

*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 in 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" herein.*

**\$22,710,000** On Lok Senior Health Services**ABAG FINANCE AUTHORITY** On Lok Community Housing**FOR NONPROFIT CORPORATIONS****Variable Rate Revenue Bonds****(On Lok Senior Health Services), Series 2008**

CUSIP: 00037CNG1

**Dated:** Date of Delivery**Price:** 100%**Due:** August 1, 2038

**This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Potential investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.**

The Bonds will initially bear interest at a Weekly Rate and while in a Weekly Rate Period will be available in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. While in a Daily Rate Period or Weekly Rate Period, the Interest Payment Date will be the first Business Day of each calendar month, commencing September 2, 2008. The Bonds may be converted to a Daily Rate, a Weekly Rate, a Commercial Paper Rate or a Term Rate as described herein. The Bonds are being issued pursuant to a Bond Indenture dated as of August 1, 2008 (the "Bond Indenture"), by and between ABAG Finance Authority for Nonprofit Corporations (the "Authority") and Wells Fargo Bank, National Association, as trustee (the "Bond Trustee"). The Authority will lend the proceeds of the Bonds to On Lok Senior Health Services (the "Corporation"), pursuant to a Loan Agreement, dated as of August 1, 2008 (the "Loan Agreement"), between the Authority and the Corporation. The Bonds are special obligations of the Authority payable solely from and secured by certain Revenues pledged under the Bond Indenture, consisting primarily of Loan Repayments made by the Corporation under the Loan Agreement and certain other funds as provided in the Bond Indenture.

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 C - "BOOK-ENTRY ONLY SYSTEM."**

The proceeds of the Bonds will be used to currently refund certain revenue bonds previously issued for the benefit of the Corporation and On Lok Community Housing, Inc., finance and refinance the acquisition, construction, equipping, and furnishing of certain of the Corporation's facilities, finance certain working capital and pay certain costs of issuance. See **"PLAN OF FINANCING"** herein.

The Bonds will be subject to optional and extraordinary redemption prior to maturity and to optional and mandatory tender for purchase and remarketing in certain circumstances, all as described herein.

The Bonds are supported initially by an irrevocable, direct-pay letter of credit (the "Letter of Credit"), being issued concurrently with the issuance of the Bonds by:



The Letter of Credit will permit the Bond Trustee to draw an amount sufficient to pay the aggregate principal of and up to 47 days' accrued interest on the Bonds (at an assumed maximum rate of 10% per annum). The Letter of Credit will be available to pay the Purchase Price on any Bonds tendered for purchase. It will expire on August 6, 2013 unless terminated earlier or extended, as provided therein. **There will be a mandatory tender on any Conversion and on any substitution or replacement of any Credit Facility or Liquidity Facility.**

This Official Statement describes the Bonds while the Bonds bear interest at a Weekly Rate or a Daily Rate. This Official Statement is not intended to provide information with respect to the Bonds in any Interest Rate Period other than a Weekly Rate or a Daily Rate.

**THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE BOND INDENTURE. NONE OF THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE AUTHORITY, ABAG OR ANY OF THEIR MEMBERS TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON AND ANY REDEMPTION PREMIUM WITH RESPECT THERETO DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE AUTHORITY OR ABAG, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES DESCRIBED HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OR PURCHASE PRICE OF, OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS. 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 Corporation or the Obligated Group or its or their 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 and Purchase Price (if proceeds of remarketings are insufficient) of the Bonds will be paid.**

*The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the approval of legality of the Bonds by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by Chapman and Cutler LLP, San Francisco, California, Special Counsel to the Authority, for the current Members of the Obligated Group by their counsel, Holland & Knight LLP, San Francisco, California, for the Underwriter by its counsel, Foley & Lardner LLP, San Francisco, California, and for the Bank by Chapman and Cutler LLP, Chicago, Illinois. Capital Incubator has served as financial advisor to the Corporation in connection with the issuance of the Bonds. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about August 6, 2008.*

**CAIN BROTHERS**

No dealer, broker, salesperson or other person has been authorized by the Authority, the Corporation or the Underwriter to give any information or to make any representations with respect to the Bonds, other than those in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the forgoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information relating to the Authority contained herein under the heading “**INTRODUCTION – The Authority**” and “**ABSENCE OF MATERIAL LITIGATION – The Authority**” has been furnished by the Authority. The information relating to the Corporation contained herein under the headings “**INTRODUCTION – The Corporation,**” and “**ABSENCE OF MATERIAL LITIGATION – The Obligated Group**” has been furnished by the Corporation. All other information contained herein has been obtained from other sources (other than the Authority and the Corporation) that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by and is not to be relied upon or construed as a promise or representation by the Authority, the Corporation or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation, the Bank or DTC since the date hereof.

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

**THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAW, AND THE BOND INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON THE EXEMPTIONS CONTAINED IN SUCH ACTS. THE BONDS WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY HEREOF. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.**

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

## TABLE OF CONTENTS

INTRODUCTION .....	1
General .....	1
The Obligated Group .....	2
Security For The Bonds .....	3
Amendments To The Documents .....	3
The Authority .....	4
No Continuing Disclosure .....	4
Other Matters .....	4
PLAN OF FINANCING .....	5
ESTIMATED SOURCES AND USES OF FUNDS .....	5
ANNUAL DEBT SERVICE REQUIREMENTS .....	6
THE BONDS .....	6
General .....	6
Description of the Bonds during the Daily Rate Period and the Weekly Rate Period .....	7
Interest on the Bonds; Determination of Daily and Weekly Rates .....	7
Redemption .....	8
Converting to Other Interest Rate Periods .....	9
Mandatory Tender .....	10
Optional Tender .....	10
Inadequate Funds for Tenders .....	11
Disclosure Concerning Tender Process and Sales of Bonds by Remarketing Agent .....	11
Book-Entry System .....	12
REMARKETING AGREEMENT .....	13
SECURITY FOR THE BONDS .....	13
General .....	13
Enforceability Of Remedies .....	14
Amendment Of Indenture And Loan Agreement .....	15
THE BANK AND THE LETTER OF CREDIT .....	15
The Letter of Credit .....	16
The Reimbursement Agreement .....	16
Alternate Credit Facility .....	19
INVESTMENT CONSIDERATIONS .....	19
Security For The Bonds .....	19
Expiration Of The Letter of Credit .....	20
Bank’s Obligations Unsecured .....	20
Suitability Of Investment .....	20
General Factors Affecting The Bank .....	20
Federal Tax-Exempt Status Of The Bonds .....	21
Unrelated Business Income .....	21
State Income Tax Exemption .....	22

TAX MATTERS.....	22
APPROVAL OF LEGALITY.....	24
ABSENCE OF MATERIAL LITIGATION.....	24
The Authority.....	24
The Obligated Group.....	24
NO CONTINUING DISCLOSURE.....	24
UNDERWRITING.....	25
REMARKETING.....	25
Remarketing Agreement.....	25
Remarketing Agent Routinely Purchases Bonds For Its Own Account.....	25
Bonds May Be Offered At Different Prices On Any Date Including The Date On Which The Interest Rate For The Bonds Is Determined.....	25
Ability To Sell The Bonds Other Than Through Tender Process May Be Limited.....	26
RATINGS.....	26
MISCELLANEOUS.....	26
APPENDIX A SUMMARY OF PRINCIPAL DOCUMENTS.....	A-1
APPENDIX B FORM OF PROPOSED LEGAL OPINION OF BOND COUNSEL.....	B-1
APPENDIX C BOOK-ENTRY ONLY SYSTEM.....	C-1

## OFFICIAL STATEMENT

**\$22,710,000**

**ABAG Finance Authority for Nonprofit Corporations  
Variable Rate Revenue Bonds  
(On Lok Senior Health Services), Series 2008**

### INTRODUCTION

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

#### General

This Official Statement, including the cover page and the appendices hereto, is provided to furnish certain information in connection with the sale and issuance by the ABAG Finance Authority for Nonprofit Corporations (the "Authority") of \$22,710,000 aggregate principal amount of the Authority's Variable Rate Demand Revenue Bonds (On Lok Senior Health Services) (the "Bonds"), Series 2008.

The Bonds will be issued pursuant to a Bond Indenture, dated as of August 1, 2008 (the "Bond Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Bond Trustee"). The Authority will lend the proceeds of the Bonds to On Lok Senior Health Services, a California nonprofit public benefit corporation (the "Corporation"), pursuant to a Loan Agreement, dated as of August 1, 2008 (the "Loan Agreement"), between the Authority and the Corporation. The Corporation will use the proceeds of the Bonds to (i) refund, on a current basis, all of the Authority's outstanding Variable Rate Demand Refunding Revenue Bonds (On Lok Senior Health Services and On Lok Community Housing, Inc.), Series 2004 (the "Prior Bonds"), (ii) finance and refinance the acquisition, construction, equipping, and furnishing certain of its facilities (the "Project"), (iii) fund working capital that is directly related to the Corporation's facility to be located in San Jose, California and (iv) finance the costs of issuance of the Bonds. See "**PLAN OF FINANCING**" herein.

Payment of the principal of and interest on, and Purchase Price of, the Bonds will be made from the proceeds of draws paid under of an irrevocable, direct-pay letter of credit (the "Letter of Credit") to be issued by Wells Fargo Bank, National Association (the "Bank") as Credit Facility Provider. The expiration date of the Letter of Credit is August 6, 2013, as extended or earlier terminated prior thereto as described herein. See "**THE BANK AND THE LETTER OF CREDIT**" herein.

**The Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank, as Credit Facility Provider, and are not being offered on the basis of the financial strength of the Corporation or any other security. Prospective purchasers of the Bonds that wish to make a full evaluation of the financial status of the Bank are advised to obtain financial statements of the Bank. See "THE BANK AND THE LETTER OF CREDIT" herein.**

**This Official Statement has not been prepared or reviewed with regard to the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, and no continuing disclosure undertaking has been made with respect to the Bonds, in reliance on applicable exemptions which include securities like the Bonds which are subject to tender at par**

**while they bear interest at a Weekly Rate and which have minimum denominations of at least \$100,000.**

### **The Obligated Group**

The Obligated Group currently includes the Corporation and On Lok Community Housing, Inc. (“OLCHI”). The Members of the Obligated Group are California nonprofit public benefit corporations, and are exempt from federal income taxes as charitable organizations described in Section 501(c)(3) of the Internal Revenue Code.

The Corporation offers a comprehensive health plan for the frail elderly, called On Lok Lifeways. The Corporation provides care to over 1,000 (as of July 2008) frail older adults in San Francisco and Fremont, California. The Corporation’s enrollees, all of whom are qualified for nursing home care, receive the following services: primary and specialty medical care, adult day health care, in-home health and personal care, and hospital and nursing home care, as needed. (This package of combined services together is herein referred to as “PACE”--Program of All-Inclusive Care for the Elderly).

OLCHI owns a number of facilities and leases space to the Corporation and other On Lok corporations for PACE services and administrative functions; OLCHI also rents housing units to the Corporation’s PACE enrollees and space to a local nonprofit child development program.

The origins of the Members of the Obligated Group and their services date back to 1971. The Corporation developed one of the country’s first day health centers, serving older adults in the Chinatown, North Beach and Polk Gulch neighborhoods of San Francisco. In 1979, the Corporation launched a Medicare-funded demonstration of a consolidated model of medical and long-term care, by adding in-home support services and complete medical services (including primary care, prescription drugs, acute hospital and nursing home services) to the adult day health care package. Permanent Medicare and Medicaid waivers followed in 1986. In 1997, PACE became a permanent provider type under Medicare, and a state option under Medicaid. The PACE package of services is now offered by more than 45 other nonprofit organizations in approximately 30 states.

Under the PACE model of healthcare, an interdisciplinary team of physicians, nurses, physical and occupational therapists, recreation therapists, social workers, dieticians, transportation workers and other health aides coordinate a range of services. These services focus on keeping frail elders in their homes for as long as possible.

The locations of the Corporation’s centers and teams are:

- 1333 Bush Street (two teams), San Francisco, CA
- 1426 Fillmore Street, San Francisco, CA
- 1000 Montgomery Street, San Francisco, CA
- 1441 Powell Street, San Francisco, CA
- 225 - 30th Street, San Francisco, CA
- 2700 Geary Street, San Francisco, CA
- 4430 Mission Street, San Francisco, CA

- 159 Washington Boulevard, Fremont, CA

*Payment of the principal and Purchase Price (if remarketing proceeds are insufficient) 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 Corporation or the Obligated Group or its or their ability to make payments sufficient to pay the principal or Purchase Price of and interest on the Bonds and prospective investors should not expect that the Corporation or the Obligated Group would be able to make payments sufficient to pay the principal or Purchase Price of or interest on the Bonds.*

### **Security For The Bonds**

The Bonds are special obligations of the Authority payable solely from and secured by certain Revenues pledged under the Bond Indenture, consisting primarily of the proceeds of draws paid under the Letter of Credit which are deemed to satisfy the obligation of the Corporation to make scheduled payments of principal and interest under the Loan Agreement and certain other funds as provided in the Bond Indenture. The Loan Agreement contains certain covenants for the benefit of the Authority and the Bondholders. See **“SECURITY FOR THE BONDS”** and **APPENDIX A - “SUMMARY OF PRINCIPAL DOCUMENTS”** herein. Revenues also consists of amounts received by the Bond Trustee with respect to Obligation No. 1 issued by the Corporation pursuant to a Master Trust Indenture dated as of August 1, 2008, among the Corporation, the other Member of the Obligated Group named therein and Wells Fargo Bank, National Association, as master trustee (the “Master Indenture”).

Payment of the principal of and interest on, and purchase price of, the Bonds will be made from the proceeds of draws paid under of the Letter of Credit to be issued by the Bank. The expiration date of the Letter of Credit is August 6, 2013, as extended or earlier terminated prior thereto as described herein. See **“THE BANK AND THE LETTER OF CREDIT”** herein.

The Loan Agreement provides that while the Bonds bear interest at a Daily Rate, a Weekly Rate or Commercial Paper Rates, the Corporation shall maintain or furnish, as the case may be, a Credit Facility (or, if a Credit Facility is then in existence, an Alternate Credit Facility in substitution for the Credit Facility then in effect) or otherwise make funds available pursuant to a Credit Facility to the Bond Trustee to provide for the payment of principal of and interest on such Bonds in accordance with the Bond Indenture. The Bonds shall be subject to subject to mandatory tender under the circumstances as described herein under **“THE BONDS—Mandatory Tender.”** See **APPENDIX A - “SUMMARY OF PRINCIPAL DOCUMENTS”** herein.

### **Amendments To The Documents**

The Bond Indenture and Loan Agreement may be modified or amended from time to time with the consent of the Bank and without the necessity of providing notice to, or obtaining the consent of, any Holder of the Bonds so long as the Bank has not lost its right to consent under the Bond Indenture. Such amendments could be substantial and result in the modification, waiver or removal of existing covenants or restrictions contained in the Bond Indenture and Loan Agreement. See **APPENDIX A – “SUMMARY OF PRINCIPAL DOCUMENTS –Bond Indenture – Modification or Amendment of the Bond Indenture,” “–Amendment of Loan Agreement”** and **“--Consent Rights of the Credit Facility Provider; Credit Facility Provider Deemed Holder of Bonds in Certain Circumstances.”**

## **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 (constituting Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California) in order to assist nonprofit corporations and other entities to obtain financing for projects located within the several jurisdictions of Authority members with purposes serving the public interest.

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

## **No Continuing Disclosure**

So long as the Bonds remain in a Daily Rate Period, Weekly Rate Period or other period otherwise exempt from the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “Rule”), the Bonds are exempt from the continuing disclosure requirements of the Rule.

