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Corporation shall nevertheless be obligated to continue to pay the amounts specified in the Indenture, to the extent not prepaid in accordance with the Indenture.

Application of Net Proceeds. The Net Proceeds, if any, of any insurance or condemnation awards resulting from the damage, destruction or condemnation of the Project or any portion thereof shall be applied in one or more of the following ways at the election of the Corporation, by written notice signed by an Authorized Corporation Representative and delivered to the Authority, the Credit Bank and the Trustee:

(a) The prompt repair, restoration, relocation, modification or improvement of the stage of completion of construction of the damaged, destroyed or condemned portion of the Project to enable such portion of the Project to accomplish at least the same function as such portion of the Project was designed to accomplish prior to such damage or destruction or exercise of such power of eminent domain or

(b) Prepayment of all or a portion of the Loan, subject to and in accordance with the Indenture, and redemption of Bonds; provided that no part of the Net Proceeds may be applied for such purpose unless (1) the entire amount of the Loan is so prepaid and all of the outstanding Bonds are to be redeemed in accordance with the Indenture, or (2) in the event that only a portion of the Loan is so prepaid, the Corporation shall furnish to the Authority and the Trustee a certificate of the Authorized Corporation Representative acceptable to the Authority stating (i) that the property forming part of the portion of the Project that was damaged or destroyed by such casualty or was taken by such condemnation proceedings is not essential to the Corporation's use or possession of such portion of the Project or (ii) that such part of the portion of the Project theretofore completed has been repaired, replaced, restored, relocated, modified or improved to enable such portion of the Project to accomplish at least the same function as such portion of the Project was designed to accomplish prior to such damage or destruction or the taking by such condemnation proceedings.

Insufficiency of Net Proceeds. If the Project or a portion thereof is to be repaired, restored, relocated, modified or improved pursuant to the Agreement, and if the Net Proceeds are insufficient to pay in full the cost of such repair, restoration, relocation, modification or improvement, the Corporation to the extent it has sufficient funds will nonetheless complete the work or cause the work to be completed and will pay or cause to be paid any cost in excess of the amount of the Net Proceeds.

Events of Default and Remedies

Events of Default. Any one of the following which occurs and continues shall constitute an Event of Default:

(a) the occurrence of an Event of Default described in paragraph (b), (c) or (d) below if, as set forth in a written opinion of Bond Counsel delivered to the Trustee, such default would be likely to result in interest on the Bonds becoming includable in gross income of a Holder for federal income tax purposes if the Bonds remain outstanding;

(b) failure by the Corporation to pay any amounts required to be paid under the Agreement at the times specified therein (or for amounts to be deemed paid);

(c) failure by the Corporation to observe and perform any other covenant, condition or agreement on its part required to be observed or performed by the Agreement, and which continues for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, given to the Corporation by the Authority or the Trustee, unless the Authority and the Trustee shall, at the written direction of the Credit Bank (provided that the Credit Bank is not in default of its obligations under the Letter of Credit), agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Authority and the Trustee (acting at the written direction of the Credit Bank) will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected;

(d) the making of any representation or warranty by the Corporation in the Agreement or in any document executed in connection with the Agreement which is false or misleading in any material and adverse respect when made; or

(e) the occurrence of any event which is an Event of Default under the Credit Agreement, and receipt by the Trustee from the Credit Bank of written notice signed by an Authorized Credit Bank Representative of such default and a written request that it be treated as an Event of Default under the Agreement.

The provisions of paragraph (c) above, except with respect to defaults under the Agreement, are subject to the limitation that the Corporation shall not be deemed in default if and so long as the Corporation is unable to carry out its agreements under the Agreement by reason of strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of California or any of their departments, agencies or officials or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Corporation, it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Corporation, and the Corporation shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Corporation, unfavorable to the Corporation. This limitation shall not apply to any default except under paragraph (c) above.

Remedies on Default. Whenever any Event of Default shall have occurred and shall continue, the Authority and the Trustee (subject to its rights and protections under the Indenture) may or shall as specified, take any one or more of the following remedial steps:

(a) The Trustee, upon the occurrence of an Acceleration Default, or at the request or with the consent of the Credit Bank upon the occurrence of any other Event of Default under the Agreement, by written notice to the Corporation, shall immediately declare to be due and payable immediately the unpaid balance of the Loan.

