

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

\$30,000,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
REVENUE BONDS
(NORTHBAY HEALTHCARE GROUP)
SERIES 2008

Dated: Issue Date

Price: 100%

Due: November 1, 2022

The Bonds are being issued pursuant to an Indenture, dated as of July 1, 2008 (the "Indenture"), between the ABAG Finance Authority for Nonprofit Corporations (the "Authority") and US Bank National Association, as trustee (the "Trustee"), for the benefit of NorthBay Healthcare Group (the "Borrower"). The Authority will loan the proceeds of the Bonds to the Borrower pursuant to a Loan Agreement, dated as of July 1, 2008 (the "Loan Agreement"), between the Authority and the Borrower to (i) finance the construction, improvement and equipping of certain health care facilities of the Borrower located in Fairfield, California and Vacaville, California and (ii) pay certain costs of issuance of the Bonds, all as more fully described herein. The Bonds are payable by the Trustee from the Revenues pledged under the Indenture as described herein, which generally consist of loan repayments required to be made by the Borrower under the Loan Agreement which are secured by Obligation No. 2 (as defined herein) issued under the Master Indenture (as defined herein).

The Bonds will be issued as fully-registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. Purchases and tenders of the Bonds may be made in book-entry form only, through brokers and dealers who are, or who act through, DTC Participants (as herein defined). Beneficial owners of the Bonds will not receive physical delivery of bond certificates. Payments of the principal and purchase price of, premium, if any, and interest on the Bonds will be made to DTC. Disbursement of payments to DTC Participants is the responsibility of DTC and disbursement of payments to the beneficial owners is the responsibility of DTC Participants. See APPENDIX B - "BOOK-ENTRY SYSTEM."

The Bonds will initially bear interest at a Variable Rate and while in a Variable Rate Period will be available in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof. During a Variable Rate Period, interest is payable on the first Business Day of each month, commencing August 1, 2008. The Bonds may be converted to bear interest at a Fixed Rate as described herein.

This Official Statement describes certain terms of the Bonds applicable while such Bonds accrue interest at a Variable Rate. This Official Statement is not intended to provide information with respect to the Bonds if the Bonds are converted to bear interest at a Fixed Rate.

The Bonds are subject to optional and mandatory tender for purchase and optional and mandatory redemption prior to maturity as described herein.

Payment of the principal of, interest on, and purchase price of the Bonds bearing interest at a Variable Rate pursuant to the Indenture is supported initially by an irrevocable direct-pay letter of credit (the "Letter of Credit"), being issued concurrently with the issuance of the Bonds by

JPMorgan Chase Bank, N.A.

(the "Bank"). The Letter of Credit will expire on July 1, 2011 (the "Stated Expiration Date"), unless extended or terminated prior thereto as described herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND THE PRINCIPAL THEREOF, AND PREMIUM, IF ANY, AND INTEREST THEREON, ARE PAYABLE SOLELY FROM, AND SECURED IN ACCORDANCE WITH THEIR TERMS AND THE PROVISIONS OF THE INDENTURE SOLELY BY, THE REVENUES AND THE OTHER AMOUNTS PLEDGED THEREFOR THEREUNDER. THE PURCHASE PRICE OF THE BONDS IS PAYABLE SOLELY FROM, AND SECURED IN ACCORDANCE WITH THEIR TERMS AND THE PROVISIONS OF THE INDENTURE SOLELY BY, THE PROCEEDS OF THE REMARKETING OF THE BONDS, AMOUNTS MADE AVAILABLE UNDER THE LETTER OF CREDIT OR ANY ALTERNATE LETTER OF CREDIT AND AMOUNTS PROVIDED BY THE BORROWER PURSUANT TO THE LOAN AGREEMENT. NEITHER THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG"), ANY OF THE MEMBERS OF THE AUTHORITY OR ABAG, THE STATE OF CALIFORNIA (THE "STATE"), NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER, AND NONE OF THE BONDS OR ANY OF THE AUTHORITY'S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF THE AUTHORITY, ABAG, OR THE MEMBERS OF THE AUTHORITY OR ABAG, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

Because the Bonds are secured by the Letter of Credit, this Official Statement does not contain information relating to the Borrower or its ability to pay principal of and interest on the Bonds. The investment decision to purchase the Bonds should be made solely on the basis of the creditworthiness of the Bank, which is issuing the Letter of Credit from which all principal of and interest on the Bonds will be paid.

This cover page contains certain information for ease of reference only. Potential investors are advised to read this entire Official Statement, including the Appendices, to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if received by the Underwriter, subject to prior sale and to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters will be passed upon for the Borrower by its counsel, Holland & Knight LLP, San Francisco, California, for the Authority by its counsel, Chapman and Cutler LLP, San Francisco, California, for the Bank by its in-house counsel, and for the Underwriter by its counsel, Foley & Lardner LLP. It is expected that the Bonds in definitive form will be available for delivery to the Underwriter via DTC on July 1, 2008.

CAIN BROTHERS

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds, nor shall there be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, broker, salesperson, or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon.

The information set forth herein under the caption "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION-The Authority" has been obtained from the Authority; the information set forth herein under the caption "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" and in APPENDIX D - "DESCRIPTION OF THE BANK" has been furnished by the Bank; and the information set forth in APPENDIX B - "BOOK-ENTRY SYSTEM" has been furnished by The Depository Trust Company. All other information set forth herein has been obtained from the Borrower and other sources that are believed to be reliable, but such other information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority.

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

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any indication that there has been no change in the affairs of the Authority, the Bank, the Borrower or DTC since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS, OBLIGATION NO. 2 AND OBLIGATION NO. 3 HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND NEITHER THE INDENTURE NOR THE MASTER INDENTURE HAVE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT
\$30,000,000
ABAG Finance Authority for Nonprofit Corporations
Revenue Bonds
(NorthBay Healthcare Group),
Series 2008

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth elsewhere in this Official Statement. The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to such documents. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings assigned to such terms in APPENDIX A - "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – Definitions of Certain Terms" or, if not defined therein, in the Indenture, the Master Indenture or in the Reimbursement Agreement, each as hereinafter defined.

General

This Official Statement, including the cover page and Appendices hereto (the "Official Statement"), is provided to furnish information with respect to the sale and delivery of \$30,000,000 aggregate principal amount of ABAG Finance Authority for Nonprofit Corporations Revenue Bonds (NorthBay Healthcare Group), Series 2008 (the "Bonds"), which are being issued by the ABAG Finance Authority for Nonprofit Corporations (the "Authority") for the benefit of NorthBay Healthcare Group, a California nonprofit public benefit corporation (the "Borrower"), pursuant to an Indenture, dated as of July 1, 2008 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Bonds will be loaned to the Borrower by the Authority pursuant to a Loan Agreement, dated as of July 1, 2008 (the "Loan Agreement"), between the Authority and the Borrower.

Application of Proceeds

The proceeds of the Bonds will be applied (i) to finance the construction, improvement and equipping of the health care facilities owned and operated by the Borrower and (ii) to pay certain costs of issuance of the Bonds. See "THE BORROWER" and "THE PROJECT" herein.

The Initial Letter of Credit

The Bonds will be issued as variable rate bonds initially bearing interest at a Variable Rate. While the Bonds are in a Variable Rate Period, payment of the principal of, Purchase Price of, and interest on the Bonds will be supported initially by an irrevocable, direct-pay letter of credit (the "Initial Letter of Credit") being issued by JPMorgan Chase Bank, N.A. (the "Bank") pursuant to and subject to the terms of a Reimbursement Agreement, dated as of July 1, 2008 (the "Reimbursement Agreement"), between the Borrower and NorthBay Healthcare Corporation, a California nonprofit public benefit corporation (the "Corporation"), on the one hand, and the Bank. The Initial Letter of Credit will permit the Trustee, in accordance with the terms thereof, to draw an amount sufficient to pay (a) the principal amount of, or the portion of the Purchase Price constituting principal of, the Bonds, plus (b) the interest on, or the portion of the Purchase Price constituting interest on, the Bonds up to 43 days' interest at a maximum annual interest rate of 10% based on a 365-day year for the actual number of days elapsed prior to the Conversion Date. The Letter of Credit will expire on July 1, 2011, unless extended or earlier terminated pursuant to its provisions as more fully described herein and may, under certain circumstances, be replaced by an Alternate Letter of Credit. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – The Letter of Credit" and "Alternate Letter of Credit" and "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT – The Letter of Credit."

So long as a Letter of Credit is in effect, the Bank providing such Letter of Credit shall control the exercise of the rights and remedies of the Holders of the Bonds upon the occurrence of an event of a default. See "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT – The Reimbursement Agreement."

Security and Source of Payment for the Bonds

Each Series of Bonds will be payable from payments made by Borrower under the Loan Agreement (the "Loan Repayments"). The Loan Repayments are secured by payments made by the Members of the Obligated Group on Obligation No. 2 (defined below) and from certain funds held under the Indenture.

In order to secure the obligation of Borrower to make payments under the Loan Agreement, the Corporation, as Obligated Group Representative, will deliver to the Trustee its Obligation No. 2 ("Obligation No. 2") issued pursuant to the Master Indenture of Trust, dated as of December 1, 1998, among the Corporation, the Borrower and U.S. Bank National Association, as Master Trustee (the "Master Indenture"), as supplemented and amended by the Supplemental Master Indenture of Trust for Obligation No. 2, dated as of July 1, 2008, between the Corporation, as Obligated Group Representative, and the Master Trustee ("Supplement No. 2"). Pursuant to the Master Indenture, the Borrower, the Corporation and any future Members of the Obligated Group agree to make payments on Obligation No. 2 in amounts sufficient to pay, when due, the principal of and premium, if any, and interest on each Series of Bonds. Each Member of the Obligated Group is jointly and severally obligated to make payments on all Master Indenture Obligations issued under the Master Indenture, including Obligation No. 2. The Members of the Obligated Group receive a credit on payments due on Obligation No. 2 to the extent of payments made by the Borrower under the Loan Agreement. Obligation No. 2 will entitle the Trustee, as the holder thereof, to the benefit of the covenants, restrictions and other obligations imposed upon the Obligated Group under the Master Indenture. As of the date of issuance and delivery of the Bonds, the Borrower and the Corporation are the only Members of the Obligated Group. For a detailed summary of the Master Indenture see Appendix A hereto.

Investment Considerations

As indicated above, payment of the principal of, Purchase Price of and interest on the Bonds will be supported by the Letter of Credit. An investment decision to purchase the Bonds should be made solely on the basis of the creditworthiness of the Bank. This Official Statement does not contain any financial or operating information relating to the Borrower or its ability to make payments sufficient to pay the principal of, Purchase Price of or interest on the Bonds and prospective investors should not expect that the Borrower would be able to make payments sufficient to pay the principal of, Purchase Price of or interest on the Bonds.

THE BONDS

Terms of the Bonds

General. The Bonds will be issued and delivered in the aggregate principal amount set forth on the cover page of this Official Statement, will be dated their date of initial delivery (the "Issue Date"), will mature on November 1, 2022 and will be issued in fully registered form in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The Bonds will bear interest from and including the Issue Date thereof to but excluding the date of payment in full thereof (whether at maturity, upon redemption or acceleration or otherwise) and will initially bear interest at a Variable Rate. While the Bonds bear interest at a Variable Rate, interest will be calculated on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed.

The Bonds will be transferable and exchangeable as set forth in the Indenture and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. See APPENDIX B - "BOOK-ENTRY SYSTEM." So long as Cede & Co. is the registered owner of the Bonds, principal and Purchase Price of, premium, if any, and interest on, the Bonds shall be payable by wire transfer to Cede & Co., as nominee for DTC, which, in turn, will remit such amounts to the DTC Participants (as such term is defined in APPENDIX B hereto) for subsequent disbursement to the Beneficial Owners (as such term is defined in Appendix B hereto). In addition, so long as Cede

& Co. is the registered owner of the Bonds, the right of any Beneficial Owner to exercise its right to tender its interest in any Bond for purchase and receive payment therefor will be based only upon and subject to the procedures and limitations of the book-entry only system described in APPENDIX B - "BOOK-ENTRY SYSTEM."

Determination of Interest Rate on Bonds. Interest on the Bonds will initially be calculated based on a Variable Rate. The Variable Rate shall be determined from time to time as provided in the Indenture; provided, that no Bond shall bear interest at a rate exceeding the Maximum Rate. **This Official Statement describes certain terms of the Bonds applicable while such Bonds accrue interest at a Variable Rate. This Official Statement is not intended to provide information with respect to the Bonds if the Bonds are converted to bear interest at the Fixed Rate.**

The interest rate on the Bonds for each Variable Rate Period shall be determined by the remarketing agent appointed by the Borrower pursuant to the provisions of the Indenture. The Borrower has appointed Cain Brothers & Company, LLC to serve as the initial remarketing agent (together with any successor thereto, the "Remarketing Agent") for the Bonds and will enter into a Remarketing Agreement, dated as of July 1, 2008, with Cain Brothers & Company, LLC. During the Variable Rate Period, the Variable Rate shall be determined on the basis of a 365/366-day year, actual number of days elapsed, by the Remarketing Agent, by 4:30 p.m. New York City time on each Wednesday (or the immediately preceding Business Day if such Wednesday is not a Business Day) and shall be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known to the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the effective date of such Variable Rate at their principal amount (without regard to accrued interest). The first Variable Rate shall apply to the period beginning on the Issue Date and ending on the next Wednesday. Thereafter, each Variable Rate shall apply to the period beginning on the Thursday of the week in which such Variable Rate is set and ending on the following Wednesday, or if earlier, ending on the Conversion Date. Notwithstanding the foregoing, the Variable Rate shall not exceed the lesser of 10% per annum or the maximum rate permitted by applicable law (the "Maximum Rate"). If no Remarketing Agent is serving under the Indenture, or if for any reason the Remarketing Agent has not determined the Variable Rate on a Wednesday (or the immediately preceding Business Day if such Wednesday is not a Business Day), the Variable Rate shall be determined as follows: (i) for the first weekly period following the failure to set a Variable Rate, the Variable Rate shall be the same rate as the preceding weekly period, and (ii) thereafter the Variable Rate shall be equal to one hundred twenty percent (120%) of the most recent SIFMA Swap Index and such Variable Rate shall be communicated to the Trustee by or on behalf of the Borrower. The Trustee shall promptly notify the Bondholders, the Borrower and the Authority by first-class mail of any change in the interest rate determination method as described in the preceding sentence.

"SIFMA Swap Index" means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association ("SIFMA") or any entity acting in cooperation with or under the sponsorship of SIFMA or its successor, or if such index is not available, such other comparable index selected by Borrower with the written consent of the Remarketing Agent.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, or the city or cities in which the Corporate Trust Office of the Trustee or the office of the Bank at which demands for payment under its Letter of Credit are to be presented are authorized or required by law to close, or (iii) a day on which the New York Stock Exchange is closed.

Special Rate Resetting. If any Bonds constitute Pledged Bonds or Borrower Bonds due to a failure in remarketing such Bonds on a mandatory tender date, the Remarketing Agent shall be entitled to determine a new Variable Rate with respect to such Bonds, as appropriate (under the conditions and subject to the limitations provided in the Indenture), effective on such date as the Remarketing Agent is able to remarket such Pledged Bonds or Borrower Bonds in whole. Such new rate with respect to such Bonds shall be established by the Remarketing Agent in its sole judgment having due regard for prevailing financial market conditions at the lowest rate which will permit the Pledged Bonds or Borrower Bonds to be sold at a price of par plus accrued interest to such delivery date. The determination of a new Variable Rate with respect to such Bonds, as appropriate, by the Remarketing Agent shall be conclusive and binding upon the Authority, the Borrower, the Trustee, the Bank, and the Bondholders.

Payment of Interest on Bonds During Variable Rate Period. Interest on the Bonds is payable (i) during the Variable Rate Period, on the first Business Day of each month, commencing on the first business day of August, 2008, (ii) on the Conversion Date, and (iii) following the Conversion Date, on May 1 and November 1 of each year and (iv) the maturity date of the Bonds (each such date being an "Interest Payment Date") to the owners of record as of the close of business on the Record Date preceding any Interest Payment Date. During the Variable Rate Period, the "Record Date" means, with respect to each Interest Payment Date, the Trustee's close of business on the Business Day next preceding such Interest Payment Date. Prior to the Conversion Date, interest shall be computed on the basis of 365 or 366 days, as applicable, for the actual number of days elapsed. The principal of and the redemption premium, if any, and the interest on the Bonds shall be payable in lawful money of the United States of America. The principal of and redemption premium, if any, on the Bonds and the Purchase Price of the Bonds shall be payable at the Corporate Trust Office or other designated office of the Trustee. The interest on the Bonds shall be paid by check or draft of the Trustee mailed to the Persons in whose names the Bonds are registered on the Bond Register at the close of business on the Record Date next preceding each Interest Payment Date; provided, however, any Holder of Bonds in the aggregate principal amount of \$1,000,000 or more as of the close of business on the Record Date preceding any Interest Payment Date may, by prior written instructions filed with the Trustee on or before the second Business Day preceding such Record Date (which instructions shall remain in effect until revoked by subsequent written instructions), instruct that interest payments for any period be made by wire transfer to any bank located in the continental United States of America.

Conversion of Interest Rate on Bonds

During the Variable Rate Period, the interest rate on the Bonds, at the option of the Borrower, shall be converted from the Variable Rate to the Fixed Rate, upon delivery by the Borrower to the Trustee, the Remarketing Agent, the Bank and the Authority:

(1) on any Business Day during the Variable Rate Period, of a notice (the "Conversion Notice") stating (i) that the Borrower intends to convert the interest rate on the Bonds to the Fixed Rate and specifying the proposed Conversion Date (the "Proposed Conversion Date"), which date shall be a Business Day at least 20 days (or such shorter period as shall be acceptable to the Trustee) after the date on which the Trustee receives the Conversion Notice; and (ii) whether the Bonds will be secured by a Letter of Credit during the Fixed Rate Period; and

(2) by 10:00 a.m. New York City time on the Proposed Conversion Date, of (i) a favorable opinion of nationally recognized bond counsel addressed to the Trustee to the effect that the conversion of the interest rate on the Bonds is authorized or permitted by the Indenture and will not, in and of itself, adversely affect any exclusion of interest on the Bonds from gross income for purposes of federal income taxation (a "Favorable Opinion of Bond Counsel"); (ii) if the Borrower elects to secure the Bonds with a Letter of Credit during the Fixed Rate Period, an amendment to the Letter of Credit then in effect or an Alternate Letter of Credit, in either case to be effective on the Proposed Conversion Date and meeting the requirements of the Indenture; and (iii) a written undertaking by the Borrower, satisfactory in form and substance to the Remarketing Agent and the Authority, whereby the Borrower agrees to comply with the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, as then applicable; provided, however, that the Borrower shall not be required to make such a written undertaking if the Remarketing Agent provides the Authority, the Trustee and the Borrower with an opinion of counsel that an exemption from compliance with Rule 15c2-12 is available.

If (i) the Trustee receives written notification from the Borrower by the close of business on the Computation Date of the Borrower's decision not to elect the conversion of the interest rate on the Bonds to the Fixed Rate on the Proposed Conversion Date, or (ii) the Borrower fails to satisfy the conditions of paragraph (2) above, or (iii) the Remarketing Agent fails to determine the Fixed Rate by the close of business on the fifth Business Day preceding the Proposed Conversion Date, the interest rate on the Bonds shall not be converted to the Fixed Rate on the Proposed Conversion Date. In such event, the Bonds will bear interest for the remaining portion of the current interest rate period at the Variable Rate then in effect, or for an interest rate period at the Variable Rate in effect for the immediately preceding interest rate period, and will continue to remain outstanding in accordance with the terms of the Indenture as if no such election had been made by the Borrower to convert the interest rate borne by

the Bonds to the Fixed Rate; provided, however, that the Bonds will continue to be subject to mandatory tender on the Proposed Conversion Date as described below under "THE BONDS - Mandatory Tender of Bonds".

Redemption

The Bonds are not subject to redemption prior to maturity except as hereinafter provided.

Optional Redemption. On or prior to the Conversion Date, the Bonds are subject to redemption at any time prior to maturity, at the option of the Borrower, as a whole or in part in Authorized Denominations, on any date, at a redemption price of 100% of the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption, upon receipt by the Trustee not less than twenty (20) days (or such shorter period as shall be acceptable to the Trustee) prior to such redemption date of a written direction from the Borrower stating that it intends to exercise its option to prepay Loan Repayments due under the Loan Agreement and thereby effect redemption of all or a portion of the Bonds.

During the Variable Rate Period, the Borrower shall have the option to cause the Bonds, in whole, but not in part, to be subject to mandatory tender and purchase in lieu of an optional redemption of Bonds as described above. Such option may be exercised by delivery by the Borrower to the Trustee and the Remarketing Agent on or prior to the Business Day preceding the optional redemption date of a written notice specifying that the Bonds shall not be redeemed, but instead shall be subject to mandatory tender and purchase pursuant to the terms of the Indenture. Upon delivery of such notice, the Bonds shall not be redeemed but will instead be subject to mandatory tender and purchase at a Purchase Price equal to the price at which the Bonds would have been redeemed on the date which would have been the optional redemption date.

During the Variable Rate Period, the prior consent of the Bank shall be required for any optional redemption or mandatory tender and purchase in lieu of redemption unless the Corporation shall have deposited with the Trustee Available Moneys other than proceeds of a draw on the Letter of Credit sufficient to pay the redemption or purchase price of the Bonds prior to the giving of notice of redemption or mandatory tender and purchase together with irrevocable instructions to apply such Available Moneys so deposited only for such optional redemption or such mandatory tender and purchase in lieu of redemption.

Mandatory Redemption from Insurance and Condemnation Proceeds. The Bonds are subject to mandatory redemption in whole at any time or in part (and if in part in Authorized Denominations; provided that no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any date, at a redemption price equal to 100% of the aggregate principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, in an amount equal to any insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption pursuant to the Loan Agreement, subject to compliance with the Master Indenture.. During any period in which a Letter of Credit secures the Bonds, such redemption shall be effected by a drawing under the Letter of Credit and the Trustee shall use such insurance or condemnation proceeds to reimburse the Bank for such drawing.

Redemption from Available Moneys during Variable Rate Period. Notwithstanding any other provision of the Indenture to the contrary, during the Variable Rate Period, each redemption shall be made with Available Moneys.

Selection of Bonds for Redemption. If less than all the outstanding Bonds are called for redemption, the Trustee shall select, or arrange for the selection of, the Bonds to be redeemed by lot, in such manner as it shall in its discretion determine; provided that any such Bonds selected for redemption shall be in Authorized Denominations and no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination. Notwithstanding the foregoing, Pledged Bonds and Borrower Bonds in that order, shall be first selected by the Trustee for redemption before any other Bonds are selected for redemption. "Borrower Bonds" means Bonds registered in the name of the Borrower, or beneficial interests in the Bonds owned by the Borrower that are not Pledged Bonds. "Pledged Bonds" means, at the time of determination thereof, any Bonds or beneficial interests in Bonds pledged or assigned to or otherwise held for the benefit of the Bank as a result of a payment under its Letter of Credit.

Notice of Redemption. Notice of redemption shall be mailed by the Trustee by first class mail, at least 15 days but not more than 30 days before any redemption date to the registered owner of each Bond to be redeemed in whole or in part at its last address appearing on the bond register; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond, or portion thereof with respect to which no such failure or defect has occurred. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice. Additional notices of redemption may be given in accordance with the Indenture. All Bonds so called for redemption will cease to bear interest on the specified date set for redemption, provided moneys for their redemption have been duly deposited with the Trustee pursuant to the Indenture and, thereafter, the Holders of such Bonds called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and, in the case of a partial redemption, a new Bond for any portion not redeemed in an Authorized Denomination. Any notice of redemption may be rescinded by written notice delivered to the Trustee by the Borrower. Upon receipt of such written notice of rescission of the Borrower, the Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of redemption was given.

Optional Tender for Purchase

During the Variable Rate Period, each Bond (or beneficial interest therein) (other than Pledged Bonds and Borrower Bonds) may be optionally tendered for purchase by receipt of an irrevocable written notice of tender or irrevocable telephonic notice of tender by the Remarketing Agent and the Trustee, not later than 4:00 p.m. New York time on a Business Day not less than 7 business days before the date specified for purchase by the Holder in such notice. Notice of tender shall state: (i) the CUSIP number, (ii) the series, (iii) the Bond number (if the Bonds are no longer held in book-entry form) and (iv) the principal amount of the portion of such Bond to be optionally tendered and that such portion shall be purchased on the date specified above. The Purchase Price of Bonds so tendered shall be 100% of the principal amount of the Bonds (or portions thereof in Authorized Denominations) plus, if applicable, accrued and unpaid interest thereon to the date of purchase specified above without premium.

Mandatory Tender for Purchase

During the Variable Rate Period, each Bond (or beneficial interest therein) (other than a Pledged Bond or a Borrower Bond) is subject to mandatory tender, for purchase on each date described below:

- (i) on each Proposed Conversion Date;
- (ii) on the date upon which an Alternate Letter of Credit is to be substituted for the Letter of Credit then in effect;
- (iii) on the Interest Payment Date next preceding the expiration date of the Letter of Credit then in effect (as such date may be extended from time to time by the Bank, the "Stated Expiration Date"), if the Trustee has not received at least 20 days (or such shorter period as shall be acceptable to the Trustee, but not less than 15 days) prior to the Interest Payment Date next preceding such Stated Expiration Date of the current Letter of Credit either an extension of the then existing Letter of Credit or an Alternate Letter of Credit;
- (iv) on each date for which the Borrower, with the written consent of the Bank, if applicable, has elected to purchase Bonds in lieu of an optional redemption pursuant to the Indenture;
- (v) on the second (2nd) Business Day following receipt by the Trustee of written notice from the Bank to the effect that an event of default has occurred and is continuing under the Reimbursement Agreement and the Bank is terminating the Letter of Credit, and directing the Trustee to call the Bonds for mandatory tender; and

(vi) on the second (2nd) Business Day following receipt by the Trustee of written notice from the Bank following a drawing under the Letter of Credit for the payment of interest on the Bonds to the effect that the amount available to be drawn under the Letter of Credit to pay interest on the Bonds will not be reinstated.

With respect to a mandatory tender pursuant to subparagraphs (i), (ii), (iii) of (iv) above, at least 15 days, but not more than 30 days, prior to such mandatory tender date, the Trustee shall give notice of such mandatory tender by first class mail to the holders of all Bonds at their addresses appearing on the registration books of the Authority maintained by the Trustee (the "Bond Register"). Such notice of mandatory tender shall (i) specify the mandatory tender date and the reason for the mandatory purchase on such date, (ii) if such mandatory tender date is a Proposed Conversion Date, state that such conversion to the Fixed Rate will not occur if the conditions described in the Indenture are not satisfied but that such mandatory tender will still occur on the Proposed Conversion Date, and (iii) state that all Bonds are subject to mandatory tender for purchase (or, if the Bonds are held in a book-entry only system, that the beneficial interests in the Bonds are subject to mandatory tender for purchase).

With respect to a mandatory tender pursuant to subparagraph (v) above, the Trustee shall, immediately upon receipt of written notice from the Bank to the effect that an event of default has occurred under the Reimbursement Agreement and the Bank is terminating the Letter of Credit, give written notice of such mandatory tender by telecopy or first class mail to the Holders of all Bonds at their addresses appearing on the Bond Register. Such notice shall state: (a) the termination date of such Letter of Credit; and (b) that on the second (2nd) Business Day after receipt by the Trustee of such notice from the Bank (which date shall be specified), such Bonds are subject to mandatory tender for purchase (or, if the Bonds are held in a book-entry-only system, that the beneficial interests in the Bonds are subject to mandatory tender for purchase).