## **Other Matters**

The brief descriptions of the Corporation, the other Member of the Obligated Group, the Authority, the Bonds, the Bond Indenture, the Loan Agreement, the Letter of Credit, the Bank, and Reimbursement Agreement, dated as of August 1, 2008, among the Corporation, OLCCHI and the Bank (the “Reimbursement Agreement”) and other documents, statutes, reports, and other instruments included in this Official Statement do not purport to be complete, comprehensive, or definitive. All references to the Bond Indenture, the Loan Agreement and other documents, statutes, reports, and other instruments are qualified in their entirety by reference to such document, statute, report, or instrument, and all references to the Bonds are qualified in their entirety by reference to the form of the Bonds set forth in the Bond Indenture.

Copies of the Bond Indenture, the Loan Agreement, the Letter of Credit and the Reimbursement Agreement are available for inspection at the offices of the Bond Trustee, Wells Fargo Bank, National Association, MAC: A0119-181, 333 Market Street, 18th Floor, San Francisco, California 94105, and,

until delivery of the Bonds, at the office of the Underwriter, Cain Brothers & Company, LLC, 601 California Street, Suite 1505, San Francisco, California 94108.

### PLAN OF FINANCING

The Corporation will use the proceeds of the Bonds, together with other available moneys, to (1) current refund the Prior Bonds, (2) finance and refinance the acquisition, construction, equipping, and furnishing of certain of its facilities, (3) fund working capital that is directly related to the Corporation's facility to be located in San Jose, California and (4) pay certain costs of issuance, including certain fees and expenses of the Bank.

The Prior Bonds were issued in an original aggregate principal amount of \$10,535,000 and were used, together with an equity contribution from the Corporation and OLCCHI (together, the "Borrowers"), to advance refund the remaining obligations evidenced by the Authority's outstanding \$13,300,000 California Health Facilities Financing Authority Insured Revenue Bonds (On Lok Senior Health Services and On Lok Community Housing, Inc.), 1992 Series A, which originally were used to finance and refinance costs of construction, renovation and equipping of certain of the Borrowers' multi-level facilities for the elderly located in San Francisco, California.

Proceeds of the Bonds will be deposited with the trustee for the Prior Bonds in an amount which, together with other available moneys held by such trustee, will be sufficient to pay the Prior Bonds on the date fixed for redemption, August 21, 2008, at a redemption price of par.

### ESTIMATED SOURCES AND USES OF FUNDS

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

#### ESTIMATED SOURCES

Proceeds of the sale of the Bonds at par	\$22,710,000
Prior Bonds Fund balances	697,740
Equity Contribution from Borrowers	74,694
<b>TOTAL</b>	<u>\$23,482,434</u>

#### ESTIMATED USES

Payment of Prior Bonds	\$9,788,770
Deposit to Project Fund	11,361,159
Deposit to Working Capital Fund <sup>1</sup>	1,670,857
Bank Fees and Expenses <sup>2</sup>	153,193
Costs Issuance <sup>3</sup>	508,455
<b>TOTAL</b>	<u>\$23,482,434</u>

<sup>1</sup> Includes capitalized interest through November, 2009, and capitalized letter of credit fees through October, 2009.

<sup>2</sup> Includes initial annual fee paid to the Remarketing Agent.

<sup>3</sup> Includes costs of issuance and underwriter's compensation.

## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the amounts required in each Bond Year for the payment of principal of the Bonds at maturity or by redemption required under the Reimbursement Agreement (which may be modified by the Bank and the Corporation at their sole discretion.) The Bonds are assumed to bear interest at 3.247%. Actual rates will vary. Payment of the principal by redemption required under the Reimbursement Agreement may be changed at the sole discretion of the Bank.

<u>Period Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
08/01/2009	\$ -	\$ 726,304.37	\$ 726,304.37
08/01/2010	425,000	737,393.71	1,162,393.71
08/01/2011	440,000	723,593.94	1,163,593.94
08/01/2012	460,000	710,284.14	1,170,284.14
08/01/2013	480,000	693,414.54	1,173,414.54
08/01/2014	495,000	678,785.34	1,173,785.34
08/01/2015	520,000	662,712.72	1,182,712.72
08/01/2016	540,000	646,717.83	1,186,717.83
08/01/2017	560,000	627,429.11	1,187,429.11
08/01/2018	585,000	610,111.27	1,195,111.27
08/01/2019	605,000	591,116.35	1,196,116.35
08/01/2020	630,000	572,259.14	1,202,259.14
08/01/2021	660,000	550,256.98	1,210,256.98
08/01/2022	685,000	529,585.68	1,214,585.68
08/01/2023	710,000	507,343.77	1,217,343.77
08/01/2024	740,000	484,957.07	1,224,957.07
08/01/2025	770,000	459,628.30	1,229,628.30
08/01/2026	805,000	435,260.36	1,240,260.36
08/01/2027	835,000	409,122.03	1,244,122.03
08/01/2028	870,000	382,535.74	1,252,535.74
08/01/2029	905,000	353,273.39	1,258,273.39
08/01/2030	940,000	324,375.26	1,264,375.26
08/01/2031	980,000	293,853.49	1,273,853.49
08/01/2032	1,020,000	262,393.81	1,282,393.81
08/01/2033	1,060,000	228,598.22	1,288,598.22
08/01/2034	1,105,000	194,495.33	1,299,495.33
08/01/2035	1,150,000	158,615.95	1,308,615.95
08/01/2036	1,195,000	121,442.50	1,316,442.50
08/01/2037	1,245,000	82,360.22	1,327,360.22
08/01/2038	1,295,000	42,048.67	1,337,048.67
	<u>\$ 22,710,000</u>	<u>\$ 13,800,269.23</u>	<u>\$ 36,510,269.23</u>

## THE BONDS

### General

The Bonds may bear interest at a Daily Rate, a Weekly Rate, Commercial Paper Rates, or a Term Rate. The Bonds will initially bear interest at a Weekly Rate. Purchases of Bonds will be made in book-entry only form in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof while the Bonds bears interest at either a Weekly or Daily Rate.

The Bonds will be issued in the aggregate principal amount set forth on the cover of this Official Statement. The Bonds will be delivered in fully registered form without coupons. The Bonds will be

dated the date of delivery and will mature on the date set forth on the cover page hereof and be subject to the redemption provisions set forth herein. The Bonds will be transferable and exchangeable as set forth in the Bond Indenture and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, or DTC. DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in the denominations described above. See **APPENDIX C – “BOOK-ENTRY ONLY SYSTEM”**.

The Bonds are subject to conversion from time to time from one Interest Rate Period to another Interest Rate Period. This Official Statement generally describes the Bonds while they are in the Weekly Rate Period or a Daily Rate Period. If the Interest Rate Period for the Bonds is converted to a different Interest Rate Period, the Corporation may supplement this Official Statement or deliver a new official statement describing the new Interest Rate Period.

### **Description of the Bonds during the Daily Rate Period and the Weekly Rate Period**

During any Daily Rate Period or Weekly Rate Period, interest on the Bonds shall be payable on each Interest Payment Date for the period commencing on the Interest Accrual Date preceding such Interest Payment Date and ending on the day immediately preceding such Interest Payment Date. The Interest Payment Dates for the Bonds while bearing interest at a Daily Rate or Weekly Rate are (i) the first Business Day of each month; (ii) the day next succeeding the last day of each Interest Rate Period; (iii) the maturity date; and (iv) with respect to any Liquidity Facility Bonds, the days set forth as interest payment dates in the Liquidity Facility.

### **Interest on the Bonds; Determination of Daily and Weekly Rates**

During each Daily Rate Period, the Bonds shall bear interest at the Daily Rate, which shall be determined by the Remarketing Agent not later than 10:00 a.m. (New York City time) on each Business Day. The Daily Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by such Bonds in a Daily Rate Period would enable the Remarketing Agent to sell such Bonds on the date and time of such determination at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Rate for any Business Day, then the Daily Rate for such Business Day shall be equal to 110% of the SIFMA Swap Index until the Remarketing Agent determines the Daily Rate.

During each Weekly Rate Period, the Bonds shall bear interest at the Weekly Rate, which shall be determined by the Remarketing Agent not later than 5:00 p.m. (New York City time) on Wednesday of each week during the Weekly Rate Period, or if such day shall not be a Business Day, then on the preceding Business Day. The first Weekly Rate for each Weekly Rate Period shall be determined on or prior to the first day of such Weekly Rate Period and shall apply to the period commencing on the first day of such Weekly Rate Period and ending on the next succeeding Wednesday (whether or not a Business Day). Thereafter, each Weekly Rate shall apply to the period commencing on the first Thursday on or after the date of determination thereof (whether or not a Business Day) and ending on the next succeeding Wednesday (whether or not a Business Day) unless such Weekly Rate Period shall end on a day other than Wednesday, in which event the last Weekly Rate for such Weekly Rate Period shall apply to the period commencing on the Thursday (whether or not a Business Day) preceding the last day of such Weekly Rate Period and ending on the last day of such Weekly Rate Period. The Weekly Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell such Bonds on the effective date and at the time of such determination at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Rate for

any week, then the Weekly Rate for such week shall be equal to 110% of the SIFMA Swap Index until the Remarketing Agent determines the Weekly Rate.

## **Redemption**

Optional Redemption. While any Daily Rate or Weekly Rate is in effect, the Bonds are subject to redemption prior to their stated maturity at the option of the Authority (which option shall be exercised upon request of the Corporation), in whole or in part (in such amounts as may be specified by the Corporation), on any Business Day at a Redemption Price equal to the principal amount of the Bond called for redemption, plus accrued interest thereon, if any, to the date fixed for redemption, without premium, but only with Available Moneys at any time at which there is a Credit Facility in effect with respect to such Bonds.

Purchase in Lieu of Redemption. Each Holder, by purchase and acceptance of any Bond, irrevocably grants to the Corporation the option to purchase such Bond at any time such Bond is subject to optional redemption as described in the Bond Indenture. Such Bond is to be purchased at a purchase price equal to the then applicable redemption price of such Bond plus accrued interest. The Corporation may only exercise such option after the Corporation shall have delivered a Favorable Opinion of Bond Counsel to the Bond Trustee, and shall have directed the Bond Trustee to provide notice of mandatory purchase (such notice to be provided, as and to the extent applicable, in accordance with the notice of redemption provisions of the Bond Indenture). On the date fixed for purchase of any Bond in lieu of redemption as provided in the Bond Indenture and described in this paragraph, the Corporation shall pay the purchase price of such Bond to the Bond Trustee in immediately available funds (which shall be Available Moneys at any time at which there is a Credit Facility in effect with respect to such Bonds), and the Bond Trustee shall pay the same to the Holders of the Bonds being purchased against delivery thereof. No purchase of any Bond in lieu of redemption as described in this paragraph shall operate to extinguish the indebtedness of the Authority evidenced by such Bond. No Holder may elect to retain a Bond subject to mandatory purchase in lieu of redemption.

Extraordinary Optional Redemption of Bonds. The Bonds are subject to redemption prior to their stated maturity, at the option of the Authority (which option shall be exercised upon request of the Corporation), in whole or in part, on any date, from hazard insurance or condemnation proceeds received with respect to the facilities of any Member and deposited in the Special Redemption Account, at a Redemption Price equal to the principal amount thereof, plus accrued interest thereon (if any) to the date fixed for redemption, without premium but only with Available Moneys.

Notice of Redemption; Rescission of Notice; and Effect of Redemption. Notice of redemption for Bonds will be mailed by first-class mail by the Bond Trustee, not less than 15 days and not more than 60 days prior to the redemption date, to the Holders of any Bonds designated for redemption at their addresses appearing on the registration books of the Bond Trustee, and to the Master Trustee, the Credit Facility Provider (if any), Remarketing Agent, the securities depositories and certain information services.

Any notice of optional redemption under the Bond Indenture may be rescinded by written notice given by the Corporation to the Bond Trustee no later than two (2) Business Days prior to the date specified for redemption. The Bond Trustee will give notice of such rescission as soon thereafter as practicable to the same parties and in the same manner as the initial notice of redemption was given in accordance with the Bond Indenture. Interest shall cease to accrue on the Bond from and after the date fixed for redemption.

The failure by the Bond Trustee to give notice of redemption to the Credit Facility Provider (if any) or any one or more of the securities information services or depositories, or the insufficiency of any

such notice shall not affect the sufficiency of the proceedings for redemption. The failure by the Bond Trustee to mail notice of redemption to any one or more of the Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for the redemption of the Bonds with respect to the Holder or Holders to whom such notice was mailed.

The Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price (together with interest accrued thereon to the redemption date) specified in such notice; interest on such Bonds (or portions thereof) shall cease to accrue from and after the redemption date; said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Bond Indenture; and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Bond Trustee for such payment.

### **Converting to Other Interest Rate Periods**

The Corporation, by written direction to the Bond Trustee, the Tender Agent (if any), the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the Remarketing Agent (if any), and with the prior written consent of the Credit Facility Provider (if any), may elect that the Bonds shall bear interest at a Daily Rate, a Weekly Rate, Commercial Paper Rates or a Term Rate. Such direction of the Corporation shall specify the proposed effective date of the new Interest Rate Period, which date shall be a Business Day not earlier than the fifteenth (15th) day following the second Business Day after receipt by the Bond Trustee of such direction, and if the conversion is from a Daily to a Weekly Rate Period or from a Weekly to a Daily Rate Period, the proposed effective date shall be the day immediately following the last day of the prior Interest Rate Period. The direction of the Corporation shall be accompanied by a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the effective date of the adjustment to the new Interest Rate Period from a Weekly or Daily Interest Rate Period, and a form of the notice to be mailed by the Bond Trustee to the Holders of the Bonds.

In connection with any Conversion of the Interest Rate Period of the Bonds, the Corporation shall have the right to deliver to the Bond Trustee, the Tender Agent, the Credit Facility Provider (if any), the Liquidity Facility Provider (if any), the Remarketing Agent and the Authority on or prior to 10:00 a.m., New York City time, on the second Business Day preceding the effective date of any such Conversion a notice to the effect that the Corporation elects to rescind its election to make such Conversion. If the Corporation rescinds its election to make such Conversion, then the Interest Rate Period shall not be converted, such Bonds shall not be subject to mandatory tender (unless the notice from the Bond Trustee to the Holders of the Bonds has already been mailed, in which case, such Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the date of the Conversion), and such Bonds shall continue to bear interest at a Daily Rate or Weekly Rate, as applicable, as in effect immediately prior to such proposed Conversion.

No Conversion from one Interest Rate Period to another shall take effect under the Bond Indenture unless each of the following conditions shall have been satisfied:

- i. The Bond Trustee and the Authority shall have received on the Conversion Date a Favorable Opinion of Bond Counsel with respect to such Conversion, and
- ii. In the case of any Conversion with respect to which there shall be no Liquidity Facility in effect to provide funds for the purchase of Bonds on the Conversion Date, the remarketing proceeds available on the Conversion Date shall not be less than the amount required to purchase all of the Bonds subject to mandatory tender for purchase on such

Conversion Date at the Purchase Price (unless the Corporation, in its sole discretion, elects to transfer to the Tender Agent the amount of such deficiency on or before the Conversion Date).

If any condition to the Conversion shall not have been satisfied, then the Interest Rate Period shall not be converted and such Bonds shall continue to bear interest at a Daily Rate or Weekly Rate, as applicable, as in effect immediately prior to such proposed Conversion and such Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the proposed Conversion.