(b) The Authority and the Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Corporation as they relate to the Project.

(c) The Authority or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Agreement.

(d) The Trustee may, subject to the Agreement, institute any action or proceeding at law or in equity for the collection of any sums due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Corporation and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case the Trustee or the Authority shall have proceeded to enforce its rights under the Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Authority, then, and in every such case, the Corporation, the Trustee, the Credit Bank and the Authority shall be restored respectively to their several positions and rights under the Agreement, and all rights, remedies and powers of the Corporation, the Trustee, the Credit Bank and the Authority shall continue as though no such action had been taken.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Corporation under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Corporation or in the case of any other similar judicial proceedings relative to the Corporation, or the creditors or property of the Corporation, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Corporation, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is authorized to make such payments to the Trustee, and to pay to the Trustee any reasonable amount due it

for compensation and expenses, including expenses and fees of counsel incurred by it up to the date of such distribution.

No Remedy Exclusive. No remedy in the Agreement conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in the Loan Agreement, it shall not be necessary to give any notice other than such notice as may be expressly required in the Agreement or required by law to be given. Such rights and remedies as are given the Authority under the Agreement shall also extend to the Trustee, and the Trustee and the holders of the Bonds shall be deemed third-party beneficiaries of all covenants and agreements contained in the Agreement.

Limitation on Liability of Issuer; Expenses, Indemnification

Limitation on Liability of Authority. The Authority shall not be obligated to pay the principal of, or premium, if any, or interest on the Bonds, except from Revenues, but excluding any amounts on deposit in the Rebate Fund. The Corporation acknowledges that the Authority's sole source of moneys to repay the Bonds and to pay expenses related thereto will be provided by the payments made by the Corporation pursuant to the Agreement, together with other Revenues, including any drawings under the Letter of Credit or investment income on certain funds and accounts (except the Rebate Fund) held by the Trustee under the Indenture, and confirms that amounts available to pay all principal of, and premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise) have been calculated to be at all times sufficient for such purpose.

Any obligation or liability of the Authority created by or arising out of the Agreement (including, without limitation, any liability created by or arising out of the representations, warranties or covenants set forth in the Agreement or otherwise) shall not impose a debt or pecuniary liability upon the Authority or a charge upon its general credit or any of its powers, but shall be payable solely out of the Revenues. Neither the issuance of the Bonds nor the delivery of the Agreement shall, directly or indirectly or contingently, obligate the Authority to make any appropriation for their payment. Nothing in the Bonds or in the Indenture or the Agreement or the proceedings of the Authority authorizing the Bonds or in the Act or in any other related document shall be construed to authorize the Authority to create a debt of the Authority within the meaning of any constitutional or statutory provision of the State of California. No breach of any pledge, obligation or agreement of the Authority under the Agreement may impose any pecuniary liability upon the Authority or any charge upon its general credit or against any of its powers.

Expenses. The Corporation covenants and agrees to pay and to indemnify the Authority and the Trustee against all costs and charges, including reasonable fees and disbursements of agents, attorneys, accountants, consultants and other experts, incurred in good faith in connection with the Agreement, the Bonds or the Indenture.