With respect to a mandatory tender pursuant to subparagraphs (vi) above, the Trustee shall, immediately upon receipt of written notice from the Bank to the effect that the amount available to be drawn under the Letter of Credit to pay interest on the Bonds will not be reinstated, give written notice of such mandatory tender by telecopy or first class mail to the holders of all Bonds at their addresses appearing on the Bond Register. Such notice shall state: (a) that the Trustee has received written notice from the Bank that the Bank will not reinstate the Letter of Credit as described above; and (b) that on the second (2nd) Business Day after receipt by the Trustee of such notice from the Bank (which date shall be specified), such Bonds are subject to mandatory tender for purchase (or, if the Bonds are held in a book-entry-only system, that the beneficial interests in the Bonds are subject to mandatory tender for purchase).

If a book-entry only system is not in effect, the notice shall further state (i) that any affected owner who has not tendered its Bonds for purchase on the mandatory tender date will be deemed to have tendered its Bonds for purchase on such date; and (ii) that any Bond not delivered to the Trustee on or prior to the mandatory tender date (an "Undelivered Bond") for which there has been irrevocably deposited in trust with the Trustee on or prior to the mandatory tender date an amount of money sufficient to pay the Purchase Price of such Undelivered Bond on the mandatory tender date, shall be deemed to have been so purchased at the price of par plus accrued interest as of such date, and such Bond shall no longer be considered to be outstanding for purposes of the Indenture and shall no longer be entitled to the benefits of the Indenture, except for the payment of the Purchase Price thereof (and no interest shall accrue thereon subsequent to the mandatory tender date).

The failure by the Trustee to give any such notice of mandatory tender for purchase, or any defect therein, shall not in any way change the rights of the Holders to have their Bonds (or beneficial interests therein) purchased on any such mandatory tender date or extend the period during which Bonds (or beneficial interests therein) may be tendered for such purchase. Any mandatory tender notice mailed as provided for herein shall be conclusively presumed to have been given, whether or not the Holder receives such notice.

When a book-entry system is in effect, beneficial interests in Bonds that are subject to mandatory tender for purchase, for which there has been irrevocably deposited in trust with the Trustee on or prior to such mandatory tender date an amount of money sufficient to pay the Purchase Price thereof on such mandatory tender date, will be deemed to have been surrendered for purchase on such mandatory tender date. When a non-book-entry system is in effect, Bonds that are subject to mandatory tender for purchase for which there has been irrevocably deposited in trust with the Trustee on or prior to such mandatory tender date an amount of money sufficient to pay the Purchase

Price thereof on such mandatory tender date, will be deemed to have been surrendered for purchase on such mandatory tender date.

No owner of Undelivered Bonds or beneficial interests in Bonds deemed surrendered for purchase pursuant to the first sentence of the immediately preceding paragraph shall be entitled to any payment (including interest to accrue subsequent to the related mandatory tender date) other than the Purchase Price for such Bonds or such beneficial interests and any such Bonds or beneficial interests shall no longer be entitled to the benefit and security of the Indenture, except for the purpose of the payment of the Purchase Price thereof; and the Trustee will not register any further transfers of such Undelivered Bonds.

Optional Tenders Occurring after Notice of Mandatory Tender Date

Any Bond (or beneficial interest therein) optionally tendered for purchase after the date on which the Trustee has notified the affected Holders or Beneficial Holders of a mandatory tender date as described above will not be remarketed.

No representation is made herein as to the timely payment of principal and interest upon an optional or mandatory tender of beneficial interests in bonds under the book-entry system. Tenders of beneficial interests in bonds under the book-entry system will be governed by the procedures of DTC and its participants in effect from time to time. See APPENDIX B - "BOOK-ENTRY SYSTEM."

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds, including the proceeds to be received from the sale of the Bonds and the equity contribution of the Borrower:

Sources:	
Principal Amount of Bonds	\$30,000,000.00
Total Sources	\$30,000,000.00
Uses:	
Project Fund	\$29,400,000.00
Costs of Issuance ⁽¹⁾	600,000.00
Total Uses	<u>\$30,000,000.00</u>

⁽¹⁾ Includes underwriter's discount, Authority fees, financial advisor, Bank, legal, trustee and other expenses, including rating agency fees.

SECURITY AND SOURCE OF PAYMENT

General

The principal, premium, if any, and interest on the Bonds are payable solely from the Revenues received from the Borrower pursuant to the Loan Agreement and the other amounts pledged therefor under the Indenture. The Purchase Price of the Bonds tendered or deemed tendered for purchase pursuant to the Indenture is payable solely from the proceeds of the remarketing of such Bonds, draws on the Letter of Credit or any Alternate Letter of Credit for such Bonds, and amounts provided by the Borrower pursuant to the provisions of the Loan Agreement and Obligation No 2.

As security for the obligation of the Borrower to make the Loan Repayments, the Corporation, as Obligated Group Representative, concurrently with the issuance of the Bonds will issue Obligation No. 2 to the Trustee pursuant to which the Obligated Group and any future Members of the Obligated Group agree to make payments to the Bond Trustee in amounts sufficient to pay, when due, the principal of and premium, if any, and interest on the Bonds. As of the date of issuance and delivery of the Bonds, the Borrower and the Corporation are the only

Members of the Obligated Group under the Master Indenture. For a detailed summary of the Master Indenture see Appendix A hereto.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND THE PRINCIPAL THEREOF, AND PREMIUM, IF ANY, AND INTEREST THEREON, ARE PAYABLE SOLELY FROM, AND SECURED IN ACCORDANCE WITH THEIR TERMS AND THE PROVISIONS OF THE INDENTURE SOLELY BY, THE REVENUES AND THE OTHER AMOUNTS PLEDGED THEREFOR THEREUNDER. THE PURCHASE PRICE OF THE BONDS IS PAYABLE SOLELY FROM, AND SECURED IN ACCORDANCE WITH THEIR TERMS AND THE PROVISIONS OF THE INDENTURE SOLELY BY, THE PROCEEDS OF THE REMARKETING OF THE BONDS, AMOUNTS MADE AVAILABLE UNDER THE LETTER OF CREDIT OR ANY ALTERNATE LETTER OF CREDIT AND AMOUNTS PROVIDED BY THE BORROWER PURSUANT TO THE LOAN AGREEMENT. NEITHER THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG"), ANY OF THE MEMBERS OF THE AUTHORITY OR ABAG, THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER, AND NONE OF THE BONDS OR ANY OF THE AUTHORITY'S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF THE AUTHORITY, ABAG, OR THE MEMBERS OF THE AUTHORITY OR ABAG, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WITHIN THE MEANING OF ANY CONSTITUTIONAL, OR STATUTORY PROVISION WHATSOEVER. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

Revenues and Loan Repayments

The Authority is obligated to pay the principal of, premium, if any, and interest on the Bonds solely from the Revenues received from the Borrower under the Loan Agreement and the other amounts pledged therefor under the Indenture and Obligation No. 2 issued under the Master Indenture. Pursuant to the Indenture, the Authority has pledged to the Trustee for the benefit of the Holders all of the Revenues. "Revenues" means all amounts received by the Authority or the Trustee for the account of the Authority pursuant or with respect to the Loan Agreement, Obligation No. 2 or the Letter of Credit (other than payments of the purchase price of any Bonds), including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, any late charges, and paid from whatever source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in the funds and accounts established pursuant to the Indenture, but not including Additional Payments, or any moneys paid for deposit into the Rebate Fund or for the purchase of Bonds.

FOR A FURTHER DESCRIPTION OF THE PROVISIONS OF THE INDENTURE, THE LOAN AGREEMENT AND THE MASTER INDENTURE, INCLUDING COVENANTS WHICH SECURE THE BONDS, AND EVENTS OF DEFAULT, See APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS."

The Letter of Credit

The Indenture requires that the Letter of Credit must be an irrevocable letter of credit issued by a commercial bank providing for direct payments to or upon the order of the Trustee of amounts up to (1) the principal of the Bonds when due, at maturity or upon acceleration, redemption, purchase pursuant to a tender, upon a failed remarketing or otherwise; and (2) interest on the Bonds for a period of 43 days (or such other period as may be satisfactory to the Rating Agency then maintaining a rating on the Bonds) calculated at the Maximum Rate; provided, however, that if a Letter of Credit will be in effect during the Fixed Rate Period, (A) the stated amount of such Letter of Credit must include interest on the Bonds for a period of 43 days (or such other number of days as may be required by any Rating Agency then rating the Bonds) at the Fixed Rate and any premium which would be payable on the Bonds if the Letter of Credit was not extended beyond its Stated Expiration Date (as defined in the Initial Letter of Credit and used herein), and (B) the Letter of Credit will not cover any Liquidity Drawing.

Under the Indenture, except with respect to Pledged Bonds and Borrower Bonds, the Trustee is directed to draw upon the Letter of Credit in the following circumstances:

- (a) to make timely payments of principal, premium and interest coming due and payable on the Bonds;
- (b) on each purchase date to effect the purchase of Bonds required to be purchased upon an optional or mandatory tender for purchase pursuant to the provisions of the Indenture, to the extent remarketing proceeds which are available; and
- (c) upon the occurrence of, or declaration of acceleration of the Bonds pursuant to, an Event of Default, to the extent available in an amount equal to the full unpaid principal and accrued interest on the Bonds.

Alternate Letter of Credit

The Borrower may elect to replace any Letter of Credit with an Alternate Letter of Credit conforming to the requirements of the Indenture. Any Alternate Letter of Credit shall have a Stated Expiration Date that is at least two Business Days following the Interest Payment Date next preceding such Stated Expiration Date.

Notwithstanding anything to the contrary contained in the Indenture, (1) while the Bonds bear interest at the Variable Rate, they shall be secured by a Letter of Credit, and (2) if the Bonds are converted to bear interest at a Fixed Rate, they may, but need not be secured by a Letter of Credit at the sole discretion of the Borrower.

No delivery of any Alternate Letter of Credit shall be effective unless (i) the Borrower has given written notice to the Trustee not less than 30 days prior to the delivery of an Alternate Letter of Credit, (or such shorter period as shall be acceptable to the Trustee but not less than 15 days) of the Borrower's intention to provide for delivery of such Alternate Letter of Credit and the anticipated date of such delivery, (ii) the issuer of the Alternate Letter of Credit agrees to and does purchase on the date such Alternate Letter of Credit becomes effective all unremarketed Pledged Bonds held by or on behalf of the issuer of the Letter of Credit being replaced and (iii) all amounts due and payable under the then existing Reimbursement Agreement shall have been paid on or prior to the date such Alternate Letter of Credit becomes effective. During the Variable Rate Period, upon receipt of such notice, the Trustee shall take all actions necessary to subject the Bonds to mandatory tender as described under "THE BONDS – Mandatory Tender for Purchase" on the proposed effective date of such Alternate Letter of Credit.

Any Alternate Letter of Credit delivered to the Trustee must be accompanied by (1) a Favorable Opinion of Bond Counsel as to the delivery of the Alternate Letter of Credit; (2) an Opinion of Counsel stating that delivery of the Alternate Letter of Credit is authorized under the Indenture and complies with its terms; (3) an Opinion of Counsel to the issuer of such Alternate Letter of Credit stating that such Alternate Letter of Credit is a legal, valid, binding and enforceable obligation of such issuer in accordance with its terms; and (4) evidence satisfactory to the Trustee that the long-term unsecured indebtedness of the issuer of the Alternate Letter of Credit (or parent company of the provider of the Alternate Letter of Credit) is rated by a Rating Agency in one of its three highest rating categories (without regard for any gradation within a category).

As indicated above, payment of the principal, Purchase Price and interest on the Bonds will be supported by the Letter of Credit. An investment decision to purchase the Bonds should be made solely on the basis of the creditworthiness of the Bank. This Official Statement does not contain any financial or operating information relating to the Borrower or its ability to make payments sufficient to pay the principal of, Purchase Price of or interest on the Bonds and prospective investors should not expect that the Borrower would be able to make payments sufficient to pay the principal of, Purchase Price of or interest on the Bonds.

THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The Initial Letter of Credit was issued pursuant to the Reimbursement Agreement. The following summarizes certain provisions of the Initial Letter of Credit and the Reimbursement Agreement, to which documents, in their entirety, reference is made for the complete provisions thereof. The provisions of any Alternate Letter of Credit and related Reimbursement Agreement may be different from those summarized below. For a description of the Initial Letter of Credit Issuer, see **APPENDIX D - "DESCRIPTION OF THE BANK"** hereto

The Initial Letter of Credit

The Initial Letter of Credit is an irrevocable obligation of the Bank to pay to the Trustee, upon drawings made by the Trustee in strict compliance with the terms and conditions of the Initial Letter of Credit, up to (a) an amount equal to the outstanding principal amount of the Bonds to enable the Trustee to pay the principal amount of the Bonds when due at maturity or upon acceleration, redemption, purchase pursuant to a tender, upon a failed remarketing or otherwise, plus (b) an amount equal to 43 days interest on the Bonds at the maximum rate of 10% per annum (i) to enable the Trustee to pay interest on the Bonds when due and (ii) to enable the Trustee to pay the portion of the purchase price of Bonds tendered pursuant to the Indenture and not remarketed corresponding to the accrued interest on such Bonds. The original stated amount of the Initial Letter of Credit is \$30,353,425, of which \$30,000,000 is in respect of principal of the Bonds and \$353,425 is in respect of interest on the Bonds.

Reduction and Reinstatement of Principal and Interest Component under the Letter of Credit

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

(a) with respect to a drawing under the Initial Letter of Credit to pay interest, the interest component shall be reinstated automatically on the sixth calendar day following the date such drawing is honored by an amount equal to the amount of such drawing for interest, unless the Trustee shall have received written notice from the Bank on or before the sixth calendar day that the Bank has not been reimbursed in full for any such drawing or any other Event of Default has occurred under the Initial Reimbursement Agreement and such reinstatement shall not occur; and

(b) with respect to a drawing under the Initial Letter of Credit to pay the purchase price of any Bonds, the principal component and the interest component with respect to such Bonds shall be reinstated when and to the extent that the Bank has received immediately available funds to reimburse the Bank for such drawing pursuant to the Reimbursement Agreement and other amounts then-owed thereunder and the Trustee has delivered to the Bank the reinstatement certificate in the form prescribed by the Initial Letter of Credit.

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

Termination of the Initial Letter of Credit

The Initial Letter of Credit will terminate upon the first to occur of the following: (i) the Stated Expiration Date; (ii) the date on which the Bank receives a certificate from the Trustee to the effect that there are no Bonds Outstanding other than Bonds secured by a Alternative Letter of Credit or Bonds bearing a interest at a Fixed Rate;

(iii) the fifteenth calendar day after the Trustee receives written notice from the Bank stating that an event of default has occurred and is continuing under the Reimbursement Agreement, directing the Trustee to call the Bonds for mandatory tender or to declare the Bonds immediately due and payable pursuant to the Indenture and stating that the Letter of Credit will terminate on such fifteenth calendar day; or (iv) the date on which the final drawing available under the Letter of Credit is honored. The Stated Expiration Date of the Initial Letter of Credit is July 1, 2011. The Stated Expiration Date may be extended beyond the Stated Expiration Date then in effect at the sole discretion of the Bank upon request of the Borrower.

The Reimbursement Agreement

The Initial Letter of Credit Issuer may, by notice to the Bond Trustee, declare that an "event of default" has occurred under the Reimbursement Agreement and deliver a notice to the Borrower, thereby accelerating the maturity of all Bonds then outstanding. Furthermore, the Initial Letter of Credit Issuer shall have the rights and remedies available to it under the Reimbursement Agreement or the Initial Letter of Credit (collectively, the "Credit Documents"), the Master Indenture, the 2008 Bond Indenture, the Loan Agreement and all other agreements or instruments relating to the issuance of and security for the Series 2008 Bonds, other than the Credit Documents (the "Bond Documents") and as a holder of an Obligation under the Master Indenture, such other rights as may be available to it pursuant to law or equity.

In order to secure the obligations of the Borrower and the Corporation under the Reimbursement Agreement, the Corporation, as Obligated Group Representative, will deliver to the Bank its Obligation No. 3 ("Obligation No. 3") issued pursuant to the Master Indenture, as supplemented and amended by the Supplemental Master Indenture of Trust for Obligation No. 3, dated as of July 1, 2008, between the Corporation, as Obligated Group Representative, and the Master Trustee.

"Events of Default" under the Reimbursement Agreement include the following:

(a) Borrower shall fail to pay when due any amount specified in the Reimbursement Agreement when due and such failure shall continue for three business days; or

(b) The Borrower shall fail to observe or perform any of its other covenants, conditions or provisions of the Reimbursement Agreement or any of the other Loan Documents (as defined in the Reimbursement Agreement) if such failure is not remedied within thirty (30) days after written notice thereof is given by the Bank; or

(c) Any material representation or warranty made by Borrower herein or in any certificate, financial or other statement furnished by Borrower pursuant to the Reimbursement Agreement or any of the other Loan Documents shall prove to have been untrue or incomplete in any material respect when made; or

(d) The occurrence and continuation of an event of default under the Bond Documents, the other Loan Documents or under any document or instrument given by Borrower in connection with any other indebtedness of Borrower to the Bank; and the expiration of any notice and/or cure periods thereunder; or

(e) The occurrence and continuation of an event of default under the 2008 Bond Indenture, the Loan Agreement or the Second Supplement to Master Indenture (as defined in the Reimbursement Agreement); or

(f) Admission by Borrower of insolvency or bankruptcy or its inability or failure generally to pay its debts as they become due, or Borrower makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for Borrower, or for a major part of its property; or

(g) Appointment of a trustee in bankruptcy, custodian or receiver for Borrower or for a major part of its property and failure to obtain discharge of such within ninety (90) days after such appointment; or

(h) Institution of bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, by or against Borrower

(other than bankruptcy proceedings instituted by Borrower against third parties), and, if instituted against Borrower, allowance against Borrower or consent by Borrower to such proceedings or failure to obtain dismissal, stay or other nullification within ninety (90) days after such institution; or

(i) The Reimbursement Agreement or any of the other Loan Documents ceases to be valid and binding on Borrower, or is declared null and void, or the validity or enforceability thereof is contested by Borrower or Borrower denies it has any or further liability under this Reimbursement Agreement or any of the other Loan Documents; or

(j) Any levy or execution upon, or judicial seizure of, any portion of any collateral or security subject to the Security Documents, that is not released or removed within thirty (30) days of its creation; or

(k) Any attachment or garnishment of, or the existence or filing of any lien or encumbrance, other than any Permitted Encumbrance, as defined in the Master Indenture, against any portion of any collateral or security subject to the Security Documents, that is not bonded over, removed or released within thirty (30) days after its creation; or

(l) The institution of any legal action or proceedings to enforce any Lien or Encumbrance upon any portion of any collateral or security subject to the Security Documents, that is not bonded over or dismissed within thirty (30) days after its institution; or

(m) The liquidation, termination or dissolution of Borrower; or

(n) A change in the business or financial condition of Borrower that results in a Material Adverse Effect.

As used under this caption, the following terms have the following meanings:

“Available Amount” in effect at any time means the maximum aggregate amount available to be drawn at such time under the Letter of Credit, the determination of such maximum amount will assume compliance with all conditions for a Drawing and no reduction for (i) any amount drawn by the 2008 Bond Trustee to make a regularly scheduled payment of interest on the Bonds, or (ii) any amount not available to be drawn because Bonds are held by or for the account of Borrower or pursuant to the Custody Agreement. The maximum aggregate amount available to be drawn under the Letter of Credit equals the sum of one hundred percent (100%) of the aggregate principal amount of the Bonds then outstanding, plus the Interest Portion..

“Related Documents” means the 2008 Bond Indenture, the Loan Agreement, the Bonds and any exhibits thereto.

The provisions of the Reimbursement Agreement, including the above referenced “Events of Default,” may be amended, waived or enforced only if said amendment or waiver is written and signed by the Initial Letter of Credit Issuer.

THE BORROWER

NorthBay Healthcare Group (the “Borrower”) is a California nonprofit public benefit corporation, which owns and operates health care facilities in Fairfield and Vacaville, California.

As indicated above, payment of the principal, Purchase Price and interest on the Bonds will be supported by the Letter of Credit. An investment decision to purchase the Bonds should be made solely on the basis of the creditworthiness of the Bank. This Official Statement does not contain any financial or operating information relating to the Borrower or its ability to make payments sufficient to pay the principal, Purchase Price or interest on the Bonds and prospective investors should not expect that the Borrower would be able to make payments sufficient to pay the principal, Purchase Price or interest on the Bonds.

THE PROJECT

The Bonds are being issued to finance the construction, improvement and equipping of the Borrower's health care facilities located in Fairfield and Vacaville, California. A portion of the proceeds of the Bonds will also be applied to pay certain costs of issuance.

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 Joint Exercise of Powers Act of the State (constituting Chapter 5, commencing with Section 6500, of Division 7 of Title 1 of the California Government Code), 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 LIMITED OBLIGATIONS OF THE AUTHORITY AND THE PRINCIPAL THEREOF, AND PREMIUM, IF ANY, AND INTEREST THEREON, ARE PAYABLE SOLELY FROM, AND SECURED IN ACCORDANCE WITH THEIR TERMS AND THE PROVISIONS OF THE INDENTURE SOLELY BY, THE REVENUES AND THE OTHER AMOUNTS PLEDGED THEREFOR THEREUNDER. THE PURCHASE PRICE OF THE BONDS IS PAYABLE SOLELY FROM, AND SECURED IN ACCORDANCE WITH THEIR TERMS AND THE PROVISIONS OF THE INDENTURE SOLELY BY, THE PROCEEDS OF THE REMARKETING OF THE BONDS, AMOUNTS MADE AVAILABLE UNDER THE LETTER OF CREDIT OR ANY ALTERNATE LETTER OF CREDIT, AND AMOUNTS PROVIDED BY THE BORROWER PURSUANT TO THE LOAN AGREEMENT. NEITHER THE AUTHORITY, ABAG, ANY OF THE MEMBERS OF THE AUTHORITY OR ABAG, THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER, AND NONE OF THE BONDS OR ANY OF THE AUTHORITY'S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF THE AUTHORITY, ABAG, OR THE MEMBERS OF THE AUTHORITY OR ABAG, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WITHIN THE MEANING OF ANY CONSTITUTIONAL, OR STATUTORY PROVISION WHATSOEVER. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

INVESTMENT RISKS

The purchase of the Bonds involves certain investment considerations and risks that are discussed throughout this Official Statement. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain investment risks are described below.

Limitations of the Letter of Credit

The ratings on the Bonds could be downgraded or withdrawn if the Bank were to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or were to refuse to perform under the Letter of Credit.

The ability to obtain funds under the Letter of Credit in accordance with its terms may be limited by federal or state law. Banks generally are required by law to honor letters of credit, even if a dispute were to develop between a bank and its borrower. The defenses allowed by law to the payment of draws on letters of credit are limited to specified circumstances. If one of those circumstances were to occur, however, it is possible that the Bank would fail to make a payment when due under the Letter of Credit.

Tax-Exempt Status of the Borrower

The tax-exempt status of the Bonds presently depends upon maintenance by the Borrower 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, including their operation for charitable and other permissible purposes and their avoidance of transactions that may cause their earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities that do not conduct technical operations and business activities, they often do not adequately address the operations and transactions entered into by providers of health care services, including providers of hospital services, such as the Borrower. Many activities or categories of activities have not been addressed in any official opinion, interpretation or policy of the Internal Revenue Service (the "IRS").

In recent years, the IRS has increased the frequency and scope of its audit and other enforcement activity regarding tax-exempt health care organizations. If the IRS were to find that the Borrower has participated in activities in violation of certain regulations or rulings, the tax-exempt status of the Borrower could be in jeopardy. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit health care corporations, it could do so in the future. Loss of tax-exempt status by the Borrower potentially could result in loss of tax exemption of the Bonds and defaults in covenants regarding the Bonds likely would be triggered. Loss of tax-exempt status also could result in substantial tax liabilities on income of the Borrower. For these reasons, loss of tax-exempt status could have a material adverse effect on the financial condition of the Borrower.

In addition to revocation of exempt status, the IRS may impose penalty excise taxes on certain "excess benefit transactions" involving 501(c)(3) and 501(c)(4) organizations and "disqualified persons." An excess benefit transaction is one in which a disqualified person or entity receives more than fair market value from the exempt organization or pays the exempt organization less than fair market value for property or services, or shares the net revenues of the tax-exempt entity. A disqualified person is a person (or an entity) who is in a position to exercise substantial influence over the affairs of the exempt organization during the five years preceding an excess benefit transaction. The statute imposes excise taxes on the disqualified person and any "organization manager" who knowingly participates in an excess benefit transaction. The intermediate sanctions rules do not penalize the exempt organization itself, so there would be no direct impact on the Borrower or the tax status of the Bonds if an excess benefit transaction were subject to IRS enforcement.

In recent years, state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt health care providers with respect to their real property tax exemptions. In some cases, particularly where such authorities are dissatisfied with the amount of services provided to indigents, the real property tax-exempt status of the health care providers has been questioned. The real property of the Borrower is exempt from real property taxation. An investigation or audit could lead to a challenge that could ultimately affect the real property tax exemption of the Borrower.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be no assurance that future changes in the laws and regulations of state or local governments will not materially adversely affect the operations and financial condition of the Borrower by requiring it to pay income or local property taxes.

In recent years, the IRS and state, county and local tax authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income ("UBTI"). To the extent that the Borrower participates in activities that may generate UBTI, an investigation or audit could lead to a challenge that could result in taxes, interest and penalties with respect to unreported UBTI and in some cases ultimately could affect the tax-exempt status of the Borrower, as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds.

ABSENCE OF MATERIAL LITIGATION

The Authority

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

The Borrower

There is no controversy or litigation of any nature now pending against the Borrower or, to the knowledge of its officers, threatened, restraining or enjoining the issuance of the Bonds or in any way contesting or affecting the validity of the Bonds, or any proceedings of the Borrower taken concerning the issuance or sale thereof, or the collection of Revenues pledged under the Indenture.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

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

In addition, Bond Counsel has relied, among other things, on the opinion of Holland & Knight LLP, counsel to the Borrower, regarding the current qualification of the Borrower as an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of the Borrower concerning the Borrower's "unrelated trade or business" activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor counsel to the Borrower has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor counsel to the Borrower can give or has given any opinion or assurance about the future activities of the Borrower or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service (the "IRS"). Failure of the Borrower to be organized and operated in accordance with the IRS's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Bonds in a manner that is substantially related to the Borrower's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Bonds being included in federal gross income, possibly from the date of the original issuance of the Bonds.

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

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent the beneficial owner from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

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

LEGAL MATTERS

Certain legal matters incident to the issuance of the Bonds are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Borrower by its counsel, Holland & Knight LLP, San Francisco, California, for the Authority by its counsel, Chapman and Cutler, LLP, San Francisco, California, for the Bank by its in-house counsel, and for the Underwriter by its counsel, Foley & Lardner LLP.

RATING

Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("S&P") is expected to assign a rating of "AA/A-1+" to the Bonds based upon the delivery of the Letter of Credit. Any explanation of the significance of such rating may only be obtained from S&P. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that the rating mentioned above will remain in effect for any given period of time or that it might not be lowered or withdrawn entirely by the rating agency, if in its judgment circumstances so warrant. The Borrower and the Underwriter have undertaken no responsibility either to bring to the attention of the Holders of the Bonds any proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of any rating might have an adverse effect on the market price or marketability of the Bonds.

