

In the opinion of Bond Counsel, under existing law and assuming continuing compliance with certain arbitrage rebate and other tax requirements referred to herein, interest on the Bonds will be excluded from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax of either corporations or individuals. In addition, in the opinion of Bond Counsel, under existing law, the interest on the Bonds is exempt from present personal income taxes imposed by the State of California. See the discussion under the heading "TAX MATTERS" herein.

\$20,000,000

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
Variable Rate Demand Revenue Bonds, Series 2009
(Valley Christian Schools)
(CUSIP: 00037C PB0)[†]**

Dated: Date of Delivery

Price: 100%

Due: July 1, 2039

The ABAG Finance Authority for Nonprofit Corporations (the "Authority") Variable Rate Demand Revenue Bonds, Series 2009 (Valley Christian Schools) (the "Bonds") are issuable as fully-registered bonds registered in the name of a nominee of The Depository Trust Company, 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. Beneficial Owners of the Bonds will not receive physical delivery of bond certificates. Payments of the principal and Tender Price of, and interest on the Bonds will be made to DTC by U.S. Bank National Association as Trustee. 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 A – BOOK-ENTRY SYSTEM."

The Bonds are being issued by the Authority which will loan the proceeds thereof to

VALLEY CHRISTIAN SCHOOLS

(the "Corporation") pursuant to the Loan Agreement described herein to: (a) finance and refinance a portion of the acquisition, construction, installation, improvement, renovation, furnishing and equipping of a junior high school and high school campus owned by the Corporation and an acquisition of approximately 11.37 acres of land immediately adjacent thereto (collectively the "Project") and (b) to pay capitalized interest and capitalize certain other costs related to the Initial Credit Facility. The Authority is obligated to pay the principal, and interest on the Bonds solely from the Revenues, including amounts received from the Corporation under the Loan Agreement, and the other funds pledged therefor under the Indenture. The Corporation's payment obligations under the Loan Agreement are general, unsecured obligations of the Corporation.

The Bonds are being issued initially as variable rate bonds. The Bonds will initially bear interest in a Weekly Rate Mode. The Bonds will be available in denominations of \$100,000 and any multiple of \$5,000 in excess thereof during any Weekly Period or Daily Period. The Bonds are subject to conversion as more fully described herein and are subject to mandatory tender for purchase upon any such conversion. The specific interest rate for each Interest Period is to be determined by the Remarketing Agent, initially Merrill Lynch, Pierce, Fenner & Smith Incorporated. The Weekly Rate and the Daily Rate will be computed on the basis of a 365-day year or 366-day year, as applicable, and actual days elapsed during each Weekly Rate Period or Daily Rate Period, as applicable, payable on the first Business Day of each calendar month, commencing August 3, 2009.

Principal, interest and the Purchase Price of the Bonds are initially supported by an irrevocable, direct-pay letter of credit (the "Initial Credit Facility") issued by



(the "Initial Credit Provider"), pursuant to the terms of a Letter of Credit and Reimbursement Agreement between the Corporation and the Initial Credit Provider. The Purchase Price of Bonds tendered or deemed tendered pursuant to the Indenture is payable solely from the proceeds of the remarketing of such Bonds and, in instances when such tendered or deemed tendered Bonds are not remarketed in an amount equal to the Tender Price thereof, the proceeds of draws on the Initial Credit Facility. The Initial Credit Facility will be in effect from the date of issuance of the Bonds through the occurrence of the earliest of the termination events described herein, including substitution of an Alternate Credit Facility meeting the requirements described herein. The initial stated expiration date of the Initial Credit Facility is July 1, 2011.

The rating on the Bonds is based solely upon the Initial Credit Facility. Accordingly, detailed information on the finances and operations of the Corporation is not provided in this Official Statement.

THE BONDS ARE SUBJECT TO OPTIONAL REDEMPTION AND OPTIONAL AND MANDATORY TENDER FOR PURCHASE AS DESCRIBED HEREIN.

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

This Official Statement generally describes the Bonds only while bearing interest at a Weekly Rate or a Daily Rate. Prospective purchasers of the Bonds bearing interest at a rate other than a Weekly Rate or a Daily Rate should not rely on this Official Statement.

This cover page contains certain information for cursory reference only. It is not intended to be a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used in this cover page shall have the meanings given such terms herein.

The Bonds are offered by the Underwriter when, as and if issued by the Authority and accepted by the Underwriter subject to the approval of validity by Holland & Knight LLP, San Francisco, California, Bond Counsel to the Authority, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriter by Hawkins Delafield & Wood LLP, San Francisco, California, for the Authority by Chapman and Cutler LLP, San Francisco, California, for the Corporation by Creech Liebow & Kraus, San Jose, California and for the Initial Credit Provider by Morrison & Foerster LLP, Los Angeles, California. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about July 1, 2009.

Merrill Lynch & Co.

Dated: June 23, 2009

[†] CUSIP numbers are provided for reference only. The Authority, the Corporation and the Underwriter do not assume any responsibility for the accuracy of such numbers.

This Official Statement does not constitute an offer to sell the Bonds in any jurisdiction in which or to any person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the ABAG Finance Authority for Nonprofit Corporations (the "Authority"), Valley Christian Schools (the "Corporation"), or Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") to give any information or to make any representations, other than those contained herein, in connection with the offering of the Bonds and, if given or made, such information or representations must not be relied upon.

The information set forth herein under the caption "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION – The Authority" has been obtained from the Authority. The information set forth herein under the captions "THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT" and "THE INITIAL CREDIT PROVIDER" have been obtained from the Initial Credit Provider. All other information set forth herein has been obtained from the Corporation, The Depository Trust Company and other sources which are believed to be current and reliable, but the accuracy or completeness of such information is not guaranteed by the Authority or the Underwriter. The accuracy or completeness of any information other than that contained under the captions "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION – The Authority" is not guaranteed by, and is not to be construed as a representation by, the Authority.

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

Estimates and opinions included in this Official Statement should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Initial Credit Provider or the Corporation since the date hereof.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 304(a)(4)(B) OF SUCH ACT.