Indemnification. The Corporation releases the Authority, the Association of Bay Area Governments ("ABAG"), the Trustee and the Tender Agent from, and covenants and agrees that none of the Authority, ABAG, the Trustee and the Tender Agent shall be liable for, and covenants and agrees to indemnify and hold harmless the Authority, ABAG, the Trustee and the Tender Agent 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 arising out of, resulting from, or in any way connected with (a) the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or any part thereof; (b) the issuance of any Bonds or any certifications or representations made in connection therewith by the Corporation and the carrying out by the Corporation of any of the transactions contemplated by the Bonds, the Indenture, or the Agreement; (c) the Trustee's and the Tender Agent's acceptance or administration of the trusts under the Indenture and the Agreement, or the exercise or performance of any of its powers or duties under the Indenture and the Agreement and any documents executed in connection therewith; or (d) 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 the Official Statement or any remarketing circular or other disclosure document utilized by the underwriter or remarketing agent in connection with the sale, offering or remarketing of any Bonds (other than, as to the Authority, information in the Official Statement or information in any remarketing circular or other disclosure document provided by the Authority), in light of the circumstances under which they were made, not misleading; provided that in each case (other than the Authority or ABAG) such indemnity shall not be required for damages that result from the willful misconduct or gross negligence on the part of the party seeking such indemnity other than the Trustee or the Tender Agent, or willful misconduct or negligence on the part of the Trustee or the Tender Agent. The indemnity required by the Agreement shall be only to the extent that any loss sustained by the Authority or the Trustee exceeds the Net Proceeds the Authority, the Trustee or the Tender Agent receives from any insurance carried by the Corporation with respect to the loss sustained. The Corporation further covenants and agrees to indemnify, pay or reimburse the Authority, ABAG, the Trustee and the Tender Agent and their members, directors, officers, employees and agents for any and all costs, reasonable attorneys' fees, liabilities or expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, expenses or actions, except (other than with respect to the Authority or ABAG) to the extent that the same arise out of the willful misconduct or negligence of the party seeking such indemnity. The indemnity provisions of the Agreement shall survive the payment and retirement of the Bonds, the termination of the Agreement and the resignation or removal for any reason of the Trustee or the Tender Agent.

APPENDIX D
FORM OF FINAL OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

ABAG Finance Authority for Nonprofit Corporations
101 Eighth Street
Oakland, CA 94607-4756

OPINION: \$3,855,000 ABAG Finance Authority for Nonprofit Corporations Revenue Bonds
 (La Clínica de La Raza, Inc.), Series 2010

Members of the Authority:

We have acted as bond counsel in connection with the issuance by the ABAG Finance Authority for Nonprofit Corporations (the "Authority") of its \$3,855,000 ABAG Finance Authority for Nonprofit Corporations Revenue Bonds (La Clínica de La Raza, Inc.), Series 2010 (the "Bonds"), pursuant to Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Law"), an Indenture of Trust, dated as of December 1, 2010, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Indenture"), and a resolution adopted by the Authority on December 1, 2010. The Bonds have been issued by the Authority to provide funds to finance the renovation and improvement of a 14,230 square foot building located at 2000 Sierra Road (formerly 1040 Oak Grove Road), in Concord, California, purchased by La Clínica de La Raza, Inc. (the "Corporation") in March of 2009, to be used as a medical and dental community clinic, replacing an existing facility in Pleasant Hill, California, to be loaned to the Corporation, pursuant to a Loan Agreement, dated as of December 1, 2010, by and between the Authority and the Corporation (the "Loan Agreement"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture, of the Authority and the Corporation contained in the Loan Agreement and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing we are of the opinion, under existing law, as follows:

1. The Authority is duly created and validly existing as a joint exercise of powers authority with the power to enter into the Indenture and the Loan Agreement, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Indenture and the Loan Agreement have been duly approved by the Authority and constitute valid and binding special obligations of the Authority enforceable against the Authority in accordance with their respective terms.
3. Pursuant to the Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued under the Indenture, subject to no prior lien granted under the Law.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

5. Subject to the Authority's and the Corporation's compliance with certain covenants, interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes except after a failed remarketing as described below, (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code") and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such Authority and the Corporation covenants could cause the interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. In rendering our opinion on tax exemption, we have relied on the opinion of Virtual Law Partners LLP, counsel to the Corporation that the Corporation is a 501(c)(3) organization and certain other matters. We express no opinion concerning the exclusion of interest from gross income on any Bond while the Bond is held by the liquidity provider after a failed remarketing of the Bonds or with respect to any Bond that is remarketed after it has been held by the liquidity provider for 90 or more consecutive days.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the Authority and the Corporation and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed by the LA CLÍNICA DE LA RAZA, INC., a California nonprofit public benefit corporation (the "Corporation"), in connection with the issuance of \$3,855,000 ABAG Finance Authority for Nonprofit Corporations Revenue Bonds (La Clínica de La Raza, Inc.), Series 2010 (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2010 (the "Indenture"), by and between the ABAG Finance Authority for Nonprofit Corporations (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the Bonds are being loaned by the Authority to the Corporation pursuant to a Loan Agreement, dated as of December 1, 2010 (the "Loan Agreement"), by and between the Authority and the Corporation. Pursuant to Section 5.10 of the Loan Agreement, the Corporation covenants and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