UNDERWRITING

Cain Brothers & Company, LLC (the "Underwriter"), will purchase the Bonds pursuant to a purchase contract (the "Purchase Contract") to be entered into with the Authority and the Borrower. Pursuant to the Purchase Contract, the Underwriter will receive an underwriter's discount of \$270,000. The Purchase Contract provides that the Underwriter will purchase all of the Bonds, if any are purchased, and contains the agreements of the Borrower to indemnify the Underwriter and the Authority against certain liabilities.

MISCELLANEOUS

The foregoing and subsequent summaries of provisions of the Bonds, the Indenture, the Master Indenture, Obligation No. 2, Obligation No. 3, the Loan Agreement 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 Indenture, the Master Indenture, the Loan Agreement and the Reimbursement Agreement may be obtained during the offering period upon request directed to Cain Brothers & Company, LLC, 360 Madison Avenue, 5th Floor, New York, NY 10017.

The execution and delivery of this Official Statement by the Authority has been duly authorized by the Authority and the execution and delivery of this Official Statement by the Borrower has been duly authorized by the Borrower. This Official Statement is not to be considered as a contract or agreement between the Authority and the purchasers or Holders of any of the Bonds.

ABAG FINANCE AUTHORITY FOR NONPROFIT
CORPORATIONS

By: /s/ Clarke J. Howatt
Secretary

Approved:

NORTHBAY HEALTHCARE GROUP

By: /s/ Arthur E. DeNio
Authorized Representative

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APPENDIX A

**DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS
OF THE PRINCIPAL DOCUMENTS**

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SUMMARY OF PRINCIPAL DOCUMENTS

The following is a summary of certain provisions of the principal legal documents and is supplemental to the summary of other provisions of such documents described elsewhere in this Official Statement. These summaries do not purport to be comprehensive, and reference should be made to the Indenture, the Loan Agreement, the Master Indenture of Trust, and the Supplemental Master Indenture of Trust for Obligation No. 2 for a full and complete statement of their respective provisions. All capitalized terms not defined in this Official Statement have the meanings set forth in the Indenture or, if not set forth in the Indenture, in the Master Indenture of Trust.

DEFINITIONS OF CERTAIN TERMS

Accountant, for purposes of the Master Indenture, means any firm of nationally recognized independent certified public accountants (but not an individual) selected by the Obligated Group Representative and acceptable to the Master Trustee, and for purposes of the Indenture, means any firm of independent certified public accountants selected by the Borrower.

Act means the Joint Exercise of Powers Act, constituting Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State.

Act of Bankruptcy means with respect to any entity: (i) the entry of an order or decree, by a court having jurisdiction in the premises, for relief against such entity in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect which remains not discharged, bonded or stayed for at least ninety (90) days, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for a substantial part of such entity's property which remains not discharged, bonded or stayed for at least ninety (90) days, or ordering the winding up or liquidation of such entity's affairs; or (ii) the institution or commencement by such entity of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or (iii) the consent by such entity to the entry of an order for relief against it in any involuntary case under any such law, or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for a substantial part of its property; or (iv) the making by such entity of a general assignment of substantially all of its assets for the benefit of creditors.

Additional Indebtedness means, as to the Corporation and the Group, any Indebtedness (including all Obligations) incurred subsequent to the issuance of the first Obligations issued under the first Related Supplement executed pursuant to the Master Indenture and, as to any Member of the Obligated Group other than the Corporation and the Group, Indebtedness incurred subsequent to membership in the Obligated Group.

Additional Payments means the payments required to be made by the Borrower pursuant to the provisions of the Loan Agreement.

Affiliate means: (1) a nonprofit public benefit corporation, a majority of the members of the Governing Body of which are (a) the same as the corporate members or directors of a Member, (b) subject to election or appointment by a Member, (c) subject to election or appointment by a corporation that has the power to elect or appoint at least 50% of the members of the governing body of a Member, or (d) that has the power to elect or appoint a majority of the members of the governing body of a Member; or (2) a for-profit corporation, at least 50% of whose voting stock is owned by a Member or an Affiliate.

Alternate Letter of Credit means an irrevocable letter of credit authorizing drawings thereunder by the Trustee, issued by a national banking association, a branch of a foreign bank, a bank, a trust company or other financial institution, and satisfying the requirements of the Indenture.

Annual Debt Service means for each Fiscal Year the aggregate amount (without duplication) of principal and interest scheduled to become due (either by maturity or by mandatory redemption) and sinking fund payments

required to be paid in that Fiscal Year on all Long-Term Indebtedness, less any amounts on deposit in escrow to be applied during that Fiscal Year to pay principal or interest on Long-Term Indebtedness calculated using the principles and assumptions set forth under the definition of Maximum Annual Debt Service.

Authority means the ABAG Finance Authority for Nonprofit Corporations, a joint exercise of powers authority organized and existing under the laws of the State or its successors and assigns.

Authorized Denomination means (a) prior to the Conversion Date, denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof, and (b) on or after the Conversion Date, denominations of \$5,000 or any integral multiple thereof.

Authorized Representative means: with respect to the Borrower, the chief executive officer, the chief financial officer or any other person who may be designated to act on behalf of the Borrower by a written certificate signed by the chief executive officer or the chief financial officer of the Borrower, furnished to the Trustee, the Bank and the Authority, containing the specimen signature of each such person; and with respect to the Authority, the President, the Chief Financial Officer, the Secretary of the Authority or any person who may be designated to act on behalf of the Authority by a written certificate signed by the President, the Chief Financial Officer, or the Secretary of the Authority, furnished to the Trustee and the Borrower, containing the specimen signature of each such person.

Authorized Representative means with respect to each Member, the chairman of its Governing Body or the chief executive officer or the chief financial officer or any other person designated as an Authorized Representative of such member by a certificate signed by the chairman of its Governing Body, or its chief executive officer or chief financial officer and filed with the Master Trustee.

Available Moneys means (a) funds received by the Trustee pursuant to the Letter of Credit; (b) moneys which have been continuously on deposit with the Trustee (i) held in any separate and segregated fund, account or subaccount established hereunder in which no other moneys which are not Available Moneys are held, and (ii) which have so been on deposit with the Trustee for at least one hundred twenty-three (123) consecutive days (or, in the case where there are Affiliates, at least three hundred sixty-six (366) consecutive days) from their receipt by the Trustee and not commingled with any moneys so held for less than said period and during and prior to which period, and as of the date of the application thereof to the payment of Bonds, no Act of Bankruptcy of the Borrower or the Authority has occurred; (c) proceeds from the issuance and sale or remarketing of bonds, notes or other evidences of indebtedness received by the Trustee directly and contemporaneously with the issuance and sale or remarketing of such bonds, notes or other evidences of indebtedness; (d) any other moneys if there is delivered to the Trustee at the time such moneys deposited with the Trustee an opinion of counsel (which may assume that no Holder of Bonds is an "insider" within the meaning of the Bankruptcy Code) from a firm experienced in bankruptcy matters to the effect that the use of such moneys to pay amounts due on the Bonds would not be recoverable from the Holders pursuant to Section 550 of the Bankruptcy Code as avoidable preferential payments under Section 547 of the Bankruptcy Code in the event of the occurrence of an Act of Bankruptcy of the Borrower or the Authority; (e) proceeds of the investment of funds qualifying as Available Moneys under the foregoing clauses; or (f) if there is no Letter of Credit in effect upon conversion to the Fixed Rate Period, any moneys deposited with the Trustee.

Balloon Indebtedness means Long-Term Indebtedness of a Member, 25% or more of the principal of which becomes due (either by maturity or mandatory redemption) during any period of 12 consecutive months, which portion of the principal is not required by the documents governing such Indebtedness to be amortized by redemption prior to such date.

Bank means initially JPMorgan Chase Bank, N.A. in its capacity as the issuer of the initial Letter of Credit, its successors in such capacity and their assigns, and, upon the acceptance of any Alternate Letter of Credit by the Trustee, the issuer of such Alternate Letter of Credit, its successors in such capacity and their assigns.

Bankruptcy Code means Title 11 of the United States Code, as amended.

Beneficial Owners means, when the Bonds are held in a book-entry only system, the owner of a Bond or portion thereof for federal income tax purposes.

Bond or Bonds means the ABAG Finance Authority for Nonprofit Corporations Revenue Bonds (NorthBay Healthcare Group), Series 2008, authorized by, and at any time Outstanding pursuant to, the Indenture.

Bond Counsel means any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the 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 Borrower.

Bond Fund means the fund by that name established pursuant to the Indenture.

Book Value means, when used in connection with Property, Plant and Equipment or other Property of any Member, the value of such property, net of accumulated depreciation, as it is carried on the books of such Member and in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such property of each Member determined in such a way that no portion of such value of property of any Member is included more than once.

Borrower means NorthBay Healthcare Group, a nonprofit public benefit corporation duly organized and existing under the laws of the State or any entity which is the surviving, resulting or transferee entity in any merger, consolidation or transfer of assets permitted under the Master Indenture.

Borrower Bonds means Bonds registered in the name of the Borrower, or beneficial interests in the Bonds owned by the Borrower that are not Pledged Bonds.

Borrower Documents means the Loan Agreement, the Master Indenture, Obligation No. 2, the Tax Certificate and all other documents and instruments executed by the Borrower in connection with the Bonds and the transactions relating to the Bonds.

Business Day means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, or the city or cities in which the Corporate Trust Office of the Trustee or the office of the Bank at which demands for payment under its Letter of Credit are to be presented are authorized or required by law to close or (iii) a day on which the New York Stock Exchange is closed.

Certificate, Order, Request, Requisition or Statement of the Authority or the Borrower mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by an Authorized Representative of the Authority, or in the name of the Borrower by an Authorized Representative of the Borrower. 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. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

Certificate, Statement, Request, Consent or Order of any Member or of the Master Trustee means, respectively, a written certificate, statement, request, consent or order signed in the name of such Member by its respective Authorized Representative or in the name of the Master Trustee by its Responsible Officer. Any such instrument and supporting opinions or certificates, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or certificate and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Master Indenture, each such instrument shall include the statements provided for in the Master Indenture.

Code means the Internal Revenue Code of 1986, as amended and supplemented from time to time.

Completion Date means the date of completion of the Project as that date shall be certified as provided in the Loan Agreement.

Completion Indebtedness means any Long-term Indebtedness incurred by the Obligated Group or any Member for the purpose of financing the completion of construction or equipping of any project for which Long-Term Indebtedness has theretofore been incurred in accordance with the provisions of the Master Indenture, (1) to the extent necessary to provide a completed and fully equipped facility of the type and scope contemplated at the time said Long-Term Indebtedness was incurred, and (2) in accordance with the general plans and specifications for such facility as originally prepared and approved in connection with the related financing, (3) modified or amended only in conformance with the provisions of the documents pursuant to which the related financing was undertaken.

Computation Date means the date on which the Remarketing Agent determines the Fixed Rate, which shall be a Business Day not more than twenty (20) Business Days nor less than five (5) Business Days prior to the Conversion Date.

Construction Index means the health care component of the implicit price deflator for the gross national product as most recently reported prior to the date in question by the United States Department of Commerce or its successor agency or, if such index is no longer published, another index that is certified to be comparable and appropriate by the Obligated Group Representative in an Officer's Certificate delivered to the Master Trustee and which other index is not objected to by the Master Trustee.

Conversion Date means the Business Day on which the Fixed Rate on the Bonds shall be effective pursuant to the Indenture.

Conversion Notice means the notice given by the Borrower of its intent to convert the interest rate on the Bonds to the Fixed Rate pursuant to the Indenture.

Corporate Trust Office means, with respect to the Trustee, the corporate trust office of the Trustee in San Francisco, California, or such other office designated by the Trustee from time to time.

Corporation means NorthBay Healthcare Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, or any corporation which is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of assets permitted under the Master Indenture.

Costs of Issuance means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Borrower and related to the authorization, issuance, sale and delivery of Bonds, including but not limited to costs of preparation and reproduction of documents, fees and expenses of the Authority, including the initial bond administration fee of the Authority, printing expenses, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, including fees and charges of counsel to the Authority, the Trustee, the Bank and Bond Counsel, rating agency fees, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

Costs of Issuance Fund means the fund by that name established pursuant to the provisions of the Indenture.

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

Current Value means: (a) with respect to Property, Plant and Equipment either: (i) the aggregate fair market value of such Property, Plant and Equipment as reflected in the most recent written report of an appraiser not objected to by the Master Trustee and, in the case of real property, who is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Master Trustee (which report shall be dated not more than 3 years prior to the date as of which Current Value is to be calculated) increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Current Value is to be calculated; plus the Book Value of any Property, Plant and Equipment acquired since the last such report increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such acquisition to the date as of which Current Value is to be calculated;

minus the greater of the Book Value or the fair market value (as reflected in such most recent appraiser's report) of any Property, Plant and Equipment disposed of since the last such report increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date as of which such Book Value was determined or the date of such report, as the case may be, to the earlier of the date of disposition of such Property, Plant and Equipment or the date as of which Current Value is to be calculated or (ii) the value equal to a bona fide offer for the purchase of such Property, Plant and Equipment made on an arms length basis within 6 months or the date of valuation as set forth in an officer's certificate; and (b) with respect to any other Property, the fair market value of such Property, which fair market value shall be evidenced in a manner not objected to by the Master Trustee.

Debt Service means, with respect to the period of time for which calculated, the aggregate amount (without duplication) of principal and interest scheduled to become due (either by maturity or by mandatory redemption) and sinking fund payments required to be paid during such period on all Long-Term Indebtedness, less any amounts on deposit in escrow to be applied during such period to pay principal or interest on Long-Term Indebtedness.

Depository means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Bonds in book entry form, the use of which will not impair the federal tax exemption of interest on the Bonds, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

Eligible Account means an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a S&P short-term debt rating of at least 'A-2' (or, if no short term debt rating, a long term debt rating of 'BBB+'); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary fund on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity.

Environmental Regulation means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances, chemical waste, materials or substances.

Event of Default, for purposes of the Indenture, means any of the events of default specified in the Indenture and, for purposes of the Master Indenture, means any of the events of default specified in the Master Indenture.

Facilities means the health care facilities of the Borrower located at 1200 B. Gale Wilson Boulevard, Fairfield, California, 4500 Business Corporation Drive, Fairfield, California, and 1000 Nut Tree Road, Vacaville, California.

Favorable Opinion of Bond Counsel means an opinion of Bond Counsel addressed to the Trustee to the effect that the action proposed to be taken is authorized or permitted by the Indenture and will not, in and of itself, adversely affect any exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

Financing means a borrowing in connection with which an Obligation is issued under the Master Indenture.

Fiscal Year means that period adopted by the Obligated Group Representative as the annual accounting period and which shall also be the Fiscal Year adopted by all other members (unless any such member is prevented by law or regulation from adopting such a fiscal year).

Fixed Rate means the interest rate on each Bond during the Fixed Rate Period established pursuant to the Indenture.

Fixed Rate Period means the period from and including the Conversion Date to and including the date of payment in full of the Bonds.

Gateway Note means that certain promissory note, dated December 5, 1995, issued by NorthBay Health Advantage to Bank of the West.

Governing Body means, when used with respect to any Member, its board of directors, board of trustees, or other board or group of individuals in which all of the powers of such Person are vested except for those powers reserved to the corporate membership thereof by the articles of incorporation or bylaws of such Person.

Government Issuer means any municipal corporation, political subdivision, state, territory or possession of the United States, or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, which obligations would constitute Related Bonds under the Master Indenture.

Government Obligations, for purposes of the Master Indenture, means: (1) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of the Federal National Mortgage Association, the Government National Mortgage Association, Federal Home Loan Banks, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Private Export Funding Corporation, and Student Loan Marketing Association and Government Trust Certificates and any obligation of any other agency or instrumentality of the government of the United States of America hereafter created, provided such obligation of any agency or instrumentality hereinafter created is approved for investment by a nationally recognized rating agency, and including interest strips of bonds issued by the Resolution Funding Corporation and held in book-entry form by the Federal Reserve Bank of New York; and (2) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof to be made on any bond, note, or other obligation described above in clause (1).

Government Obligations, for purposes of the Indenture, means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America.

Gross Revenues means all revenues, income, receipts and money received by each Member, including (a) gross revenues collected from its operations and possession of and pertaining to its properties, (b) gifts, grants, bequests, donations and contributions, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Required Payments or the payment of operating expenses, (c) proceeds derived from (i) condemnation proceeds, (ii) accounts receivable, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) medical reimbursement programs and agreements, (vi) insurance proceeds, and (vii) contract rights and other rights and assets now or hereafter owned, held or possessed by or on behalf of any Member, and (d) rentals received from the lease of office space.

Gross Revenue Fund means the fund by that name established pursuant to the provisions of the Master Indenture.

Group means NorthBay Healthcare Group, a nonprofit public benefit corporation duly organized and existing under the laws of the State, or any corporation which is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of assets permitted under the Master Indenture.

Guaranty means all loan commitments and all obligations of any Member guaranteeing in any manner whatever, whether directly or indirectly, any obligation of any other Person that would, if such other Person were a Member, constitute Indebtedness.

Hazardous Substances means: (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i)

pose a hazard to the Facilities or to persons on or about the Facilities or (ii) cause the Facilities to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Environmental Regulation, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Hazardous Waste Control Law ("HWCL"), Cal. Health & Safety §§ 25100 et seq.; the Hazardous Substance Account Act ("HSAA"), Cal. Health & Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), Cal. Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Facilities or the owners and/or occupants of property adjacent to or surrounding the Facilities, or any other person coming upon the Facilities or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

Historical Debt Service Coverage Ratio means, for any period of time, the ratio determined by dividing Income Available for Debt Service for that period by the Debt Service for such period.

Historical Maximum Annual Debt Service Coverage Ratio means, for any period of time, the ratio determined by dividing Income Available for Debt Service for that period by the Maximum Annual Debt Service for the Long-Term Indebtedness then Outstanding for such period.

Historical Pro Forma Debt Service Coverage Ratio means, for any period of time, the ratio determined by dividing Income Available for Debt Service for that period by the Maximum Annual Debt Service for the Long-Term Indebtedness then Outstanding and the Long-Term Indebtedness proposed to be issued.

Holder or **holder**, whenever used with respect to a Bond, means the person in whose name such Bond is registered.

Holder or **Obligation Holder**, whenever used with respect to an Obligation, means the registered owner of any Obligation in registered form or the bearer of any Obligation in coupon form that is not registered or is registered to bearer.

Immaterial Affiliate means a Person whose total net assets, as shown on its financial statements for its most recently completed fiscal year, were less than 10% of combined or consolidated net assets of the Members.

Income Available for Debt Service means, with respect to the Obligated Group, as to any period of time, the excess of revenues over expenses (or, in the case of for-profit Members, net income after taxes) of the Obligated Group for such period, to which shall be added depreciation, amortization and interest, all as determined in accordance with generally accepted accounting principles; provided that no such determination shall include any gain or loss resulting from either the extinguishment of Indebtedness or any disposition of capital assets not made in the ordinary course of business or any revenue of an Affiliate which is not a Member.

Indebtedness means any Guaranty (other than any Guaranty by any Member of Indebtedness of any other Member) and any indebtedness or obligation of any Member of the Obligated Group for borrowed money, as determined in accordance with generally accepted accounting principles, including, without limitations, obligations under conditional sales contracts or other title retention contracts, rental obligations under leases that are considered capital leases under generally accepted accounting principles, except for obligations of a Member to another Member; provided, however, that if more than one Member shall have incurred or assumed a Guaranty of a Person other than a Member, or if more than one Member shall be obligated to pay any obligation, for purposes of any

computations or calculations under the Master Indenture such Guaranty or obligation shall be included only one time.

Indenture means that certain Indenture, dated as of July 1, 2008, between the Authority and the Trustee, as originally executed and as it may from time to time be supplemented, modified or amended by any Supplemental Indenture in accordance with the terms thereof.

Independent Consultant means a firm (but not an individual) that: (1) is in fact independent; (2) does not have any direct financial interest or any material indirect financial interest in any Member or any Affiliate; and (3) is not connected with any Member or any Affiliate as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions designated by the Obligated Group Representative, not objected to by the Master Trustee and having the skill and experience necessary to render the particular report or certification required by the provision of the Master Indenture in which such requirement appears.

Industry Restrictions means federal, state or other applicable governmental laws or regulations or general industry standards or general industry conditions placing restrictions and limitations on the rates, fees and charges to be fixed, charged and collected by the Members.

Insurance Consultant means a person or firm (which may be an insurance broker or agent of a Member), who is not, and no member, director, officer or employee of which is, a director, officer or employee of any Member, designated by the Obligated Group Representative and qualified to survey risks and to recommend insurance coverage for hospitals, health-related facilities and services and organizations engaged in such operations.

Interest Payment Date means (i) during the Variable Rate Period, the first Business Day of each month, commencing the first Business Day of August, 2008, (ii) the Conversion Date, (iii) following the Conversion Date, each May 1 and November 1, and (iv) the maturity date of the Bonds.

Interest Rate Exchange Agreement means an agreement, commonly known as an interest rate swap, whereby the Obligated Group Representative, acting on behalf of the Obligated Group, or any Member of the Obligated Group agrees with a third party to pay such third party's interest on a mutually agreed upon notional amount in exchange for such third party's agreement to pay the Obligated Group's or such Member of the Obligated Group's interest on such amount, all at such interest rates and over such periods of time as may be mutually agreed upon; provided that no such agreement shall entail any exchange of principal or any assumption of liability for the payment of the principal of or interest on any Indebtedness of the Obligated Group, such Member of the Obligated Group, or such third party, as the case may be; and provided further that the documentation to be executed in connection with such Interest Rate Exchange Agreement shall provide that any termination payment or termination penalty payable by a Member in connection with the termination of such Interest Rate Exchange Agreement shall be payable on a subordinate basis to payment of debt service on the Certificates and on any other Related Bonds.

Interim Indebtedness means Long-Term Indebtedness with a final maturity 60 months or less from the date of incurrence.

Investment Securities means any of the following:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America;

(2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; or by any agency, department or instrumentality of the United States if such obligations are rated in one of the two highest rating categories (without regard to gradations within such category) of the Rating Agency then rating the Bonds;

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

(4) bonds of the State of California or of any other state or commonwealth of the United States or of any county, city and county or city of the State of California or of any other state or commonwealth of the United States or corporate bonds, in each case, rated, at the time of purchase, in one of the two highest rating categories (without regard to gradations within such category) of the Rating Agency then rating the Bonds;

(5) commercial paper of finance companies and banking institutions rated, at the time of purchase, in one of the two highest rating categories (without regard to gradations within such category) of the Rating Agency then rating the Bonds;

(6) repurchase agreements fully secured by collateral security, as evidenced by an Opinion of Counsel, described in clauses (1) or (2) of this definition, which collateral (a) is held by the Trustee or a third party agent during the term of such repurchase agreement, (b) is not, pursuant to the terms of such agreement, subject to liens or claims of third parties, and (c) has a market value (determined at least once every fourteen (14) days) at least equal to the amount so invested;

(7) long-term investment agreements (with maturity dates in excess of one (1) year) with financial institutions (including, without limitation, banks and insurance companies) the debt obligations or long-term claims paying ability of such financial institutions or of a related guarantor of any such financial institution are rated, at the time of execution, in one of the two highest rating categories (without regard to gradations within such category) of the Rating Agency then rating the Bonds, or short-term investment agreements with financial institutions or any related guarantor of any such financial institution the long- or short-term debt obligations of which are rated at the time of execution, in one of the two highest long- or short-term, as the case may be, rating categories (without regard to gradations within such category) of the Rating Agency then rating the Bonds, provided that if such rating falls below the two highest rating categories, the investment agreement shall permit assignment of such investment agreement to a financial institution which meets the ratings requirement specified in this clause (7) or shall provide for the invested securities to be fully collateralized by investments described in clause (1) of this definition and, provided further, that if so collateralized, that the Trustee has a perfected first security lien on the collateral, as evidenced by an Opinion of Counsel, and such collateral is held by the Trustee;

(8) banker's acceptances or certificates of deposit of, or time deposits in, any bank (including the Trustee or any of its affiliates) or savings and loan association (a) the debt obligations of which (or in the case of the principal bank of a bank holding company, the debt obligations of the bank holding company of which) are rated, at the time of purchase, in one of the two highest rating categories (without regard to gradations within such category) of the Rating Agency then rating the Bonds or (b) which certificates of deposit or time deposits are fully insured by the Federal Deposit Insurance Corporation or (c) which certificates of deposit or time deposits are secured at all times, in the manner and to the extent provided by law, by collateral security (described in clauses (1) or (2) of this definition) with a market value (valued at least quarterly) of no less than the original amount of moneys so invested;

(9) money market instruments rated, at the time of purchase, in the highest rating category by either Moody's or S&P and/or money market instruments restricted to investments described in clause (1), (2) and (6) of this definition, including in each case any money market instruments for which the Trustee or any of its affiliates provides investment advisory or management services;

(10) Tax-exempt obligations and money market mutual funds whose portfolios are restricted to such obligations, which obligations or mutual funds are rated, at the time of purchase, in one of the two highest rating categories (without regard to gradations within such category) by the Rating Agency then rating the Bonds;

(11) Tax-exempt obligations, the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clause (1) of this definition; and

(12) forward agreements with respect to obligations listed in clauses (1), (2), (3), (4), or (5) of this definition with any financial institution which (or the guarantor of which), at the time of execution, has a long-term debt, claims paying ability or financial program strength ratings in one of the three highest rating categories (without regard to gradations within such category) assigned by at least one nationally recognized rating agency, which forward agreement provides that the financial institution entering into such forward agreement with the Trustee has a continual obligation to deliver or purchase the obligations at an agreed upon price or yield.

Issue Date means the date on which the Bonds are delivered to the purchaser or purchasers thereof upon original issuance.

Letter of Credit means a letter of credit satisfying the requirements of the Indenture, including any extensions or amendments thereto, and including any Alternate Letter of Credit delivered pursuant to the Indenture. Upon the initial issuance of the Bonds, Letter of Credit means Irrevocable Letter of Credit No. CTCS-LC NO. 638552, dated July 1, 2008, issued by J.P. Morgan Chase Bank, N.A.

Letter of Credit Account means the account by that name in the Bond Fund established pursuant to the Indenture.

Letter of Representations means the blanket agreements of the Authority and the Trustee to comply with the operational arrangements of The Depository Trust Company and any similar agreements with respect to a successor Depository.

Lien means any mortgage or pledge of, or security interest in, or lien or encumbrance on, any Property, excluding Liens applicable to Property in which any Member has only a leasehold interest unless the Lien is with respect to such leasehold interest.

Liquidity Drawing means a drawing under the Letter of Credit in accordance with the terms thereof to pay the Purchase Price of tendered Bonds which are not remarketed by the Remarketing Agent in accordance with the Remarketing Agreement and the Indenture.

Loan Agreement means that certain Loan Agreement, dated as of July 1, 2008, between the Authority and the Group, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture.

Loan Default Event means any one or more of the events specified in the Loan Agreement.

Loan Repayments means the payments so designated and required to be made by the Borrower pursuant to the Loan Agreement.

Long-Term Indebtedness means Indebtedness having an original maturity greater than 1 year or renewable at the option of a Member for a period greater than 1 year from the date of original incurrence or issuance thereof unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least 30 consecutive days during each calendar year.