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OFFICIAL STATEMENT

\$20,000,000

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS Variable Rate Demand Revenue Bonds, Series 2009 (Valley Christian Schools)

INTRODUCTION

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

General

This Official Statement, including the cover page and Appendices hereto (this "Official Statement"), provides certain information in connection with the offering of \$20,000,000 aggregate principal amount of Variable Rate Demand Revenue Bonds, Series 2009 (Valley Christian Schools) (the "Bonds") of the ABAG Finance Authority for Nonprofit Corporations (the "Authority").

The Bonds will be issued pursuant to and secured by an Indenture, dated as of July 1, 2009 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Authority will lend the proceeds of the Bonds to Valley Christian Schools, a California nonprofit corporation (the "Corporation"), pursuant to a Loan Agreement, dated as of July 1, 2009 (the "Loan Agreement"), between the Authority and the Corporation. The Trustee also serves as tender agent for the Bonds (the "Tender Agent").

The rating on the Bonds is based upon the Initial Credit Facility (as defined herein) and not on the credit of the Corporation or any other collateral security. Accordingly, detailed information on the finances and operations of the Corporation is not provided in this Official Statement.

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Indenture. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – DEFINITIONS" for definitions of certain words and terms used but not otherwise defined herein.

The Bonds

The Bonds will be initially issued in the Weekly Rate Mode. The Bonds will bear interest on the Closing Date at a rate determined by the Underwriter, and thereafter, the Bonds

will bear interest at the Weekly Rate until the first conversion to a different Mode. While the Bonds are in a Weekly Rate Mode, interest on the Bonds is payable on the first Business Day of each calendar month, commencing August 3, 2009. The Bonds will be dated their date of delivery (the "Issue Date") and will mature on July 1, 2039 (the "Maturity Date"). The Bonds will be initially issued in authorized denominations of \$100,000 and any multiple of \$5,000 in excess thereof. See "THE BONDS" herein.

Pursuant to the Indenture, the Bonds will bear interest at a Weekly Rate, a Daily Rate, a Flexible Rate, a Term Rate, or a Fixed Rate as specified from time to time by the Corporation. The maximum rate of interest any of the Bonds (other than Bank Bonds, which will bear interest as provided in the applicable Credit Agreement) may bear is the lesser of (a) 12% per annum, (b) while any Credit Facility is in effect with respect to such Bonds, the interest rate used to calculate the amount of the interest component of the Applicable Principal and Interest Coverage for such Bonds or (c) the highest interest rate which may be borne by such Bonds under California law. See "THE BONDS – Determination of Weekly Rate" and "– Determination of the Daily Rate" herein.

This Official Statement generally describes the Bonds only while bearing interest at a Weekly Rate or a Daily Rate. Prospective purchasers of the Bonds bearing interest at a rate other than a Weekly Rate or a Daily Rate should not rely on this Official Statement.

The Interest Period for the Bonds may be converted from time to time as provided in the Indenture. See "THE BONDS – Conversion of Interest Rates on the Bonds" herein.

The Bonds are subject to optional redemption and optional and mandatory tender for purchase prior to the Maturity Date as described herein. See "THE BONDS – Redemption" and "– Tender and Purchase of Bonds" herein.

Book-Entry System

When delivered, the Bonds will be registered in the name of Cede & Co., a nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. Purchases of the Bonds 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. Beneficial Owners of the Bonds will not receive physical delivery of certificated securities. Payments of the principal and Tender Price of, and interest on the Bonds are payable by the Trustee to DTC, which will in turn remit such payments to the DTC Participants, which will in turn remit such payments to the Beneficial Owners of the Bonds. In addition, so long as Cede & Co. is the registered owner of the Bonds, the right of any Beneficial Owner to exercise its right to tender its beneficial ownership interest in any Bond for purchase and receive payment therefor will be based only upon and subject to the procedures and limitations of the DTC book-entry system. See "APPENDIX A – BOOK-ENTRY SYSTEM."

Purpose of the Bonds

The Authority will lend the proceeds of the Bonds to the Corporation pursuant to the Loan Agreement to provide funds which the Corporation will use to (a) finance and refinance a portion of the acquisition, construction, installation, improvement, renovation, furnishing and

equipping of a junior high school and high school campus owned by the Corporation and an acquisition of approximately 11.37 acres of land immediately adjacent thereto (collectively the "Project") and (b) to pay capitalized interest and capitalize certain other costs related to the Initial Credit Facility. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF FINANCE" herein.

Security and Sources of Payment for the Bonds

Payment of the principal, Purchase Price of, and interest on the Bonds will be supported initially by an irrevocable, direct-pay letter of credit (the "Initial Credit Facility") issued by Bank of America, N.A. (the "Initial Credit Provider") pursuant to and subject to the terms of a Letter of Credit and Reimbursement Agreement, dated as of July 1, 2009 (the "Reimbursement Agreement"), by and between the Corporation and the Initial Credit Provider.

The Authority is obligated to pay the Bonds, but solely from the Revenues (as defined herein) which include amounts received from the Corporation under the Loan Agreement, and the other funds available therefor under the Indenture, and from amounts received under Credit Facilities for the Bonds. Pursuant to the Indenture, the Authority has pledged all of the Revenues to the Trustee for the benefit of the Bondholders.

The Corporation's payment obligations under the Loan Agreement are obligations of the Corporation. The obligations of the Corporation to make the Loan Payments and Additional Payments under the Loan Agreement and to perform and observe the other agreements on its part contained in the Loan Agreement are absolute and unconditional general obligations of the Corporation. The Loan Agreement provides that until such time as the principal of, and interest on all Bonds shall have been fully paid (or provision for the payment thereof shall have been made as provided in the Indenture), the Corporation (i) will not suspend or discontinue any Loan Payments or Additional Payments, (ii) will perform and observe all of its other agreements contained in the Loan Agreement, and (iii) will not terminate the Loan Agreement for any cause, including, without limiting the generality of the foregoing, any change in the laws of the United States of America or of the State of California (the "State") or any political subdivision of either or any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement.

The Corporation has no obligation under the Loan Agreement to make any payments with respect to the Purchase Price of Bonds tendered or deemed tendered for purchase. The Purchase Price of Bonds tendered or deemed tendered for purchase is payable only from the proceeds of the remarketing of such Bonds and from amounts made available under the Initial Credit Facility or any Alternate Credit Facility for the Bonds.