"Annual Report" shall mean any Annual Report provided by the Corporation pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Corporation or any successor Dissemination Agent designated in writing by the Corporation and which has filed with the Corporation a written acceptance of such designation. In the absence of such a designation, the Corporation shall act as the Dissemination Agent.

"EMMA" or "Electronic Municipal Market Access" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"Listed Events" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Participating Underwriter" shall mean any original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Corporation for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The Corporation shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the Corporation's fiscal year (which currently ends on June 30), commencing with the report for the 2010-11 Fiscal Year, which is due not later than March 31, 2012, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Corporation may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the Corporation's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the Corporation shall provide the Annual Report to the Dissemination Agent (if other than the Corporation). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Corporation.

(d) *Report of Non-Compliance.* If the Corporation is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the Corporation shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the Corporation is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the Corporation, file a report with the Corporation certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the Corporation for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the Corporation's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the Corporation, the Annual Report shall also include financial and operating data with respect to the Corporation for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds, as follows:

- (i) Major revenue sources;
- (ii) Historical debt service coverage ratio;
- (iii) Days cash on hand;
- (iv) Capitalization; and
- (v) Number of full time equivalent employees

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Corporation or related public entities,

which are available to the public on EMMA. The Corporation shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the Corporation shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The Corporation shall, or shall cause the Dissemination (if not the Corporation) to, give notice of the occurrence of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (iv) Substitution of credit or liquidity providers, or their failure to perform.
- (v) Defeasances.
- (vi) Rating changes.
- (vii) Tender offers.
- (viii) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (ix) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The Corporation shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) Non-payment related defaults.
- (ii) Modifications to rights of security holders.
- (ii) Bond calls.
- (iv) The release, substitution, or sale of property securing repayment of the securities.
- (v) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
- (vi) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the Corporation obtains knowledge of the occurrence of a Listed Event, the Corporation shall, or shall cause the Dissemination Agent (if not the Corporation) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Corporation's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Corporation shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The Corporation may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Corporation, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Corporation pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the Corporation. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Corporation shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the Corporation.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the Corporation for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Corporation from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Corporation, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the Corporation or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the Corporation. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent.* In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the Corporation to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the Corporation under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Corporation may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the Corporation that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the Corporation shall describe such amendment or waiver in the next following Annual Report and shall

include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Corporation. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Corporation from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Corporation chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Corporation shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Corporation to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Corporation to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the Corporation agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Indenture. The obligations of the Corporation under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Corporation, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

LA CLÍNICA DE LA RAZA, INC.

By _____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: La Clínica de La Raza, Inc.
Name of Issue: \$_____ ABAG Finance Authority for Nonprofit Corporations
Revenue Bonds (La Clínica de La Raza, Inc.), Series 2010
Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated [Closing Date], furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _____.

Dated: _____

LA CLÍNICA DE LA RAZA, INC., as
Dissemination Agent

By _____
Title _____

cc: Trustee

APPENDIX F

BOOK-ENTRY SYSTEM

The following information concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the Authority, the Corporation and the Underwriter take no responsibility for the accuracy of such statements.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides assets servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial

ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds 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 Bonds to be redeemed.

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee or Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect 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 Direct Participant or Indirect Participant and not of DTC, the Trustee, the Authority or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, 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 Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds 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, definitive certificates are required to be printed and delivered.

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

THE AUTHORITY, THE CORPORATION, THE UNDERWRITER AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH

RESPECT TO: (I) THE BONDS; (II) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT; (III) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION OR PURCHASE PRICE OF AND PREMIUM, IF ANY, AND INTEREST ON THE BONDS; (IV) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC, ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BENEFICIAL OWNERS; (V) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (VI) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE BONDS.