Long-Term Indebtedness Ratio means the ratio determined by dividing the Obligated Group's total Long-Term Indebtedness by the sum of (a) such Long-Term Indebtedness and (b) the Obligated Group's total unrestricted net assets (as reflected in or derived from the most recent audited combined financial statements of the Obligated Group prepared in accordance with generally accepted accounting principles).

Master Indenture means that certain Master Indenture of Trust, dated as of December 1, 1998, among the Corporation, the Borrower and the Master Trustee, as originally executed and as it may from time to time hereafter be supplemented, modified or amended in accordance with its terms, including as supplemented by Supplement No. 2.

Master Trustee means U.S. Bank National Association, as successor trustee to U.S. Bank Trust National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as trustee under the Master Indenture.

Maximum Annual Debt Service means the greatest amount of Annual Debt Service becoming due and payable in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year; provided, however, that for the purposes of computing Maximum Annual Debt Service:

(a) there shall be excluded from the calculation of Maximum Annual Debt Service 80% of the Annual Debt Service on all obligations for which a Member has entered into a Guaranty; provided that no such exclusion shall be permitted in any Fiscal Year in which the Member has made a payment with respect to such Guaranty;

(b) for any Indebtedness for which a binding commitment, letter of credit or other credit arrangement providing for the extension of such Indebtedness beyond its original maturity date exists, the computation of Maximum Annual Debt Service shall, at the option of the Obligated Group Representative, be made on the assumption that such Indebtedness will be amortized in accordance with such credit arrangement;

(c) for any Balloon Indebtedness and any Interim Indebtedness, the computation of Maximum Annual Debt Service shall, at the option of the Obligated Group Representative, assume that such Indebtedness is to be amortized over a period specified by the Obligated Group Representative up to 30 years in duration, beginning on the date of maturity of such Indebtedness or such earlier date as may be specified by the Obligated Group Representative, assuming level debt service and a rate of interest (determined as of the time of calculation of Maximum Annual Debt Service) equal to, at the option of the Obligated Group Representative, either: (i) the most recently published Bond Buyer 30-year Revenue Bond Index rate; or (ii) the rate certified by an Independent Consultant to be the rate at which the Obligated Group could reasonably expect to borrow by issuing an Obligation with a term of 30 years;

(d) if interest on Long-Term Indebtedness is payable pursuant to a variable interest rate formula, the interest rate for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to: (i) with respect to Long-Term Indebtedness that has been Outstanding for more than 24 months, the average rate of interest borne by such Long-Term Indebtedness during the full 24-month period immediately preceding the date of calculation; or (ii) with respect to Long-Term Indebtedness incurred during such 24-month period (aa) if interest on such Long-Term Indebtedness is excluded from gross income for federal income tax purposes, 100% of the average of the most recently published Bond Buyer 25 Revenue Bond Index or (bb) in any other case, the average of the prime rate of the Master Trustee (or the principal banking affiliate of the Master Trustee) in effect during such 24-month period;

(e) debt service on Long-Term Indebtedness incurred to finance capital improvements shall be included in the calculation of Maximum Annual Debt Service only in proportion to the amount of interest on such Long-Term Indebtedness that is payable in the then-current Fiscal Year from sources other than the proceeds of such Long-Term Indebtedness;

(f) for any Indebtedness constituting Paired Obligations, the interest rate on such Indebtedness shall be the resulting fixed interest rate to be paid by the Member incurring such Indebtedness; and

(g) if moneys or Government Obligations have been deposited with a trustee in an amount, together with earnings thereon, sufficient to pay all or a part of the principal of or interest on Long-Term Indebtedness as it comes due, such principal or interest, as the case may be, shall be excluded from the calculation of Maximum Annual Debt Service.

Maximum Rate means the lesser of 10% per annum or the maximum rate permitted by law.

Member means each signatory to the Master Indenture (other than the Master Trustee), together with each other Person that is obligated under the Master Indenture to the extent and in accordance with the provisions of the Master Indenture, from and after the date upon which such Person joins the Obligated Group, but excluding any Member which withdraws from the Obligated Group to the extent and in accordance with the provisions of the Master Indenture, from and after the date of such withdrawal.

Members means the Corporation, the Borrower and each other Person that is then obligated under the Master Indenture.

Moody's means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower, by notice to the Authority, the Bank, the Remarketing Agent and the Trustee.

Net Revenues means the sum of total net operating revenues, plus net non-operating revenues, as shown on the combined or consolidated financial statements of the Obligated Group, determined in accordance with generally accepted accounting principles, plus any investment income that is offset against interest expense in accordance with generally accepted accounting principles and as a result is not included in total operating revenues or non-operating revenues.

Non-Recourse Indebtedness means any Indebtedness which is secured by a Lien, liability for which is effectively limited to the Property subject to such Lien, with no recourse, directly or indirectly, to any other Property of any Member.

Obligated Group when used in reference to the Master Indenture means all Members collectively, and when used in reference to the Indenture means the Corporation, the Borrower and each other Person which becomes a Member of, and has not withdrawn from, the Obligated Group, in each case pursuant to the terms of the Master Indenture.

Obligated Group Representative when used in reference to the Master Indenture and the Indenture means the Corporation or such other Member (or Members acting jointly) as may have been designated pursuant to written notice to the Master Trustee executed by all of the Members.

Obligation means any obligation of the Obligated Group issued under the Master Indenture, as a joint and several obligation of each Member, which has been authenticated by the Master Trustee and which may be in any form set forth in a Related Supplement, including, but not limited to, bonds, obligations, debentures, interest rate swap agreements, loan agreements, leases or reimbursement agreements. Reference to a Series of Obligations or to Obligations of a Series shall mean a Series of Obligations or Obligations of a Series issued pursuant to a single Related Supplement.

Obligation No. 2 means the obligation issued by the Corporation, acting as Obligated Group Representative, pursuant to the Master Indenture and Supplement No. 2.

Officer's Certificate means a certificate signed by the Authorized Representative of the Obligated Group Representative

Official Statement means that certain Official Statement, relating to the Bonds (including all exhibits or appendices thereto), dated the date of sale of the Bonds, used in connection with the offer and sale of Obligation No. 2.

Opinion of Bond Counsel, whenever used with respect to an opinion to be delivered pursuant to the provisions of the Master Indenture, means a written opinion signed by an attorney or firm of attorneys not objected to by the Master Trustee and experienced in the field of public finance whose opinions are generally accepted by purchasers of obligations issued by or on behalf of a Government Issuer.

Opinion of Counsel, whenever used with respect to an opinion to be delivered pursuant to the provisions of the Indenture, means a written opinion of counsel (who may be counsel for the Authority) acceptable to the Authority and the Borrower. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the provisions of the Indenture.

Opinion of Counsel, whenever used with respect to an opinion to be delivered pursuant to the provisions of the Master Indenture, means a written opinion signed by an attorney or firm of attorneys, who may be counsel for the Obligated Group Representative, not objected to by the Master Trustee.

Outstanding, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which liability of the Authority shall have been discharged in accordance with the provisions of the Indenture, including Bonds (or portions of Bonds) referred to in the provisions of the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

Outstanding, when used with reference to Indebtedness, means, as of any date of determination, all Indebtedness theretofore issued or incurred and not paid and discharged other than: (a) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation; (b) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of a Related Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser; (c) any Obligation held by any Member of the Obligated Group; and (d) Indebtedness deemed paid and no longer outstanding pursuant to the terms thereof; provided, however, that if two or more obligations which constitute Indebtedness represent the same underlying obligation (as, for example, when an Obligation secures an issue of Related Bonds and another Obligation secures repayment obligations to a bank under a letter of credit that secures such Related Bonds), for purposes of the various financial covenants contained in the Master Indenture, but only for such purposes, only one of such Obligations shall be deemed Outstanding and the Obligation so deemed to be Outstanding shall be that Obligation that produces the greater amount of Debt Service to be included in the calculation being made.

Paired Obligations means Indebtedness, designated as Paired Obligations in a Certificate of the Obligated Group Representative, which are simultaneously outstanding and (i) the principal of which is of equal amount maturing and to be retired on the same dates and in the same amounts and (ii) the interest rates on which, taken together, result in an irrevocably fixed interest rate obligation of a Member for the term of such Indebtedness.

Participant or Participants means securities brokers and dealers, banks, trust companies and clearing corporations which participate in the Depository with respect to the Bonds.

Permitted Encumbrances means and includes:

(a) Any judgment lien or notice of pending action against any Member so long as such judgment or pending action is being contested and execution thereon is stayed or while the period for responsive pleading has not lapsed;

(b) (i) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (ii) any liens on any Property for taxes, assessment, levies, fees, water and sewer charges, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent, or the amount or validity of which, are being contested and execution thereon is stayed or for which adequate reserves have been set aside or, with respect to liens of mechanics, materialmen and laborers which have not been contested, have been due for less than 90 days or which have been bonded for; (iii) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to any Property that do not materially impair the use of such Property or materially and adversely affect the value thereof; (iv) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights do not materially impair the use of such Property in any manner, or materially and adversely affect the value thereof; (v) present or future valid ongoing laws and ordinances; and (vi) to the extent that it affects title to any Property, the Master Indenture and any Related Bond Indenture;

(c) Any Lien described in Exhibit A to the Master Indenture which is existing on the date of execution thereof, provided that no such Lien or the amount of Indebtedness secured thereby (other than Liens described in subsection (b) of this definition) may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Encumbrance under the Master Indenture;

(d) Any Lien in favor of the Master Trustee securing all Obligations (other than Non-Recourse Indebtedness) on a parity basis;

(e) Liens arising by reason of good faith deposits with any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(f) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other similar social security plans, or to share in the privileges or benefits required for companies participating in such arrangements, and any Lien in the nature of a banker's lien or right of setoff with respect to deposits that any Member is required to maintain with the bank in question;

(g) Any Lien arising by reason of any escrow established to pay debt service with respect to Indebtedness;

(h) Any Lien on the proceeds of Indebtedness in favor of the trustee with respect to such Indebtedness prior to the application of such proceeds;

(i) Liens on moneys deposited by patients or others with any Member as security for or as prepayment for the cost of patient care;

(j) Liens on Property received by any Member through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon, up to the fair market value of such Property;

(k) Statutory rights of the United States of America by reason of federal funds made available under 92 U.S.C. Section 291 et seq. and similar rights under other federal and state statutes;

(l) Liens securing Non-Recourse Indebtedness incurred or existing and permitted by the provisions of the Master Indenture;

(m) Liens on Property acquired by a Member if an Officer's Certificate is delivered to the Master Trustee certifying that (i) the Lien and the Indebtedness secured thereby were created and incurred by a Person other than a Member prior to the acquisition of such Property by a Member, and (ii) the Lien was created prior to the decision of the Member to acquire the Property and was not created for the purpose of enabling a Member to avoid the limitations hereof on creation of Liens on Property of the Obligated Group;

(n) Liens resulting from a Person's becoming a Member pursuant to the provisions of the Master Indenture or from a consolidation, merger or acquisition of assets pursuant to the provisions of the Master Indenture;

(o) Liens on accounts receivable and the proceeds thereof, provided that the principal amount of Indebtedness secured by any such Lien does not exceed the aggregate sales price of such accounts receivable received by the Member selling the same;

(p) Any leases entered into in the ordinary course of business, any leases entered into in accordance with the provisions of the Master Indenture, any leases, licenses or similar rights existing as of the date of the initial execution and delivery of the Master Indenture and any renewals and extensions thereof, and any leases, licenses or similar rights to use Property whereunder a Member is lessee, licensee or the equivalent thereof;

(q) Liens on Property due to rights of third party payors for recoupment of excess reimbursement amounts paid to any Member;

(r) Liens on real property constituting Property not necessary for the delivery of patient care by any Member;

(s) Any other Lien on Property provided that:

(i) the Current Value of all Property encumbered by all Liens permitted by this subsection (s) does not exceed 20% of the Current Value of all Property of the Obligated Group at the time of creation of such Lien; or

(ii) the Book Value of all Property encumbered by all Liens permitted by this subsection (s) does not exceed 20% of the Book Value of all Property of the Obligated Group at the time of creation of such Lien; or

(iii) the principal amount of Indebtedness secured by all Liens permitted by this is subsection (s) does not exceed 20% of the lesser of the Current Value and the Book Value of all Property of the Obligated Group at the time of creation of such Lien;

(t) Purchase money security interests, whether now existing or hereafter created;

(u) Liens securing the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title agreement; and

(v) Any other Lien securing Indebtedness of any Member incurred in accordance with the provisions of the Master Indenture.

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

Pledged Bonds means, at the time of determination thereof, any Bonds or beneficial interests in Bonds pledged or assigned to or otherwise held for the benefit of the Bank as a result of a payment under its Letter of Credit as described in the Indenture.

Primary Obligor means that Member or those Members primarily obligated to make Required Payments with respect to any particular Obligation as set forth in a Related Supplement.

Project means the financing of the acquisition, construction, improvement and equipping of the Facilities.

Project Fund means the fund by that name established pursuant to the provisions of the Indenture.

Projected Debt Service Coverage Ratio means, for any future period of time, the ratio determined by dividing the projected Income Available for Debt Service for that period by the Maximum Annual Debt Service for the Long-Term Indebtedness expected to be Outstanding during such period.

Property means any and all rights, titles and interests in and to any and all property of a Member whether real or personal, tangible or intangible and wherever situated.

Property, Plant and Equipment means all Property of a Member which is considered property, plant and equipment of such Member under generally accepted accounting principles.

Proposed Conversion Date means any date designated by the Borrower as the Conversion Date in accordance with the Indenture.

Purchase Fund means the fund by that name established pursuant to the provisions of the Indenture.

Purchase Price means 100% of the principal amount of any Bond (or portions thereof in Authorized Denominations) tendered or required to be tendered pursuant to the provisions of the Indenture, plus, when applicable, accrued and unpaid interest thereon to the date of purchase.

Rating Agency means S&P and/or Moody's, according to which of such rating agencies then rates the Bonds; and provided that if neither of such rating agencies then rates the Bonds, the term "Rating Agency" shall be deemed to refer to any nationally recognized securities rating agency.

Rebate Fund means the Rebate Fund established pursuant to the provisions of the Indenture.

Rebate Requirement means any amount required by the Tax Certificate to be paid to the United States government.

Record Date means with respect to each Interest Payment Date (i) on and prior to the Conversion Date, the Trustee's close of business on the Business Day next preceding such Interest Payment Date, and (ii) after the Conversion Date, the Trustee's close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date, regardless whether such day is a Business Day.

Reimbursement Agreement means, with respect to each Letter of Credit, the agreement pursuant to which such Letter of Credit is issued, including all amendments thereof and supplements thereto, and initially shall mean the Reimbursement Agreement, dated as of July 1, 2008, between the Corporation, the Borrower and JPMorgan Chase Bank, N.A., as the same may be amended or supplemented from time to time.

Related Bonds means the revenue bonds, certificates of participation or other obligations issued or authorized to be executed and delivered by any Government Issuer, pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to the Corporation, the Group or another Member in

consideration of the execution, authentication and delivery of an Obligation or Obligations to or for the order of such Government Issuer.

Related Bond Indenture means any indenture, bond resolution, trust agreement or other comparable instrument pursuant to which a series of Related Bonds are issued or executed and delivered.

Related Bond Issuer means the Government Issuer of any issue of Related Bonds.

Related Bond Trustee means the trustee and its successors in the trusts created under any Related Bond Indenture, and if there is no such trustee, means the Related Bond Issuer.

Related Supplement means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

Remarketing Agent means each Remarketing Agent appointed and serving in such capacity under the Indenture and any successors thereto. The initial Remarketing Agent shall be Cain Brothers & Company, LLC.

Remarketing Agreement means the Remarketing Agreement, dated as of July 1, 2008, between the Borrower and the initial Remarketing Agent, as from time to time supplemented and amended, and, any replacement remarketing agreement between the Borrower and a Remarketing Agent appointed under the Indenture, as from time to time supplemented and amended.

Required Payment means any payment required to be made by any Member under the Master Indenture, any Related Supplement, any Obligation or otherwise in connection with a Financing, whether at maturity, by acceleration, upon proceeding for redemption or otherwise.

Reserved Rights means those certain rights of the Authority under the Loan Agreement to indemnification and to payment or reimbursement of fees and expenses of the Authority, including specifically, but, without limitation, the payments required under the Indenture, its right to enforce the Loan Agreement pursuant to the terms thereof, its right to inspect and audit the books, records and premises of the Borrower, including the Project, its right to collect attorneys' fees and related expenses, its right to enforce the Borrower's covenant to comply with applicable federal tax law and State law (including the Act and the rules of the Authority, if any), its right to receive notices and to grant or withhold consents or waivers under the Loan Agreement and the Indenture, and its right to amend the Indenture and the Loan Agreement in accordance with the provisions hereof and thereof.

Responsible Offer means, with respect to the master trustee, the chairman and vice chairman of the board of directors, the chairman of the executive committee of the board of directors, the vice chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, any assistant vice president, the cashier, any assistant cashier, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer, any assistant trust officer or any other officer of the Master Trustee customarily performing functions who is authorized by the Master Trustee to perform such functions.

Revenue Account means the account by that name in the Bond Fund established pursuant to the Indenture.

Revenues means all amounts received by the Authority or the Trustee for the account of the Authority pursuant or with respect to the Loan Agreement, Obligation No. 2 or the Letter of Credit (other than payments of the Purchase Price of any Bonds), including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, any late charges, and paid from whatever source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in the funds and accounts established pursuant to the Indenture, but not including Additional Payments, or any moneys paid for deposit into the Rebate Fund or for the purchase of Bonds.

Rule 15c2-12 means Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

S&P means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower, by notice to the Authority, the Bank, the Remarketing Agent and the Trustee.

Series of Obligations or Obligations of a Series means all Obligations designated as being of the same series and issued pursuant to a single Related Supplement.

Short-Term Indebtedness means all Indebtedness which has an original term less than or equal to one (1) year and which is not renewable or extendable at the option of a Member to a date or for a term greater than one (1) year from the date of original incurrence or issuance unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least thirty (30) consecutive days during each calendar year.

SIFMA Swap Index means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association ("SIFMA") or any entity acting in cooperation with or under the sponsorship of SIFMA or its successor, or if such index is not available, such other comparable index selected by the Borrower with the written consent of the Remarketing Agent.

Sinking Fund Installment means the amount required by the Indenture to be paid by the Authority on any single date for the redemption of Bonds.

State means the State of California.

Stated Expiration Date means the date (as such date may be extended from time to time) on which the Letter of Credit is stated to expire or terminate in accordance with its terms other than by virtue of the replacement of such Letter of Credit with an Alternate Letter of Credit in accordance with the terms of the Indenture.

Subordinated Indebtedness means Indebtedness that by its terms is specifically subordinated with respect to any security therefor and with respect to right of payment upon default of all Outstanding Obligations.

Supplemental Indenture means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

Supplement No. 2 means that certain Supplemental Master Indenture of Trust for Obligation No. 2, dated as of July 1, 2008, between the Corporation and the Master Trustee.

Tax Certificate means the Tax Certificate and Agreement of the Borrower and the Authority dated the Issue Date of the Bonds, as supplemented and amended from time to time pursuant to its terms.

Tax-Exempt Organization means a person organized under the laws of the United States of America or any State thereof which is an organization described in Section 5.01(c)(3) exempt from federal income taxation under Section 5.01(a) of the Internal Revenue Code of 1986 or corresponding provisions of federal income tax laws from time to time in affect.

Trustee means U.S. Bank National Association, or its successor as Trustee under the Indenture as provided in the provisions of the Indenture.

Undelivered Bonds means Bonds that are not presented to the Trustee for payment of principal thereof and interest thereon when due, or Purchase Price thereon when due and for which sufficient moneys are on deposit with the Trustee to pay such principal and interest or Purchase Price.

Underwriter means Cain Brothers & Company, LLC.

Variable Rate means the interest rate on each Bond during the Variable Rate Period established pursuant to the Indenture.

Variable Rate Indebtedness means Indebtedness the interest rate on which is not established, at the time of incurrence, at a fixed or constant rate, provided, however, that if the interest rate on such Indebtedness is subsequently converted to a fixed interest rate to maturity, such Indebtedness shall no longer be treated as Variable Rate Indebtedness for any purpose under the Master Indenture.

Variable Rate Period means the period from and including the Issue Date to the earlier of (i) the Conversion Date or (ii) the day of payment in full of the Bonds.

THE INDENTURE

The Indenture sets forth the terms of the Bonds, the nature and extent of security, various rights of the Holders and beneficial owners of the Bonds, rights, duties and immunities of the Trustee and the rights and obligations of the Authority. The summary of the provisions of the Indenture set forth below does not purport to be complete or definitive, is supplemental to the summary of other provisions of the Indenture set forth elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture.

Pledge and Assignment; Bond Fund

Pledge and Assignment. 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 the Rebate Fund and funds held to pay the Purchase Price of any Bonds) are pledged to secure the full payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture and thereafter to secure full payment of amounts owed under any Reimbursement Agreement. 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 by the Trustee of the Bonds under the Indenture upon their initial issuance, without any physical delivery thereof or further act.

Pursuant to the provisions of the Indenture, the Authority transfers in trust, and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds and the Bank, to the extent of its interest therein, all of the Revenues and other assets pledged pursuant to the provisions of the Indenture described in the paragraph above and all of the right, title and interest of the Authority in the Loan Agreement (except for its Reserved Rights) and in Obligation No. 2. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues 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, subject to the provisions of the Indenture, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the Borrower under the Loan Agreement and all of the obligations of the Members under Obligation No. 2.

Bond Fund. The Indenture creates and establishes with the Trustee a special fund designated the "Bond Fund." Within the Bond Fund there shall be established separate trust accounts designated the "Revenue Account" and the "Letter of Credit Account" provided, however, no such account is required to be established and opened by the Trustee until such time as the account is needed under the provisions of the Indenture. All amounts drawn by the Trustee under the Letter of Credit (other than amounts drawn to pay the Purchase Price of a tendered Bond) shall be deposited in the Letter of Credit Account of the Bond Fund, which Letter of Credit Account shall be an Eligible Account, and shall not be commingled with any other moneys held by the Trustee. Any other amounts received for deposit in the Bond Fund shall be deposited in the Revenue Account of the Bond Fund and shall not be commingled with any other moneys held by the Trustee.

There shall be deposited in the Bond Fund (a) all Loan Repayments under the Loan Agreement and all payments made pursuant to Obligation No. 2; (b) all moneys received by the Trustee under the Loan Agreement for

deposit in the Bond Fund; (c) all moneys drawn under the Letter of Credit (other than amounts drawn to pay the Purchase Price of a tendered Bond) to pay principal of, premium, if any, or interest on the Bonds; and (d) any other moneys received by the Trustee with directions for deposit in the Bond Fund.

Pursuant to the Indenture, the Authority authorizes and directs the Trustee, and the Trustee agrees, to withdraw sufficient funds from the Bond Fund to pay the principal of and premium, if any, and interest on the Bonds as the same become due and payable.

Prior to 11:00 a.m., New York City time, on the Business Day immediately preceding the date on which any principal and/or interest shall become due on the Bonds (whether upon any Interest Payment Date, at maturity, upon the date fixed for redemption or upon acceleration of the Bonds), the Trustee shall, without making any prior claim or demand upon the Borrower, draw on the Letter of Credit in accordance with the terms of the Letter of Credit an amount sufficient for the purpose of paying the principal, premium, if any, and interest coming due and payable on the Bonds, such draw to be made in accordance with the terms of the Letter of Credit, provided, that the Trustee shall not take any action under the Letter of Credit to pay the principal of, premium, if any, and interest on any Pledged Bonds or Borrower Bonds.

If for any reason funds are not available under the Letter of Credit for payment of principal of, premium or interest due on the Bonds on any such date, the Trustee shall immediately request from the Borrower funds sufficient to make all such payments of principal and/or interest and premium, if any, on the Bonds pursuant to the Loan Agreement by directing that the Borrower deposit such funds with the Trustee at its designated Corporate Trust Office into the Revenue Account of the Bond Fund within such time as to allow the Trustee to make timely withdrawals from the Bond Fund in accordance with the Indenture.

Remarketing of Tendered Bonds; Payment of Purchase Price

Remarketing. Subject to the provisions of the Indenture, the Remarketing Agent shall use its best efforts to remarket (i) optionally tendered Bonds or beneficial interests in Bonds, of which it has received notice of tender from the Trustee pursuant to the Indenture, or (ii) mandatory tendered beneficial interests in Bonds (if the Bonds are held in a book-entry only system) or Bonds (if the Bonds are no longer held in a book-entry only system), in each case at a price equal to 100% of the principal amount thereof plus accrued interest to the purchase date. The Remarketing Agent agrees that it shall not sell any Bonds purchased pursuant to the tender provisions of the Indenture to the Borrower, or to the Authority, or to any person who controls, is controlled by, or is under common control with the Borrower or the Authority or any guarantor of the Borrower's obligations under the Loan Agreement or the Reimbursement Agreement.

Tenders During Variable Rate Period. By 3:00 p.m., New York City time, on the Business Day next preceding each purchase date (whether optional or mandatory) during the Variable Rate Period, the Remarketing Agent shall give notice to the Trustee of the principal amount of such Bonds (or beneficial interests therein) remarketed, and, if the Bonds are no longer held in a book-entry only system, the names, addresses and taxpayer identification numbers of the purchasers and the denominations in which the Bonds are to be issued to each purchaser. If less than all of the Bonds (or beneficial interests therein) to be tendered on such purchase date have been remarketed, the Remarketing Agent shall specify in such notice the principal amount of Bonds (or beneficial interests therein) which have not been remarketed and the amount of accrued interest to be paid on such Bonds (or beneficial interests therein) on such purchase date. Upon receipt of such notice from the Remarketing Agent, the Trustee shall immediately forward such notice to the Borrower and the Bank. If the Trustee does not receive notice from the Remarketing Agent by 3:00 p.m., New York City time, on the Business Day next preceding the purchase date of any Bonds (or beneficial interests therein) specifying the amount of Bonds that have not been remarketed, for purposes of the Indenture, the Trustee shall assume that none of the Bonds (or beneficial interests therein) tendered or required to be tendered for purchase on such date have been remarketed. Before making the assumption referred to in the immediately preceding sentence, the Trustee shall use its best efforts to contact the Remarketing Agent to determine whether such assumption is correct. Purchasers of Bonds (or beneficial interests therein) which have been remarketed shall be required to deliver the Purchase Price thereof directly to the Trustee by not later than 10:00 a.m., New York City time, on each purchase date (whether optional or mandatory). By 10:30 a.m., New York City time, on each purchase date (whether optional or mandatory), the Trustee shall notify in writing the Remarketing Agent,

the Borrower and the Bank of any Bonds (or beneficial interests therein) which have been remarketed for which payment has not been received from the purchasers thereof.