Investors should make any decision with respect to the purchase, holding or tender of such Bonds based solely upon the credit of the Initial Credit Provider or other Credit Providers (as the case may be), and not the Corporation. As a result, no financial or operating data with respect to the Corporation has been included in this Official Statement.

Certain Information Related to this Official Statement

The descriptions herein of the Indenture, the Loan Agreement, the Initial Credit Facility, the Reimbursement Agreement and other agreements relating to the Bonds are qualified in their entirety by reference to the complete text of such documents, and the description herein of the Bonds is qualified in its entirety by the form thereof and the provisions of the Indenture. See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" for a brief summary of certain provisions of the Indenture and the Loan Agreement.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Corporation or the Initial Credit Provider.

PLAN OF FINANCE

The proceeds of the Bonds will be used by the Corporation to (a) finance and refinance a portion of the acquisition, construction, installation, improvement, renovation, furnishing and equipping of a junior high school and high school campus owned by the Corporation and an acquisition of approximately 11.37 acres of land immediately adjacent thereto (collectively the "Project") and (b) to pay capitalized interest and capitalize certain other costs related to the Initial Credit Facility.

ESTIMATED SOURCES AND USES OF FUNDS

The Corporation anticipates that the proceeds of the Bonds and other available moneys will be applied as follows:

Estimated Sources of Funds

Par Amount of the Bonds	\$20,000,000
Equity Contribution from the Corporation	<u>377,365</u>
Total	\$20,377,365

Estimated Use of Funds

Deposit to Construction Fund ⁽¹⁾	\$20,000,000
Costs of Issuance ⁽²⁾	<u>377,365</u>
Total	\$20,377,365

⁽¹⁾ Fees of the Initial Credit Provider and their counsel will be paid out of the Construction Fund. Approximately \$421,900 from the Construction Fund is expected to be used for capitalized interest on the Bonds and quarterly fees of the Initial Credit Provider through approximately April 1, 2010.

⁽²⁾ Includes fees and expenses of the Underwriter, the Authority, the Trustee, Bond Counsel, Corporation counsel, Underwriter's counsel and the rating agency, printing costs, and other costs incurred in connection with the issuance of the Bonds. Costs of issuance will be paid from the Corporation's equity contribution.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Indenture for all of the provisions relating to the Bonds. The discussion herein is qualified by such reference.

The following summary describes the terms of the Bonds only while the Bonds bear interest at a Weekly Rate or a Daily Rate. Prospective purchasers of the Bonds should not rely on this summary if any Bonds are bearing interest at a rate other than a Weekly Rate or a Daily Rate. If the Corporation, on behalf of the Authority, elects to convert any Bonds to an Interest Period other than a Weekly Period or a Daily Period, a new official statement or a supplement to this Official Statement describing the terms of the Bonds following such conversion will be prepared.

General

The Bonds will initially bear interest at the Weekly Rate as described below under "Determination of the Weekly Rate" unless and until, at the direction of the Corporation on behalf of the Authority and upon compliance with the conditions set forth in the Indenture and the Loan Agreement, the interest rate borne by the Bonds is converted to a Daily Rate, Flexible Rate, Term Rate or Fixed Rate.

The Bonds are to mature on July 1, 2039, subject to prior redemption as described under "— Redemption" below, (ii) be dated the date of their issuance and (iii) bear interest from that date until paid. So long as the Bonds bear interest at a Weekly Rate or a Daily Rate, interest will be computed on the basis of a 365-day year or 366-day year, as applicable, for the actual days elapsed for the Bonds.

The Bonds will be issued as fully registered Bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of DTC. The Bonds may be purchased by the beneficial owners in denominations, during a Weekly Period and Daily Period, of \$100,000 and integral multiples of \$5,000 in excess of \$100,000 (an "Authorized Denomination").

While the Bonds bear interest at a Weekly Rate or Daily Rate, interest on the Bonds will be payable the first Business Day of each calendar month, commencing August 3, 2009 (each, an "Interest Payment Date.")

At no time will any Bond (other than a Bank Bond) bear interest at a Weekly Rate or Daily Rate that is in excess of the lesser of (a) 12% per annum, (b) while any Credit Facility is in effect with respect to such Bonds, the interest rate used to calculate the amount of the interest component of the Applicable Principal and Interest Coverage for such Bonds or (c) the maximum rate of interest on the relevant obligation permitted by California law.

The principal and Redemption Price of each Bond is payable at the office of the Trustee designated for such purpose, upon presentment or surrender of such Bond. Interest on the Bonds is payable to the owner of record on the Record Date. The Record Date with respect to any Interest Payment Date for the any Bonds bearing interest at a Weekly Rate or Daily Rate is the

close of business of the Business Day immediately preceding such Interest Payment Date. Notwithstanding the foregoing, so long as records of ownership of the Bonds are maintained through the Book-Entry System described in Appendix A, all payments to the Beneficial Owners of such Bonds will be made in accordance with the procedures described in Appendix A.

The initial Weekly Rate for the Bonds for the period commencing on the date of delivery of the Bonds will be determined by the Underwriter. Pursuant to the Indenture and the Remarketing Agreement, the Remarketing Agent will thereafter determine the Weekly Rate on the Bonds and use its best efforts to remarket the Bonds subject to optional and mandatory tender for purchase. If the interest rate on the Bonds is subsequently converted to a Daily Rate, the Remarketing Agent will thereafter determine the Daily Rate for the Bonds.

Determination of the Weekly Rate

During each Weekly Period, the Bonds will bear interest at the Weekly Rate, which will be determined by the Remarketing Agent by 10:00 a.m. (New York City time) on or before the date of issuance of the Bonds or the date of conversion to the Weekly Rate Mode, and thereafter on each Thursday, or if Thursday is not a Business Day, the next Business Day succeeding such Thursday (or such other day as may be specified by the Remarketing Agent after notice to the Trustee, the Tender Agent and the Owners of the Bonds), the Remarketing Agent will determine the Weekly Rate for the Bonds by determining, in the manner described below, the Market Rate on the Bonds on such day, which Weekly Rate shall be effective for such Interest Period. The Interest Period for Bonds bearing interest at a Weekly Rate generally begins on a Thursday and ends on the following Wednesday.