### **Mandatory Tender**

Bonds other than Liquidity Facility Bonds or those owned by, for the account of or on behalf of the Corporation, and other Members of the Obligated Group or the Authority, shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period with respect to such Bonds or on the day which would have been the first day of an Interest Rate Period for the Bonds had one of the conditions to Conversion not occurred, at a purchase price equal to the principal amount of such Bonds plus accrued interest to the date of purchase, payable in immediately available funds. Notice will be provided in accordance with the provisions summarized above under the caption **“Converting to other Interest Rate Periods.”**

If at any time the Bonds shall cease to be subject to purchase pursuant to the Liquidity Facility or the Credit Facility then in effect shall become unavailable for draws thereunder as a result of (i) the termination, replacement or expiration of the term, as extended, of that Liquidity Facility or Credit Facility, including but not limited to termination at the option of the Corporation in accordance with the terms of such Liquidity Facility or Credit Facility, or (ii) the occurrence of a Mandatory Credit/Liquidity Tender, then the Bonds shall be purchased or deemed purchased at the Purchase Price. Any purchase of such Bonds pursuant to mandatory tender under the circumstances described immediately above shall occur: (1) on the fifth Business Day preceding any such expiration or termination of such Liquidity Facility or Credit Facility without replacement by an Alternate Liquidity Facility or an Alternate Credit Facility or upon any termination of such Liquidity Facility or Credit Facility as a result of a Mandatory Credit/Liquidity Tender, (2) on the second Business Day following receipt from the Credit Facility Provider or Liquidity Facility Provider, as applicable, of a notice of Mandatory Credit/Liquidity Tender and (3) on the proposed date of the replacement of a Liquidity Facility or a Credit Facility with an Alternate Liquidity Facility or an Alternate Credit Facility, respectively. The Bond Trustee will give notice by first-class mail to the Holders of the Bonds on or before the 15<sup>th</sup> day preceding the expiration or termination of a Credit Facility or Liquidity Facility in accordance with its terms or the proposed replacement of such Credit Facility or Liquidity Facility and as soon as practicable after receipt of a notice of Mandatory credit/Liquidity Tender.

**The Bonds will not be subject to mandatory tender upon the replacement of a Liquidity Facility or a Credit Facility in the case where the Liquidity Facility Provider or the Credit Facility Provider is failing to honor conforming draws.**

### **Optional Tender**

During any Daily Rate Period, any Bonds in a Daily Rate Period (other than Liquidity Facility Bonds or Bonds owned by, for the account of, or on behalf of, the Authority or any Member) shall be purchased from a Holder at the option of the Holder on any Business Day at the Purchase Price payable in immediately available funds, upon delivery to the Tender Agent not later than 11:00 a.m., New York City time, at its Principal Office for delivery of notices and the Remarketing Agent of an irrevocable written notice which states the name of the Bond, the principal amount and the date of such purchase. Any notice

delivered to the Tender Agent after 11:00 a.m., New York City time, shall be deemed to have been received on the next succeeding Business Day. For payment of such Purchase Price on the date specified in such notice the Holder must deliver the Bond, at or prior to 1:00 p.m., New York City time, on the date specified in such notice (or, if applicable, the date such notice was deemed to be received) to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney, with such signature guaranteed by an eligible guarantor institution participating in a Securities Transfer Association recognized signature guaranty program. The giving of notice by a Holder of such Bond that such Holder elects to have such Bond purchased during a Daily Rate Period as described above shall constitute the irrevocable tender for purchase of such Bond with respect to which such notice shall have been given irrespective of whether such Bond shall be delivered to the Tender Agent for purchase and shall be binding upon the Holder of such Bond and any transferee thereof whether or not such transferee has notice thereof.

During any Weekly Rate Period, any Bonds in a Weekly Rate Period (other than Liquidity Facility Bonds or Bonds owned by, for the account of, or on behalf of, the Authority or any Member) shall be purchased from a Holder at the option of the Holder on any Business Day at the Purchase Price payable in immediately available funds upon delivery to the Tender Agent at its Principal Office for delivery of notices and the Remarketing Agent of an irrevocable written notice which states the name of the Bond, the principal amount and the date on which the same shall be purchased, which date shall be a Business Day at least seven (7) days prior to the Purchase Date. Any notice delivered to the Tender Agent after 5:00 p.m., New York City time, shall be deemed to have been received on the next succeeding Business Day. For payment of such Purchase Price on the date specified in such notice, such Bond must be delivered, at or prior to 10:00 a.m., New York City time, on the date specified in such notice, to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

### **Inadequate Funds for Tenders**

If sufficient funds are not available for the purchase of all Bonds tendered or deemed tendered and required to be purchased on any Purchase Date, the failure to pay the Purchase Price of all tendered Bonds when due and payable shall constitute an Event of Default pursuant to the Bond Indenture and all tendered Bonds shall be returned to their respective Holders and shall bear interest at the Maximum Interest Rate from the date of such failed purchase until all such Bonds are purchased as required in accordance with the Bond Indenture. Thereafter, the Tender Agent shall continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the Liquidity Facility Provider, the Credit Facility Provider or the Corporation.

### **Disclosure Concerning Tender Process and Sales of Bonds by Remarketing Agent**

The Remarketing Agent is Paid by the Corporation. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally or mandatorily tendered to it by the beneficial owners thereof (subject, in each case, to the terms of the Remarketing Agreement). The Remarketing Agent is appointed by the Corporation and is paid by the Corporation for its services. As a result, the interests of the Remarketing Agent may differ from those of beneficial owners and potential purchasers of Bonds.

Determination of Interest Rates by the Remarketing Agent. On each date on which an interest rate is determined ("Rate Determination Date"), the Remarketing Agent is required to determine the

interest rate that will be effective with respect to the Bonds on the first day of each Interest Rate Period (the “Effective Date”). That rate is required by the Bond Indenture to be the minimum interest rate to remarket the Bonds at par, plus accrued interest on the Effective Date. For example, while the Bonds bear interest at a Weekly Rate, by 5:00 p.m. New York City time on the Rate Determination Date, the Remarketing Agent will determine the interest rate that will be effective on the Effective Date. If the Bonds are converted to a Daily Rate Period, the Rate Determination Date and the Effective Date will be the same. The Daily Rate shall be determined by the Remarketing Agent by no later than 10:00 a.m., New York City time, on each Business Day.

Tenders to the Tender Agent. While the Bonds are in book entry form, a beneficial owner may give notice to elect to tender its Bonds, through its participating broker-dealer (the “Participant”), to the Tender Agent, and may effect delivery of such Bonds by causing the Participant to transfer the Participant’s interest in the Bonds, on DTC’s records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory tender may be deemed satisfied when the ownership rights in the Bonds are transferred by Participants on DTC’s records and followed by a book entry credit of tendered Bonds to the Tender Agent’s DTC account. Tendering Bondholders will receive par, plus accrued interest, if any, after the required number of days’ notice have elapsed. For example, while the Bonds bear interest at the Weekly Rate, tendering Bondholders will receive par, plus accrued interest on the seventh day following their tender to the Tender Agent. Tendering Bondholders will be paid with the proceeds of the remarketing of the Bonds and, to the extent those proceeds are insufficient, from the proceeds of draws on the Credit Facility by the Bond Trustee.

Bonds May be Offered at Prices Other Than Par. Pursuant to the Remarketing Agreement, on each Rate Determination Date, the Remarketing Agent is required to determine the interest rate that will be effective with respect to the Bonds on the Effective Date. That rate is required by the Bond Indenture to be the minimum interest rate to remarket the Bonds at par, plus accrued interest on the Effective Date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on an Effective Date, and the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Bonds at the remarketing price. If the Remarketing Agent owns Bonds for its own account, in its sole discretion, it may sell those Bonds at fair market value, which may be at prices above or below par only on days other than Effective Dates and Rate Determination Dates after the interest rate for the succeeding Effective Date has been set or, in the case of Bonds bearing interest at a Daily Interest Rate, after 9:30 a.m. New York City time on an Effective Date. The Remarketing Agent may not agree in advance of the Effective Date to sell Bonds to a customer at a price below par.

The Remarketing Agent May Resign, Without a Successor Being Named. The Remarketing Agent may resign, upon 30 days’ prior written notice, without a successor having been named.

### **Book-Entry System**

The Bonds will be issued in book-entry form. DTC will act as the initial 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). One fully-registered Bond will be issued for the Bonds in the total aggregate principal amount of such Bonds and will be deposited with or upon the direction of DTC. See **APPENDIX C – “BOOK-ENTRY ONLY SYSTEM”**.

## REMARKETING AGREEMENT

The Corporation has entered into a separate Remarketing Agreement for the Bonds, dated as of August 1, 2008 (the “Remarketing Agreement”), with Wells Fargo Institutional Securities, LLC as the Remarketing Agent (the “Remarketing Agent”). Under the Remarketing Agreement, the Remarketing Agent has agreed to use its best efforts to offer for sale all Bonds tendered in accordance with the Bond Indenture. The Remarketing Agent will not remarket any Bonds to the Authority, the Corporation, or any affiliate or guarantor of the Corporation.

## SECURITY FOR THE BONDS

### General

The Bonds are special, limited obligations of the Authority payable exclusively out of the loan payments payable under the Loan Agreement and draws on the Credit Facility (and, in certain circumstances, funds held under the Bond Indenture and income from the temporary investment thereof) (the “Revenues”). The Bonds are secured by a pledge by the Authority of the Revenues to the Bond Trustee in favor of the Registered Owners of the Bonds in accordance with the Bond Indenture.

As described herein, the Bank will issue and deliver the Credit Facility to the Bond Trustee. Under the Credit Facility, funds will be available to be drawn on by the Bond Trustee in an amount sufficient to pay the principal of and interest on the Bonds when due, at maturity, upon redemption or upon acceleration, and the Purchase Price of any tendered Bonds that are not remarketed. See “**THE BANK AND THE LETTER OF CREDIT**” herein.

As indicated above, payment of the principal and Purchase Price of and interest on the Bonds will be supported initially by the Letter of Credit. See “**THE BANK AND THE LETTER OF CREDIT**” herein. Under certain circumstances, the Letter of Credit may be replaced by an alternate letter of credit. If such replacement of the Letter of Credit occurs, then there will be a mandatory tender for purchase of all outstanding Bonds. See “**THE BONDS – Mandatory Tender**” herein.

*The Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank, and not the operations, financial strength or condition of the Corporation or the Obligated Group or any other security.* Because the Bonds are being delivered initially in the Weekly Rate Period, and are subject to tender for purchase as described above, the Bonds are not subject to continuing disclosure requirements, nor is any detailed information about the Corporation presented in this Official Statement. The rating assigned to the Bonds is based primarily on the creditworthiness of the Bank. Prospective purchasers of the Bonds that wish to make a full evaluation of the financial status of the Bank are advised to obtain financial statements of the Bank.

Pursuant to the Bond Indenture, subject only to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein and the payments of amounts owing to the Bank under the Reimbursement Agreement, all of the Revenues and other amounts held in certain funds or accounts established pursuant to the Bond Indenture (other than the Rebate Fund or Credit Facility Account, remarketing proceeds or the proceeds of draws under the Credit Facility to pay the purchase price of the Bonds or funds held with respect to the Corporation’s indemnification of the Authority) are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Bond Indenture. “Revenues” is defined under the Bond Indenture to include all received by the Authority or the Bond Trustee from the Corporation with respect to the Bonds (except Additional Payments paid by the Corporation and any amounts paid by the Corporation pursuant to the indemnification provisions of the

Loan Agreement), including, without limiting the generality of the foregoing, proceeds of draws on the Credit Facility which are deemed to satisfy Loan Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments of all or any part of the Loan Payments and all interest, profits or other income derived from the investment of any money in any fund or account established pursuant to the Bond Indenture (except to the extent such interest, profits or other income is required to be transferred to or retained in the Rebate Fund pursuant to the Bond Indenture or the Tax Agreement). See **APPENDIX A – “SUMMARY OF PRINCIPAL DOCUMENTS –Bond Indenture – Pledge and Assignment; Revenue Fund”** herein.

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

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

### **Enforceability Of Remedies**

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

## **Amendment Of Indenture And Loan Agreement**

So long as the Letter of Credit of the Bonds is outstanding and the Bank is not wrongfully dishonoring any properly presented and conforming draws thereunder or any amounts for reimbursement of draws under the Letter of Credit remain owing to the Bank, the Bond Indenture and the Loan Agreement may in some circumstances be amended with Bank consent and without Bondholder consent. See **APPENDIX A – “SUMMARY OF PRINCIPAL DOCUMENTS –Bond Indenture – Modification or Amendment of the Bond Indenture,” “–Amendment of Loan Agreement” and “-- Consent Rights of the Credit Facility Provider; Credit Facility Provider Deemed Holder of Bonds in Certain Circumstances.”**

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

Wells Fargo Bank, National Association (the “Bank”) will be the provider of the initial Credit Facility .

*The information under this heading has been provided solely by the Bank and is believed to be reliable. This information has not been verified independently by the Authority or the Underwriter. The Authority and the Underwriter make no representation whatsoever as to the accuracy, adequacy or completeness of such information.*

#### **Wells Fargo Bank, National Association**

The Bank is a national banking association organized under the laws of the United States of America with its main office at 101 North Phillips Avenue, Sioux Falls, South Dakota 57104, and engages in retail, commercial and corporate banking, real estate lending and trust and investment services. The Bank is an indirect, wholly owned subsidiary of Wells Fargo & Company, a diversified financial services company, a financial holding company and a bank holding company registered under the Bank Holding Company Act of 1956, as amended, with its principal executive offices located in San Francisco, California (“Wells Fargo”).

As of March 31, 2008, the Bank had total consolidated assets of approximately \$486.8 billion, total domestic and foreign deposits of approximately \$355.0 billion and total equity capital of approximately \$43.3 billion.

Each quarter, the Bank files with the FDIC financial reports entitled “Consolidated Reports of Condition and Income for Insured Commercial Banks with Domestic and Foreign Offices,” commonly referred to as the “Call Reports.” The Bank’s Call Reports are prepared in accordance with regulatory accounting principles, which may differ from generally accepted accounting principles. The publicly available portions of the Call Reports for the period ending March 31, 2008, and for Call Reports filed by the Bank with the FDIC after the date of this Offering Memorandum may be obtained from the FDIC, Disclosure Group, Room F518, 550 17th Street, N.W., Washington, D.C. 20429 at prescribed rates, or from the FDIC on its Internet site at <http://www.fdic.gov>, or by writing to Corporate Secretary’s Office, Wells Fargo Center, Sixth and Marquette, MAC N9305-173, Minneapolis, MN 55479.

**The Letter of Credit will be solely an obligation of the Bank and will not be an obligation of, or otherwise guaranteed by, Wells Fargo & Company, and no assets of Wells Fargo & Company or any affiliate of the Bank or Wells Fargo & Company will be pledged to the payment thereof. Payment of the Letter of Credit will not be insured by the FDIC.**

The information contained in this section, including financial information, relates to and has been obtained from the Bank, and is furnished solely to provide limited introductory information regarding the Bank and does not purport to be comprehensive. Any financial information provided in this section is qualified in its entirety by the detailed information appearing in the Call Reports referenced above. The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank since the date hereof.