Draws Upon Letter of Credit; Borrower Moneys. With respect to any Bonds then secured by a Letter of Credit, prior to 11:00 a.m., New York City time, on each purchase date (whether optional or mandatory) the Trustee shall, upon receipt of the notices described in the subsection above, or based upon the assumption described in the subsection above, draw upon the Letter of Credit in accordance with its terms in an amount equal to the Purchase Price of (i) any tendered Bonds (or beneficial interests therein) not remarketed and (ii) any tendered Bonds (or beneficial interests therein) remarketed and for which payment has not been received. In the event that the Bank does not cause funds so drawn to be deposited with the Trustee by 2:15 p.m., New York City time, on each purchase date (whether optional or mandatory), the Trustee shall deposit moneys provided by the Borrower to pay the Purchase Price of tendered Bonds pursuant to the Loan Agreement in a separate account, and shall hold such moneys separate and apart from, and shall not commingle such moneys with, any other moneys held by the Trustee. The Trustee will notify the Holders of any continuing failure by the Bank to honor a properly presented draw request for payment of the Purchase Price for any Bonds optionally or mandatorily tendered for purchase. No draws shall be made under a Letter of Credit for the payment of Purchase Price with respect to Pledged Bonds or Borrower Bonds. Any drawing on a Letter of Credit to pay the Purchase Price of any tendered Bonds in connection with a mandatory tender described in the Indenture shall be made by drawing on the existing Letter of Credit securing the Bonds which is to be replaced by an Alternate Letter of Credit. In the event of a drawing as described in the preceding sentence, the Trustee may not accept the Alternate Letter of Credit and surrender the Letter of Credit then in effect for cancellation until the Bank has honored such drawing. In the event of a drawing on the Letter of Credit to pay the Purchase Price of any tendered Bonds in connection with a mandatory tender described in the Indenture, the Trustee shall not surrender the Letter of Credit for cancellation until the Bank has honored such drawing.

Funds for Purchase Price. The Trustee shall establish a special trust fund designated as the "Purchase Fund," which Purchase Fund will be an Eligible Account. The Trustee shall hold all Bonds delivered to it in trust for the benefit of the respective Holders of Bonds delivering such Bonds until moneys representing the Purchase Price of such Bonds have been delivered to or for the account of such Holders of Bonds. The Trustee shall hold all moneys delivered to it for the purchase of Bonds in the Purchase Fund in trust and without investment, solely for the benefit of the persons delivering such moneys, until the Bonds purchased with such moneys have been delivered to or for the account of the persons purchasing such Bonds. The Trustee shall withdraw sufficient funds from the Purchase Fund to pay the Purchase Price of Bonds tendered for purchase as the same becomes due and payable.

Limitations on Remarketing. Anything in the Indenture to the contrary notwithstanding, there shall be no obligation of the Remarketing Agent to remarket Bonds (or beneficial interests therein) (i) if there shall have occurred and be continuing an Event of Default under the Indenture, (ii) if there is no Letter of Credit in effect that secures Bonds (or beneficial interests therein) in the Variable Rate Period, (iii) upon a conversion to a Fixed Rate Period, or (iv) if any other condition precedent to the obligation of the Remarketing Agent to remarket Bonds as set forth in the Remarketing Agreement has not been satisfied. In the event Bonds (or beneficial interests therein) are required to be tendered for purchase on the last Interest Payment Date prior to the Stated Expiration Date of the Letter of Credit as described in the Indenture, such Bonds (or beneficial interests therein) shall not be remarketed unless and until the term of the then existing Letter of Credit has been extended or renewed or an effective Alternate Letter of Credit has been delivered to the Trustee. In no event shall Bonds (or beneficial interests therein) be remarketed unless the Bank has reinstated, or will simultaneously reinstate, the amount available to be drawn under the Letter of Credit to an amount sufficient to pay principal of, interest on and Purchase Price for such Bonds (or beneficial interests therein).

Payment of Purchase Price of Bonds. On the date Bonds (or beneficial interests therein) are to be purchased pursuant to the provisions of the Indenture, the Trustee shall deliver the Purchase Price to the tendering Holder (or the tendering beneficial owner) only from the funds listed below, in the order of priority indicated:

(i) the proceeds of the sale of such Bonds (or beneficial interests therein) which have been remarketed by the Remarketing Agent to any person other than the Borrower, the Authority, any person who controls, is controlled by, or is under common control with the Borrower or the Authority, or any guarantor of the Borrower's obligations under the Loan Agreement or the Reimbursement Agreement, and delivered to the Trustee on the purchase date prior to the time such Bonds (or beneficial interests therein) are to be purchased;

(ii) moneys drawn under the Letter of Credit; and

(iii) moneys deposited by the Borrower with the Trustee pursuant to the Loan Agreement, which moneys shall be segregated by the Trustee in a separate account, apart from, and not commingled with, other moneys held by the Trustee.

Such Purchase Price shall be delivered to tendering Holders by no later than 5:00 p.m. New York City time on the date Bonds are to be purchased; provided, however, that for so long as the Bonds are held in a book-entry system, such Purchase Price shall be delivered in accordance with the procedures of the Depository.

Other Funds and Accounts

Project Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund." The moneys in the Project Fund shall be used and withdrawn by the Trustee to pay the capital costs of the Project. No moneys in the Project Fund shall be used to pay Costs of Issuance or interest accruing on the Bonds.

Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund". The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon receipt by the Trustee of a Requisition of the Borrower in substantially the form attached as an exhibit to the Indenture. At the end of one hundred eighty (180) days from the date of issuance of the Bonds, or upon the earlier Request of the Borrower, amounts, if any, remaining in the Costs of Issuance Fund shall be transferred to the Project Fund, and thereafter such Costs of Issuance Fund shall be closed.

Rebate Fund. The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the "Rebate Fund." Within the Rebate Fund, the Trustee shall maintain such other accounts as the Trustee shall be instructed to maintain by the Borrower in order to comply with the terms and requirements of the Tax Certificate. Subject to the transfer provisions set forth in the Indenture which are described below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and no other person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the provisions of the Indenture and by the Tax Certificate.

Upon the Borrower's written direction, an amount shall be deposited to the Rebate Fund by the Trustee from deposits by the Borrower, or from available investment earnings on amounts (other than moneys representing the proceeds of a draw on the Letter of Credit or held in the Letter of Credit Account remarketing proceeds, Available Moneys, moneys being aged to become Available Moneys, or moneys held for the payment of particular Bonds (including moneys held for non-presented Bonds or for the purchase of Bonds or for defeased Bonds) held in the Bond Fund, if and to the extent required, so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Borrower in accordance with the Tax Certificate.

The Trustee shall invest all amounts held in the Rebate Fund in Investment Securities as instructed in writing by the Borrower, and the Borrower shall be responsible for such instructions complying with the Tax Certificate. Money shall not be transferred from the Rebate Fund except as provided pursuant to the provisions of the Indenture described in the following paragraph.

Upon receipt of the Borrower's written directions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Borrower so directs, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds (other than moneys representing the proceeds of a draw on the Letter of Credit or held in the Letter of Credit Account, remarketing proceeds, or moneys held for the payment of particular Bonds, including moneys held for non-presented Bonds or for the purchase of Bonds or for defeased Bonds) as directed by the Borrower's written directions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any

Rebate Requirement or provision made therefor shall be withdrawn and remitted to the Borrower upon the Borrower's written request.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds or accounts established pursuant to the Indenture (other than moneys in the Letter of Credit Account, remarketing proceeds, and moneys held for the purchase of Bonds or for non-presented Bonds which shall be held uninvested) shall be invested by the Trustee as directed in writing by the Borrower solely in Investment Securities. Notwithstanding any other provision in the Indenture, in the absence of written investment instructions from the Borrower, the Trustee is directed to invest available funds in Investment Securities described in clause (9) of the definition thereof. Moneys in all funds and accounts shall be invested in Investment Securities maturing not later than the date on which such moneys will be required for the purposes specified in the Indenture. Money invested in a repurchase agreement, investment agreement or forward agreement shall be deemed to mature on the date on which the Trustee may withdraw moneys under such agreement without penalty.

All interest, profits and other income received from the investment of moneys in the Project Fund, the Costs of Issuance Fund, the Debt Service Reserve Fund and the Rebate Fund shall be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to the Indenture shall be deposited in the Bond Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund from which such accrued interest was paid. To the extent that any Investment Securities are registrable, such Investment Securities shall be registered in the name of the Trustee or its nominee for the benefit of the Holders.

For the purpose of determining the amount in any fund, all Investment Securities credited to such fund shall be valued at the lesser of cost or par value plus, prior to the first payment of interest following purchase, the amount of accrued interest, if any, paid as a part of the purchase price.

Particular Covenants

Tax Covenants. The Authority and the Borrower shall at all times do and perform all acts and things permitted by law and the Indenture which are necessary or desirable in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Authority and the Borrower agree to comply with the provisions of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds

Continuing Disclosure. Pursuant to the provisions of the Loan Agreement described below under the caption "The Loan Agreement – Particular Covenants – Continuing Disclosure," the Borrower has agreed to undertake any continuing disclosure requirements promulgated under 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 of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of the Indenture, failure of the Borrower to comply with the requirements of Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, shall not be considered an Event of Default; however, the Trustee at the written request of any Holders or Beneficial Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent indemnified to its satisfaction from and against any cost, liability or expense related thereto, including, without limitation, reasonable fees and expenses of its attorneys and advisors and additional fees and expenses of the Trustee, or any Holder or Beneficial Holder of any Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations pursuant to the provisions of the Loan Agreement described below under the caption "The Loan Agreement – Particular Covenants – Continuing Disclosure."

Events of Default and Remedies of Bondholders

Events of Default; Acceleration; Waiver of Default. Each of the following events which has occurred and is continuing shall constitute an “Event of Default” under the Indenture:

(a) default in the due and punctual payment of 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) default in the due and punctual payment of any installment of interest on any Bond, when and as the same shall become due and payable;

(c) default in the payment of the Purchase Price of any Bond required to be purchased under the Indenture when and as the same is due;

(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 sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority, the Bank and the Borrower by the Trustee, or to the Authority, the Bank, the Borrower and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding;

(e) the Trustee receives a written notice from the Bank specifying the occurrence of an “event of default” under the Reimbursement Agreement and directing the Trustee to declare the principal of and interest on the Bonds immediately due and payable;

(f) receipt by the Trustee, not later than the last day provided for in the Letter of Credit on which the Bank can give notice preventing a reinstatement of the Letter of Credit following a drawing under the Letter of Credit to pay regularly scheduled interest on the Bonds, of written notice by the Bank that the Borrower has not reimbursed the Bank for such drawing or of the occurrence of an “event of default” under the Reimbursement Agreement, and, that as a consequence of either of the above, the Bank will not reinstate the Letter of Credit with respect to such drawing;

(g) the Bank shall wrongfully dishonor any draft or other request for payment under the Letter of Credit presented in strict accordance with its terms, the Letter of Credit shall, for any reason, become unavailable to or unenforceable by the Trustee, or the Bank (i) shall generally not pay its debts as they become due, (ii) shall admit in writing its inability to pay its debts generally, (iii) shall make a general assignment for the benefit of creditors, (iv) shall institute any proceeding or voluntary case (A) seeking to adjudicate it a bankrupt or insolvent or (B) seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or (C) seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, (v) shall take any action to authorize any of the actions described above in this subsection (g), or (vi) shall have instituted against it any proceeding (A) seeking to adjudicate it a bankrupt or insolvent or (B) seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or (C) seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and, if each such proceeding is being contested by the Bank in good faith, each such proceeding shall remain undismissed or unstayed for a period of sixty (60) days, and the Borrower shall not have obtained an Alternate Letter of Credit within sixty (60) days after receipt of notice of each such occurrence; or

(h) a Loan Default Event.

Any default described in (d) above may be waived by the Trustee with the written consent of the Bank from time to time if the Authority (or the Borrower, on behalf of the Authority) is proceeding with all due diligence to cure such default and the Authority is not otherwise in default under the Indenture.

Upon the occurrence of any Event of Default under the Indenture, the Trustee may and upon (i) the written request of the holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding or (ii) the occurrence of an Event of Default described in (e), (f) or (g) above, the Trustee shall immediately, by notice in writing sent to the Authority, declare the principal of and any premium on all Bonds then Outstanding (if not then due and payable) and the interest accrued thereon to be due and payable immediately, and, upon such declaration, such principal and premium, if any, and interest shall become and be immediately due and payable. Interest on the Bonds shall cease to accrue on the date of such declaration; provided, however, that so long as a Letter of Credit is in effect and the Bank has not failed to honor a properly presented and conforming drawing thereunder, no acceleration, other than as provided in clause (i) of this paragraph, shall be declared under the Indenture by reason of a default described in (a), (b), (c), (d), (g) or (h) above without the prior written consent of the Bank. Upon any declaration of acceleration under the Indenture, the Trustee shall immediately exercise such rights as it may have under the Loan Agreement to declare all payments thereunder to be immediately due and payable and, to the extent it has not already done so and to the extent necessary, shall immediately draw upon the Letter of Credit as provided in the Indenture.

Immediately following any such declaration of acceleration, the Trustee shall mail notice of such declaration by first class mail to each holder of Bonds at his last address appearing on the Bond Register. Any defect in or failure to give such notice of such declaration shall not affect the validity of such declaration.

Other Remedies; Rights of Holders. Upon the happening and continuance of an Event of Default under the Indenture the Trustee may, but only with the prior written consent of the Bank (subject to the limitations of the Indenture), pursue any available remedy to enforce the performance of or compliance with any other obligation or requirement of the Indenture or the Loan Agreement.

Right of Holders and Bank to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, and subject to the rights of the Bank to direct proceedings as provided in the Indenture, the Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture, and provided that the Trustee shall be indemnified to its satisfaction. No Bondholder shall individually, or collectively except through the Trustee, have the right to present a draft to the Bank to collect amounts available under the Letter of Credit.

No Holder shall have the right to institute any proceeding for the enforcement of the Indenture unless such Holder has given the Trustee and the Borrower written notice of an Event of Default, the holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have requested the Trustee in writing to institute such proceeding, the Trustee shall have been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, and there shall have been offered to the Trustee indemnity and the Trustee shall have thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable time. Nothing in the Indenture shall affect or impair any right of enforcement conferred on any Holder by the Act to enforce (i) the payment of the principal of and premium (if any) and interest on Bonds at and after the maturity thereof, or (ii) the obligation of the Authority to pay the principal of and premium (if any) and interest on Bonds to such Holder at the time, place, from the source and in the manner as provided in the Indenture.

Discontinuance of Default Proceedings. Prior to the drawing on the Letter of Credit upon the occurrence of an Event of Default pursuant to the Indenture, in case the Trustee has proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or have been determined adversely, then and in every such case the Authority, the Bank and the Trustee shall be restored to their former positions and rights under the Indenture and all rights, remedies and powers of the Trustee and the Bank shall continue as if no such proceedings had been taken subject to the limits of any adverse determination.

Waiver. The Trustee, with the consent of the owners of a majority in aggregate principal amount of the Outstanding Bonds and with the consent of the Bank, may waive any default or Event of Default under the Indenture and its consequences and rescind any declaration of acceleration of maturity of principal, and shall do so upon the written request of the Bank; provided, however, that there shall be no such waiver or rescission unless the Purchase Price and all principal, premium, if any, and interest on the Bonds in arrears together with interest thereon (to the extent permitted by law) at the applicable rate of interest borne by the Bonds and all fees and expenses of the Trustee and the Authority shall have been paid or provided for. The Trustee may not waive any default or Event of Default under the Indenture in respect of which a draw has been honored under the Letter of Credit, unless the amount of such draw has been reinstated in full and the Trustee has received the written consent of the Bank to such waiver, the written acknowledgment of the Bank of such reinstatement, and in the case of an Event of Default described in (e) or (f) above, the written notice of rescission by the Bank of the prior written notice and direction of the Bank provided as described in (e) or (f) above.

Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall be deposited in the Bond Fund. After payment (out of moneys derived from a source other than the Letter of Credit or remarketing proceeds) of (i) the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities, and advances incurred or made by the Trustee, including reasonable attorneys' fees, and all other current outstanding fees and expenses of the Trustee and the creation of a reasonable reserve for anticipated fees, costs and expenses, and (ii) any sums due to the Authority under the Loan Agreement (other than Loan Repayments), such moneys shall be applied in the order set forth below:

(a) to the Holders for the payment of the principal, premium, if any, and interest then due and unpaid upon the Bonds, without preference or priority as between principal, premium or interest, installments of interest or Bonds, ratably according to the amounts due respectively for principal, premium and interest to the Persons entitled thereto;

(b) to the Bank to the extent the Bank certifies to the Trustee that the Borrower is indebted to the Bank under the Reimbursement Agreement; and

(c) to the Borrower.

Notwithstanding the foregoing, the Trustee shall apply moneys received under the Letter of Credit only to principal, premium (if covered by the Letter of Credit) and interest on the Bonds (except Pledged Bonds or Borrower Bonds). Subject to the provisions of the Indenture relating to acceleration, whenever moneys are to be applied as above, the Trustee shall fix the date of declaration of acceleration (which shall be the earliest practical date, in the sole discretion of the Trustee, for which the requisite notice to the Authority and the Holders can be given) upon which such application is to be made and upon such date of acceleration, interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date

Absolute Obligation of Authority. Nothing described above under the caption "The Indenture – Events of Default and Remedies of Bondholders," or in any other provision of the Indenture, or in the Bonds, contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other assets pledged therefor in the Indenture, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

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

Modification or Amendment of the Indenture

Amendments Permitted. The Indenture and the rights and obligations of the Authority and of the Holders of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into upon receipt of the written consent of the Borrower and (1) prior to the Conversion Date, the Bank, and (2) on and following the Conversion Date the holders of a majority in aggregate principal amount of Bonds then Outstanding. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid proportion of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Holders to approve the particular form of any 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 described in this paragraph, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to the Rating Agency then rating the Bonds and the Holders of the Bonds at the address shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

The Indenture and the rights and obligations of the Authority, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture or Indentures, which the Authority and the Trustee may enter into without the necessity of obtaining the consent of any Holders but with the consent of the Borrower and, prior to the Conversion Date, the Bank, for any one or more of the following purposes:

- (1) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;
- (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority or the Borrower may deem necessary or desirable and not inconsistent with the Indenture;
- (3) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;
- (4) to conform to the terms and provisions of any Alternate Letter of Credit;
- (5) to modify, amend or supplement the Indenture in such a manner to permit the Authority, the Trustee, the Borrower or any other responsible party to comply with the requirements of Rule 15c2-12, as it may from time to time be amended or supplemented, with respect to the Bonds;
- (6) to make any modification or amendment to the Indenture, even if consent of Holders would otherwise be required, (i) if such amendment will be effective upon the remarketing of Bonds following the mandatory tender thereof, or (ii) if notice of such proposed modification or amendment is given to Holders (in the same manner as notices of redemption are given) at least fifteen (15) days before the effective date thereof and on or before such effective date the Holders have the right to demand purchase of their Bonds; or

(7) to modify, amend or supplement the Indenture in any other manner which, in the judgment of the Trustee, which may be based upon an Opinion of Counsel, will not materially adversely affect the interests of the Holders of the Bonds.

The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by the provisions of the Indenture described above, which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Any Supplemental Indenture permitted pursuant to the provisions of the Indenture described under this caption may be approved by an Authorized Representative of the Authority and need not be approved by resolution or other action of the governing body of Authority.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the provisions of the Indenture described herein, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Borrower, the Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Defeasance

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

- (a) by paying or causing to be paid with Available Moneys the principal of, interest and premium, if any, on the Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided pursuant to the provisions of the Indenture described below under the caption "Deposit of Money or Securities with Trustee") to pay or redeem with Available Moneys all Bonds; or
- (c) by delivering to the Trustee, for cancellation by it, the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority, then and in that case and upon payment of all amounts due and owing the Bank under the Reimbursement Agreement, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied except only as provided pursuant to the provisions of the Indenture described below under the caption "Discharge of Liability on Bonds." In such event, upon Request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture (other than the Rebate Fund) which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption and any amounts owed to the Trustee under the Indenture in the following order (1) first, to the Bank to the extent of any amounts due to such Bank pursuant to the Reimbursement Agreement, and (2) second, to the Borrower, provided, however, that notwithstanding any provision of the Indenture or the Loan Agreement, under no circumstances may the Authority or the Borrower receive any funds derived from a draw on the Letter of Credit, remarketing proceeds, or moneys held for the payment of particular Bonds (including moneys held for non-presented Bonds).

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 pursuant to the provisions of the Indenture described below under the caption "Deposit of Money or Securities with Trustee") to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, 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, then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, except only that the Holder thereof shall thereafter be entitled to payment of the principal of, premium, if any, and interest on such Bond by the Authority, and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment and such money or securities shall be pledged to such payment; provided further, however, that the provisions of the Indenture described below under the caption "Payment of Bonds After Discharge of Indenture Obligation" shall apply in all events.

In addition to the requirements described above relating to the discharge of liability on Bonds, no Bond in a Variable Rate Period may be defeased unless: (i) the Trustee receives written evidence from Standard & Poor's if Standard & Poor's is then maintaining ratings on the Bonds to the effect that the defeasance would not result in the reduction or withdrawal of the then current ratings assigned to the Bonds; or (ii) the interest on such Bond being defeased is computed at the Maximum Rate to the extent the actual interest rate on such Bond to its redemption date is not known and such Bond is redeemed on the earlier of the first purchase date on which it is subject to purchase upon optional or mandatory purchase or its earliest optional redemption date.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture (exclusive of the Rebate Fund, the Letter of Credit Account and any account established to hold funds for the purchase of Bonds) and shall be:

(a) Available Moneys 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 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, the amount to be deposited or held shall be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Government Obligations which are purchased with Available Moneys, the principal of and interest on which when due and without reinvestment will provide money sufficient to pay the principal of, premium, if any, all unpaid interest to maturity, or to the redemption date, on the Bonds to be paid or redeemed, as such principal and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Authority) to apply such money or Investment Securities to the payment of such principal, premium, if any, and interest with respect to such Bonds and provided further that the Trustee shall have received a report of an Accountant that the moneys or Investment Securities on deposit are sufficient to pay the principal, premium, if any, and interest on the Bonds to maturity or the redemption date and if such Bonds are then bearing interest at other than an auction rate or a fixed rate, a legal opinion from a nationally recognized firm in bankruptcy law that payment of the Bonds from such moneys would not constitute transfers avoidable under 11 U.S.C. Section 547(b) should the Borrower or the Authority become the debtor in a case under the Bankruptcy Code.

Payment of Bonds After Discharge of Indenture Obligation. Notwithstanding any provisions of the Indenture to the contrary, and subject to applicable laws of the State, any moneys deposited with the Trustee, in trust for the payment of the principal of, or interest or premium on, any Bond remaining unclaimed for two (2) years after such payment has become due and payable (whether on an Interest Payment Date, at maturity, upon call for redemption, upon tender for purchase or by declaration as provided in the Indenture), then such moneys shall be

repaid to the Borrower upon its written request, and the Holder of such Bond shall thereafter be entitled to look only to the Borrower for payment thereof, and all liability of the Authority and the Trustee with respect to such moneys shall thereupon cease; provided, that before the disposition of such moneys as aforesaid, the Trustee may (at the cost of the Borrower) first mail to the Holders of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Borrower of the moneys held for the payment thereof.

THE LOAN AGREEMENT

The Loan Agreement provides the terms of the loan of the proceeds of the Bonds to the Borrower and the repayment and security for such loan provided by the Borrower. The summary of the provisions of the Loan Agreement set forth below does not purport to be complete or definitive, is supplemental to the summary of other provisions of the Loan Agreement set forth elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Loan Agreement.

Loan of Bond Proceeds

Loan Repayments. Pursuant to the Indenture, the Authority has authorized the issuance of the Bonds. Pursuant to the Loan Agreement, the Authority will loan and advance to the Borrower, and the Borrower will borrow and accept from the Authority (solely from the proceeds of the sale of the Bonds), the proceeds of the Bonds, such proceeds to be applied under the terms and conditions of the Loan Agreement and the Indenture.

In consideration of the loan to the Borrower of such proceeds, the Borrower agrees that, on or before each date on which a payment of principal, premium, if any, or interest is due on the Bonds, whether by acceleration, mandatory redemption or otherwise, and until the principal of, premium, if any, and interest on the Bonds has been fully paid or provided for as set forth in the Indenture, the Borrower shall pay, or cause to be paid, to the Trustee, in immediately available funds for deposit in the Bond Fund, the Loan Repayments, including the amounts payable as principal, premium, if any, and interest due on the Bonds on such date. Each payment by the Borrower to the Trustee under the Loan Agreement shall be in lawful money of the United States of America and paid to the Trustee at its Principal Corporate Trust Office and held, invested, disbursed and applied as provided in the Indenture.

The Borrower shall provide for the payment of the principal of and interest on the Bonds during the Variable Rate Period by the delivery of a Letter of Credit meeting the requirements of the Indenture. The Letter of Credit may be replaced with an Alternate Letter of Credit pursuant to the requirements of the Indenture. The Borrower authorizes and directs the Trustee to draw moneys under the Letter of Credit in accordance with the provisions of the Indenture and the terms of the Letter of Credit to the extent necessary to make any payments of principal of, premium, if any and interest on the Bonds as and when the same become due and payable.

Unless otherwise required by the Reimbursement Agreement, if the Bonds are supported by a Letter of Credit and drawings are made thereunder for the purpose of making payments with respect to the principal, premium, if any, and interest due on the Bonds which are required to be made pursuant to the Loan Agreement, no additional payments shall be due or paid by the Borrower to the Trustee under the Loan Agreement with respect to the payment of principal of, premium, if any, or interest on such Bonds to the extent that funds are so drawn on the Letter of Credit and applied by the Trustee for such payment on such dates and the Bank is reimbursed for such drawing. If the Borrower has deposited moneys into the Revenue Account of the Bond Fund with respect to such payments, such moneys shall be applied to reimburse the Bank for amounts drawn under the Letter of Credit applied to such payments.

Except as otherwise expressly provided in the Loan Agreement, all amounts payable thereunder by the Borrower to the Authority shall be paid to the Trustee as assignee of the Authority and the Loan Agreement and all right, title and interest of the Authority in any such payments are thereby assigned and pledged to the Trustee so long as any Bonds remain Outstanding.

Except as otherwise expressly provided in the Loan Agreement, all amounts payable with respect to Obligation No. 2 shall be paid to the Trustee as assignee of the Authority and the Loan Agreement and all right, title and interest of the Authority in any such payments are thereby assigned and pledged to the Trustee so long as any Bonds remain Outstanding.

Additional Payments. In addition to the Loan Repayments and payments on Obligation No. 2, the Borrower shall also pay to the Authority, to the Trustee or to the other applicable party, as the case may be, "Additional Payments," as follows:

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

(b) All reasonable fees, charges and expenses of the Trustee and the Remarketing Agent for services rendered under the Indenture or otherwise in connection with the Bonds, as and when the same become due and payable;

(c) The fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement, the other Borrower documents, the Bonds or the Indenture;

(d) The annual bond administration fee of the Authority and the fees and expenses of the Authority or any agent selected by the Authority to act on its behalf in connection with the Loan Agreement, the other Borrower Documents, the Bonds or the Indenture, including, without limitation, any and all expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation which may at any time be instituted involving the Loan Agreement, the other Borrower Documents, the Bonds or the Indenture or any of the other documents contemplated by the Loan Agreement or by any of the foregoing documents, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the Loan Agreement, the other Borrower Documents, the Bonds or the Indenture;

(e) All other fees and expenses of the Authority attributable to the Loan Agreement, the Bonds or the Indenture; and

(f) All amounts required to be paid pursuant to the provisions of the Loan Agreement relating to expenses and indemnification.

Purchase Price of Bonds. The Borrower agrees to pay, or cause to be paid, to the Trustee on or before each purchase date, an amount sufficient, together with any remarketing proceeds then held by the Remarketing Agent and available for such purpose under the Indenture, to enable the Trustee to pay the Purchase Price of all Bonds to be purchased on such date at the price specified therein; provided, however, that if the Letter of Credit is outstanding and drawings may be made thereunder for such purpose, payments with respect to the Purchase Price of the Bonds on such date which are required to be made by the Borrower under the Loan Agreement shall be made with funds drawn by the Trustee under the Letter of Credit. No additional payments shall be due or paid by the Borrower under the Loan Agreement with respect to the Purchase Price of such Bonds to the extent that funds are so drawn under the Letter of Credit and applied by the Trustee to payment of the Purchase Price of Bonds purchased on such date, unless and to the extent the Bank is not reimbursed for such draws when due under the Reimbursement Agreement.