Determination of the Daily Rate

During each Daily Period, the Bonds will bear interest at the Daily Rate, which will be determined by the Remarketing Agent for such Bonds by 10:00 a.m., New York City time, on each Business Day for the Remarketing Agent by determining, in the manner described below, the Market Rate therefor on such day, which Daily Rate shall be effective for the Interest Period beginning on such Business Day and ending on the day preceding the next succeeding Business Day.

Procedure for Market Rate Determination

The Remarketing Agent shall make each determination of the Market Rate for any Bond by determining in its judgment the minimum interest rate necessary to be borne by such Bond for the relevant Interest Period to enable the Remarketing Agent to remarket such Bond on the date the Bonds are changed to a different Interest Rate Mode, or continued in successive Interest Periods within the Daily Rate Mode, the Weekly Rate Mode, the Flexible Rate Mode or the Term Rate Mode, as the case may be, at a price (without regard to accrued interest) equal to the principal amount thereof; provided, however, that in no event shall any rate so determined exceed the Maximum Rate.

If for any reason the Remarketing Agent fails to determine the Market Rate or the Flexible Period for any such Bond on a rate determination date, or any Market Rate or Flexible Period for any such Bond determined by the Remarketing Agent on a rate determination date is

determined by a court of competent jurisdiction to be invalid or unenforceable, then, effective on the first day of the Interest Period following such rate determination date or the date with respect to which such court's determination shall be effective, as the case may be, (1) in the case of a Bond in a Weekly Rate Mode, such Bond shall bear interest at a rate equal to the Alternate Rate until the Market Rate is determined or redetermined, as the case may be, and (2) in the case of a Bond in a Daily Rate Mode, Flexible Rate Mode or Term Rate Mode, the Interest Rate Mode applicable to such Bond shall be automatically changed to a Weekly Rate Mode and, except with respect to a change from a Daily Rate Mode that is effective on the first Business Day of a month, such Bond shall be subject to mandatory tender for purchase on the effective date of such change; provided, however, that if there has been a failure to pay the Purchase Price of a Bond in a Term Rate Mode on the effective date of such change from a Term Rate Mode, such automatic change to a Weekly Rate Mode shall not be effective and all of the Bonds shall continue to bear interest at the then-existing Term Rate until such Purchase Price for all of such Bonds has been paid. See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" for the definition of "Alternate Rate".

Conversion of Interest Rates on the Bonds

Conversion from Weekly Rate or Daily Rate. The Corporation, by written direction of an Authorized Representative of the Corporation to the Trustee, the Tender Agent and the Remarketing Agent for the Bonds, may elect at any time that the Interest Rate Mode applicable to all or any portion of the Bonds shall be changed to a Daily Rate Mode, a Weekly Rate Mode, a Flexible Rate Mode, a Term Mode or a Fixed Rate Mode.

A change in Interest Rate Mode will trigger a mandatory tender of the Bonds. See "Tender and Purchase of Bonds - Mandatory Tender Upon Conversion to a Different Interest Period" herein.

Certain Conditions to Conversion of Interest Rates on Bonds. The conversion of the Bonds to a new Interest Rate Mode or new Term Mode is subject to certain conditions, including that the Trustee, and the Bank, if any, is furnished with an opinion of Bond Counsel to the effect that such change in the Interest Rate Mode is lawful under the Act and is authorized or permitted by the Indenture.

In the event that any conditions to a change in the Interest Rate Mode have not been satisfied as provided in the Indenture, the Corporation will prepare and the Trustee will promptly send a notice to all Owners to whom the Trustee had sent notice of the change in Interest Rate Mode, by first class mail, postage prepaid, as soon as practicable but in any event not later than the next succeeding Business Day after the day by which any such condition had to be satisfied pursuant to the Indenture, stating that the proposed change in the Interest Rate Mode will not become effective and that Bonds in the Weekly Rate Mode will not be subject to mandatory tender for purchase and will continue to bear interest at a Weekly Rate and Bonds in a Daily Rate Mode will not be subject to mandatory tender for purchase and will continue to bear interest at a Daily Rate.

The Corporation may rescind its election to change the Interest Mode on the Bonds from a Weekly Mode or a Daily Mode, as applicable, by delivering a rescission notice to the Trustee prior to the effective date of the change in Interest Rate Mode.

Less than all of the Bonds subject to a particular Interest Rate Mode may be converted to another Interest Rate Mode pursuant to the Indenture; provided, however, that in such event: (a) such Bonds shall be re-designated into one or more subseries for each separate Interest Rate Mode with a new CUSIP number for each subseries, (b) the particular Bonds or portions thereof which are to be converted to a new Interest Rate Mode shall be selected by the Trustee in such manner in its discretion as it shall deem appropriate and fair, subject to the provisions of the Indenture regarding Authorized Denominations of Bonds subject to such Interest Rate Mode, and (c) references to Bonds so re-designated shall be deemed to refer to Bonds of each such subseries. All Bonds of any such subseries shall be subject to the same Interest Rate Mode. Except as provided above, all Bonds shall be subject to the same Interest Rate Mode.

Tender and Purchase of Bonds

Optional Tender for Purchase Upon Election of Holder During Weekly Period. When interest on the Bonds is payable at a Weekly Rate, an Owner of Bonds may irrevocably tender such Bonds for purchase by giving telephonic notice to the Remarketing Agent for the Bonds, confirmed in writing to the Remarketing Agent and the Tender Agent, or notice in writing or by Electronic Means to the Remarketing Agent and the Tender Agent, by 4:00 p.m., New York City time, on any Business Day stating the principal amount of the Bond, the CUSIP number and the date (which must be a Business Day at least five (5) Business Days after the notice is given) on which such Bond is to be purchased. The Tender Agent shall promptly inform the Trustee of such notice. In the case of a Bond to be purchased prior to an Interest Payment Date and after the Record Date in respect thereof, if the Owner is other than a Securities Depository or its nominee, the Owner shall deliver a due bill, in form satisfactory to the Tender Agent, for interest due on such Purchase Date.