### **The Letter of Credit**

The Letter of Credit will be issued pursuant to the Reimbursement Agreement. The following summarizes certain provisions of the Letter of Credit. The Reimbursement Agreement is summarized below. Such summaries do not purport to be complete, and reference is made to the Letter of Credit and the Reimbursement Agreement for the complete provisions thereof. The provisions of any Alternate Credit Facility and related reimbursement agreement may be different from those summarized below. The Bank will issue for the account of the Corporation and OLCCHI in favor of the Bond Trustee an irrevocable direct pay letter of credit (the "Letter of Credit") in the original face amount (as from time to time reduced and reinstated as provided in the Letter of Credit) equal to the outstanding principal amount of the Bonds on the Date of Issuance (as defined in the Reimbursement Agreement) plus 47 days' interest thereon at 10.0% per annum, on the basis of a 365 day year, rounded-up to the next closest dollar. The Letter of Credit (subject to any reductions and reinstatements as provided therein) will permit the Bond Trustee to draw thereupon an amount equal to the then outstanding amount of the Bonds to pay the unpaid principal thereof and accrued interest on the Bonds. All Drawings (as defined in the Reimbursement Agreement) under the Letter of Credit will be paid with the Bank's own funds. While in effect, the Letter of Credit entitles the Bond Trustee to draw on the Letter of Credit, on such dates and at such times as specified in the Letter of Credit. Each Drawing honored by the Bank under the Letter of Credit will immediately reduce the total amount of the Letter of Credit by the amount of such Drawing, subject to reinstatement on the terms set forth in the Letter of Credit. The Letter of Credit shall terminate on the earliest to occur of: (i) the Expiration Date (as defined below); (ii) the making of a final draw under the Letter of Credit; and (iii) the date on which the Bond Trustee surrenders the Letter of Credit to the Bank. The Expiration Date for the Letter of Credit means August 6, 2013; provided that, commencing on the first anniversary date of the date of issuance of the Letter of Credit and each year thereafter, the Expiration Date of the Letter of Credit shall be automatically extended for an additional one year unless the Bank gives written notice to the Bond Trustee at least one month prior to such anniversary date of its intention not to extend the then effective Expiration Date; provided, further, that in no event shall the Expiration Date be extended beyond August 1, 2038. If the Expiration Date falls on a day that is not a Business Day, then such Expiration Date shall be automatically extended to the next succeeding Business Day. "Business Day" is defined in the Letter of Credit as a day of the year on which the Bank's San Francisco Letter of Credit Operations Office is open for business.

### **The Reimbursement Agreement**

The Corporation, OLCCHI and the Bank have executed a Reimbursement Agreement, dated as of August 1, 2008 (the "Reimbursement Agreement"), which, among other things, sets forth the terms and conditions whereby the Corporation and OLCCHI are required to repay the Bank any amounts drawn by the Bond Trustee under the Letter of Credit. Capitalized terms used in this Section "The Reimbursement Agreement" and not otherwise defined shall have the meanings given to such terms in the Reimbursement Agreement.

The Reimbursement Agreement and the other documents, agreements and instruments described therein secure the Corporation's and OLCCHI's obligations to the Bank and do not secure or otherwise

provide collateral for the Bond Trustee, the holders of the Bonds or the Bonds. The Bank will issue the Letter of Credit pursuant to the terms and provisions of the Reimbursement Agreement.

Pursuant to the Reimbursement Agreement, the Corporation and OLCHI have agreed to order the optional redemption of Bonds under the Bond Indenture on an annual basis in accordance with a schedule set forth and/or described in the Reimbursement Agreement. These redemption obligations of the Corporation and OLCHI are solely for the benefit of the Bank and may be waived or modified by the Bank, without notice to the Trustee or the holders of the Bonds, in accordance with the terms of the Reimbursement Agreement.

The Reimbursement Agreement contains various affirmative and negative covenants and events of default, including, among other things, covenants regarding the following: pension plan regulatory matters; further assurances; conduct of business and maintenance of existence; compliance with laws; inspection of property, books and records; notices; compliance with Related Documents; tax status of the Bonds; financial statements; financial condition; maintenance of property, insurance; capital expenditures; merger, consolidation, transfer of assets; guaranties; loans, advances and investments; distributions; pledge of assets; other indebtedness; amendment of Related Documents; and taxes and other liabilities.

The following is a summary of certain actions or events, the occurrence of any of which, among others, constitutes an Event of Default under the Reimbursement Agreement:

(a) *Required Payments.* The Corporation or OLCHI shall fail to pay when due any amount owing under the Reimbursement Agreement or any other Related Document or to deposit with Bank or with the Bond Trustee any amount specified in the Reimbursement Agreement when due to be deposited; or

(b) *Misrepresentation.* Any representation or warranty made by the Corporation or OLCHI in the Reimbursement Agreement or in any other Related Document or in any certificate, financial or other statement furnished by the Corporation or OLCHI pursuant to the Reimbursement Agreement shall prove to have been untrue or incomplete in any material respect when made; or

(c) *Other Covenants.* The Corporation or OLCHI shall fail to perform or observe any material term, covenant or agreement on its part to be performed or observed hereunder or under any other Related Document (other than as specified in paragraphs (a) and (b) above), and with respect to any such default which by its nature can be cured, such default shall continue for a period of twenty (20) days from its occurrence; or

(d) *Collateral.* (i) Any impairment of the rights of Bank in any material portion of the Collateral or Proceeds, including, without limitation, any attachment or like levy on any Collateral or Proceeds; or (ii) Bank, in good faith, believes a material portion of the Collateral and/or Proceeds to be in danger of misuse, dissipation, commingling, loss, theft, damage or destruction, or otherwise in jeopardy or unsatisfactory in character or value; or

(e) *Invalidity.* Any material provision of the Reimbursement Agreement or any other Related Document shall at any time for any reason cease to be in full force and effect or valid and binding on the Corporation or OLCHI, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Corporation or OLCHI or either the Corporation or OLCHI shall deny that it has any further liability or obligation under the Reimbursement Agreement or any other Related Document, and such event shall have or be likely to have a material adverse effect on the condition of the

Corporation or OLCHI or either of their ability to perform its obligations under the Reimbursement Agreement and the Related Documents; or

(f) *Voluntary Bankruptcy; Insolvency; Dissolution.* The Corporation or OLCHI shall: (i) apply for or consent to the appointment of a receiver, trustee, custodian, liquidator or the like of itself or any of its property; or (ii) admit in writing its inability to pay its debts generally as they become due; or (iii) make a general assignment for the benefit of creditors; or (iv) be adjudicated bankrupt or insolvent; or (v) commence a voluntary case under the Bankruptcy Code or file a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization or insolvency proceeding; or (vi) take any organizational action for the purpose of effecting any of the foregoing; or

(g) *Involuntary Bankruptcy.* If without the application, approval or consent of the Corporation or OLCHI, any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against the Corporation or OLCHI and such petition or proceeding is not dismissed within forty-five (45) days of its filing or commencement, or the Corporation or OLCHI shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition, or an order for relief shall be entered against the Corporation or OLCHI by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors; or

(h) *Other Defaults.* (i) any defined event of default occurs under any Related Document; or (ii) the Corporation or OLCHI (A) fails to make any payment when due (whether by scheduled maturity, acceleration or otherwise) in respect of any indebtedness in a principal amount not less than \$250,000.00, whether direct or contingent (other than indebtedness under the Reimbursement Agreement) or (B) fails to observe or perform any other agreement or condition relating to any such indebtedness in a principal amount not less than \$250,000.00 or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit any holder of such indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause such indebtedness to be demanded or to become due or to be repurchased or redeemed prior to its stated maturity, and such default or event is not cured within any applicable cure periods or the holder of such indebtedness (or a trustee or agent on behalf of such holder or beneficiary) causes such indebtedness to be demanded or to become due or to be repurchased or redeemed prior to its stated maturity; or

(i) *Material Adverse Change.* A material adverse change, as determined by Bank in the good faith exercise of its discretion, shall occur in the financial condition of the Corporation or OLCHI; or

(j) *Liens, Attachment; Condemnation.* (i) The recording of any claim of lien against, the sequestration or attachment of, or any levy or execution upon any of the Collateral, or any other assets of the Corporation or OLCHI, and, in any such case, the continuance of such claim of lien ten (10) days after notice of same to the Corporation or OLCHI, as applicable, without discharge, satisfaction or provision for payment being made by the Corporation or OLCHI, as applicable, in a manner satisfactory to Bank; or (ii) the condemnation, seizure or appropriation of, or occurrence of an uninsured casualty with respect to any material portion of the Collateral; or

(k) *Transfer of Assets.* The sale, transfer, hypothecation, assignment or encumbrance, whether voluntary, involuntary or by operation of law, without Bank's prior written consent, of all or a material part of the assets of the Corporation or OLCHI; or

(l) *Change of Control.* A Change of Control shall occur with respect to either the Corporation or OLCHI.

(m) *Master Indenture.* An event of default under the Master Indenture.

Upon the occurrence of an Event of Default under the Reimbursement Agreement, the Bank may declare all amounts payable by the Corporation and OLCHI under the Reimbursement Agreement to be immediately due and payable, without presentment, demand, protest or other notice or formality of any kind; provided that upon the occurrence of an Event of Default described in (f) or (g) above, such acceleration shall automatically occur.

In any case, the Bank may also: (a) require that the Corporation and OLCHI immediately pay to the Bank in immediately available funds an amount equal to the undrawn balance of the Letter of Credit, provided, however, that upon the occurrence of an Event of Default described in (f) or (g) above, such payment obligations shall automatically become due and payable; (b) give notice to the Bond Trustee of the occurrence of an Event of Default under the Reimbursement Agreement and direct the Trustee to accelerate the Bonds, cause a mandatory tender of the Bonds, or take such actions as the Bank may request; (c) pursue any rights or remedies that the Bank may have under the Reimbursement Agreement or any of the Related Documents; or (d) pursue any other rights or remedies available to the Bank at law or in equity.

**The Corporation, OLCHI and the Bank may amend the Reimbursement Agreement at any time without the consent of the Bond Trustee, the holders of the Bonds or any other person and any such amendment could amend the conditions under which the Corporation and OLCHI would be in default thereunder and thereby increase the ability of the Bank to give notices which could result in, among other things, an Event of Default under the Bond Indenture.**

### **Alternate Credit Facility**

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

## **INVESTMENT CONSIDERATIONS**

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

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

### **Security For The Bonds**

The Bonds are special, limited obligations of the Authority payable exclusively out of the loan payments payable under the Loan Agreement and draws on the Letter of Credit (and, in certain

circumstances, funds held under the Bond Indenture and income from the temporary investment thereof). The Bonds are secured by a pledge by the Authority of the Revenues to the Bond Trustee in favor of the Registered Owners of the Bonds in accordance with the Bond Indenture.

The Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank, and not the operations, financial strength or condition of the Corporation or any other security. The rating assigned to the Bonds is based primarily on the creditworthiness of the Bank. Prospective purchasers of the Bonds that wish to make a full evaluation of the financial status of the Bank are advised to obtain financial statements of the Bank.

### **Expiration Of The Letter of Credit**

The initial Credit Facility expires on August 6, 2013, subject to extension or earlier termination in certain circumstances as described therein. If the Letter of Credit is not extended or an Alternate Credit Facility is obtained by the Corporation, the Bonds will be subject to mandatory tender. There can be no assurance that the Corporation will be able to obtain an extension of the Letter of Credit or an Alternate Credit Facility. The Bank is under no obligation to extend the Letter of Credit beyond the scheduled expiration thereof.

### **Bank's Obligations Unsecured**

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

### **Suitability Of Investment**

An investment in the Bonds involves a certain degree of risk. The interest rate borne by the Bonds is intended to compensate the investor for assuming this element of risk. Prospective investors should carefully examine this Official Statement, including the Appendices hereto, and their ability to bear the economic risk of such an investment, and to determine whether or not the Bonds are an appropriate investment for them.

### **General Factors Affecting The Bank**

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

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

## **Federal Tax-Exempt Status Of The Bonds**

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

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

***Audit.*** In December 1999, as a part of a larger reorganization of the IRS, the IRS commenced operation of its Tax Exempt and Government Entities Division (the “TE/GE Division”), as the successor to its Employee Plans and Exempt Organizations division. The new TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations is expected to increase significantly under the new TE/GE Division. As a result of this development and other ongoing IRS audit programs, tax-exempt organizations are increasingly subject to a greater degree of scrutiny. The primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in unlawful, private benefit is the revocation of tax-exempt status. Although the IRS has not frequently revoked the tax-exempt status of nonprofit corporations or trusts, it could do so in the future. Loss of tax-exempt status by the Corporation would most likely result in loss of tax exemption of interest on the Bonds and of future tax-exempt debt of the Corporation, if any, and defaults in covenants regarding the Bonds and existing and future tax-exempt debt, if any, would likely be triggered. Loss of tax-exempt status of the Corporation would also have material adverse consequences on the financial condition of the Corporation.

The Borrowers have not sought to obtain a private letter ruling from the IRS with respect to the Bonds, and the opinion of Orrick, Herrington & Sutcliffe LLP is not binding on the IRS. There is no assurance that an IRS examination of the Bonds will not adversely affect the market value of the Bonds. See “**TAX MATTERS**” herein.

## **Unrelated Business Income**

In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income (“UBTI”). The Corporation has not historically generated any UBTI. Management of the Corporation believe they has properly accounted for and reported UBTI; nevertheless, an investigation or audit could lead to a challenge which could result in

taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of the Corporation as well as the exclusion from gross income for federal income tax purposes of the interest on the Bonds and other future tax-exempt debt of the Corporation, if any.

### **State Income Tax Exemption**

The State of California has not been as active as the IRS in scrutinizing the income tax exemption of organizations, though this does not preclude future State scrutiny, and it is likely that the loss by the Corporation of federal tax exemption would also trigger a challenge to the State tax exemptions of the Corporation. Depending on the circumstances, such an event could be adverse and material.

## **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 Internal Revenue Code of 1986 (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 B** hereto.

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the Members of the Obligated Group have made certain representations and 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 Members of the Obligated Group, regarding the current qualification of each current Member of the Obligated Group 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 Members of the Obligated Group concerning each Member's "unrelated trade or business" activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor Counsel of the Members of the Obligated Group has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor Counsel to the Members of the Obligated Group can give or has given any opinion or assurance about the future activities of the Members of the Obligated Group, 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. Failure of the Members of the Obligated Group to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of their status as organizations 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 charitable purpose of the Members of the Obligated Group 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 depends 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 Beneficial Owners 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 advisors regarding any pending or proposed federal or state 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 Internal Revenue Service ("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 Members of the Obligated Group 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 Members of the Obligated Group 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 Members of the Obligated Group 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 and the Members of the Obligated Group 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 Members of the Obligated Group legitimately disagrees, 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 and the Members of the Obligated Group or the Beneficial Owners to incur significant expense.

### **APPROVAL OF LEGALITY**

The validity of the Bonds and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel Opinion is contained in **APPENDIX B** hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by Chapman and Cutler LLP, San Francisco, California, Special Counsel to the Authority, for the Members of the Obligated Group by their counsel, Holland & Knight LLP, San Francisco, California, for the Underwriter by its counsel, Foley & Lardner LLP, San Francisco, California, and for the Bank by Chapman and Cutler LLP, San Francisco, California. Capital Incubator has served as financial advisor to the Corporation in connection with the issuance of the Bonds.

### **ABSENCE OF MATERIAL LITIGATION**

#### **The Authority**

There is no litigation pending or, to the best knowledge of the Authority, threatened seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceeding of the Authority taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, or existence or powers of the Authority, or the authority of the Authority to enter into any document relating to the Bond Indenture or the Bonds.

#### **The Obligated Group**

There is no material litigation of any nature now pending (with service of process having been accomplished) against the Obligated Group or, to the knowledge of its officers, threatened, which seeks to restrain or enjoin the issuance or the sale of the Bonds, which in any way contests or affects the validity of the Bonds or any proceedings of the Obligated Group 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 Bond proceeds or the existence or powers of the Obligated Group relating to the issuance of the Bonds.