Anything in the Loan Agreement to the contrary notwithstanding, if on any purchase date the remarketing proceeds together with the amount theretofore drawn under the Letter of Credit are, for any reason, insufficient to pay the Purchase Price of the Bonds being tendered on such date as provided in the Indenture, the Borrower, pursuant to the Loan Agreement, agrees to immediately pay an amount equal to such deficiency to the Trustee at its Corporate Trust Office, such payment to be made in immediately available funds. Such payment shall be made at such times as are necessary so that sufficient funds will be available at such times as are necessary to pay the Purchase Price of the Bonds tendered under the Indenture at the times and in the manner contemplated by the Indenture.

Obligations of the Borrower Unconditional; Net Contract. The obligations of the Borrower to make the Loan Repayments, Additional Payments and other payments required under the Loan Agreement and pursuant to Obligation No. 2 and to perform and observe the other agreements on its part contained in the Loan Agreement shall be absolute and unconditional, and shall not be abated, rebated, setoff, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any Bonds remain Outstanding or any Additional Payments or other payments remain unpaid, regardless of any contingency, event or cause whatsoever, including, without limiting the generality of the foregoing, any natural disaster, acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Facilities, commercial frustration of purpose, any changes in the laws of the United States of America or of the State of California or any political subdivision of either or in the rules or regulations of any governmental authority, or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement or the Indenture. The Loan Agreement shall be deemed and construed to be a "net contract," and the Borrower shall pay absolutely net the Loan Repayments, Additional Payments and all other payments required under the Loan Agreement, regardless of any rights of setoff, recoupment, abatement or counterclaim that the Borrower might otherwise have against the Authority or the Trustee or any other party or parties.

Prepayment. The Borrower shall have the right at any time or from time to time to prepay all or any part of the Loan Repayments and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered by the Borrower, and the Trustee shall call for redemption Bonds as directed by the Borrower. The Borrower shall be required to prepay Loan Repayments in the amounts and at the times that Bonds are subject to mandatory redemption pursuant to the Indenture. The Borrower shall have the right at any time to prepay all or any part of the Loan Repayments from moneys derived from insurance or condemnation proceeds, such moneys to be applied to the mandatory redemption of Bonds in accordance with the Indenture. All such prepayments (and the additional payment of any amount necessary to pay the applicable premiums, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the Bond Fund and used for the redemption or purchase or defeasance of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Indenture.

Particular Covenants of the Borrower

Maintenance of Existence. (a) To the extent permitted by law and its articles of incorporation and bylaws, the Borrower covenants and agrees that during the term of the Loan Agreement it will maintain its existence as a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code, will continue to maintain its status as a corporation in good standing in the State of California, will not dissolve, sell or otherwise dispose of all or substantially all of its assets and will not combine or consolidate with or merge into another entity other than in accordance with the provisions of the Master Indenture.

Continuing Disclosure. The Borrower covenants and agrees to comply with the continuing disclosure requirements promulgated under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, if and to the extent that such requirements are applicable to any of the Bonds. Notwithstanding any other provision of the Loan Agreement, failure of the Borrower to comply with the requirements of Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, shall not be considered a Loan Default Event; however, the Trustee, at the written request of the Remarketing Agent or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent indemnified to its satisfaction from and against any cost, liability or expense related thereto, including, without limitation, reasonable fees and expenses of its attorneys and advisors and additional fees and expenses of the Trustee or any Holder or beneficial owner of the Bonds, take such actions as

may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations pursuant to the Loan Agreement described herein.

Tax Covenant. The Borrower covenants and agrees that it shall at all times do and perform all acts and things permitted by law and the Loan Agreement and the Indenture which are necessary in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Borrower agrees to comply with the provisions of the Tax Certificate.

Agreement to Supply Letter of Credit. The Borrower shall provide for the delivery of a Letter of Credit meeting the requirements of the Indenture to the Trustee simultaneously with the original issuance of the Bonds.

Special Services Covenant. The Borrower shall provide services substantially of the kind provided on the date of issuance of the Bonds within the territorial limits of the County of Solano or one or more other Members or Associate Members of the Authority, as long as any Bonds remain Outstanding; provided, however, that the Authority may, upon review of such facts as it deems relevant, from time to time allow the Borrower to provide alternative services which serve the public interest and provide public benefit, or deem this special services covenant to be satisfied in whole or in part. The covenant set forth in this Section shall be enforceable solely by the Authority and shall not be enforceable by the Holders, the Trustee, the Bank or any Person other than the Authority.

Loan Default Events and Remedies

Loan Default Events. Each of the following events shall constitute a Loan Default Event under the Loan Agreement:

(a) Failure by the Borrower to make the Loan Repayments in the amounts and at the times provided in the Loan Agreement;

(b) Failure by the Borrower to make payments in the amounts and at the times provided in the provisions of the Loan Agreement relating to payment of the Purchase Price of the Bonds;

(c) Failure by the Borrower to observe and perform any other covenant, condition or agreement on its part to be observed or performed under the Loan Agreement for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Borrower by the Authority, the Bank or the Trustee; provided, however, that if the failure is such that it can be corrected but not within such 60-day period, and corrective action is instituted by the Borrower within such period and diligently pursued until such failure is corrected, then such period shall be increased to such extent as shall be determined by the Trustee with the consent of the Bank to be necessary to enable the Borrower to observe or perform such covenant, condition, undertaking or agreement through the exercise of due diligence;

(d) Any representation or warranty made by the Borrower in any document delivered by the Borrower to the Trustee or the Authority in connection with the sale and delivery of the Bonds proves to be untrue when made in any material respect;

(e) Occurrence of an Event of Default under the Indenture;

(f) Occurrence of an Event of Default under the Master Indenture; or

(g) The Borrower (i) shall admit in writing its inability to pay its debts generally, (ii) shall make a general assignment for the benefit of creditors, (iii) shall institute any proceeding or voluntary case (A) seeking to adjudicate it a bankrupt or insolvent or (B) seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or (C) seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, (iv) shall take any

action to authorize any of the actions described above in this subsection (f), or (v) shall have instituted against it any proceeding (A) seeking to adjudicate it a bankrupt or insolvent or (B) seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or (C) seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and, if such proceeding is being contested by the Borrower in good faith, such proceeding shall remain undismissed or unstayed for a period of sixty (60) days.

Remedies on Default. If a Loan Default Event shall occur, then, and in each and every such case during the continuance of such Loan Default Event, the Trustee on behalf of the Authority, subject to the limitations in the Indenture as to the enforcement of remedies, may take such action as it deems necessary or appropriate to collect amounts due under the Loan Agreement, to enforce performance and observance of any obligation or agreement of the Borrower under the Loan Agreement or to protect the interests securing the same, and may, without limiting the generality of the foregoing:

(a) Exercise any or all rights and remedies given hereby or available under the Loan Agreement or given by or available under any other instrument of any kind securing the Borrower's performance under the Loan Agreement (including, without limitation, Obligation No. 2 and the Master Indenture);

(b) By written notice to the Borrower declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity or otherwise, to be immediately due and payable under the Loan Agreement, whereupon the same shall become immediately due and payable;

(c) Take any action at law or in equity to collect the payment required under the Loan Agreement then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Loan Agreement; and

(d) The Trustee shall immediately draw upon the Letter of Credit, if permitted by its terms and required by the terms of the Indenture, and apply the amount so drawn in accordance with the Indenture and may exercise any remedy available to it thereunder.

Notwithstanding any other provision of the Loan Agreement or any right, power or remedy existing at law or in equity or by statute, the Trustee shall not under any circumstances declare the entire unpaid aggregate amount of the payment due under the Loan Agreement to be immediately due and payable except in accordance with the directions of the Master Trustee if the Master Trustee shall have declared the aggregate principal amount of Obligation No. 2 and all interest thereon immediately due and payable in accordance with the Master Indenture.

Notwithstanding the foregoing, if a Letter of Credit is in full force and effect and if the Bank has not failed to honor a drawing in connection therewith, which failure has not been cured, the Bank shall have the right to direct the remedies upon any Loan Default Event and the written consent of the Bank shall be required prior to remedial action being taken under the Loan Agreement.

Remedies Not Exclusive; No Waiver of Rights. No remedy in the Loan 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, to the extent permitted by law, shall be cumulative and shall be in addition to every other remedy given under the Loan Agreement or now or hereafter existing at law or in equity or otherwise. In order to entitle the Authority or the Trustee to exercise any remedy, to the extent permitted by law, reserved to it contained in the Loan Agreement, it shall not be necessary to give any notice, other than such notice as may be in the Loan Agreement expressly required. Such rights and remedies as are given to the Authority under the Loan Agreement shall also extend to the Trustee, and the Trustee may exercise any rights of the Authority under the Loan Agreement, and the Trustee and the Holders of the Bonds shall be deemed third-party beneficiaries of all covenants and conditions in the Loan Agreement contained.

No delay in exercising or omitting 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 of any such default or an acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys Collected. Any amounts collected pursuant to action taken under the Loan Agreement shall be applied in accordance with the provisions of the Indenture, and to the extent applied to the payment of amounts due on the Bonds, shall be credited against amounts due on Obligation No. 2.

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

Notice of Default. The Borrower agrees that, as soon as is practicable, and in any event within ten (10) days of a Loan Default Event, the Borrower will furnish the Trustee notice of any event which is a Loan Default Event which has occurred and is continuing on the date of such notice, which notice shall set forth the nature of such event and the action which the Borrower proposes to take with respect thereto.

MASTER INDENTURE OF TRUST

General

The Master Indenture authorizes the issuance of Obligations by the Obligated Group. An Obligation is stated in the Master Indenture to be a joint and several obligation of each member of the Obligated Group.

Authorization and Issuance Of Obligations

Authorization of Obligations. Each Member authorizes to be issued from time to time Obligations or a Series of Obligations. The number of Obligations that may be created under the Master Indenture is not limited and the aggregate principal amount of each Obligation that may be issued, authenticated and delivered under the Master Indenture is not limited, except as provided by the terms, conditions and limitations established in the Master Indenture and in any Related Supplement.

Authorization for Issuance of Obligations in Series. From time to time when authorized by the Master Indenture and subject to the terms, conditions and limitations established in the Master Indenture, the Obligated Group Representative may authorize the issuance of an Obligation or a Series of Obligations by entering into a Related Supplement. The Obligation or the Obligations of any such Series may be issued and delivered to the Master Trustee for authentication upon compliance with the provisions the Master Indenture and of any Related Supplement.

Each Related Supplement authorizing the issuance of an Obligation or a Series of Obligations shall specify and determine the principal amount of such Obligation or Series of Obligations, the purposes for which such Obligation or Series of Obligations are being issued, the Member or Members which are Primary Obligors of such Obligation or Series of Obligations, the form, title, designation, and the manner of numbering or denominations, if applicable, of such Obligations or Series of Obligations, the date or dates of maturity of such Obligation or Series of Obligations, the date of issuance of such Obligation or Series of Obligations, the rate or rates of interest (or method of determining the rate or rates of interest) borne by such Obligation or Series of Obligations, if applicable, and any other provisions deemed advisable or necessary by the Obligated Group Representative.

Appointment of Obligated Group Representative. Each Member, by becoming a Member, irrevocably appoints the Obligated Group Representative as its agent and true and lawful attorney in fact and grants to the Obligated Group Representative full power to execute Related Supplements authorizing the issuance of Obligations or Series of Obligations.

Related Supplements Creating Obligations. Each Member authorizes the Obligated Group Representative to provide for the issuance of Obligations or a Series of Obligations by the execution and delivery of a Related Supplement to the Master Trustee to provide for the incurrence of Indebtedness, the proceeds of which shall be used by a Member or Members. Such Related Supplement shall be executed by the Obligated Group Representative, acting on behalf of the Obligated Group, shall provide for the form of the Obligation or Series of Obligations created thereby and shall contain such other terms, conditions and limitations as shall not be inconsistent with the provisions of the Master Indenture.

Conditions to the Issuance of an Obligation or a Series of Obligations. The issuance, authentication and delivery of any Obligation or Series of Obligations shall be subject to the following specific conditions:

(a) The Obligated Group Representative and the Master Trustee shall have entered into a Related Supplement providing for the terms and conditions of such Obligations and the repayment thereof.

(b) Each Related Supplement shall specify the purpose for which such Obligation or Series of Obligations is being issued, which may be for any lawful corporate purpose of any Member of the Obligated Group.

(c) The Master Trustee shall have received an Officer's Certificate to the effect that each Member shall be in full compliance with all representations, covenants and agreements set forth in the Master Indenture and in any Related Supplement, including without limitation, the covenants concerning Additional Indebtedness set forth in the provisions of the Master Indenture.

(d) The Master Trustee shall have received an Officer's Certificate to the effect that neither an Event of Default nor any event which with the passage of time or the giving of notice or both would become an Event of Default has occurred or would occur upon issuance of such Obligation or Series of Obligations or is continuing under the Master Indenture or any Related Supplement.

(e) The Master Trustee shall have received an Officer's Certificate to the effect that all requirements and conditions to the issuance of such Obligation or Series of Obligations, if any, set forth in the Related Supplement shall have been complied with and satisfied.

(f) The Obligated Group Representative shall have delivered to the Master Trustee such opinions, certificates, proceedings, instruments and other documents as the Master Trustee may reasonably request.

Particular Covenants of Each Member of the Obligated Group

Payment of Principal and Interest. Each Member jointly and severally covenants and agrees (i) to pay or cause to be paid promptly all Required Payments, including the principal of, premium, if any, and interest on each Obligation issued under the Master Indenture at the place, on the dates and in the manner provided therein, in any Related Supplement and in said Obligations whether at maturity, upon proceedings for redemption, by acceleration or otherwise, (ii) that each Member shall faithfully observe and perform all of the conditions, covenants and requirements of the Master Indenture and any Related Supplement, and (iii) that time is of the essence with respect to payment and performance of the obligations under the Master Indenture.

The obligation of each Member with respect to Required Payments shall not be abrogated, prejudiced or affected by:

- (i) the granting of any extension, waiver or other concession given to any Member by the Master Trustee or any Holder or by any compromise, release, abandonment, variation, relinquishment or renewal of any of the rights of the Master Trustee or any Holder or anything done or omitted or neglected to be done by the Master Trustee or any Holder in exercise of the authority, power and discretion vested in them by the Master Indenture, or by any other dealing or thing which, but for this provision, might operate to abrogate, prejudice or affect such obligation; or

- (ii) any Member's becoming incompetent or otherwise failing to become liable as, or losing eligibility to become, a Member of the Obligated Group with respect to an Obligation.

The obligation of each Member to make Required Payments is a continuing one and is to remain in effect until all Required Payments have been paid in full in accordance with the Master Indenture. All moneys from time to time received by the Obligated Group Representative or the Master Trustee to reduce Indebtedness on Obligations, whether from or on account of the Members or otherwise, shall be regarded as payments in gross without any right on the part of any one or more of the Members to claim the benefit of any moneys so received until the whole of the amounts owing on Obligations has been paid or satisfied and so that in the event of any such Member's filing bankruptcy, the Obligated Group Representative or the Master Trustee shall be entitled to prove up the total Indebtedness on Obligations Outstanding as to which the liability of such Member has become fixed.

Each such Obligation shall be a primary obligation and shall not be treated as ancillary to or collateral with any other obligation and shall be independent of any other security so that the obligation of each Member shall be enforceable without first having recourse to any such security or source of payment and without first taking any steps or proceedings against any other Person. The Obligated Group Representative and the Master Trustee, and each of them, are empowered to enforce each such obligation, as provided in the Master Indenture, and to enforce the making of Required Payments, and each Member authorizes the Obligated Group Representative and the Master Trustee, and each of them, to enforce or refrain from enforcing any obligation and to make any arrangement or compromise with any particular Member or Members as the Obligated Group Representative or the Master Trustee may deem appropriate, consistent with the Master Indenture and any Related Supplement, and waives in favor of the Obligated Group Representative and the Master Trustee all rights against the Obligated Group Representative, the Master Trustee and any other Member, insofar as is necessary to give effect to any of the provisions of this Section.

Covenants as to Maintenance of Properties, Etc. Each Member, respectively, hereby covenants and agrees:

(a) That it will operate and maintain its Property, Plant and Equipment in all material respects in accordance with all valid and applicable governmental laws, ordinances, approvals and regulations including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws and such rules and regulations thereunder as may be binding upon it; provided, however, that no Member shall be required to comply with any law, ordinance, approval or regulation as long as it shall in good faith contest the validity thereof. Each Member, respectively, further covenants and agrees that, consistent with prudent business practice, it will maintain and operate its Property, Plant and Equipment and all engines, boilers, pumps, machinery, apparatus, fixtures, fittings and equipment of any kind in or that shall be placed in any building or structure now or hereafter at any time constituting part of its Property, Plant and Equipment in all material respects in good repair, working order and condition, and that, consistent with prudent business practice, it will from time to time make or cause to be made all needful and proper replacements, repairs, renewals and improvements so that the operations of such Members will not be materially and adversely impaired.

(b) That it will pay and discharge all applicable taxes, assessments, governmental charges of any kind whatsoever, water rates, meter charges and other utility charges which may be or have been assessed or which may have become liens upon the Property, Plant and Equipment, and will make such payments or cause such payments to be made, respectively, in due time to prevent any delinquency thereon or any forfeiture or sale of the Property, Plant and Equipment or any part thereof, and, upon request, will furnish to the Master Trustee receipts for all such payments, or other evidences satisfactory to the Master Trustee; provided, however, that no Member shall be required to pay any tax, assessment, rate or charge as provided in the Master Indenture as long as it shall in good faith contest the validity thereof, provided that such Member shall have set aside reserves with respect thereto that, in the opinion of the Governing Body of the Obligated Group Representative, are adequate.

(c) That it will pay or otherwise satisfy and discharge all of its obligations and Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations issued and Outstanding under the Master Indenture) whose validity, amount or collectibility is being contested in good faith.

(d) That it will at all times comply with all terms, covenants and provisions of any Liens applicable to such Member at such time existing upon its Properties or any part thereof or securing any of its Indebtedness, the failure to comply with which would have a material adverse effect on the operations of the Obligated Group or its Properties.

(e) That it will use its best efforts (as long as it is in its best interests consistent with prudent business practice and will not materially adversely affect the interests of the Holders) to maintain all permits, licenses and other governmental approvals necessary for the operation of its Properties and to maintain its qualification for participation in and payment under private insurance programs having broad application and federal, state and local governmental programs providing for payment or reimbursement for services rendered.

(f) That it will take no action or suffer any action to be taken by others which would result in the interest on any Related Bond issued as a tax exempt obligation becoming subject to federal income taxation.

Insurance Required. (a) Each Member, respectively, covenants and agrees that, it will keep the Property, Plant and Equipment and all of its operations adequately insured at all times and carry and maintain such insurance in amounts which are customarily carried, subject to customary deductibles, and against such risks as are customarily insured against by other corporations in connection with the ownership and operation of facilities of similar character and size.

(b) The Obligated Group Representative shall employ an Insurance Consultant at least once every 2 years to review the insurance requirements of the Members. If the Insurance Consultant makes recommendations for the increase of any of the Obligated Group's insurance coverage, the Obligated Group Representative shall increase or cause to be increased such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of the Obligated Group Representative that such recommendations, in whole or in part, are in the best interests of the Obligated Group. In lieu of maintaining insurance coverage, the Members shall have the right to adopt alternative risk management programs which the Governing Body of the Obligated Group Representative determines to be reasonable, including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved, in writing, as reasonable and appropriate risk management by the Insurance Consultant and reviewed each year thereafter.

Negative Pledge. Each Member, respectively, covenants and agrees that it will not create, assume or suffer to exist any Lien upon its Property or the Property of the Obligated Group, and each Member, respectively, further covenants and agrees that if such a Lien is created or assumed, such Member will obtain the written consent of the Obligated Group Representative and will make or cause to be made effective a provision whereby all Obligations will be secured prior to or equally and ratably with any such Indebtedness or other obligation secured by such Lien; provided, however, each Member may create, assume or suffer to exist Permitted Encumbrances.

Limitations on Additional Indebtedness. Each Member, respectively, agrees that it will not incur any Additional Indebtedness except as follows:

(a) Long-Term Indebtedness, provided that:

(i) the aggregate principal amount of the Long-Term Indebtedness proposed to be issued or incurred and all other Outstanding Long-Term Indebtedness incurred pursuant to this clause (a)(i) does not exceed 15% of the Net Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available immediately preceding the incurrence of such proposed Long-Term Indebtedness (provided that to the extent Long-Term Indebtedness initially incurred pursuant to this clause subsequently complies with any other incurrence requirement such Long-Term Indebtedness shall thereafter not be deemed to be incurred pursuant to this subsection (a)(i); or

(ii) there is delivered to the Master Trustee

(A) an Officer's Certificate certifying the Historical Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness but not the Long-Term Indebtedness proposed to be incurred, for the most recent Fiscal Year for which audited financial statements are available, and such Historical Debt Service Coverage Ratio is not less than 1.10:1.0; and

(B) an Officer's Certificate (accompanied by the written report of an Independent Consultant unless the Projected Debt Service Coverage Ratio for each of the Fiscal Years specified below is at least 1.50:1.0)

(1) stating (and certifying the calculation of) the Projected Debt Service Coverage Ratio, taking into account the Long-Term Indebtedness proposed to be incurred, for (x) in the case of Long-Term Indebtedness incurred to finance capital improvements (or the portion of such Long-Term Indebtedness allocated in such Officer's Certificate to such use), the next 2 Fiscal Years succeeding the date on which such capital improvements are expected to be in operation and (y) in the case of Long-Term Indebtedness not being incurred to finance capital improvements (or the portion of such Long-Term Indebtedness allocated in such Officer's Certificate to such use), the next 2 Fiscal Years succeeding the date on which the proposed Long-Term Indebtedness is to be incurred (it being understood that, if any such allocations are made, the portions described in clauses (x) and (y) must sum to 100% of the proposed Long-Term Indebtedness), and

(2) certifying that the Projected Debt Service Coverage Ratio for each such Fiscal Year is not less than 1.20:1.0, as shown by forecasted statements of revenues and expenses for each such Fiscal Year, accompanied by a statement of the relevant assumptions upon which such forecasted statements are based; or

(iii) there is delivered to the Master Trustee the written report of an Independent Consultant stating that Industry Restrictions have or will make it impossible for the ratios in subsection (a)(ii) hereof to be met, and that such ratios are not less than 1.0:1.0 and shall apply to the actual Debt Service on all Long-Term Indebtedness for such Fiscal Year rather than Maximum Annual Debt Service; or

(iv) there is delivered to the Master Trustee an Officer's Certificate (accompanied by the written report of an Independent Consultant unless the Projected Debt Service Coverage Ratio, taking into account the Long-Term Indebtedness proposed to be incurred, for the next 2 Fiscal Years succeeding the date on which the proposed Long-Term Indebtedness is to be incurred is expected to be at least 1.40:1.0) certifying that the Projected Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness and the Long-Term Indebtedness proposed to be incurred, is expected to be not less than 1.20:1.0 for the Fiscal Year succeeding the date on which the proposed Long-Term Indebtedness is to be incurred, as shown by forecasted statements of revenues and expenses for each such Fiscal Year, accompanied by a statement of the relevant assumptions upon which such forecasted statements are based.

(b) Completion Indebtedness in an amount not to exceed 10% of the principal amount of the Long-Term Indebtedness which was incurred to finance the project to be completed by such Completion Indebtedness.

(c) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness if prior to incurrence thereof there is delivered to the Master Trustee a resolution of the Governing Body of the Obligated Group Representative finding that such refunding is in the best interests of the Obligated Group and stating the reasons for such finding.

(d) Short-Term Indebtedness, if immediately after the incurrence of such Short-Term Indebtedness, the total amount of such Short-Term Indebtedness, together with Indebtedness incurred pursuant to

the provisions set forth in subsection (m) hereof, does not exceed 15% of Net Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available; provided, however, that, for a period of 30 consecutive calendar days in each such fiscal year, the amount of Short-Term Indebtedness must be reduced to an amount not greater than 3% of Net Revenues for the most recent fiscal Year for which audited Financial Statements are available.

(e) Non-Recourse Indebtedness without limitation.

(f) Balloon Indebtedness provided that the conditions described in subsection (a) above are satisfied with respect to the incurrence of such Balloon Indebtedness utilizing the assumptions specified in clause (c) of the definition of "Maximum Annual Debt Service" set forth under the caption "Definitions of Certain Terms."

(g) Variable Rate Indebtedness provided that the conditions set forth in subsection (a) above are met with respect to such Variable Rate Indebtedness when it is assumed that such Variable Rate Indebtedness bears interest at the rate described in clause (d) of the definition of "Maximum Annual Debt Service" set forth under the caption "Definitions of Certain Terms."

(h) Subordinated Indebtedness without limit.

(i) Interim Indebtedness, provided that the conditions set forth in subsection (a) above are met with respect to such Interim Indebtedness when it is assumed that such Interim Indebtedness bears interest at the rate described in clause (c) of the definition of "Maximum Annual Debt Service" set forth under the caption "Definitions of Certain Terms."

(j) Reimbursement and other obligations arising under reimbursement agreements relating to letters of credit or similar credit or liquidity facilities used to secure or provide liquidity for Indebtedness.

(k) Liabilities for contributions to alternative risk management programs described above under the caption "Master Indenture of Trust – Particular Covenants of Each Member of the Obligated Group – Insurance Required."

(l) Liabilities incurred in connection with an Interest Rate Exchange Agreement.

(m) Liabilities incurred in connection with a sale of accounts receivable with recourse consisting of an obligation to repurchase all or a portion of such accounts receivable upon certain conditions, provided that the principal amount of such liabilities permitted thereby shall not exceed the aggregate sales price of such accounts receivable; any limitation under this subsection being applicable only if such liabilities (in accordance with generally accepted accounting principles) constitute Indebtedness.

(n) Liabilities under capitalized lease agreements for the lease of, or indebtedness for money borrowed or liabilities under instruments evidencing deferred payment arrangements for the purchase of equipment, tangible personal property or real property; provided that, at the time of incurrence of any Indebtedness pursuant to this subsection, the aggregate of the Outstanding liabilities under capitalized leases or such deferred payment arrangements incurred under this subsection and the Long-Term Indebtedness incurred and Outstanding under subsection (a)(i) above shall not exceed 15% of the Net Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available.

Restrictions on Guaranties. Each Member, respectively, covenants and agrees that it will not enter into, or become liable after the date of the Master Indenture in respect of, any Guaranty except:

- (a) Guaranties of Indebtedness of another Member;
- (b) Guaranties of Obligations issued under the Master Indenture; and

(c) Any other Guaranty provided that the conditions described under the caption "Master Indenture of Trust – Particular Covenants of Each Member of the Obligated Group – Limitations on Additional Indebtedness" are satisfied with respect to the issuance of such Guaranty utilizing the assumptions specified in clause (a) of the definition of "Maximum Annual Debt Service" set forth under the caption "Definitions of Certain Terms."