Optional Tender for Purchase Upon Election of Holder During Daily Period. When interest on the Bonds is payable at a Daily Rate, an Owner of Bonds may irrevocably tender such Bonds for purchase by giving telephonic notice to the Remarketing Agent for the Bonds, confirmed in writing to the Remarketing Agent and the Tender Agent, or notice in writing or by Electronic Means to the Remarketing Agent and the Tender Agent, by 11:00 a.m., New York City time, on any Business Day stating the principal amount of the Bond, the CUSIP number and the date (which must be a Business Day) on which such Bond is to be purchased. The Tender Agent shall promptly inform the Trustee of such notice. In the case of a Bond to be purchased prior to an Interest Payment Date and after the Record Date in respect thereof, if the Owner is other than a Securities Depository or its nominee, the Owner shall deliver a due bill, in form satisfactory to the Tender Agent, for interest due on such Purchase Date.

Mandatory Tender for Purchase Upon Conversion to a Different Interest Period. The Bonds shall be subject to mandatory tender for purchase on the effective date of a change in the Interest Rate Mode applicable to the Bonds pursuant to the Indenture at a Purchase Price equal to the principal amount thereof, without premium, plus accrued interest, if any, to the Purchase Date.

Mandatory Tender for Purchase upon Expiration, Termination or Substitution of Credit Facility. All Bonds secured or supported by a Credit Facility are subject to mandatory tender for purchase on the earlier of: (1) on the fifth Business Day immediately prior to any Expiration or Termination of a Credit Facility, (2) the effective date of an Alternate Credit Facility or (3) the fifth Business Day immediately prior to the effective date of the assignment of the obligation of the Credit Facility Provider under such Credit Facility; provided, however, that such Bonds shall not be subject to mandatory tender for purchase if in the case of a Termination, such Credit Facility does not permit a draw or borrowing thereunder in connection with such Termination, and in the case of the delivery of a Alternate Credit Facility, the Trustee shall have received at least fourteen days prior to the effective date of such Alternate Credit Facility a written confirmation from each Rating Agency then rating the Bonds to the effect that such substitution will not, by itself, result in a reduction or withdrawal of the short-term rating or the long-term rating, if any, of such Bonds below the rating of such Rating Agency then in effect with respect to such Bonds.

Mandatory Tender for Purchase upon an Event of Default Under a Reimbursement Agreement. Except in the case of a Termination of a Credit Facility, the Bonds supported by a Credit Facility shall be subject to mandatory tender for purchase on the fifth (5th) Business Day immediately following the receipt by the Trustee of a written direction by or on behalf of the Bank in accordance with the terms of the related Reimbursement Agreement, to cause the mandatory tender for purchase of such Bonds as a result of the occurrence of an event of default under the Reimbursement Agreement. Upon the receipt of such written direction, the Trustee will immediately prepare and send a notice to all Owners of Bonds and the other Notice Parties for the Bonds by first class mail, postage prepaid, that such mandatory tender will occur on the fifth Business Day following the receipt by the Trustee of a written notice described in the preceding sentence, that Owners of the Bonds shall have no right to retain their Bonds after such mandatory tender date and upon such date all Bonds shall be purchased in whole at a Purchase Price equal to the principal amount thereof, without premium, plus accrued interest, if any, to the Purchase Date. The Bonds shall remain subject to mandatory tender for purchase as provided above notwithstanding the receipt by the Trustee of a subsequent notice from the issuer of a Credit Facility to the effect that the event of default thereunder has been cured.

Undelivered Bonds. If the Purchase Price with respect to each tendered Bond has been delivered to the Tender Agent, Bonds that have not been delivered to the Tender Agent shall be deemed tendered, interest thereon shall cease to accrue on the Purchase Date, and the Tender Agent shall hold the Purchase Price thereof for the benefit of such registered Owner pending such delivery for a period of thirty days after the Purchase Date, after which time any such moneys still held by the Tender Agent shall be transferred for the benefit of such former Owner without liability for interest thereon, and the former Owner of such Bond shall look solely to such amounts held by the Tender Agent as an unsecured creditor for payment therefor. Any moneys so held by the Tender Agent shall be held in trust for the Owners of the Bonds entitled thereto, and shall not be invested.

If a Bond is subject to tender on a Purchase Date, and if such Bond is not delivered to the Tender Agent for purchase, a new Bond in replacement thereof will be authenticated and delivered to the new registered Owner on the applicable Purchase Date, and the undelivered Bond will cease to bear interest and will be deemed to be no longer Outstanding, and, from that

date, the registered Owner thereof will be entitled only to the payment of the Purchase Price, including interest accrued to, but excluding, such Purchase Date.

Payment of Purchase Price. All Bonds subject to optional or mandatory tender for purchase shall be delivered to the Tender Agent. Such delivery shall be effected by physical delivery of such Bond to the Tender Agent at its office designated for such purpose, by 12:00 noon, New York City time, on the Purchase Date, accompanied by an instrument of transfer thereof in a form satisfactory to the Tender Agent, executed in blank by the Owner thereof with the signature of such Owner guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs.

Sources of Funds for Purchase of Bonds

Funds for the payment of the Purchase Price of tendered Bonds shall be derived from the following sources and in the following order of priority:

(a) immediately Available Moneys transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of such Bonds; and

(b) immediately Available Moneys drawn by the Trustee and delivered to the Tender Agent under the Credit Facility, if any, applicable to such Bonds.

None of the Authority, the Corporation, the Trustee, the Tender Agent, or the Remarketing Agent shall have any liability or, except from the sources identified above, obligation to pay or make available such Purchase Price, including under circumstances where the applicable Credit Facility defaults in payment of a conforming draw thereunder.

Redemption

Optional Redemption. When interest on the Bonds is payable at a Daily Rate or Weekly Rate, the Bonds may be redeemed at the option of the Corporation with the prior written consent of the Credit Provider, in whole on any Business Day or in part on an Interest Payment Date, at the Redemption Price equal to the principal amount thereof with interest accrued to, but excluding, the Redemption Date.

Mandatory Redemption from Net Insurance or Condemnation Proceeds. The Bonds are subject to mandatory redemption in whole or in part at any time after written notice from the Corporation of the receipt of Net Insurance or Condemnation Proceeds, at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, without premium, upon prepayment of the Loan in whole or in part, in an amount as nearly equal as possible to, but not exceeding, the amount of any Net Insurance or Condemnation Proceeds of insurance or condemnation awards not used to repair or replace the Project.