There is no litigation of any nature now pending (with service of process having been accomplished) against the Obligated Group or, to the knowledge of its officers, threatened, which if successful would materially adversely affect the operations or financial condition of the Obligated Group.

### **NO CONTINUING DISCLOSURE**

The Bonds are exempt from the continuing disclosure requirements of Rule 15c2-12 (the “Rule”) under the Securities Exchange Act of 1934, as amended, while the Bonds are in a Weekly Rate Period or a Daily Rate Period. Accordingly, no continuing disclosure with respect to the Bonds, the Obligated Group, the Bank or the Authority will be provided to the Owners of the Bonds so long as the Bonds are in a Weekly Rate Period or a Daily Rate Period. The Obligated Group have undertaken all responsibilities for any continuing disclosure to holders of the Bonds. The Obligated Group have agreed that upon conversion of the Bonds to a Term Rate Period, they will comply with and carry out all of the continuing disclosure requirements of the Rule.

## **UNDERWRITING**

The Bonds will be purchased from the Authority by Cain Brothers & Company, LLC, as the Underwriter. The Underwriter has agreed to purchase the Bonds from the Authority at a purchase price equal to the principal amount of the Bonds. The Underwriter will receive a fee of \$227,100.

The Bond Purchase Agreement between the Authority and the Underwriter provides that the Underwriter will purchase all of the Bonds, if any are purchased. Bonds may be offered and sold by the Underwriter to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page of this Official Statement, and such public offering prices may be changed by the Underwriter from time to time without notice.

## **REMARKETING**

### **Remarketing Agreement**

Subject to the terms and conditions set forth in the Remarketing Agreement between the Borrower and the Remarketing Agent, the Remarketing Agent has agreed to use its best efforts to remarket the Bonds and otherwise perform the duties of the Remarketing Agent under the Bond Indenture.

Under the Remarketing Agreement, the Borrower has agreed to indemnify the Remarketing Agent against certain liabilities, including liabilities under applicable securities law. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts subject to the terms of the Remarketing Agreement.

### **Remarketing Agent Routinely Purchases Bonds For Its Own Account**

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

### **Bonds May Be Offered At Different Prices On Any Date Including The Date On Which The Interest Rate For The Bonds Is Determined**

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the

applicable date of determination (the “Rate Determination Date”). The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). The purchase of the Bonds by the Remarketing Agent may cause the interest rate to be lower than it would be if the Remarketing Agent did not purchase Bonds. There may or may not be Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par plus accrued interest, if any, and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. The Remarketing Agent, in its sole discretion, may offer Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

### **Ability To Sell The Bonds Other Than Through Tender Process May Be Limited**

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

## **RATINGS**

Moody’s Investors Service has assigned the ratings of “Aaa/VMIG 1” to the Bonds. The “VMIG 1” rating is short-term only, and the “Aaa” rating is long-term; each of the ratings is based on the initial Credit Facility issued for the benefit of the Bonds. See “**THE BANK AND THE LETTER OF CREDIT**” herein. Each such rating reflects only the view of the agency assigning it, and any explanation of its significance should be obtained from the assigning rating agency. Generally, rating agencies base ratings on information and materials furnished and on investigation, studies, and assumptions they have made or received. There is no assurance that any ratings assigned to the Bonds will remain in effect or that such ratings might not be downgraded or withdrawn by a rating agency. Neither the Authority, the Obligated Group nor the Underwriter have undertaken any responsibility either to call to the attention of the Bondholders any proposed change in or withdrawal of the ratings or to oppose any such proposed downgrade or withdrawal. As noted under “**NO CONTINUING DISCLOSURE**” herein, no one has undertaken to provide any continuing disclosure with respect to the Bonds while the Bonds are exempt from such requirements, including without limitation any report or notice of rating changes. Any downgrade or withdrawal of a rating may have an adverse effect on the market price or marketability of the Bonds.

## **MISCELLANEOUS**

Information concerning the Corporation contained under the captions “**INTRODUCTION – The Corporation,**” and “**ABSENCE OF MATERIAL LITIGATION – The Obligated Group**” in this Official Statement has been furnished by the Corporation. Other than with respect to information concerning the Authority contained under the captions “**INTRODUCTION – The Authority**” and “**ABSENCE OF MATERIAL LITIGATION – The Authority**”, none of the information in this Official Statement has been supplied or verified by the Authority or the Corporation, and the Authority or the Corporation make no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Bonds or (iii) the tax status of the interest on the Bonds.

The summaries or description of provisions in the Bond Indenture, the Loan Agreement, the Letter of Credit and the Reimbursement Agreement contained herein and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all the pertinent provisions of such documents. For further information, reference should be made to the complete documents, copies of which will be on file at the office of the Underwriter prior to the delivery of the Bonds and thereafter at the designated corporate trust office of the Bond Trustee for examination.

All projections, forecasts and other information in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the Corporation and the purchasers or holders of any of the Bonds.

The attached **APPENDICES A** through **C** are integral parts of this Official Statement and must be read together with all of the foregoing statements.



**APPENDIX A**

**Summary of Principal Documents**

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## APPENDIX A

### SUMMARY OF PRINCIPAL DOCUMENTS

The following are summaries of certain provisions of the Bond Indenture and the Loan Agreement. These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of such documents. All capitalized terms used in this Summary of Principal Documents and not defined herein have the same meanings as in the Bond Indenture.

### DEFINITIONS

The following are summaries of definitions of certain terms used in this Summary of Principal Documents and elsewhere in this Official Statement. Capitalized terms used herein and not defined herein or elsewhere in this Official Statement have the meanings specified in the respective Bond Indenture.

“Act” means the Joint Exercise of Powers Act, constituting Title 1, Division 7, Chapter 5 of the Government Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented.

“Additional Payments” means the payments so designated and required to be made by the Corporation pursuant to the Loan Agreement.

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

“Alternate Credit Facility” means an irrevocable direct-pay letter of credit providing for the payment of principal of and interest on Bonds when due issued by a commercial bank or financial institution delivered or made available to the Bond Trustee in accordance with the Loan Agreement which replaces the Credit Facility then in effect. See “LOAN AGREEMENT – Credit Facility; Alternate Credit Facility.”

“Alternate Liquidity Facility” means a line of credit, letter of credit, standby purchase agreement or similar liquidity facility providing for the purchase of Bonds upon their optional or mandatory tender in accordance with the provisions of the Bond Indenture and issued by a commercial bank or financial institution delivered or made available to the Tender Agent in accordance with the Loan Agreement which replaces the Liquidity Facility then in effect. See “LOAN AGREEMENT – Liquidity Facility; Alternate Liquidity Facility.”

“Authority” means the ABAG Finance Authority for Nonprofit Corporations, created pursuant to, and as defined in, the Act, or its successors and assigns.

“Authorized Representative” means with respect to the Corporation or any Member, the chairman of its Governing Board, its chief executive officer, its chief financial officer or its treasurer, or any other person designated as an Authorized Representative by a Certificate signed by one of the above parties and filed with the Bond Trustee.

“Available Moneys” means, (a) if a Credit Facility is in effect, (i) moneys drawn under the Credit Facility which at all times since their receipt by the Bond Trustee or the Tender Agent were held in a separate segregated account or accounts or subaccount or subaccounts in which no moneys (other than

those drawn under the Credit Facility) were at any time held, (ii) moneys which have been paid to the Bond Trustee or the Tender Agent by the Corporation and have been on deposit with the Bond Trustee or the Tender Agent for at least 124 days (or, if paid to the Bond Trustee or the Tender Agent by an “affiliate,” as defined in Bankruptcy Code §101(2), of the Corporation, 366 days) during and prior to which no Event of Bankruptcy shall have occurred, (iii) any other moneys, if, in the opinion of nationally recognized counsel experienced in bankruptcy matters which opinion is acceptable to each Rating Agency then rating the Bonds, the application of such moneys will not constitute a voidable preference in the event of the occurrence of an Event of Bankruptcy, and (iv) investment earnings on any of the moneys described in clauses (i), (ii) and (iii) of this definition; and (b) otherwise, “Available Moneys” means any moneys deposited with the Bond Trustee or the Tender Agent.

“Bank” means Wells Fargo Bank, National Association, or its successors.

“Bankruptcy Code” means Title 11 of the United States Code, as amended, and any successor statute.

“Beneficial Owner” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

“Bond Counsel” means Orrick, Herrington & Sutcliffe LLP or another attorney-at-law, or firm of such attorneys, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions and acceptable to the Authority and the Bond Trustee.

“Bond Indenture” means the Bond Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture.

“Bond Trustee” means Wells Fargo Bank, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor as provided in the Bond Indenture.

“Business Day” means any day other than a Saturday, Sunday or a day on which banks located in (a) the State of California or the State of New York, (b) the city or cities in which the Principal Office of the Bond Trustee, and the Tender Agent, is located, (c) the city or cities in which the Principal Office of the Credit Facility Provider and/or Liquidity Facility Provider at which drawings under the Credit Facility and/or Liquidity Facility are to be presented is located, and (d) the city in which the Principal Office of the Remarketing Agent is located, are required or authorized to remain closed or on which The New York Stock Exchange is closed.

“Certificate,” “Statement,” “Request” and “Requisition” of the Authority or the Corporation, mean, respectively, a written certificate, statement, request or requisition signed in the name of the Authority by any member of the Commission of the Authority or such other person as may be designated and authorized to sign for the Authority and designated by any member of the Commission of the Authority in writing to the Bond Trustee, or in the name of the Corporation by an Authorized Representative of the Corporation. 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.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor statute thereto, and any regulations promulgated thereunder.

“Continuing Disclosure Agreement” means, upon subsequent Conversion of the Bonds to an Interest Rate Period subject to the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, any continuing disclosure agreement executed by the Corporation pursuant to the Loan Agreement and then in effect.

“Conversion” means a conversion of the Bonds from one Interest Rate Period to another Interest Rate Period.

“Conversion Date” means the effective date of a Conversion of the Bonds.

“Corporate Trust Office” means the office of the Bond Trustee located at MAC A0119-181, 333 Market Street, 18th Floor, San Francisco, California 94105, Attn: Corporate Trust, or such other or additional offices as shall be specified by the Bond Trustee in writing delivered to the Authority and the Corporation.

“Corporation” means On Lok Senior Health Services, 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 all or substantially all assets permitted under the Master Indenture.

“Credit Facility” means the Letter of Credit or, in the event of the delivery or availability of an Alternate Credit Facility, such Alternate Credit Facility.

“Credit Facility Provider” means initially the Bank, and, upon the effectiveness of an Alternate Credit Facility, shall mean the bank or banks or other financial institution or financial institutions or other entity that is then a party to the Credit Facility.

“Credit Facility Provider Failure” means (i) a failure of the Credit Facility Provider to pay a properly presented and conforming draw or request for advance under the Credit Facility or (ii) the filing or commencement of any bankruptcy or insolvency proceedings by or against the Credit Facility Provider or (iii) the Credit Facility Provider shall declare a moratorium on the payment of its unsecured debt obligations or shall repudiate the Credit Facility.

“Date of Issuance” means the date on which the Bonds are initially issued.

“Electronic Means” means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

“Eligible Bond” means any Bond other than Liquidity Facility Bonds or Bonds owned by, for the account of, or on behalf of, the Authority or any Member.

“Event of Bankruptcy” means any of the following events:

(i) the Corporation (or any other Person obligated, as guarantor or otherwise, to make payments on the Bonds or under the Loan Agreement, the Obligation, the Master Indenture or a Reimbursement Agreement, or an “affiliate” of the Corporation as defined in Bankruptcy Code § 101(2)) or the Authority shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the Corporation (or such other Person) or the Authority or of all or any substantial part of their respective property, (b) commence a voluntary case

under the Bankruptcy Code, or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) a proceeding or case shall be commenced, without the application or consent of the Corporation (or any other Person obligated, as guarantor or otherwise, to make payments on the Bonds or under the Loan Agreement, the Obligation, the Master Indenture or a Reimbursement Agreement, or an “affiliate” of the Corporation as defined in Bankruptcy Code § 101(2)) or the Authority in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding up, or composition or adjustment of debts, of the Corporation (or any such other Person) or the Authority, (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the Corporation (or any such other Person) or the Authority or of all or any substantial part of their respective property, or (c) similar relief in respect of the Corporation (or any such other Person) or the Authority under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts that has not been rescinded or stayed for sixty (60) days.

“Event of Default” means any of the events so specified in the Bond Indenture. See “BOND INDENTURE – Events of Default.”

“Expiration Date” means (i) the date upon which a Credit Facility or a Liquidity Facility is scheduled to expire (taking into account any extensions of such Expiration Date by virtue of extensions of a particular Credit Facility or Liquidity Facility, from time to time) in accordance with its terms, including without limitation termination upon the effective date of an Alternate Credit Facility or Alternate Liquidity Facility delivered in accordance with the Loan Agreement, and (ii) the date upon which a Credit Facility or a Liquidity Facility terminates following voluntary termination by the Corporation pursuant to the Loan Agreement.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel, addressed to the Authority, the Credit Facility Provider (if any), the Remarketing Agent (if any), the Corporation and the Bond Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of California and the Bond Indenture and will not, in and of itself, result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

“Fitch” means Fitch Ratings, 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, any other nationally recognized securities rating agency designated by the Corporation by notice in writing to the Authority and the Bond Trustee.

“Holder” or “Bondholder,” whenever used with respect to a Bond, means the Person in whose name such Bond is registered.

“Interest Accrual Date” means for any Weekly Rate Period or Daily Rate Period, each Interest Payment Date.

“Interest Payment Date” means:

(a) with respect to Bonds other than Liquidity Facility Bonds, for any Daily Rate Period or Weekly Rate Period, the first Business Day of each calendar month;

(b) with respect to Liquidity Facility Bonds, as provided in the Reimbursement Agreement applicable to such Liquidity Facility Bonds; and

(c) the Maturity Date.

“Investment Securities” means any of the following:

(A) United States Government Obligations;

(B) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America (including stripped securities if the agency has stripped them itself):

(1) U.S. Export-Import Bank (Eximbank Direct obligations or fully guaranteed certificates of beneficial ownership);

(2) Farmers Home Administration;

(3) Federal Financing Bank;

(4) Federal Housing Administration Debentures;

(5) General Services Administration;

(6) Government National Mortgage Association (“GNMA”) (including guaranteed mortgage-backed bonds and guaranteed pass-through obligations);

(7) U.S. Maritime Administration (guaranteed Title XI financing); and

(8) U.S. Department of Housing and Urban Development (including project notes, local authority bonds, new communities debentures, U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds and U.S. government guaranteed public housing notes and bonds;

(C) Debentures, bonds, notes or other evidence of indebtedness issued or guaranteed by any of the following U.S. government agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America (including stripped securities if the agency has stripped them itself):

(1) Federal Home Loan Bank System (senior debt obligations);

(2) Resolution Funding Corporation (REFCORP) obligations;

(3) Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”) senior debt obligations or participation certificates;

(4) Federal National Mortgage Association (FNMA or “Fannie Mae”) mortgage-backed securities and senior debt obligations;

(5) Farm Credit System – consolidated systemwide bonds and notes; and

(6) Senior debt obligations of other government sponsored agencies approved by the Credit Facility Provider (if any);

(D) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AA-Am-G, AAA-m or AA-m and, if rated by Moody's, rated Aaa, Aa1 or Aa2, including funds for which the Bond Trustee and its affiliates provide investment advisory or other management services;

(E) Certificates of deposit secured at all times by collateral described in clause (A) above if issued by commercial banks, savings and loan associations or mutual savings banks; the collateral must be held by a third party and the Bond Trustee, on behalf of the Bondholders, must have a perfected first security interest in such collateral;

(F) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF (including those of the Bond Trustee and its affiliates);

(G) Investment agreements, including GICs, forward purchase agreements and reserve fund put agreements approved in writing by the Credit Facility Provider (if any) (supported by appropriate opinions of counsel);

(H) Commercial paper which is rated at the time of purchase "P-1" or better by Moody's and "A-1" or better by S&P;

(I) Municipal obligations issued by any state or municipality with a rating by both Moody's and S&P in one of the two highest Rating Categories by such rating agencies;

(J) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P; and

(K) Other forms of investments (including repurchase agreements) approved in writing by the Credit Facility Provider (if any).