Rates and Charges; Debt Coverage. (a) Each Member, respectively, further covenants and agrees to fix, charge and collect, or cause to be fixed, charged and collected, commencing with the first full Fiscal Year following the execution of the Master Indenture and subject to applicable requirements or restrictions imposed by law or regulation, such rates, fees and charges for the use of its facilities and for the services furnished or to be furnished which, together with all other receipts and revenues of the Obligated Group and any other funds available therefor, will be reasonably projected to be sufficient in each Fiscal Year so that the Historical Debt Service Coverage Ratio of the Obligated Group as a whole at the end of such Fiscal Year is not less than 1.10:1.0.

(b) Within 150 days after the end of each Fiscal Year (commencing with the first full Fiscal Year following the execution of the Master Indenture) the Obligated Group Representative shall compute Income Available for Debt Service, Annual Debt Service and the Historical Debt Service Coverage Ratio for such Fiscal Year and shall promptly furnish to the Master Trustee a Certificate setting forth the results of such computation. The Obligated Group Representative further covenants and agrees that, if at the end of such Fiscal Year the Historical Debt Service Coverage Ratio shall have been less than 1.10:1.0, it will promptly employ an Independent Consultant to make recommendations as to a revision of the rates, fees and charges of the Members or the methods of operation of the Members. Copies of the recommendations of the Independent Consultant shall be filed with the Master Trustee. Each Member shall, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, and subject to a good faith determination of the Governing Body of the Obligated Group Representative that such recommendations, in whole or in part, are in the best interests of the Obligated Group, revise its rates, fees and charges or its methods of operation or collections and shall take such other action as shall be in conformity with such recommendations. If the Obligated Group Representative determines not to comply with such recommendations, it shall file with the Master Trustee a certified copy of a resolution of its Governing Body determining not to so comply and stating in reasonable detail the reasons therefor.

If the Members comply in all material respects with the reasonable recommendations of the Independent Consultant in respect to said rates, fees, charges and methods of operation or collection or, in the event, the Obligated Group Representative determines not to comply with such recommendations and shall have filed with the Master Trustee the resolution of its Governing Body referred to in the immediately preceding paragraph, the Members will be deemed to have complied with the covenants described under this heading for such Fiscal Year notwithstanding that Income Available for Debt Service shall be less than the amount required as described in (a) above; provided that such ratio shall not be reduced to less than 1.0:1.0 and shall apply to actual Debt Service rather than Maximum Annual Debt Service and provided further that the Members shall not be excused from taking any action or performing any duty required under the Master Indenture and that no other Event of Default shall be waived by the operation of the provision described therein.

(c) If a written report of an Independent Consultant is delivered to the Master Trustee stating that Industry Restrictions have made it impossible consistent with prudent business judgment for the ratio in subsection (a) above to be met and that the Obligated Group has generated the maximum amount of Income Available for Debt Service that, in the opinion of such Independent Consultant, reasonably could have been generated given such Industry Restrictions, then such ratio shall be reduced to 1.0:1.0 and shall apply to actual Debt Service rather than Maximum Annual Debt Service.

(d) Notwithstanding the foregoing, a Member may permit the rendering of service at, or the use of, its facilities without charge or at reduced charges, at the discretion of the Governing Body of such Member, to the extent necessary for maintaining its tax exempt status and its eligibility for grants, loans, subsidies or payments from the United States of America, any political subdivision or instrumentality thereof, or the State of California or any political subdivision or instrumentality thereof, or in compliance with any recommendation for free services that may be made by an Independent Consultant.

Sale, Lease or Other Disposition of Property. Each Member, respectively, covenants and agrees that it will not, in any consecutive 12-month period, sell, lease or otherwise dispose of Property the value of which, together with all other Property sold, leased or otherwise disposed of by any Member during such period, is in excess of 5% of the value of the total assets of the Obligated Group (calculated on the basis of the Book Value of the assets of the Obligated Group) shown in the most recently available audited financial statements of the Obligated Group unless:

(a) The Master Trustee receives an Officer's Certificate to the effect that such assets shall be or within the next 2 Fiscal Years are reasonably expected to become inadequate, obsolete, unsuitable, undesirable or unnecessary for the operation and functioning of the primary business of the Obligated Group and the disposition thereof will not materially and adversely impair the operations of the Members; or

(b) Such sale, lease or other disposition is made to another Member or to a Person who is not a Member if such Person shall become a member pursuant to the provisions of the Master Indenture substantially simultaneously with such sale, lease or other disposition; or

(c) The Master Trustee receives an Officer's Certificate to the effect that the Property to be sold, leased or otherwise disposed of consists solely of assets that are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payment on an Obligation or Long-Term Indebtedness or operating expenses; or

(d) Such sale, lease or other disposition is in the ordinary course of business, or for the fair market value of the Property so disposed of, or in return for other Property of equal or greater value and usefulness; or

(e) The Master Trustee receives an Officer's Certificate to the effect that the Obligated Group would be able to issue at least one dollar (\$1.00) of Long-Term Indebtedness pursuant to the provisions of the Master Indenture immediately after such sale, lease or other disposition.

Notwithstanding any other provision of the Master Indenture to the contrary, the contribution of Property by a Member to a joint venture engaged in providing health care or related services shall constitute a disposition of Property only to the extent that the value of the asset, if any received by such member in consideration for such contribution is recorded on the financial statements of such member at a value which is less than the Book Value of the Property so contributed.

Disposition of Liquid Assets. Each Member, respectively, covenants and agrees that it will not, in any consecutive 12-month period, dispose of any cash or cash equivalents, in an amount which, together with all other cash or cash equivalents disposed of by any other Member during such period, is in excess of 3% of the Net Revenues of the Obligated Group as shown in the most recently available audited financial statements of the Obligated Group unless:

(a) Such disposition is made to another Member;

(b) Such disposition is in the ordinary course of business; or

(c) The Master Trustee receives an Officer's Certificate to the effect that the Obligated Group would be able to issue at least one dollar (\$1.00) of Long-Term Indebtedness pursuant to the provisions of the Master Indenture immediately after such disposition;

Provided, however, that, in the event that the Historical Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available is at least 3.0:1.0, each Member, respectively, covenants and agrees that it will not, in any consecutive 12-month period, dispose of any cash or cash equivalents, in an amount which, together with all other cash or cash equivalents disposed of by any other Member during such period, is in excess of 5% of the Net Revenues of the Obligated Group as shown in the most

recently available audited financial statements of the Obligated Group unless the conditions specified in subsections (a), (b) or (c) above shall apply.

Nothing in the Master Indenture shall prohibit any Member from making secured or unsecured loans provided that any such loan (i) is evidenced in writing and (ii) the Master Trustee receives an Officer's Certificate stating that (a) the Obligated Group Representative reasonably expects such loan to be repaid and (b) such loan bears interest at a reasonable rate of interest as determined in good faith by the Obligated Group Representative.

Consolidation, Merger, Acquisition, Sale or Conveyance. Each Member, respectively, covenants that it will not merge or consolidate with any other corporation not a Member or acquire substantially all of the assets of a Person not a Member or sell or convey all or substantially all of its assets to any Person not a Member unless:

(a) After giving effect to the merger, consolidation, acquisition, sale or conveyance, the successor or surviving corporation (hereinafter, the "Surviving Corporation") will be a Member, or, if not, the Surviving Corporation shall be a corporation organized and existing under the laws of the United States of America or a State thereof and such Surviving Corporation shall become a Member pursuant to the provisions of the Master Indenture and shall expressly assume in writing the due and punctual payment of all Required Payments of the disappearing corporation thereunder, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Master Indenture by the execution of a Related Supplement satisfactory to the Master Trustee, delivered to the Master Trustee by such Surviving Corporation; and

(b) There shall have been delivered to the Master Trustee an Officer's Certificate to the effect that no Member, immediately after the date of the proposed merger, consolidation, acquisition, sale or conveyance, would be in default as a result of such merger, consolidation, acquisition, sale or conveyance in the performance or observance of any covenant or condition of the Master Indenture; and

(c) So long as any Related Bonds which are tax exempt obligations are Outstanding, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that, under then existing law, the consummation of such merger, consolidation, acquisition, sale or conveyance, in and of itself, would not cause interest payable on such Related Bonds which are tax exempt obligations to be includable in gross income for federal income tax purposes and that such merger, consolidation, acquisition, sale or conveyance, and the assumption of rights and obligations thereafter, complies with the provisions of the Master Indenture; and

(d) The Master Trustee shall have received an Officer's Certificate (and, if required pursuant to the provisions of the Master Indenture, the written report of an Accountant or an Independent Consultant, as applicable) to the effect that the Obligated Group would be able to incur at least one dollar (\$1.00) of Long-Term Indebtedness immediately after such transaction pursuant to the provisions of the Master Indenture.

In case of any such consolidation, merger, sale or conveyance, and upon such assumption of obligations, the Surviving Corporation shall be substituted for its predecessor in interest in all agreements, indentures, and Obligations then in effect which affect or relate to any Financing, and the Surviving Corporation shall, upon the request of the Master Trustee, execute and deliver to the Master Trustee such documents and endorsements as the Master Trustee may reasonably require in order to effect the said substitution. From and after the effective date of such substitution as determined by the Master Trustee, the Surviving Corporation shall, subject to the terms, conditions and limitations prescribed in the Master Indenture, be treated as though it were a Member of the Obligated Group as at the date of the execution of the Master Indenture and shall thereafter have the right to participate in Financings thereunder to the same extent as the Members of the Obligated Group; and all Financings undertaken on behalf of a Surviving Corporation in all respects have the same legal rank and benefit under the Master Indenture as though undertaken by the Obligated Group in the absence of such merger, consolidation, sale or conveyance.

Filing of Financial Statements, Reports and Other Information. Each Member, respectively, covenants that it will:

(a) Keep adequate records and books of accounts, each separate from the other and from all other records and accounts, in which complete and correct entries shall be made, in accordance with generally accepted accounting principles consistently applied (said books shall at all reasonable times and upon reasonable notice be subject to the inspection of the Master Trustee and any Holder, or their representatives duly authorized in writing);

(b) In the case of the Obligated Group Representative only, cause the books and accounts of the Members to be audited annually on a combined or consolidated basis by an Accountant and make available to the Master Trustee:

(i) as soon as practicable, but in no event later than 5 months after the last day of each Fiscal Year, the audited financial statements prepared on a combined or consolidated basis, which audited financial statements shall include the results of operations of all Persons required to be combined or consolidated with such Members in accordance with generally accepted accounting principles, shall contain an audited combined balance sheet as of the end of such Fiscal Year and an audited combined statement of activities and changes in net assets for such Fiscal Year and an audited combined statement of cash flows for such Fiscal Year, together with an accompanying unaudited balance sheet, statement of activities and changes in net assets prepared on a combined basis to reflect only the operations of the Members, showing in each case in comparative form the financial figures for the preceding Fiscal Year;

(ii) as soon practicable, but in no event more than 6 months after the last day of each Fiscal Year beginning with the Fiscal Year ending December 31, 1998, a balance sheet, statement of activities and changes in net assets including all the Members prepared based on the accompanying unaudited combined schedules delivered with the audited financial statements described in subsection (i) above (such balance sheet, statement of activities and changes in net assets being referred to in the Master Indenture as the "Obligated Group Financial Statements"), together with a certificate of the chief financial officer of the Obligated Group Representative stating that the Obligated Group Financial Statements were prepared in accordance with generally accepted accounting principles (except for required consolidations) and that the Obligated Group Financial Statements reflect the result of the operations of only the Members and all Members are included; and

(iii) at the time of the delivery of the Obligated Group Financial Statements, a certificate of the chief financial officer, stating that the Obligated Group Representative has made a review of the activities of each Member during the preceding Fiscal Year for the purpose of determining whether or not the Members have complied with all of the terms, provisions and conditions of the Master Indenture and that each Member has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Master Indenture on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions, or if any Member shall be in default such certificate shall specify all such defaults and the nature thereof.

Notwithstanding the foregoing, the audited and unaudited financial statements referred to in the Master Indenture may include the results of operation and financial position of Immaterial Affiliates, and such results of operation and financial position may be considered as if they were a portion of the results of operation and financial position of the Members for all purposes of the Master Indenture, provided however, that all such Immaterial Affiliates shall represent less than 15% of the combined or consolidated net assets of the Members as shown on the applicable financial statements.

(c) As soon as practicable but in no event later than 5 months after the end of the Fiscal Year, file with the Master Trustee, and with each Holder who may have so requested, or on whose behalf the Master Trustee may have so requested, an Officer's Certificate executed by the chief financial officer of the Obligated Group Representative specifying that to the best of such officer's knowledge based on reasonable investigation, nothing has come to such officer's attention which would lead such officer to believe that any Event of Default shall have occurred and be continuing;

(d) If any Event of Default shall have occurred and be continuing, (i) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs (or of any

consolidated group of companies of which it is a member) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records, personnel records and such other documents as are necessary to comply with applicable laws and regulations, and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request;

(e) Within 10 days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of the Master Indenture requires to be prepared by an Independent Consultant or an Insurance Consultant; and

(f) Whenever financial information is required under the Master Indenture for the computation of ratios, debt service coverage, or otherwise, provide such information as of the last Fiscal Year for which the combined or consolidated audited financial statements prepared in accordance with the provisions of the Master Indenture are available.

Membership in Obligated Group. Additional Members may be added to the Obligated Group from time to time provided that:

(a) There shall have been delivered to the Master Trustee a copy of a resolution of the proposed new Member which authorizes the execution of the Related Supplement referred to in subsection (b) below and authorizes compliance with the terms of the Master Indenture;

(b) There shall have been delivered to the Master Trustee a Related Supplement pursuant to which the proposed new Member agrees to become a Member, to be bound by the terms and restrictions imposed by the Master Indenture, and to be bound by Indebtedness represented by the Obligations;

(c) There shall have been delivered to the Master Trustee an irrevocable power of attorney of the proposed new Member authorizing the execution of Obligations by the Obligated Group Representative;

(d) There shall be delivered to the Master Trustee a written Opinion of Counsel to the proposed new Member, which opinion states that the proposed new Member has taken all necessary action to become a Member, and upon execution of a Related Supplement;

(e) There shall be delivered to the Master Trustee a description of any existing Long-Term Indebtedness of the proposed new Member, a description of any Indebtedness which the proposed new Member plans to incur simultaneously with the execution of the Related Supplement;

(f) There shall be delivered to the Master Trustee an Officer's Certificate (and, if required pursuant to the provisions of the Master Indenture, the written report of an Accountant or an Independent Consultant, as applicable) to the effect that the Obligated Group would be able to incur at least one dollar (\$1.00) of Long-Term Indebtedness immediately after the addition of the new Member to the Obligated Group pursuant to the provisions of the Master Indenture;

(g) There shall be delivered to the Master Trustee an Opinion of Bond Counsel to the effect that the addition of such Member, in and of itself, will not cause interest payable on any Related Bonds which are tax exempt obligations to be includable in gross income for federal income tax purposes, nor cause the Master Indenture nor the Obligations issued under the Master Indenture to be subject to registration under federal securities laws (or unless such registration, if required, has occurred) nor the Trust Indenture Act of 1939, as amended (or unless such registration, if required, has occurred); and

(h) There shall have been delivered to the Master Trustee an Officer's Certificate to the effect that no Member, immediately after the addition of such new Member, would be in default in the performance or observance of any covenant or condition of the Master Indenture.

Withdrawal from Obligated Group. Any Member may withdraw from the Obligated Group, and be released from further liability or obligation under the provisions of the Master Indenture, provided that:

(a) The Master Trustee shall have received an Officer's Certificate to the effect that, immediately following withdrawal of such Member, no Member would be in default in the performance or observance of any covenant or condition of the Master Indenture;

(b) Such Member is not a Primary Obligor with respect to any Outstanding Obligations;

(c) There shall be delivered to the Master Trustee an Officer's Certificate (and, if required pursuant to the provisions of the Master Indenture, the written report of an Accountant or an Independent Consultant, as applicable) to the effect that the Obligated Group would be able to incur at least one dollar (\$1.00) of Long-Term Indebtedness immediately after the withdrawal of such Member from the Obligated Group pursuant to the provisions of the Master Indenture;

(d) The Master Trustee shall have received an Opinion of Bond Counsel to the effect that the withdrawal of such Member will not cause the interest payable on any Related Bonds which are tax exempt obligations to be includable in gross income for federal income tax purposes, nor cause the Master Indenture nor the Obligations issued under the Master Indenture to be subject to registration under federal securities laws (unless such registration, if required, has occurred) nor subject to qualification under the Trust Indenture Act of 1939, as amended (unless such registration, if required, has occurred).

Upon compliance with the conditions contained in the Master Indenture, the Master Trustee shall execute any documents reasonably requested by the withdrawing Member to evidence the termination of such Member's obligations thereunder, under any Related Supplements and under all Obligations.

Insurance and Condemnation Proceeds. (a) Any Member may make agreements and covenants with the holder of any indebtedness secured by a Lien which is incurred in compliance with the provisions of the Master Indenture with respect to the application or use to be made of insurance proceeds or condemnation awards which may be received in connection with Property which is subject to such Lien.

(b) Amounts received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards may be used in such manner as the Obligated Group Representative and such Member may determine, including, without limitation, applying such moneys to the payment or prepayment of any Indebtedness in accordance with the terms thereof and of any pertinent Related Supplement, subject to compliance with the provisions of the Master Indenture; provided that if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds 10% of the Book Value of the Property, Plant and Equipment of the Obligated Group, the Obligated Group Representative shall immediately notify the Master Trustee and deliver an Officer's Certificate to the Master Trustee to the effect that after giving effect to the application of such insurance proceeds or condemnation awards, whether to repair or replace facilities or otherwise, the Obligated Group would be able to incur one dollar (\$1.00) of Long-Term Indebtedness pursuant to the provisions of the Master Indenture. In the event that the Obligated Group Representative is unable to deliver such Officer's Certificate, the amount of such proceeds or awards shall be applied to the payment or prepayment of Indebtedness.

Gross Revenue Fund. (a) Each Member agrees that, as long as any of the Obligations remain Outstanding, all of the Gross Revenues shall be deposited as soon as practicable upon receipt in a fund designated as the "Gross Revenue Fund" which shall be established and maintained, subject to the provisions of subsection (b) below, in an account or accounts at such banking institution or institutions as the Obligated Group Representative shall from time to time designate, in writing to the Master Trustee for such purpose (herein called the "Depository Bank(s)"). Subject only to the provisions of the Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, each Member hereby pledges, and to the extent permitted by law, grants a security interest to the Master Trustee in the Gross Revenue Fund and all of the Gross Revenues to secure the payment of Required Payments and the performance by each of the Members of its other obligations under the Master Indenture. Each Member shall execute and cause to be filed Uniform Commercial Code financing statements, shall execute and cause to be sent to each Depository Bank a notice of the security interest granted

thereunder and shall execute and deliver such other documents (including, but not limited to, continuation statements) as may be necessary or reasonably requested by the Master Trustee in order to perfect or maintain as perfected such security interest or give public notice thereof.

(b) Amounts in the Gross Revenue Fund may be used and withdrawn by each Member at any time for any lawful purpose, except as provided in the Master Indenture. In the event that any Member is delinquent for more than 1 Business Day in the payment of any Required Payment, the Master Trustee shall notify the Obligated Group Representative and the Depository Bank(s) of such delinquency, and, unless such Required Payment is paid within 10 days after receipt of such notice, the Obligated Group Representative shall cause the Depository Bank(s) to transfer the Gross Revenue Fund to the name and credit of the Master Trustee. The Gross Revenue Fund shall remain in the name and to the credit of the Master Trustee, until the amounts on deposit in said fund are sufficient to pay in full (or have been used to pay in full) all Required Payments in default and until all other then-existing Events of Default known to the Master Trustee shall have been made good or cured to the satisfaction of the Master Trustee or provision deemed by the Master Trustee to be adequate shall have been made therefor, whereupon the Gross Revenue Fund (except for the Gross Revenues required to make such payments or cure such defaults) shall be returned to the name and credit of the appropriate Members. During any period that the Gross Revenue Fund is held in the name and to the credit of the Master Trustee, the Master Trustee shall use and withdraw from time to time amounts in said fund, to make Required Payments as such payments become due (whether by maturity, prepayment, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of debt service on Obligations, ratably, without any discrimination or preference, and to such other payments in the order which the Master Trustee, in its discretion, shall determine to be in the best interests of the Holders of the Obligations, without discrimination or preference. During any period that the Gross Revenue Fund is held in the name and to the credit of the Master Trustee, no Member shall be entitled to use or withdraw any of the Gross Revenues unless (and then only to the extent that) the Master Trustee so directs for the payment of current or past due operating expenses of such Member; provided, however, that Members may submit requests to the Master Trustee as to which expenses to pay and in which order. Each Member shall execute and deliver all instruments as may be required to implement this Section. Each Member further agrees that a failure to comply with the terms of this Section shall cause irreparable harm to the Holders from time to time of the Obligations, and shall entitle the Master Trustee, with or without notice to the Obligated Group Representative, to take immediate action to compel the specific performance of the obligations of each of the Members as provided under the Master Indenture.

Defaults

Events of Default. Event of Default, under the Master Indenture, means any of the following events:

(a) Failure on the part of the Obligated Group to make due and punctual payment of the principal of, redemption premium, if any, or interest on an Obligation;

(b) Any Member shall default in the payment of any Indebtedness (other than Non-Recourse Indebtedness or an Obligation) in an aggregate amount greater than 1% of Net Revenues for the most recent year for which audited financial statements are available, whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument, under which there may be secured or evidenced any Indebtedness, in an aggregate amount greater than 1% of Net Revenues for the most recent year for which audited financial statements are available whether such Indebtedness now exists or shall hereafter be created, shall occur and any period of grace with respect thereto shall have expired; provided, however, that such default shall not constitute an Event of Default under the Master Indenture if within 30 days, or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced (i) any Member in good faith commences proceedings to contest the existence or payment of such Indebtedness, and (ii) sufficient moneys are escrowed with a bank or trust company or a bond acceptable to the Master Trustee is posted for the payment of such Indebtedness;

(c) Any Member shall fail duly to observe or perform any other covenant or agreement under the Master Indenture for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Obligated Group Representative by the Master Trustee or to the Obligated Group Representative and the Master Trustee by the Holders of 25% in aggregate principal amount of

Outstanding Obligations except that, if such failure can be remedied but not within such 30 day period, such failure shall not become an Event of Default for so long as the Obligated Group Representative shall diligently proceed to remedy same;

(d) A court having jurisdiction shall enter a decree or order for relief in respect of any Member in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of any Member or for any substantial part of the property of any Member, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days;

(e) Any Member shall commence a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of any Member or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any corporate action in furtherance of the foregoing; or

(f) An event of default shall exist under any Related Bond Indenture.

Acceleration; Annulment of Acceleration. (a) Upon the occurrence and during the continuation of an Event of Default hereunder, the Master Trustee may and, upon (i) the written request of the Holders of not less than 25% in aggregate principal amount of Outstanding Obligations or of any Holder if an Event of Default described under subsection (a) above under the caption "Master Indenture of Trust – Defaults – Events of Defaults" has occurred or (ii) the acceleration of any Obligation pursuant to the terms of the Related Supplement under which such Obligation was issued, the Master Trustee shall, by notice to the Members, declare all Outstanding Obligations immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or the Master Indenture to the contrary notwithstanding; provided, however, that if the terms of any Related Supplement give a person the right to consent to acceleration of the Obligations issued pursuant to such Related Supplement, the Obligations issued pursuant to such Related Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Related Supplement. In such event, there shall be due and payable on the Obligations an amount equal to the aggregate principal amount of all such Obligations, plus all interest accrued thereon and, to the extent permitted by applicable law, interest which accrues on such principal and interest to the date of payment.

(b) At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices and other payments then due (other than the principal or other payments then due only because of such declaration) of all Outstanding Obligations, (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Master Trustee and any paying agents, (iii) all other amounts then payable by the Obligated Group under the Master Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee, and (iv) every Event of Default (other than a default in the payment of the principal or other payments of such Obligations then due only because of such declaration) shall have been remedied, then the Master Trustee shall annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Additional Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding or of any Holder if an Event of Default under subsection (a) above under the caption "Mater Indenture of Trust – Defaults – Events of Default" has occurred, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its

rights and the rights of the Holders hereunder by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;
- (ii) Suit upon all or any part of the Obligations;
- (iii) Civil action to require any person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders of Obligations;
- (iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of Obligations; and
- (v) Enforcement of any other right or remedy of the Holders conferred by law or the Master Indenture.
- (vi) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Obligations then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security given under the Master Indenture by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions of the Master Indenture and, in the sole judgment of the Master Trustee, not unduly prejudicial to the interest of the Holders of Obligations not making such request.

Application of Revenues and Other Moneys After Default. During the continuance of an Event of Default all moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of the Master Indenture, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses and advances incurred or made by the Master Trustee with respect thereto, shall be applied as follows:

(a) Unless the principal of all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest or the interest portion related to installment sale payments or lease payments then due on the Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal installments or the principal portion related to installment sale payments or lease payments of any Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable, to the payment of the principal and interest and installment sale payments or lease payments then due and unpaid upon the Obligations without preference or priority, or of any installment over any other installment,

or of any Obligation over any other Obligation, ratably, according to the amounts due, to the Persons entitled thereto without any discrimination or preference.

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

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of the Master Indenture, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notices as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid coupon or Obligation until such coupon or such Obligation and all unmatured coupons, if any, appertaining to such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their successors, or as a court of competent jurisdiction may direct.

Remedies Not Exclusive. No remedy by the terms of the Master Indenture conferred upon or reserved to the Master Trustee or the Holders 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 Master Indenture or existing at law or in equity or by statute on or after the date of the Master Indenture.

Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) under the Master Indenture or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Obligations. Subject to the provisions of the Master Indenture, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Obligations and appurtenant coupons, if any.

Holders Control of Proceedings. If an Event of Default shall have occurred and be continuing, notwithstanding anything in the Master Indenture to the contrary, the Holders of at least a majority in aggregate principal amount of Obligations then Outstanding shall have the right, at any time, by any instrument in writing executed and delivered to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof or for the appointment of a receiver or any other proceedings under the Master Indenture, provided that such direction is not in conflict with any applicable law or the provisions of the Master Indenture (including indemnity to the Master Trustee as provided in the Master Indenture) and, in the sole judgment of the Master Trustee, is not unduly prejudicial to the interest of Holders not joining in such direction and provided further that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action under the Master Indenture which it may deem proper and which is not inconsistent with such direction by Holders.

Termination of Proceedings. In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to the Holders, then the Members, the Master Trustee and the Holders shall be restored to their former positions and rights under the Master Indenture, and all rights, remedies and powers of the Master Trustee and the Holders shall continue as if no such proceeding had been taken.

Waiver of Event of Default. (a) No delay or omission of the Master Trustee or of any Holder of the Obligations to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by the Master Indenture to the Master Trustee and the Holders of the Obligations, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Master Indenture, or before the completion of the enforcement of any other remedy under the Master Indenture.

(c) Notwithstanding anything contained in the Master Indenture to the contrary, the Master Trustee, upon the written request of the Holders of at least a majority of the aggregate principal amount of Obligations then Outstanding, shall waive any Event of Default under the Master Indenture and its consequences; provided, however, that, except under the circumstances set forth in the Master Indenture relating to acceleration, a default in the payment of the principal of, premium, if any, or interest on or other payment with respect to any Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default under the Master Indenture, the Members, the Master Trustee and the Holders shall be restored to their former positions and rights under the Master Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Appointment of Receiver. Upon the occurrence of any Event of Default unless the same shall have been waived as provided in the Master Indenture, the Master Trustee shall be entitled as a matter of right if it shall so elect, (a) forthwith and without declaring the Obligations to be due and payable, (b) after declaring the same to be due and payable, or (c) upon the commencement of an action to enforce the specific performance thereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Members with such powers as the court making such appointment shall confer. Each Member, respectively, hereby consents and agrees, and will if requested by the Master Trustee, consent and agree at the time of application by the Master Trustee for appointment of a receiver, to the appointment of such receiver and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as the Member could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Remedies Subject to Provisions of Law. All rights, remedies and powers provided by the Master Indenture may be exercised only to the extent that the exercise thereof does not violate any applicable provision of a law, and all the provisions of the Master Indenture are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render the Master Indenture or the provisions of the Master Indenture invalid or unenforceable under the provisions of any applicable law.