Notice of Redemption; Effect of Redemption. Notice of redemption shall be given by the Trustee as hereinafter provided to (i) the respective Holders of any Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee, with a copy to the Credit Facility Provider, (ii) the information Services, and (iii) the Securities Depositories. Each notice of redemption shall state the date of such notice, the redemption date,

the redemption price (including any premium), the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities (provided that the Corporation shall supply the CUSIP numbers and to the extent a Bond is redeemed or not because the CUSIP number designations of redeemed bond was incorrect, such event shall not, under any circumstances, result in any liability to the Trustee in identifying a Bond by its CUSIP number) and, if less than all the Bonds of any maturity are to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Notice of redemption of Bonds shall be given pursuant to the Indenture; provided, however, that notice shall be given not more than twenty-five days nor less than fifteen days prior to the Redemption Date.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Payment of the principal, Purchase Price of, and interest on the Bonds will be supported initially by an irrevocable, direct-pay letter of credit (the "Initial Credit Facility") issued by Bank of America, N.A. (the "Initial Credit Provider") pursuant to and subject to the terms of a Letter of Credit and Reimbursement Agreement, dated as of July 1, 2009 (the "Reimbursement Agreement"), by and between the Corporation and the Initial Credit Provider. See "THE INITIAL CREDIT PROVIDER" and "THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT" herein.

Investors should make any decision with respect to the purchase, holding or tender of such Bonds based solely upon the credit of the Initial Credit Provider or other Credit Providers (as the case may be), and not the Corporation. As a result, no financial or operating data with respect to the Corporation has been included in this Official Statement.

General

The Bonds are limited obligations of the Authority payable solely from and secured by Revenues available under the Indenture and from amounts received under Credit Facilities for the Bonds. "Revenues" are defined under the Indenture to include all payments received by the Authority or the Trustee from the Corporation (except Additional Payments paid by the Corporation pursuant to the Loan Agreement, amounts transferred from the Construction Fund or the Costs of Issuance Fund, and any amounts paid by the Corporation pursuant to the expenses and indemnification provisions of the Loan Agreement), including, without limiting the generality of the foregoing, Loan Payments (including both timely and delinquent payments, any late charges, insurance proceeds, or condemnation awards 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

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 Indenture or the Tax Regulatory Agreement). Pursuant to the terms of the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Authority has pledged to the Trustee for the benefit of the respective Bondholders all of the Revenues and other amounts (including proceeds of the sale of the Bonds) held in the funds or accounts established pursuant to the Indenture (other than the Rebate Fund or Credit Facility Account or remarketing proceeds or the proceeds of draws under the Credit Facility to pay the Purchase Price of the Bonds). See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—INDENTURE" herein.

Under the Loan Agreement, the Corporation has an unconditional general obligation to pay the Loan Payments, which payments are due in amounts and at the times necessary to pay the principal (whether at maturity or upon acceleration or prior redemption) of, premium, if any, and interest to the date of maturity or redemption of the Bonds. The Corporation's payment obligations under the Loan Agreement are general, unsecured obligations of the Corporation. See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—LOAN AGREEMENT" herein.

Pursuant to the Indenture, the Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, and the Credit Facility Provider all of the Revenues and other amounts pledged under the Indenture and all of the right, title and interest of the Authority in the Loan Agreement (except for any deposits to the Rebate Fund, the right to receive any Administrative Fees and Expenses payable to the Authority, the right of the Authority to receive any indemnification and the right to consent to certain actions receive any notices and reports). Under the Indenture, the Trustee is entitled and required to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and such amounts must forthwith be paid by the Authority to the Trustee without any set-offs whatsoever.

Unless the Credit Facility Provider is in default of its obligations under the Reimbursement Agreement, the Credit Facility Provider has the right (in lieu of Bondholders) to direct remedies in respect of any event of default on the Bonds. See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—INDENTURE" and "—LOAN AGREEMENT" herein.

Alternate Credit Facility

Pursuant to the terms of the Indenture, the Corporation may elect to replace any Credit Facility with an Alternate Credit Facility conforming to the requirements of the Indenture. Upon replacement of a Credit Facility with an Alternate Credit Facility, the Trustee will deliver a notice of mandatory tender of the Bonds in accordance with the terms of the Indenture. See "THE BONDS – Tender and Purchase of Bonds" herein.

Amendment of Indenture and Loan Agreement

The Indenture and the Loan Agreement may be amended or supplemented from time to time upon satisfaction of certain conditions. See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—INDENTURE" herein.

THE INITIAL CREDIT PROVIDER (BANK OF AMERICA, N.A.)

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

Bank of America, N.A. (the "Initial Credit Provider") is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Initial Credit Provider is a wholly-owned indirect subsidiary of Bank of America Corporation (the "Bank Corporation") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of March 31, 2009, the Initial Credit Provider had consolidated assets of \$1.4 trillion, consolidated deposits of \$947 billion and stockholder's equity of \$136 billion based on regulatory accounting principles.

The Bank Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2008, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "SEC").

Filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at <http://www.sec.gov>, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Bank Corporation and the Initial Credit Provider is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Letter of Credit has been issued by the Initial Credit Provider. Moody's Investors Service, Inc. ("Moody's") currently rates the Initial Credit Provider's long-term debt as "Aa3" and short-term debt as "P-1." The outlook is stable. Standard & Poor's currently rates the Initial Credit Provider's long-term debt as "A+" and its short-term debt as "A-1." The outlook is stable. Fitch Ratings, Inc. ("Fitch") currently rates long-term debt of the Initial Credit Provider as "A+"

and short-term debt as “F1+.” The outlook is stable. Further information with respect to such ratings may be obtained from Moody’s, Standard & Poor’s and Fitch, respectively. No assurances can be given that the current ratings of the Initial Credit Provider’s instruments will be maintained.