"Letter of Credit" means the irrevocable, direct-pay letter of credit issued by the Bank pursuant to the initial Reimbursement Agreement.

"Liquidity Facility" means the Letter of Credit and, in the event of the delivery or availability of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

"Liquidity Facility Bonds" means Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility or Reimbursement Agreement.

"Liquidity Facility Provider" means initially the Bank, and, upon the effectiveness of an Alternate Liquidity Facility, the commercial bank or other financial institution acceptable to the Credit Facility Provider (if any) and issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect.

"Liquidity Facility Rate" means the rate per annum, if any, specified in a Liquidity Facility or Reimbursement Agreement as applicable to Liquidity Facility Bonds, which rate shall not exceed the Maximum Lawful Rate.

“Loan Agreement” means that certain loan agreement relating to the Bonds by and between the Authority and the Corporation, dated as of August 1, 2008, 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 Bond Indenture.

“Loan Default Event” means any of the events specified in the Loan Agreement. See “LOAN AGREEMENT – Events of Default.”

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

“Mandatory Credit/Liquidity Tender” means the mandatory tender of the Bonds pursuant to the Bond Indenture upon receipt by the Bond Trustee of written notice from the Credit Facility Provider or the Liquidity Facility Provider, as applicable, that (i) an event with respect to the Credit Facility or the Liquidity Facility has occurred which requires or gives such Credit Facility Provider or Liquidity Facility Provider the option to terminate such Credit Facility or Liquidity Facility upon notice and directing the Bond Trustee to call the Bonds for mandatory tender or (ii) the amount of an interest drawing under the Credit Facility will not be reinstated. Mandatory Credit/Liquidity Tender shall not include circumstances, if any, where the Liquidity Facility Provider may suspend or terminate its obligations to purchase securities without notice, in which case there will be no mandatory tender.

“Master Indenture” means that certain master trust indenture, dated as of August 1, 2008, among the Corporation, the other Members of the Obligated Group named therein, and the Master Trustee as originally executed and may from time to time be supplemented, modified or amended in accordance with the terms thereof.

“Master Trustee” means Wells Fargo Bank, National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successor, as successor master trustee under the Master Indenture.

“Maximum Interest Rate” means (i) with respect to the Bonds other than Liquidity Facility Bonds, the lesser of 10% per annum and the Maximum Lawful Rate and (ii) with respect to Liquidity Facility Bonds, the lesser of 25% per annum and the Maximum Lawful Rate.

“Maximum Lawful Rate” means the maximum rate of interest on the relevant obligation permitted by applicable law.

“Members” means the Corporation and each other Person that is then obligated as a Member under and as defined in the Master Indenture.

“Minimum Authorized Denominations” means with respect to any Weekly Rate Period or Daily Rate Period, \$100,000 and any integral multiple of \$5,000 in excess of \$100,000.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice in writing to the Authority and the Bond Trustee.

“Obligated Group” means the group consisting of Members of the Obligated Group.

“Obligation” means the particular Obligation issued under the Master Indenture and the related Supplement securing the Bonds.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Authority, the Bond Trustee or the Corporation or Bond Counsel) selected by the Corporation, acceptable to the Credit Facility Provider (if any) and not objected to by the Authority or the Bond Trustee.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Bond Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under the Bond Indenture except: (1) Bonds theretofore cancelled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Bond Indenture, including Bonds (or portions of Bonds) referred to in the Bond Indenture; (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 Bond Trustee pursuant to the Bond Indenture; and (4) any Undelivered Bonds.

“Payment Default” means any failure by the Authority to make timely payment of principal or interest on the Bonds when due.

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

“Rating Agency” means S&P, Moody’s and Fitch, as applicable.

“Rating Category” means a generic securities rating category without regard to any refinement or gradation of such rating category by numerical modifier or otherwise.

“Record Date” means with respect to any Interest Payment Date in respect to any Weekly Rate Period or any Daily Rate Period, the Business Day immediately preceding such Interest Payment Date.

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

“Reimbursement Agreement” means (i) that certain Reimbursement Agreement, delivered on the Date of Issuance, by and among the Corporation, On Lok Community Housing Inc. and the Bank relating to the Bonds, and (ii) if an Alternate Credit Facility and/or an Alternate Liquidity Facility is issued, any reimbursement agreement, credit agreement, line of credit agreement, standby purchase agreement or other agreement relating to the Alternate Credit Facility and/or the Alternate Liquidity Facility, by and between the Credit Facility Provider and/or the Liquidity Facility Provider and the Corporation.

“Reimbursement Obligations” means all obligations owed to any Credit Facility Provider and/or any Liquidity Facility Provider with respect to draws under the related Credit Facility and/or Liquidity Facility.

“Remarketing Agent” means any Remarketing Agent or successor or additional Remarketing Agent appointed in accordance with the Bond Indenture.

“Required Stated Amount” means with respect to a Credit Facility or Liquidity Facility, at any time of calculation, an amount equal to the aggregate principal amount of all Bonds then Outstanding and subject to such Credit Facility or Liquidity Facility together with interest accruing thereon (assuming an

annual rate of interest equal to the Maximum Interest Rate) for the period specified in a Certificate of the Corporation to be the minimum period specified by the Rating Agencies then rating such Bonds as necessary to obtain (or maintain) a specified short-term rating of such Bonds.

“Revenues” means all amounts received by the Authority or the Bond Trustee for the account of the Authority pursuant or with respect to the Loan Agreement or the related Obligation, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Bond Indenture, but not including any Administrative Fees and Expenses or any money required to be deposited in the Rebate Fund.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice in writing to the Authority and the Bond Trustee.

“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, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (formerly the Bond Market Association) (“SIFMA”) or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Corporation and the Bond Trustee and effective from such date, or if such index is no longer available “SIFMA Swap Index” shall refer to an index recommended by the Remarketing Agent and acceptable to the Corporation and the Bond Trustee.

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

“State” means the State of California.

“Supplement” means that certain supplemental master indenture, dated as of August 1, 2008, between the Corporation and the Master Trustee pursuant to which the Obligation is issued, as originally executed and as amended or supplemented from time to time in accordance with the Master Indenture.

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

“Tax Agreement” means the Tax Certificate and Agreement delivered by the Authority and the Corporation at the Date of Issuance, as the same may be amended or supplemented in accordance with its terms.

“Tender Agent” means the Bond Trustee, or its successor, as provided in the Bond Indenture.

“United States Government Obligations” means (1) noncallable direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) and obligations of any agency or instrumentality of the United States of America the timely payment of the principal of and interest on which are

unconditionally guaranteed by the United States of America, and (2) senior debt obligations of other agencies of the United States of America approved in writing by the Credit Facility Provider (if any).

## BOND INDENTURE

### **General**

The Bond Indenture sets forth the terms of the Bonds authorized thereunder, the application of such Bond proceeds, the nature and extent of the security for the Bonds, various rights of the Bondholders, rights, duties and immunities of the Bond Trustee and the rights and obligations of the Authority. Certain provisions of the Bond Indenture are summarized below. Other provisions are summarized in this Official Statement under the captions “THE BONDS” and “SECURITY FOR THE BONDS.” This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Bond Indenture. *These summaries describe certain terms of the Bonds applicable while the Bonds bear interest at a Daily Rate or a Weekly Rate. There are significant differences in the terms of the Bonds when bearing interest in other Interest Rate Periods. These summaries are not intended to provide information with respect to the Bonds in any Interest Rate Period other than the Daily Rate Period or the Weekly Rate Period.*

### **Pledge and Assignment; Revenue Fund**

Subject only to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Bond Indenture and the payment of all obligations of the Corporation to the Credit Facility Provider under the Reimbursement Agreement, all of the Revenues and any other amounts held in any fund or account established pursuant to the Bond Indenture (other than the Bond Purchase Fund and the Rebate Fund). 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 Bond Trustee of the Bonds, without any physical delivery thereof or further act.

The Authority transfers in trust, grants a security interest in and assigns to the Bond Trustee, for the benefit of the Holders from time to time of the Bonds (including, without limitation, Liquidity Facility Bonds), and for the benefit of the Credit Facility Provider with respect to the obligations of the Corporation under the Reimbursement Agreement, all of the Revenues and other assets pledged as described in the paragraph above and all of the right, title and interest of the Authority in the Loan Agreement (except for (i) the right to receive any Administrative Fees and Expenses to the extent payable to the Authority, (ii) any rights of the Authority to indemnification, (iii) the obligation of the Corporation to make deposits pursuant to the Tax Agreement and (iv) as otherwise expressly set forth in the Loan Agreement) and the Obligation. The Bond 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 Bond Trustee and shall forthwith be paid by the Authority to the Bond Trustee. The Bond Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce all of the rights of the Authority and all of the obligations of the Corporation under the Loan Agreement and of the Obligated Group Members under the Obligation. Notwithstanding the foregoing, any Revenues transferred by the Corporation directly to a Credit Facility Provider or Liquidity Facility Provider pursuant to a Reimbursement Agreement shall not be required to be collected and received by the Bond Trustee and the Bond Trustee shall have no duty to collect and receive such Revenues.

All Revenues shall be promptly deposited by the Bond Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Bond Trustee is directed to establish, maintain and hold in trust, except as otherwise provided in the Bond Indenture and except that (i) all moneys received by the Bond Trustee and required by the Loan Agreement, or the Obligation to be deposited in the Bond Purchase Fund or the Redemption Fund, shall be promptly deposited in the Bond Purchase Fund and Redemption Fund, respectively, and (ii) all moneys received by the Bond Trustee from a Credit Facility shall be promptly deposited in the Credit Facility Fund. All Revenues deposited with the Bond Trustee shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in the Bond Indenture.

### **Allocation of Revenues**

On or before the dates specified below, the Bond Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Bond Trustee is directed to establish and maintain within the Revenue Fund) the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: on or before the second Business Day next preceding each Interest Payment Date, to the Interest Account, the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding, until the balance in said account is equal to said amount of interest (without regard to any Credit Facility); provided that if the interest rate on the Bonds is subject to adjustment following such deposit and prior to the applicable Interest Payment Date, interest for the period during which the actual interest rate on the Bonds is not known shall be assumed to be equal to the Maximum Interest Rate;

Second: to the Principal Account, on or before the second Business Day next preceding the Maturity Date, the amount of the principal becoming due and payable on such date, until the balance in said account is equal to said amount of such principal (without regard to any Credit Facility); and

Third: to the Rebate Fund, such amounts as are required to be deposited therein by the Bond Indenture (including the Tax Agreement).

Any moneys remaining in the Revenue Fund after the foregoing transfers shall be transferred to the Corporation as an overpayment of Loan Repayments.

### **Application of Interest Account**

All amounts in the Interest Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity from funds on deposit in the Principal Account or the Redemption Fund pursuant to the Bond Indenture) or to reimburse the Credit Facility Provider for drawings made under the Credit facility for such purpose. In accordance with the Bond Indenture, unless a Credit Facility Provider Failure has occurred and is continuing or there is no Credit Facility in effect with respect to the Bonds, interest on the Bonds shall be paid solely with Available Moneys.

### **Application of Principal Account**

All amounts in the Principal Account shall be used and withdrawn by the Bond Trustee solely to purchase or redeem or pay at maturity the Bonds as provided in the Bond Indenture or to reimburse the

Credit Facility Provider for drawings made under the Credit Facility for such purpose. In accordance with the Bond Indenture, unless a Credit Facility Provider Failure has occurred and is continuing or no Credit Facility is in effect with respect to the Bonds, principal and Redemption Price shall be paid solely with Available Moneys.

### **Application of Redemption Fund**

The Bond Trustee shall establish, maintain and hold in trust a fund separate from any other fund established and maintained under the Bond Indenture designated as the “Redemption Fund” and within the Redemption Fund a separate Optional Redemption Account and a separate Special Redemption Account. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be used and withdrawn by the Bond Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Bond Indenture, at the next succeeding date of redemption for which notice has been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively or to reimburse the Credit Facility Provider with respect to drawings under the Credit Facility for such purpose; provided that, at any time prior to giving such notice of redemption, the Bond Trustee shall, upon direction of the Corporation, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds; and provided further that, in the case of the Optional Redemption Account, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account as constitute Available Moneys may be transferred to the Revenue Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Corporation.

### **Rebate Fund**

All money at any time deposited in the Rebate Fund shall be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Agreement), for payment to the federal government of the United States of America. Neither the Authority, the Corporation nor the Holder of any Bonds shall have any rights in or claim to such moneys.

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

All moneys in any of the funds and accounts established pursuant to the Bond Indenture (other than the Bond Purchase Fund and the Credit Facility Fund) shall be invested by the Bond Trustee, upon direction of the Corporation, solely in Investment Securities. All Investment Securities shall be acquired subject to the limitations as to maturities set forth in the Bond Indenture and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Corporation.

### **Credit Facility; Credit Facility Fund**

The Bond Trustee shall hold and maintain each Credit Facility (if any) for the benefit of the Holders until such Credit Facility expires in accordance with its terms. Subject to the provisions of Bond Indenture, the Bond Trustee shall enforce all terms, covenants and conditions of each Credit Facility, including payment when due of any draws on such Credit Facility, and the provisions relating to the payment of draws on, and reinstatement of amounts that may be drawn under, such Credit Facility, and will not consent to, agree to or permit any amendment or modification of such Credit Facility which would materially adversely affect the rights or security of the Holders. If at any time during the term of a Credit Facility any successor Bond Trustee shall be appointed and qualified under the Bond Indenture,

the resigning or removed Bond Trustee shall request that the Credit Facility Provider transfer such Credit Facility to the successor Bond Trustee. If the resigning or removed Bond Trustee fails to make this request, the successor Bond Trustee shall do so before accepting appointment. When a Credit Facility expires in accordance with its terms or is replaced by an Alternate Credit Facility, the Bond Trustee shall immediately surrender such Credit Facility to the Credit Facility Provider. All provisions in the Bond Indenture relating to the rights of the Credit Facility Provider shall be of no force and effect if there is no Credit Facility or Alternate Credit Facility in effect and, if the Credit Facility Provider and the Liquidity Facility Provider are the same entity, there are no Liquidity Facility Bonds and all amounts owing to the Credit Facility Provider and, if the Credit Facility Provider and the Liquidity Facility Provider are the same entity, the Liquidity Facility Provider under the Bond Indenture and under the Reimbursement Agreement then in effect have been paid.