Notice of Default. The Master Trustee shall, within 10 days after a Responsible Officer of the Master Trustee has actual knowledge or has received written notice of the occurrence of an Event of Default, mail to all Holders of Obligations (as the names and addresses of such Holders appear upon the books of the Master Trustee), notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice (the term "Event of Default" for the purposes of this Section being hereby defined to be the events specified in subsections (a)-(f), not including any periods of grace provided in the subsections (b), (c) and (d) respectively, and irrespective of the giving of written notice specified in subsection (c) of the section set forth above under the caption "Master Indenture of Trust – Default – Events of Default;" and provided that, except in the case of default in the payment of the principal of or premium, if any, or interest or other payments on any of the Obligations and the Events of Default specified in subsections (d) and (e) under the caption "Master Indenture of Trust – Default – Events of Default" above, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trustee committee of directors or Responsible

Officers of the Master Trustee in good faith determine that the withholding of such notice is in the interests of the Holders of Obligations.

The Master Trustee

Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default:

(i) The Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Master Indenture, and no implied covenants or obligation shall be read into the Master Indenture against the Master Trustee; and

(ii) In the absence of bad faith on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon Certificates or opinions furnished to the Master Trustee and conforming to the requirements of the Master Indenture; but in the case of any such Certificates or opinions which by any provision of the Master Indenture are specifically required to be furnished to the Master Trustee, the Master Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Master Indenture.

(b) In case an Event of Default has occurred and is continuing, the Master Trustee shall exercise such of the rights and powers vested in it by the Master Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

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

(i) this subsection shall not be construed to limit the effect of subsection (a) above;

(ii) the Master Trustee shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts;

(iii) the Master 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 Holders of a majority in principal amount of the Outstanding Obligations, or in accordance with the direction of the Holders of any lesser principal amount of Outstanding Obligations as may be permitted under the Master Indenture, relating to the timing, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under the Master Indenture;

(iv) no provision of the Master Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it; and

(v) the Master Trustee shall not be deemed to have knowledge of and shall not be required to take any action with respect to any Event of Default (other than an Event of Default described above in subsection (a) under the caption "Master Indenture of Trust – Default – Events of Default") or any event which would, with the giving of notice or the passing of time or both constitute an Event of Default, unless a Responsible Officer of the Master Trustee shall have actual knowledge of such Event of Default or shall have been notified of such event by any Member of the Obligated Group or by the Holder of an Obligation.

(d) Whether or not therein expressly so provided, every provision of the Master Indenture relating to the conduct or affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section.

Certain Rights of Master Trustee. Subject to the provisions of the Master Indenture:

(a) The Master Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, obligation or other paper or documents believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of any Member mentioned in the Master Indenture shall be sufficiently evidenced by an Officer's Certificate and any action of the Governing Body may be sufficiently evidenced by a copy of a resolution certified by the secretary or an assistant secretary of the Member to have been duly adopted by the Governing Body and to be in full force and effect on the date of such certification and delivered to the Master Trustee.

(c) Whenever in the administration of the Master Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Master Trustee (unless other evidence be therein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officers' Certificate.

(d) The Master Trustee may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it under the Master Indenture in good faith and in reliance thereon.

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Master Indenture at the request or direction of any of the Holders pursuant to the Master Indenture, unless such Holders shall have offered to the Master Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Master Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, obligation or other paper or document, but the Master Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Master Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Obligated Group Representative or any other Member, personally or by agent or attorney.

(g) The Master Trustee may execute any of the trusts or perform any duties under the Master Indenture either directly or by or through agents or attorneys and the Master Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it thereunder.

(h) The Master Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized within the discretion or rights or powers conferred upon it by the Master Indenture.

Right to Deal in Obligations and Related Bonds. The Master Trustee may in good faith buy, sell or hold and deal in any Obligations and Related Bonds with like effect as if it were not such Master Trustee and may commence or join in any action which a Holder or holder of a Related Bond is entitled to take with like effect as if the Master Trustee were not the Master Trustee.

Removal and Resignation of the Master Trustee. The Master Trustee may resign and may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding or, provided an Event of Default has not occurred and is then continuing, the Obligated Group Representative. No such resignation or removal shall become effective unless and

until a successor Master Trustee has been appointed and has assumed the trusts created the Master Indenture. Written notice of such resignation or removal shall be given to the Members of the Obligated Group and to each Holder of a Obligation then Outstanding at the address then shown on the books of the Master Trustee. Such resignation or removal shall then take effect upon the appointment and qualification of a successor Master Trustee. A successor Master Trustee may be appointed at the direction of the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding, or, if the Master Trustee has resigned or has been removed by the Obligated Group Representative, by the Obligated Group Representative. In the event a successor Master Trustee has not been appointed and qualified within 30 days of the date notice of resignation is given, the Master Trustee, any Member of the Obligated Group or any Holder may apply to any court of competent jurisdiction for the appointment of a successor Master Trustee to act until such time as a successor is appointed as above provided.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Master Trustee howsoever appointed under the Master Indenture shall execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an instrument in writing, accepting such appointment under the Master Indenture, and thereupon such successor Master Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than 10 days after its assumption of the duties hereunder, shall mail a notice of such assumption to the Obligated Group Representative and to each Holder of an Obligation.

Compensation and Reimbursement. The Members, jointly and severally, agree:

(a) To pay the Master Trustee from time to time reasonable compensation for all services rendered by it under the Master Indenture (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust).

(b) Except as otherwise expressly provided in the Master Indenture, to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee in accordance with any provision of the Master Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or willful misconduct.

(c) To indemnify the Master Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the trust or the performance of its duties under the Master Indenture, including the 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 Master Indenture.

Recitals and Representations. The recitals, statements and representations contained in the Master Indenture, or in any Obligation (excluding the Master Trustee's authentication on the Obligations) shall be taken and construed as made by and on the part of the Members of the Obligated Group, and not by the Master Trustee, and the Master Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

The Master Trustee makes no representation as to, and is not responsible for, the validity or sufficiency of the Master Indenture or of the Obligations or the validity or sufficiency of insurance to be provided. The Master

Trustee shall be deemed not to have made representations as to the security afforded under the Master Indenture or as to the validity or sufficiency of such document. The Master Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Master Trustee shall have no duty of inquiry with respect to any default or Events of Default described in the Master Indenture without actual knowledge of or receipt by the Master Trustee of written notice of a default or an Event of Default from a Member of the Obligated Group or any Holder.

Separate or Co-Master Trustee. At any time or times, for the purpose of meeting any legal requirements of any jurisdiction, the Master Trustee shall have power to appoint, and, upon the request of the Holders of at least 25% in aggregate principal amount of Outstanding Obligations, shall appoint, one or more Persons approved by the Master Trustee either to act as co-trustee or co-trustees, jointly with the Master Trustee, or to act as separate trustee or separate trustees, and to vest in such Person or Persons, in such capacity, such rights, powers, duties, trusts or obligations as the Master Trustee may consider necessary or desirable, subject to the remaining provisions of this section.

Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

- (a) The Obligations shall be authenticated and delivered solely by the Master Trustee.
- (b) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Master Trustee, or by the Master Trustee and such co-trustee or co-trustees or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed the Master Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.
- (c) Any request in writing by the Master Trustee to any co-trustee or separate trustee to take or to refrain from taking any action under the Master Indenture shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee.
- (d) Any co-trustee or separate trustee may, to the extent permitted by law, delegate to the Master Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.
- (e) The Master Trustee at any time, by any instrument in writing, may accept the resignation of or remove any co-trustee or separate trustee appointed under this section. Upon the request of the Master Trustee, the Members of the Obligated Group shall join with the Master Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal.
- (f) No trustee or any paying agent under the Master Indenture shall be personally liable by reason of any act or omission of any other trustee or paying agent under the Master Indenture, nor will the act or omission of any trustee or paying agent under the Master Indenture be imputed to any other trustee or paying agent.
- (g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Master Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.
- (h) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee under the Master Indenture shall forthwith, so far as may be permitted by law, be turned over to the Master Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, such co-trustee or separate trustee shall be vested with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment jointly with the Master Trustee (except insofar as local law makes it necessary for any

such co-trustee or separate trustee to act alone) subject to all the terms of the Master Indenture. Every such acceptance shall be filed with the Master Trustee. To the extent permitted by law, any co-trustee or separate trustee may, at any time by an instrument in writing, constitute the Master Trustee its or his attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its or his behalf and in its or his name.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Master Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner provided by the Master Indenture.

Supplements And Amendments

Supplements Not Requiring Consent of Holders. The Obligated Group Representative, acting for itself and as agent for each Member, and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Related Supplements for one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission therein;
- (b) To correct or supplement any provision which may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the Master Indenture and which shall not materially and adversely affect the interests of the Holders;
- (c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority, or to add to the covenants of and restrictions on the Members;
- (d) To qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect;
- (e) To create and provide for the issuance of an Obligation or Series of Obligations as permitted under the Master Indenture;
- (f) To obligate a successor to any Member;
- (g) To add a new Member; or
- (h) To make any other change that does not materially adversely affect the interests of the Holders of any Obligation.

Supplements Requiring Consent of Holders. (a) Other than Related Supplements referred to under the immediately preceding caption, the Holders of not less a majority in aggregate principal amount of the Obligations then Outstanding shall have the right, from time to time, anything contained therein to the contrary notwithstanding, to consent to and approve the execution, by the Master Trustee and the Obligated Group Representative, acting for itself and as agent for each Member (provided that each Member shall have received written notice regarding such Related Supplement not less than 15 days prior to execution), of such Related Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, that no Related Supplement shall be permitted or be construed to be permitted which would:

- (i) Extend the stated maturity of or time for paying interest on any Obligation or reduce the principal amount of or the redemption premium or rate of interest or method of calculating interest payable on any Obligation without the consent of the Holder of such Obligation;

(ii) Modify, alter, amend, add to or rescind any of the terms or provisions contained in the Master Indenture so as to affect the right of the Holders of any Obligations in default as to payment to compel the Master Trustee to declare the principal of all Obligations to be due and payable, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then outstanding the consent of the Holders of which is required to authorize such Related Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) If at any time the Obligated Group Representative shall request the Master Trustee to enter into a Related Supplement pursuant to this section (which request is accompanied by a (i) copy of the resolution or other action of its Governing Body certified by its secretary or if it has no secretary, its comparable officer, and (ii) the proposed Related Supplement) and if within such period not exceeding 3 years following the request, as shall be prescribed by the Obligated Group Representative, the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) for the Related Supplement in question (which instrument or instruments shall refer to the proposed Related Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee) thereupon, but not otherwise, the Master Trustee may execute such Related Supplement in substantially such form, without liability or responsibility to any Holder of any Obligation, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder of the Obligation giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Related Supplement, such revocation and, if such Obligation or Obligations are transferable by delivery, proof that such Obligations are held by the signer of such revocation in the manner permitted by the Master Indenture. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Related Supplement, the Master Trustee shall make and file with the Obligated Group Representative a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(d) If the Holders of the required principal amount or number of the Outstanding Obligations shall have consented to and approved the execution of such Related Supplement as provided in the Master Indenture, no Holder of any Obligation shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or the Obligated Group Representative from executing the same or from taking any action pursuant to the provisions thereof.

Execution and Effect of Supplements. (a) In executing any Related Supplement permitted by the Master Indenture, the Master Trustee shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Related Supplement is authorized or permitted thereby. The Master Trustee may but shall not be obligated to enter into any such Related Supplement which materially and adversely affects the Master Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any Related Supplement in accordance with the Master Indenture, the provisions thereof shall be modified in accordance therewith and such Supplement shall form a part thereof for all purposes and every Holder of an Obligation theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(c) Any Obligation authenticated and delivered after the execution and delivery of any Related Supplement in accordance with the Master Indenture may, and, if required by the Obligated Group Representative or the Master Trustee shall, bear a notation in form approved by the Master Trustee as to any matter provided for in such Related Supplement. If the Obligated Group Representative or the Master Trustee shall so determine, new Obligations so modified as to conform in the opinion of the Master Trustee and the Governing Body of the Obligated Group Representative to any such Related Supplement may be prepared and executed by the Obligated

Group Representative and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Obligations then Outstanding.

Amendment of Related Supplements. Any Related Supplement may provide that the provisions thereof may be amended without the consent of or notice to any of the Holders or pursuant to such terms and conditions as may be specified in such Related Supplement. If a Related Supplement does not contain provisions relating to the amendment thereof, amendment of such Related Supplement shall be governed by the provisions of the Master Indenture.

Satisfaction And Discharge Of Master Indenture

Satisfaction and Discharge of Master Indenture. If (i) the Members shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in any Related Supplement) and not theretofore cancelled, or (ii) upon payment of all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation which have become due and payable, or (iii) the Members or any thereof shall deposit with the Master Trustee (or with a bank or trust company acceptable to the Master Trustee pursuant to an agreement between a Member and such bank or trust company in form acceptable to the Master Trustee) as trust funds the amount of cash or Government Obligations or both, sufficient to pay at maturity or upon redemption all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation, including principal and interest due or to become due to such date of maturity or redemption date, as the case may be, such sufficiency to be evidenced by a report of an Accountant or other financial services firm acceptable to the Master Trustee, and if in any case the Members or any thereof shall also pay or cause to be paid all other sums payable under the Master Indenture by the Members or any thereof, then the Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Members or any thereof and at the cost and expense of the Members or any thereof, shall execute proper instruments acknowledging satisfaction of and discharging the Master Indenture. Each Member, respectively, agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with the Master Indenture or such Obligations.

Payment of Obligations After Discharge of Lien. Notwithstanding the discharge of the lien provided for in the Master Indenture, the Master Trustee shall nevertheless retain such rights, powers and duties under the Master Indenture as may be necessary and convenient for the payment of amounts due or to become due on the Obligations and the registration, transfer, exchange and replacement of Obligations as provided in any Related Supplement. Nevertheless, any moneys held by the Master Trustee or any paying agent for the payment of the principal of, premium, if any or interest on any Obligation remaining unclaimed for 2 years after the principal of all Obligations has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided therein, shall then be paid to the Members of the Obligated Group and the Holders of any Obligations or coupons not theretofore presented for payment shall thereafter be entitled to look only to the Members of the Obligated Group for payment thereof as unsecured creditors and all liability of the Master Trustee or any paying agent with respect to such moneys shall thereupon cease.

SUPPLEMENTAL MASTER INDENTURE OF TRUST FOR OBLIGATION NO. 2

General

Supplement No. 2 provides for the issuance of Obligation No. 2 pursuant to the Master Indenture and provides the terms and form thereof. Obligation No. 2 further secures the obligation of the Corporation arising under and pursuant to the Loan Agreement.

Payments on Obligation No. 2; Credits. (a) Principal of and interest and any applicable redemption premium on Obligation No. 2 are payable in any coin or currency of the United States of America which on the

payment date is legal tender for the payment of public and private debts. Except as provided in subsection (b) below with respect to credits, and as provided below under the caption "Supplemental Master Indenture of Trust for Obligation No. 2 – General – Prepayment of Obligation No. 2" regarding prepayment, payments on the principal of and premium, if any, and interest on Obligation No. 2 shall be made at the times and in the amounts specified in Obligation No. 2 by the Corporation, acting on behalf of the Obligated Group, (i) depositing the same with or to the account of the Trustee on or prior to the day such payments shall become due or payable (or on the next succeeding business day if such date is a Saturday, Sunday or bank holiday in the city in which the principal corporate trust office of the Trustee is located) and (ii) giving a notice to the Master Trustee and the Trustee of each payment of principal, interest or premium on Obligation No. 2, specifying the amount paid, and identifying such payment as a payment on Obligation No. 2.

(b) The Obligated Group shall receive credit for payment on Obligation No. 2, in addition to any credits resulting from payment or prepayment from other sources, as follows:

(i) On installments of interest on Obligation No. 2 in an amount equal to all amounts deposited in the Revenue Account of the Bond Fund, each created under the Indenture, which amount is available to pay interest on the Bonds, to the extent such amounts have not previously been credited against payments on Obligation No. 2;

(ii) On installments of principal of Obligation No. 2 in an amount equal to all amounts deposited in the Revenue Account of the Bond Fund, each created under the Indenture, which amount is available to pay the principal of the Bonds, to the extent such amounts have not previously been credited on Obligation No. 2;

(iii) On installments of principal and interest, respectively, on Obligation No. 2 in an amount equal to the principal amount of Bonds for the payment of which sufficient amounts (as determined by the Indenture) in cash or Government Obligations are on deposit as provided in the Indenture, and the interest on such Bonds from and after the date interest thereon has been paid prior to payment thereof, to the extent such amounts have not been previously credited against payments on Obligation No. 2; provided that such credits shall be made against the installments of principal of and interest on Obligation No. 2 which would have been used, but for such payment, to pay principal of and interest on such Bonds when due; and

(iv) On installments of principal and interest, respectively, on Obligation No. 2 in an amount equal to the principal amount of Bonds acquired by the Obligated Group and delivered to the Trustee for cancellation, and the interest on such Bonds from and after the date interest thereon has been paid prior to cancellation; provided that such credits shall be made against the installments of principal of and interest on Obligation No. 2 which would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due.

Prepayment of Obligation No. 2. (a) So long as all amounts which have become due under Obligation No. 2 have been paid or credits for such payments have occurred, the Corporation, acting on behalf of the Obligated Group, shall have the right, at any time and from time to time, to pay in advance and in any order of due dates all or part of the amounts to become due under Obligation No. 2. Prepayments may be made by payments of cash, Government Obligations or surrender of Bonds, as contemplated by the provisions of Supplement No. 2. All such prepayments shall be deposited upon receipt by the Trustee in the Bond Fund created under the Indenture and used for the payment of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Indenture. Notwithstanding any such redemption or surrender of Bonds, as long as any Bond remains outstanding under the Indenture or any additional payments required to be made hereunder remain unpaid, the Members shall not be relieved of their obligations hereunder.

(b) Prepayments made under Supplement No. 2 shall be credited against amounts to become due on Obligation No. 2 as provided in the provisions of Supplement No. 2.

(c) The Corporation, acting on behalf of the Obligated Group, may also prepay all of the indebtedness under Obligation No. 2 by providing for prepayment of the Bonds in accordance with Article X of the Indenture. Upon such prepayment and defeasance of the Bonds in accordance with Article X of the Indenture and upon payment of all other amounts referred to in Article X of the Indenture, accrued and to be accrued to the date of

discharge of the Indenture, Obligation No. 2 shall be deemed to have been paid and to be no longer Outstanding under the Master Indenture.

Registration, Number, Negotiability and Transfer of Obligation No. 2. (a) The Master Trustee shall keep or cause to be kept at its Corporate Trust Office sufficient books for the registration of transfers of Obligation No. 2.

(b) Except as provided in subsection (c) below, so long as any Certificate remains outstanding, Obligation No. 2 shall consist of a single Obligation without coupons registered as to principal and interest in the name of the Trustee and no transfer of Obligation No. 2 shall be registered under the Master Indenture except for transfers to a successor Trustee.

(c) Upon the principal of all Obligations then Outstanding being declared immediately due and payable upon and during the continuance of an Event of Default, Obligation No. 2 may be transferred in whole but not in part if and to the extent the Trustee requests that the restrictions described in the preceding subsection on transfers be terminated.

(d) Obligation No. 2 shall be transferable only upon presentation of Obligation No. 2 at the Corporate Trust Office of the Master Trustee by the Holder or by his duly authorized attorney. Such transfer shall be without charge to the Holder, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, the Obligated Group Representative shall execute and the Master Trustee shall authenticate and deliver in exchange for Obligation No. 2 a new registered Obligation, registered in the name of the transferee.

(e) Prior to due presentment by the Holder for registration of transfer, the Obligated Group, the Master Trustee, any paying agent and any registrar with respect to Obligation No. 2 may deem and treat the Person in whose name Obligation No. 2 is registered as the absolute owner for all purposes; and neither the Obligated Group, the Master Trustee, any paying agent nor any registrar with respect to Obligation No. 2 shall be affected by any notice to the contrary. All payments made to the Holder shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liabilities for monies payable on Obligation No. 2.

Mutilation, Destruction, Loss and Theft of Obligation No. 2. If (i) Obligation No. 2 is surrendered to the Master Trustee in a mutilated condition, or the Obligated Group Representative and the Master Trustee receive evidence to their satisfaction of the destruction, loss or theft of Obligation No. 2, and (ii) there is delivered to the Obligated Group Representative and the Master Trustee such security or indemnity as may be required by them to hold them harmless, then, in the absence of proof satisfactory to the Obligated Group Representative and the Master Trustee that Obligation No. 2 has been acquired by a bona fide purchaser and upon the Holder's paying the reasonable expenses of the Obligated Group Representative and the Master Trustee, the Obligated Group Representative shall cause to be executed and the Master Trustee shall authenticate and deliver, in exchange for such mutilated Obligation No. 2 or in lieu of such destroyed, lost or stolen Obligation No. 2, a new Obligation No. 2 of like principal amount, date and tenor. If any such mutilated, destroyed, lost or stolen Obligation No. 2 has become or is about to become due and payable, Obligation No. 2 may be paid when due instead of delivering a new Obligation No. 2.

Execution and Authentication of Obligation No. 2. Obligation No. 2 shall be executed for and on behalf of the Obligated Group by the Authorized Representative of the Obligated Group Representative and attested by the Secretary or an Assistant Secretary of the Obligated Group Representative. The signatures of either or both of such officers may be mechanically or photographically reproduced on Obligation No. 2. If any officer whose signature appears on Obligation No. 2 ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Obligation No. 2 shall be manually authenticated by an authorized officer of the Master Trustee, without which authentication Obligation No. 2 shall not be entitled to the benefits hereof.

Right to Redeem. Obligation No. 2 shall be subject to redemption, in whole or in part, prior to maturity at the times and in the amounts applicable to redemption of the Bonds as specified in the Indenture and in the manner

provided herein; provided that in no event shall any portion of Obligation No. 2 be redeemed unless a corresponding amount of Bonds is also redeemed.

Partial Redemption of Obligation No. 2. Upon the selection and call for redemption, and the surrender, of Obligation No. 2 for redemption in part only, the Obligated Group Representative shall cause to be executed and the Master Trustee shall authenticate and deliver to, upon the written order of, the Holder thereof, at the expense of the Obligated Group Representative, a new Obligation No. 2 in principal amount equal to the unredeemed portion of Obligation No. 2, which new Obligation No. 2 shall be a fully registered Obligation without coupons.

The Obligated Group Representative may agree with the Holder of Obligation No. 2 that such Holder may, in lieu of surrendering the Obligation for a new fully registered Obligation without coupons, endorse on the Obligation a notice of such partial redemption, which notice shall set forth, over the signature of such Holder, the payment date, the principal amount redeemed and the principal amount remaining unpaid. Such partial redemption shall be valid upon payment of the amount thereof to the Holder of Obligation No. 2 and the Obligated Group and the Master Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of Obligation No. 2 by the Holder thereof and irrespective of any error or omission in such endorsement.

Effect of Call for Redemption. On the date designated for redemption by notice given as therein provided in Supplement No. 2, Obligation No. 2, or the part thereof called for redemption, shall become and be due and payable at the redemption price provided for redemption of Obligation No. 2 or the part thereof called for redemption on such date. If, on the date fixed for redemption, moneys for payment of the redemption price and accrued interest are held by the Master Trustee, interest on Obligation No. 2, or the part thereof called for redemption, shall cease to accrue and Obligation No. 2 shall cease to be entitled to any benefit or security under the Master Indenture except the right to receive payment from the moneys held by the Master Trustee or the paying agent and the amount of Obligation No. 2 so called for redemption shall be deemed paid and no longer outstanding.

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APPENDIX B

BOOK-ENTRY SYSTEM

The information herein concerning DTC and DTC's book-entry system has been obtained from sources that the Authority, the Borrower, the Trustee and the Underwriter believe to be reliable, but the Authority, the Borrower, the Trustee and the Underwriter take no responsibility for the accuracy thereof. Beneficial Owners should confirm the following information with DTC or the DTC Participants (as defined herein).

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borrower or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of the Authority, DTC, the Trustee, or the Borrower, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borrower or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

The Borrower and the Authority cannot and do not give any assurances that DTC will distribute to DTC Participants, or that DTC Participants or others will distribute to the Beneficial Owners, payments of principal, interest and premium, if any, with respect to the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Borrower nor the Authority is responsible or liable for the failure of DTC or any DTC Participant or Indirect

Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered Bondholders of the Bonds, shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

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[Closing Date]

ABAG Finance Authority
for Nonprofit Corporations
Oakland, California

**ABAG Finance Authority for Nonprofit Corporations
Revenue Bonds (NorthBay Healthcare Group), Series 2008
(Final Opinion)**

Ladies and Gentlemen:

We have acted as bond counsel to the ABAG Finance Authority for Nonprofit Corporations (the "Issuer") in connection with issuance of \$30,000,000 aggregate principal amount of ABAG Finance Authority for Nonprofit Corporations Revenue Bonds (NorthBay Healthcare Group), Series 2008 (the "Bonds"), issued pursuant to an Indenture, dated as of July 1, 2008 (the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, dated as of July 1, 2008 (the "Loan Agreement"), between the Issuer and NorthBay Healthcare Group (the "Borrower"), the Tax Certificate and Agreement, dated the date hereof (the "Tax Certificate"), between the Issuer and the Borrower, opinions of counsel to the Issuer, the Borrower and the Trustee, certificates of the Issuer, the Borrower, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Holland & Knight, LLP, counsel to the Borrower, regarding, among other matters, the current qualification of the Borrower as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). We note that the opinion is subject to a number of qualifications and limitations. We have also relied upon representations of the Borrower regarding the use of the facilities financed with the proceeds of Bonds in activities that are not considered unrelated trade or business activities of the Borrower within the meaning of Section 513 of the Code. We note that the opinion of counsel to the Borrower does not address Section 513 of the Code. Failure of the Borrower to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond-financed facilities in activities that are considered unrelated trade or business activities of the Borrower within the meaning of Section 513 of the Code, may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to

or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities of the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute the valid and binding limited obligations of the Issuer.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Purchase Fund and the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Issuer.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP
per

APPENDIX D

DESCRIPTION OF THE BANK

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

JPMorgan Chase Bank, National Association (the "Bank") is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation, whose principal office is located in New York, New York. The Bank offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of March 31, 2008, JPMorgan Chase Bank, National Association, had total assets of \$1,407.6 billion, total net loans of \$477.5 billion, total deposits of \$806.3 billion, and total stockholder's equity of \$108.9 billion. These figures are extracted from the Bank's unaudited Consolidated Reports of Condition and Income (the "Call Report") as at March 31, 2008, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles, which are filed with the Federal Deposit Insurance Corporation. The Call Report, including any update to the above quarterly figures, can be found at www.fdic.gov.

Additional information, including the most recent annual report on Form 10-K for the year ended December 31, 2007, of JPMorgan Chase & Co., the 2007 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the "SEC") by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017 or at the SEC's website at www.sec.gov.

The information contained in this Appendix relates to and has been obtained from the Bank. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

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