The Initial Credit Provider will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Initial Credit Provider delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communication

PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTER OF CREDIT IS A BINDING OBLIGATION OF THE BANK, THE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

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

THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT

General

The Initial Credit Facility is an irrevocable letter of credit issued by the Initial Credit Provider in the amount of \$20,230,137 consisting of a Principal Component of \$20,000,000 and an Interest Component of \$230,137, which may be drawn upon to pay up to 35 days’ accrued interest on the Bonds, assuming a maximum interest rate of 12% per annum and computed on the basis of the actual number of days elapsed over a year of 365 days. The Trustee may obtain the funds available under the Initial Credit Facility by presenting to the Initial Credit Provider sight

drafts drawn on the Initial Credit Provider accompanied by the Trustee's certification substantially in the form of one or more of the Annexes to the Initial Credit Facility.

The Initial Credit Facility shall expire on the earliest of (i) July 1, 2011, (ii) when any draft accompanied by a final drawing certification is honored and paid by the Initial Credit Provider, (iii) the day on which the Initial Credit Facility is surrendered to the Initial Credit Provider, accompanied by a surrender certificate, (iv) two (2) Business Days following the first day on which the basis for calculation of interest rate on the Bonds is converted from a Weekly Period to another Interest Rate Mode pursuant to the Indenture or (v) thirty (30) days after the Trustee receives a Notice of Event of Default under the Reimbursement Agreement from the Initial Credit Provider or, if such day is not a business day, on the next succeeding business day.

The Reimbursement Agreement

The Initial Credit Facility is issued pursuant to a Reimbursement Agreement that contains the obligation of the Corporation to reimburse the Initial Credit Provider for drawings under the Initial Credit Facility and to pay interest and fees in respect thereof. The Reimbursement Agreement also contains related terms and conditions. Among those terms and conditions are representations, warranties, covenants and events of default. Construction terms for the Initial Credit Facility are reflected in a construction addendum to the Initial Credit Facility (the "Construction Addendum").

Events of default under the Reimbursement Agreement include the following:

(a) The Corporation fails to pay (i) when and as required to be paid under the Reimbursement Agreement or in any credit facility document, any amount of principal of any advance, term loan or any obligation or any L/C Obligation or (ii) within three days after the same becomes due, any interest on any advance or term loan, or any fee due under the Reimbursement Agreement, or (iii) within three days after the same becomes due, any other amount payable under the Reimbursement Agreement or under any other loan document; or

(b) The Corporation fails to perform or observe any term, covenant or agreement contained in certain sections of the Reimbursement Agreement; or

(c) The Corporation fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (b) above) contained in any loan document on its part to be performed or observed and such failure continues for 30 days; or

(d) Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Corporation in the Reimbursement Agreement or any other loan document, or in any document delivered in connection therewith shall be incorrect or misleading when made or deemed made; or

(e) (i) The Corporation or any subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or guarantee (other than indebtedness under the Reimbursement Agreement and indebtedness under swap contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all

creditors under any combined or syndicated credit arrangement) of more than a threshold amount, or (B) fails to observe or perform any other agreement or condition relating to any such indebtedness or guarantee 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 the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such guarantee to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any swap contract an early termination date (as defined in such swap contract) resulting from (A) any event of default under such swap contract as to which the Corporation or any subsidiary is the defaulting party (as defined in such swap contract) or (B) any termination event (as so defined) under such swap contract as to which the Corporation or any subsidiary is an affected party (as so defined) and, in either event, the swap termination value owed by the Corporation or such subsidiary as a result thereof is greater than a threshold amount; or (iii) an event of default occurs under, and as defined in, an Existing Reimbursement Agreement; or

(f) The Corporation or any of its subsidiaries institutes or consents to the institution of any proceeding under any debtor relief law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any debtor relief law relating to any such person or to all or any material part of its property is instituted without the consent of such person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) (i) The Corporation or any subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such person and is not released, vacated or fully bonded within 30 days after its issue or levy; or

(h) There is entered against the Corporation or any subsidiary (i) a final judgment or order for the payment of money in an aggregate amount exceeding a threshold amount (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (as defined below) and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 10 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) (i) An ERISA event occurs with respect to a pension plan or multiemployer plan which has resulted or could reasonably be expected to result in liability of the Corporation under Title IV of ERISA to the pension plan, multiemployer plan or the Pension Benefit Guaranty Corporation in an aggregate amount in excess of a threshold amount, or (ii) the Corporation or any ERISA affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a multiemployer plan in an aggregate amount in excess of a threshold amount; or

(j) Any loan document or any bond document at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or satisfaction in full of all the obligations, ceases to be in full force and effect; or the Corporation or any other person contests in any manner the validity or enforceability of any loan document or bond document; or the Corporation denies that it has any or further liability or obligation under any loan document or bond document, or purports to revoke, terminate or rescind any loan document or bond document; or

(k) Any "event of default" under and as defined in the construction addendum, any bond document, loan document, real property document or swap contract between the Corporation and Initial Credit Provider shall have occurred and not been waived or a "termination event" under and as defined in any swap contract between the Corporation and the Initial Credit Provider; or

(l) The Corporation shall voluntarily suspend the transaction of its business or allow to be suspended, terminated, revoked or expired any permit, license or approval of any governmental authority necessary to conduct the Corporation's business as now conducted, including, without limitation, certification of the Corporation as a tax exempt entity under Section 501(c)(3) of the Internal Revenue Code and any applicable regulations thereunder, as amended; or

(m) There occurs (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Corporation or the Corporation and their subsidiaries taken as a whole; (b) a material impairment of the rights and remedies of the Initial Credit Provider under certain agreements described in the Reimbursement Agreement, or of the ability of the Corporation to perform their obligations under certain agreements described in the Reimbursement Agreement to which any of them is a party; (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Corporation under certain agreements described in the Reimbursement Agreement to which it is a party or (d) a material adverse change or material adverse effect upon the Project (each a "Material Adverse Effect").

Capitalized terms in this "THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT" section have the following meanings:

"Existing Reimbursement Agreement" means the Reimbursement Agreement dated as of April 1, 2003 between the Corporation and Bank of America, N.A., as the same may from time to time be extended, amended, restated, supplemented or otherwise modified from time to time.