Notwithstanding any other provision of the Bond Indenture, unless a Credit Facility Provider Failure has occurred and is continuing or no Credit Facility is in effect with respect to the Bonds, the principal and Redemption Price of and interest on the Bonds shall be paid solely with Available Moneys. While a Credit Facility is in effect with respect to any Bonds, the Bond Trustee shall, on the Business Day preceding each Interest Payment Date and Maturity Date (or other date upon which principal of such Bonds is due), draw on the Credit Facility in accordance with the terms thereof so as to receive thereunder by 2:00 p.m., New York City time, on said Interest Payment Date and Maturity Date (or other date upon which principal of such Bonds is due), an amount, in immediately available funds, equal to the amount of interest and principal payable on such Bonds on such Interest Payment Date and Maturity Date (or other date upon which principal of such Bonds is due). The proceeds of such draws shall be deposited in the Credit Facility Fund pursuant to the Bond Indenture and shall be applied to pay principal of and interest on the Bonds prior to the application of any other funds held by the Bond Trustee therefor. Amounts held in the Credit Facility Fund shall be held uninvested and separate and apart from all other funds and accounts. Notwithstanding the foregoing, if the Credit Facility Provider and the Liquidity Facility Provider are the same entity, the Bond Trustee shall not draw on the Credit Facility with respect to any payments due or made in connection with Liquidity Facility Bonds. In no event shall the Bond Trustee draw on the Credit Facility with respect to any payments made in connection with Bonds not covered by the Credit Facility or Bonds owned by the Corporation or any Obligated Group Member.

The Bond Trustee shall establish, maintain and hold in trust in the Bond Trustee's name for the benefit of Holders a special fund designated as the "Credit Facility Fund." The Bond Trustee shall deposit in the Credit Facility Fund all moneys derived from a drawing under a Credit Facility for the purpose of paying the principal of and interest on Bonds when due. Moneys held in the Credit Facility Fund shall be held uninvested and shall not be commingled with any other moneys. Moneys in the Credit Facility Fund shall be withdrawn by the Bond Trustee from the Credit Facility Fund and applied to the payment of the principal of and interest on Bonds subject to such Credit Facility on each Interest Payment Date and Maturity Date for such Bonds (or other date upon which principal of such Bonds is due), provided that such moneys shall not be used to pay the principal of or interest on Bonds not covered by the Credit Facility or Bonds owned by any Obligated Group Member. The Credit Facility Fund shall be required to be an Eligible Account.

### **Tax Covenants**

The Authority shall at all times do and perform all acts and things permitted by law and the Bond 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 so excluded. Without limiting the generality of the foregoing, the Authority agrees to comply with the provisions of the Tax Agreement. This covenant shall survive payment in full or defeasance of the Bonds.

## **Continuing Disclosure**

Pursuant to the Loan Agreement, the Corporation has undertaken all responsibility for compliance with continuing disclosure requirements, and the Authority shall have no liability to the Holders of the Bonds or any other Person with respect to S.E.C. Rule 15c2-12. Notwithstanding any other provision of the Bond Indenture, failure of the Corporation or the Dissemination Agent (as defined in the Continuing Disclosure Agreement to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Bond Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement or the Holders of at least 25% aggregate principal amount of Outstanding Bonds and being provided indemnification reasonably acceptable to it, shall) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation to comply with its obligations under the Loan Agreement or to cause the Bond Trustee to comply with its obligations under the Bond Indenture.

## **Events of Default**

Events of Default under the Bond Indenture include: (A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration or otherwise; (B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable; (C) failure by the Corporation to pay the Purchase Price of any Bond tendered or subject to mandatory tender pursuant to the Bond Indenture; (D) default in any material respect by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Bond Indenture or in the Bonds contained, if such default shall have continued 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 and the Corporation by the Bond Trustee, or to the Authority, the Corporation and the Bond Trustee by the Credit Facility Provider (if any) or Holders of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds at the time Outstanding; (E) a Loan Default Event; (F) receipt by the Bond Trustee of notice from the Credit Facility Provider (if any) that an Event of Default (as defined in the Reimbursement Agreement) has occurred under the Reimbursement Agreement and which notice directs the Bond Trustee to accelerate the Bonds; or (G) receipt by the Bond Trustee of notice from the Credit Facility Provider that the amount of an interest drawing under the Credit Facility will not be reinstated as provided in the Credit Facility.

Upon actual knowledge of the existence of any Event of Default, the Bond Trustee shall notify the Corporation, the Authority, the Credit Facility Provider (if any) and the Master Trustee in writing as soon as practicable; provided, however, that the Bond Trustee need not provide notice of any Loan Default Event if the Corporation has expressly acknowledged the existence of such Loan Default Event in a writing delivered to the Bond Trustee, the Authority, the Credit Facility Provider (if any) and the Master Trustee. Additionally, the Bond Trustee shall immediately notify the Credit Facility Provider (if any) if at any time there are insufficient moneys to make any payments of principal of and/or interest on the Bonds and immediately upon the occurrence of any Event of Default hereunder and shall provide such additional information as the Credit Facility Provider (if any) shall reasonably request.

## **Acceleration of Maturities**

Whenever any Event of Default referred to under “Events of Default” above shall have happened and be continuing, the Bond Trustee may take the following remedial steps:

(A) In the case of an Event of Default of the type described in clauses (A), (B), (C), (F) and (G) under “Events of Default” above, the Bond Trustee may, with the written consent of the Credit Facility Provider (if any), and shall at the written direction of the Credit Facility Provider (if any), notify the Authority and the Master Trustee of such Event of Default, may make a demand for payment under the Obligation and request the Master Trustee in writing to give notice pursuant to the “Acceleration” provisions of the Master Indenture to the Obligated Group Members declaring the principal of all obligations issued under the Master Indenture then outstanding to be due and immediately payable. Thereupon, the Bond Trustee (with the written consent of the Credit Facility Provider (if any), and at the written direction of the Credit Facility Provider (if any)) shall declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Bond Indenture to the contrary notwithstanding. In addition, the Bond Trustee may take whatever action at law or in equity is necessary or desirable to collect the payments due under the Obligation;

(B) In the case of an Event of Default of the type described in clause (D) under “Events of Default” above, the Bond Trustee (with the written consent or at the direction of the Credit Facility Provider (if any)) may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Authority with any covenant, condition or agreement by the Authority under the Bond Indenture; and

(C) In the case of an Event of Default described in clause (E) under “Events of Default” above, the Bond Trustee (with the written consent or at the direction of the Credit Facility Provider (if any)) may take whatever action the Authority would be entitled to take, and shall take whatever action the Authority would be required to take, pursuant to the Loan Agreement in order to remedy the Loan Default Event.

Upon a declaration of acceleration pursuant to the Bond Indenture, interest on Bonds (other than Liquidity Facility Bonds) shall immediately cease to accrue and the Bond Trustee shall immediately draw on the Credit Facility in accordance with its terms, as provided in the Bond Indenture, in an amount sufficient to pay principal and interest on the Bonds subject to such Credit Facility, and shall immediately apply the proceeds of such draw to the payment of the Bonds.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority or the Corporation shall deposit with the Bond Trustee a sum sufficient to pay all the principal or redemption price of and installments of interest on the Bonds, payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Bond Trustee, and any and all other defaults known to the Bond Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Bond Trustee or provision deemed by the Bond Trustee to be adequate shall have been made therefor (provided that if a Credit Facility was drawn upon in connection with such Event of Default, such Credit Facility has been reinstated and in the case of an Event of Default described in the Bond Indenture, the notice provided by the Credit Facility Provider has been rescinded by the Credit Facility Provider), then, and in every such case, the Bond Trustee shall, on behalf of the Holders of all of the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon. The Bond Trustee shall give written notice to the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any) of any such rescission.

Notice of such declaration having been given as aforesaid, anything to the contrary contained in the Bond Indenture or in the Bonds notwithstanding, interest shall cease to accrue on such Bonds from and after the date set forth in such notice (which shall be not more than seven days from the date of such declaration).

Nothing contained in the Bond Indenture, however, shall require the Bond Trustee to exercise any remedies in connection with an Event of Default unless the Bond Trustee shall have actual knowledge or shall have received written notice of such Event of Default.

### **Application of Revenues and Other Funds After Default**

If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Bond Trustee under any of the provisions of the Bond Indenture (subject to the Bond Indenture and other than moneys required to be deposited in the Rebate Fund, the Bond Purchase Fund or the Credit Facility Fund) shall be applied by the Bond Trustee as follows and in the following order:

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

(2) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Bond Indenture, as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

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

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

Third: To the payment to the Credit Facility Provider (if any), any amounts payable under the Reimbursement Agreement.

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then

to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference, and then to the payment of the Credit Facility Provider (if any) of any amounts payable under the Reimbursement Agreement.

### **Bond Trustee to Represent Bondholders**

Under the Bond Indenture, the Bond Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Bond Trustee) as Bond Trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Bond Indenture, the Loan Agreement, the Obligation, the Act and applicable provisions of any other law. Subject to the rights of the Credit Facility Provider (if any) with respect to the enforcement of remedies related to the Bonds as described in the Bond Indenture, upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Bond Trustee to represent the Bondholders, the Bond Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (and in either case subject to the rights of the Credit Facility Provider (if any) with respect to the enforcement of remedies related to the Bonds as described in the Bond Indenture) and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Bond Indenture, or in aid of the execution of any power granted in the Bond Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bond Trustee or in such Holders under the Bond Indenture, the Loan Agreement, the Obligation, the Act or any other law; and upon instituting such proceeding, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other amounts and assets pledged under the Bond Indenture, pending such proceedings. All rights of action under the Bond Indenture or the Bonds or otherwise may be prosecuted and enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Bond Trustee shall be brought in the name of the Bond Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Bond Indenture.

### **Credit Facility Provider's (if any) and Bondholders' Direction of Proceedings**

Anything in the Bond Indenture to the contrary notwithstanding, the Credit Facility Provider (if any) or, if a Credit Facility Provider Failure has occurred and is continuing or if there is no Credit Facility in effect and no obligations payable to the Credit Facility Provider under the Reimbursement Agreement, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, but with the written consent of the Credit Facility Provider (if any), shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Bond Trustee, and upon indemnifying the Bond Trustee to its satisfaction therefor, to direct the method of conducting all remedial proceedings taken by the Bond Trustee under the Bond Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Bond Indenture, and that the Bond Trustee shall have the right to decline to follow any such direction which in the opinion of the Bond Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

### **Limitation on Bondholders' Right to Sue**

No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Bond Indenture, the Loan Agreement, the Obligation, or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Bond Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers granted in the Bond Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Bond Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Bond Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Trustee; and (5) the Credit Facility Provider (if any) shall have consented in writing to such action.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Bond Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatsoever by such Holder's or Holders' action to affect, disturb or prejudice the security of the Bond Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Bond Indenture, the Loan Agreement, the Obligation, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Bond Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Bond Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Bond Indenture.

### **Modification or Amendment of the Bond Indenture**

The Bond Indenture and the rights and obligations of the Authority and of the Holders of the Bonds and of the Bond 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 Bond Trustee may enter into when the written consent of the Corporation and (1) Credit Facility Provider (if any) or (2) if a Credit Facility Provider Failure has occurred and is continuing or if there is no Credit Facility then in effect and no obligations payable to the Credit Facility Provider under the Reimbursement Agreement, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Bond Trustee. No such modification or amendment shall (1) extend the stated 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, or reduce any premium payable upon the redemption thereof or change the Purchase Price to be paid to Holders tendering their Bonds, without the consent of the Holder of each Bond so affected, or (2) reduce the percentage 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 Bond Indenture prior to or on a parity with the lien created by the Bond Indenture, or deprive the Holders of the Bonds of the lien created by the Bond Indenture on such Revenues and other assets (except as expressly provided in the Bond Indenture), without the consent of the Holders of all Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Bond Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Bond Trustee of any Supplemental Bond Indenture, the Bond Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Bond Indenture to the Bondholders. 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 Bond Indenture.

The Bond Indenture and the rights and obligations of the Authority, of the Bond Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Bond Trustee may enter into with the written consent of the Corporation, but without the necessity of obtaining the consent of any Bondholders, but with the consent of the Credit Facility Provider (if any), only to the extent permitted by law and only for any one or more of the following purposes: (1) to add to the covenants and agreements of the Authority contained in the Bond Indenture 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 reserved to or conferred upon the Authority in the Bond Indenture, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds; (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 Bond Indenture, or in regard to matters or questions arising under the Bond Indenture, as the Authority or the Bond Trustee may deem necessary or desirable and not inconsistent with the Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds; (3) to modify, amend or supplement the Bond Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds; (4) to evidence or give effect to, or to conform to the terms and provisions of, any Liquidity Facility; (5) to evidence or give effect to, or to conform to the terms and provisions of, any Credit Facility; (6) to facilitate and implement any book entry system (or any termination of a book entry system) with respect to the Bonds; (7) to maintain the exclusion from gross income of interest payable with respect to the Bonds; or (8) to make any modification or amendment to the Bond Indenture even if consent of the Holders would otherwise be required, (i) if such amendment will be effective upon the remarketing the Bonds following the mandatory tender of the Bonds 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.

### **Amendment of Loan Agreement**

Except as provided in the paragraph below, the Authority shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination, unless there is filed with the Bond Trustee the written consent to such amendment, modification or termination of (i) the Credit Facility Provider (if any) or (ii) if a Credit Facility Provider Failure has occurred and is continuing or if there is no Credit Facility Provider and if there are no obligations payable to any Credit Facility Provider under the Reimbursement Agreement, the Holders of a majority in principal amount of the Bonds then Outstanding, provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments to be made to the Authority or the Bond Trustee by the Corporation pursuant to the Loan Agreement, or extend the time for making such payments, without the written consent of the Credit Facility Provider (if any) and all of the Holders of the Bonds then Outstanding.

The terms of the Loan Agreement may also be modified or amended from time to time and at any time by the Authority without the necessity of obtaining the consent of any Bondholders, but with the written consent of the Credit Facility Provider (if any), only to the extent permitted by law and only for any one or more of the following purposes: (1) to add to the covenants and agreements of the Authority or the Corporation contained in the Loan Agreement 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 therein reserved to or conferred upon the Authority or the Corporation, provided, that

no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds; (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 Loan Agreement, or in regard to matters or questions arising under the Loan Agreement, as the Authority may deem necessary or desirable and not inconsistent with the Loan Agreement or the Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds; (3) to evidence or give effect to, or to conform to the terms and provisions of, any Liquidity Facility; (4) to evidence or give effect to, or to conform to the terms and provisions of, any Credit Facility; (5) to maintain the exclusion from gross income of interest payable with respect to the Bonds; and (6) to make any modification or amendment to the Loan Agreement, even if consent of the Holders would otherwise be required, (i) if such amendment will be effective upon the remarketing of the Bonds following the mandatory tender of the Bonds pursuant to the Bond Indenture 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.

Upon Request of the Corporation, the Bond Trustee, as holder of the Obligation, shall consent to any amendment to the Master Indenture requested by the Corporation, provided that the Bond Trustee shall have received the prior written consent of the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any), to such amendments.

### **Discharge of Bond Indenture**

The Bonds may be paid by the Authority or the Bond Trustee on behalf of the Authority in any of the following ways: (a) by paying or causing to be paid (with Available Moneys) the principal or Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys (which shall be Available Moneys) or securities (purchased with Available Moneys) in the necessary amount (as described below under “Deposit of Money or Securities with Bond Trustee”) to pay when due or redeem all Bonds then Outstanding; or (c) by delivering to the Bond Trustee, for cancellation by it, all Bonds then Outstanding.

### **Discharge of Liability on Bonds**

Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money (which shall be Available Moneys) or securities (purchased with Available Moneys), in the necessary amount to pay or redeem any Outstanding Bond (including, without limitation, any Liquidity Facility Bonds) (whether upon or prior to its maturity or the redemption date of such Bond) and all Reimbursement Obligations, provided that, if any Bond (including, without limitation, any Liquidity Facility Bonds) is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Bond Indenture or provision satisfactory to the Bond 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 thereafter the Holder thereof shall be entitled to payment of the principal of and interest on such Bond by the Authority, and the Authority shall remain liable for such payments, but only out of such money or securities deposited with the Bond Trustee as aforesaid for their payment, subject, however, to the provisions of the Bond Indenture.

### **Deposit of Money or Securities with Bond Trustee**

Whenever in the Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the necessary amount to pay or redeem any Bonds, the

money or securities to be so deposited or held may include money or securities held by the Bond Trustee in the funds and accounts established pursuant to the Bond Indenture (other than the Rebate Fund) and shall be:

(a) lawful money of the United States of America (which shall be Available Moneys), in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity (based on an assumed interest rate equal to the Maximum Interest Rate for periods for which the actual interest rate on the Bonds cannot be determined), 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 Bond Indenture or provision satisfactory to the Bond 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) United States Government Obligations (not callable by the issuer thereof prior to maturity) (purchased with Available Moneys, and maturing no later than the earlier of (x) the first day upon which such Bonds may be tendered or (y) the first day upon which such Bonds may be redeemed, at any time at which there is a Credit Facility in effect), the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity (based on an assumed interest rate equal to the Maximum Interest Rate for periods for which the actual interest rate on the Bonds cannot be determined), or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price 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 provided in the Bond Indenture or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice;

provided, in each case, that the Bond Trustee shall have been irrevocably instructed (by the terms of the Bond Indenture or by Request of the Authority) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds, and provided further, that with respect to the deposit of United States Government Obligations described in paragraph (b) above, the Bond Trustee shall have received (i) a verification report from a firm of independent accountants addressed to the Authority and the Bond Trustee acceptable in form and substance to the Bond Trustee to the effect that the amount deposited is sufficient to make the payments specified therein and (ii) an opinion of nationally recognized bond counsel addressed to the Authority and the Bond Trustee to the effect that the Bonds are no longer Outstanding under the Bond Indenture.

**Consent Rights of the Credit Facility Provider; Credit Facility Provider Deemed Holder of Bonds in Certain Circumstances.**

Whenever in the Bond Indenture the consent of the Holders of the Bonds is required, the consent of the Credit Facility Provider shall also be required unless specifically stated otherwise in the Bond Indenture. The Credit Facility Provider shall be deemed to be the Holder of all Bonds then Outstanding and subject to such Credit Facility for purposes of the Bond Indenture, including, without limitation acceleration of the principal represented by the Bonds and the direction of the Bond Trustee to exercise rights and powers conferred upon the Bond Trustee pursuant to the Bond Indenture. Notwithstanding any other provision of the Bond Indenture, any provision therein requiring the consent of, the giving of notice to, or control of proceedings by the Credit Facility Provider shall be in effect for so long as, and only during such time as such Credit Facility is in effect and no Credit Facility Provider Failure with respect to such Credit Facility shall have occurred and be continuing.

## LOAN AGREEMENT

### **General**

The Loan Agreement is an agreement between the Authority and the Corporation, whereby the Authority agrees to lend the proceeds of the Bonds to the Corporation and the Corporation agrees to make payments to the Bond Trustee sufficient to pay debt service on such Bonds. Such payments will be made pursuant to the related Obligation.

The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Loan Agreement.

### **Payments**

In consideration of the loan of the proceeds of the Bonds to the Corporation, the Corporation agrees to pay, or cause to be paid, "Loan Repayments" on or before the second Business Day prior to each Interest Payment Date or the Maturity Date, in an amount sufficient to enable the Bond Trustee to make the transfers and deposits required at the times and in the amounts pursuant to the Bond Indenture. Each Loan Repayment shall be made in immediately available funds. Notwithstanding the foregoing, the Corporation agrees to make payments, or cause payments to be made, at the times and in the amounts required to be paid as principal or Redemption Price of and interest on the Bonds from time to time Outstanding under the Bond Indenture and other amounts required to be paid under the Bond Indenture, as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise.

Except as otherwise expressly provided in the Loan Agreement, all amounts payable with respect to the Obligation or under the Loan Agreement by the Corporation to the Authority shall be paid to the Bond Trustee or other parties entitled thereto as assignee of the Authority and the Loan Agreement and all right, title and interest of the Authority in any such payments are assigned and pledged to the Bond Trustee pursuant to the Bond Indenture so long as any Bonds remain Outstanding.

Notwithstanding the foregoing, the Corporation shall receive credit against Loan Repayments required to be made under the Loan Agreement on any Interest Payment Date or Maturity Date to the extent that payments are received by the Bond Trustee in an amount sufficient to pay the interest on or principal of the Bonds becoming due and payable on such Interest Payment Date or Maturity Date, respectively, from a drawing on the Credit Facility pursuant to the Bond Indenture.

### **Additional Payments**

In addition to Loan Repayments, the Corporation shall also pay to the Authority, the Bond Trustee, the Liquidity Facility Provider (if any), the Credit Facility Provider (if any), the Remarketing Agent (if any) or the designated agent of any of them, as the case may be, "Additional Payments" as described in the Loan Agreement.

### **Prepayment**

The Corporation shall have the right, so long as all amounts which have become due under the Loan Agreement have been paid, at any time or from time to time to prepay all or any part of the Loan Repayments and the Authority agrees that the Bond Trustee shall accept such prepayments when the same are tendered.

## **Obligations Unconditional**

The obligations of the Corporation under the Loan Agreement and pursuant to the Obligation are absolute and unconditional, notwithstanding any other provision of the Loan Agreement, the Supplement, the Obligation, the Master Indenture or the Bond Indenture.

## **Continuing Disclosure**

Upon adjustment of the Bonds to an Interest Rate Period which is not exempt from Rule 15c-12, the Corporation covenants and agrees that it will enter into, comply with and carry out all of the provisions of the Continuing Disclosure Agreement as required in order to comply with the provisions of Rule 15c2-12. Notwithstanding any other provision of the Loan Agreement or the Master Indenture, failure of the Corporation to enter into and comply with the Continuing Disclosure Agreement (if any) shall not be considered a Loan Default Event or an Event of Default; however, the Bond Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds and being provided indemnification reasonably acceptable to it, shall) or any Bondholder or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Corporation to comply with its obligations under the Loan Agreement.

## **Credit Facility; Alternate Credit Facility**

While the Bonds bear interest at a Daily Rate, a Weekly Rate or Commercial Paper Rates, the Corporation shall maintain or furnish, as the case may be, a Credit Facility (or, if a Credit Facility is then in existence, an Alternate Credit Facility in substitution for the Credit Facility then in effect) or otherwise make funds available pursuant to a Credit Facility to the Bond Trustee to provide for the payment of principal of and interest on such Bonds in accordance with the Bond Indenture. Any Credit Facility (or Alternate Credit Facility) shall be a facility provided by a commercial bank or other financial institution in an amount equal to the Required Stated Amount with a term of at least 360 days from the effective date thereof and shall be subject to the approval of the Liquidity Facility Provider (if any) for such Bonds if the Liquidity Facility Provider is a separate entity from the Credit Facility Provider. The Corporation shall give at least forty-five (45) days' advance written notice to the Bond Trustee, the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any) of (1) its intent to furnish a Credit Facility or Alternate Credit Facility to the Bond Trustee, which notice shall specify the nature of such Credit Facility, the identity of the Credit Facility Provider and the proposed effective date of the Credit Facility and (2) its intent to terminate a Credit Facility then in effect, which notice shall specify the proposed termination date for such Credit Facility.

If a Credit Facility has been delivered or otherwise made available to the Bond Trustee in accordance with the Loan Agreement, the Corporation (1) shall maintain the Credit Facility or an Alternate Credit Facility, in an amount equal to the Required Stated Amount prior to its termination, and (2) shall not voluntarily terminate the Credit Facility or any Alternate Credit Facility without the written consent of the Liquidity Facility Provider (if any), if such Liquidity Facility Provider is a separate entity from the applicable Credit Facility Provider.

## **Liquidity Facility; Alternate Liquidity Facility**

While the Bonds bear interest at a Daily Rate, a Weekly Rate or Commercial Paper Rates, the Corporation shall, unless the Credit Facility Provider (if any) (if the Credit Facility Provider is a separate entity from the Liquidity Facility Provider) shall have otherwise consented, maintain or furnish, as the case may be, a Liquidity Facility (or, if a Liquidity Facility is then in existence, an Alternate Liquidity

Facility in substitution for the Liquidity Facility then in effect) or otherwise make funds available pursuant to a Liquidity Facility to the Tender Agent to provide for the purchase of such Bonds upon their optional or mandatory tender in accordance with the Bond Indenture. Any Liquidity Facility (or Alternate Liquidity Facility) shall be a facility provided by a commercial bank or other financial institution in an amount equal to the Required Stated Amount with a term of at least 360 days from the effective date thereof and shall be subject to the approval of the Credit Facility Provider (if any). The Corporation shall give at least forty-five (45) days' advance written notice to the Bond Trustee, the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any) and the Tender Agent of (1) its intent to furnish a Liquidity Facility or Alternate Liquidity Facility to the Tender Agent, which notice shall specify the nature of such Liquidity Facility, the identity of the Liquidity Facility Provider and the proposed effective date of the Liquidity Facility and (2) its intent to terminate a Liquidity Facility then in effect, which notice shall specify the proposed termination date for such Liquidity Facility.

If a Liquidity Facility has been delivered or otherwise made available to the Tender Agent in accordance with the Loan Agreement, the Corporation (1) shall maintain the Liquidity Facility or an Alternate Liquidity Facility, in an amount equal to the Required Stated Amount prior to its termination, and (2) shall not voluntarily terminate the Liquidity Facility or any Alternate Liquidity Facility without the written consent of the Credit Facility Provider (if any), if such Credit Facility Provider is a separate entity from the applicable Liquidity Facility Provider.

So long as no Credit Facility Provider Failure has occurred and is continuing, the Credit Facility Provider (if any) if such Credit Facility Provider is a separate entity from the Liquidity Facility Provider may require the Corporation to provide an Alternate Liquidity Facility upon at least sixty (60) days' notice to the Corporation, the Authority and the Bond Trustee if the Liquidity Facility Provider receives a short-term rating downgrading below the top two highest short-term Rating Categories of any Rating Agency then rating such Bonds, the Liquidity Facility Provider defaults in payment under such Liquidity Facility or the Liquidity Facility Provider makes a demand for increased fees or costs resulting from regulatory or reserve requirements applicable to the Liquidity Facility Provider.

## **Events of Default**

Each of the following events shall constitute and be referred to as a "Loan Default Event":

(a) failure by the Corporation to pay in full any payment under the Loan Agreement or under the Obligation when due, whether on an interest payment date at maturity, upon a date fixed for prepayment, by declaration, upon tender of the Bonds for purchase pursuant to the Bond Indenture, or otherwise pursuant to the terms of the Loan Agreement or the Bond Indenture;

(b) if any material representation or warranty made by the Corporation in the Loan Agreement or made by the Corporation or any Member or Obligated Group Affiliate in any document, instrument or certificate furnished to the Bond Trustee or the Authority in connection with the issuance of the Obligation or the Bonds shall at any time prove to have been incorrect in any respect as of the time made;

(c) if the Corporation shall fail to observe or perform any other covenant, condition, agreement or provision in the Loan Agreement on its part to be observed or performed, other than as referred to in paragraph (a) or (b) above, or shall breach any warranty by the Corporation contained in the Loan Agreement, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Corporation by the Authority, the Credit Facility Provider (if any) or the Bond Trustee; except that, if such failure or breach can be remedied but not within such sixty-day period and if the Corporation has taken all action reasonably possible to remedy such

failure or breach within such sixty-day period, such failure or breach shall not become a Loan Default Event for so long as the Corporation shall diligently proceed to remedy such failure or breach in accordance with and subject to any directions or limitations of time established by the Bond Trustee and the Credit Facility Provider (if any);

(d) if certain bankruptcy or insolvency related events take place with respect to the Corporation;

(e) any Event of Default as defined in and under the Bond Indenture; or

(f) any Event of Default in and under the Master Indenture.

### **Remedies in General**

Upon the occurrence and during the continuance of any Loan Default Event, the Bond Trustee on behalf of the Authority, but subject to the limitations in the Bond 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 Corporation under the Loan Agreement or to protect the interests securing the same.

Notwithstanding any other provision of the Loan Agreement or any right, power or remedy existing at law or in equity or by statute, the Bond 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 the Obligation and all interest thereon immediately due and payable in accordance with the Master Indenture.

### **Amendments to Loan Agreement**

The Loan Agreement may be amended, changed or modified only as provided in the Bond Indenture. See “BOND INDENTURE – Amendment of Loan Agreement.”

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## APPENDIX B

### Form of Proposed Legal Opinion of Bond Counsel

[CLOSING DATE]

ABAG Finance Authority  
for Nonprofit Corporations  
Oakland, California

ABAG Finance Authority for Nonprofit Corporations  
Variable Rate Revenue Bonds (On Lok Senior Health Services), Series 2008  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the ABAG Finance Authority for Nonprofit Corporations (the "Authority") in connection with the issuance of \$[PAR] aggregate principal amount of ABAG Finance Authority for Nonprofit Corporations Variable Rate Revenue Bonds (On Lok Senior Health Services), Series 2008 (the "Bonds"), issued pursuant to a bond indenture, dated as of August 1, 2008 (the "Bond Indenture"), between the Authority and Wells Fargo Bank, National Association, as bond trustee (the "Bond Trustee"). The Bond Indenture provides that the Bonds are issued for the purpose of making a loan of the proceeds thereof to On Lok Senior Health Services (the "Corporation") pursuant to a loan agreement, dated as of August 1, 2008 (the "Loan Agreement"), between the Authority and the Corporation. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Indenture.

In such connection, we have reviewed the Bond Indenture; the Loan Agreement; the Tax Certificate and Agreement, dated \_\_\_\_\_, 2008 (the "Tax Certificate"), between the Authority and the Corporation; opinions of counsel to the Corporation and the other Members of the Obligated Group and counsel to the Bond Trustee; the opinion of special counsel to the Authority; certificates of the Authority, the Bond Trustee, the Corporation, the other Members of the Obligated Group 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 Corporation and the other Members of the Obligated Group, regarding, among other matters, the current qualification of the Corporation and the other Member of the Obligated Group as organizations 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 Corporation and the other Member of the Obligated Group regarding the use of the facilities financed with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of the Corporation and the other Members of the Obligated Group within the meaning of Section 513 of the Code. We note that the opinion of counsel to the Corporation and the other Member of the Obligated Group does not address Section 513 of

the Code. Failure of the Corporation or the other Member of the Obligated Group to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of their status as a organizations described in Section 501(c)(3) of the Code, or use of the facilities refinanced with the proceeds of the Bonds in activities that are considered unrelated trade or business activities of the Corporation or the other Member of the Obligated Group 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 Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond 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 Bond 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 and to the exercise of judicial discretion in appropriate cases. 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 Bond 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, dated \_\_\_\_\_, 2008, 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 Authority.
2. The Bond Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Bond 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 Bond Trustee in any fund or account established pursuant to the Bond Indenture (other than the Rebate Fund and the Bond Purchase Fund), subject to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture.

3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Authority.

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

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## APPENDIX C

### Book-Entry Only System

#### INFORMATION REGARDING BOOK-ENTRY ONLY SYSTEM

**THE INFORMATION PROVIDED IN THIS APPENDIX C HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, THE CORPORATION, THE BOND TRUSTEE OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT.**

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Trustee and request that copies of notices be provided directly to them.

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

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

Principal, Purchase Price and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Bond Trustee, on a payment 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 Participants and not of DTC, its nominee, the Bond Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, Purchase Price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

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

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

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



 On Lok Senior Health Services

 On Lok Community Housing