"Indebtedness" means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP: (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments; (b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments (but without duplication of Indebtedness otherwise included in this definition); (c) net obligations of such Person under any Swap Contract; (d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business); (e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse; (f) capital leases; and (g) all Guarantees of such Person in respect of any of the foregoing. For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of any capital lease as of any date shall be deemed to be the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP. The amount of any capital lease or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date

"L/C Obligation" means, as of any date of determination as to the Letter of Credit, the aggregate amount available to be drawn under the Letter of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings. For purposes of computing the amount available to be drawn under the Letter of Credit, the amount of the Letter of Credit shall be determined in accordance with the Reimbursement Agreement, except that, so long as all or any portion of an Advance remains outstanding, the amount of the Letter of Credit subject to reinstatement in respect of the Principal Component upon remarketing of the related Bank Bonds shall be disregarded in calculating the L/C Obligations. For all purposes of the Reimbursement Agreement, if on any date of determination any Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

REMARKETING AGREEMENT

Merrill Lynch, Pierce, Fenner & Smith Incorporated has been appointed by the Corporation pursuant to a Remarketing Agreement, dated July 1, 2009 (the "Remarketing Agreement") to act as the initial remarketing agent (the "Remarketing Agent") for the purposes described in the Indenture. The Remarketing Agent will, under certain circumstances, determine the interest rates on the Bonds and use its best efforts to remarket Bonds, and may from time to time effect purchases of Bonds. Upon the occurrence of certain events described in the Remarketing Agreement, remarketing efforts may be suspended. In accordance with the terms

of the Remarketing Agreement, the Remarketing Agent may resign or, with the consent of the Bank, be removed by the Corporation (such consent may not be unreasonable withheld). See "INVESTMENT CONSIDERATIONS – Certain Remarketing Considerations" herein.

INVESTMENT CONSIDERATIONS

The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be 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.

Security for the Bonds

The Bonds are being offered solely on the basis of the Initial Credit Facility and the financial strength of the Initial Credit Provider and not the operations, financial strength or condition of the Corporation or any other security. This Official Statement does not describe the financial condition of the Corporation. The rating assigned to the Bonds is based solely on the creditworthiness of the Initial Credit Provider. Prospective purchasers of the Bonds that wish to make a full evaluation of the financial status of the Initial Credit Provider are advised to obtain financial statements of the Initial Credit Provider.

Except as noted herein under "THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT," the Bonds are payable solely from payments made pursuant to the Loan Agreement. No representation or assurance can be made that revenues will be realized by the Corporation in amounts sufficient to make payments required by the Loan Agreement and thus to pay maturing principal and interest on the Bonds. Future economic and other conditions, including economic trends and events, technological developments and demographic changes, increases in insurance claims, as well as increased costs and changes in government regulations, including Internal Revenue Service (the "IRS") policy regarding tax exemption, may adversely affect the future financial condition of the Corporation and, consequently, its ability to make payments of the principal of and premium, if any, and interest on the Bonds.

Expiration of the Initial Credit Facility

The Initial Credit Facility expires on July 1, 2011, subject to extension or earlier termination in certain circumstances as described therein. If the Initial Credit Facility is not extended or an Alternate Credit Facility is not 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 Initial Credit Facility or an Alternate Credit Facility. The Initial Credit Provider is under no obligation to extend the Initial Credit Facility beyond its scheduled expiration.

Initial Credit Provider's Obligations Unsecured

The ability of the Initial Credit Provider to honor draws upon the Initial Credit Facility is based solely upon the Initial Credit Provider's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. No provision has been made for replacement of or substitution for the Initial Credit Facility in the event of any deterioration in the financial condition of the Initial Credit Provider. Neither the Authority, nor the Corporation nor the Initial Credit Provider assumes any liability to any purchaser of the Bonds as a result of any deterioration of the financial condition of the Initial Credit Provider. Upon any insolvency of the Initial Credit Provider, any claim by the Trustee against the Initial Credit Provider would be subject to bank receivership proceedings.

General Factors Affecting the Initial Credit Provider

The Initial Credit Provider is subject to regulation and supervision by various regulatory bodies. New regulations could impose restrictions upon the Initial Credit Provider 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 Initial Credit Provider specifically. The banking industry is highly competitive in many of the markets in which the Initial Credit Provider operates. Such competition directly impacts the financial performance of the Initial Credit Provider. Any significant increase in such competition could adversely impact the Initial Credit Provider.

Potential changes in the financial condition and ratings of the Initial Credit Provider for the Bonds present risks to the holder of the Bonds. The ability of the Initial Credit Provider to pay the principal of and interest on the Bonds, and the purchase price of any tendered Bonds, in accordance with the terms of the Initial Credit Facility may be adversely affected by a reduction in the rating of the Initial Credit Provider or changes in the financial condition of the Initial Credit Provider, including any material deterioration in its liquidity, resulting from bankruptcy, insolvency, reorganization, moratorium or other factors. A reduction in the rating of the Initial Credit Provider may result in the Remarketing Agent being unable to remarket Bonds tendered for purchase. If the Remarketing Agent is unable to remarket tendered Bonds, the only source of funds to pay the purchase price will be from the Initial Credit Provider. The Corporation is not required to pay the purchase price of tendered Bonds in the event that remarketing proceeds and funds provided by the Initial Credit Provider are insufficient to pay the purchase price when due. A default in payment by the Initial Credit Provider or a reduction in rating could also adversely affect the market value of the Bonds.

Prospective purchasers of the Bonds should evaluate the financial strength of the Initial Credit Provider based upon the information contained and referred to herein under the caption "THE INITIAL CREDIT PROVIDER", and other information available upon request from the Initial Credit Provider and should not rely upon any governmental supervision by any regulatory entity.

Certain Remarketing Considerations

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 by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. 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 existing holders and potential purchasers of Bonds.

The 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 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 an Interest Rate Determination Date. 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 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 the Bonds for its own account). 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 and the Remarketing Agent may sell the 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 owned by the Remarketing Agent on any date, including a rate determination date, at a discount to par to some investors.

The 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, it 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 Tender Agent 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.

Removal or Resignation of Remarketing Agent Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

Enforceability of Remedies

The remedies available to the Trustee or the Bondholders upon an Event of Default under the Indenture or Loan Agreement are in many respects dependent upon judicial actions which 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 by or against the Corporation or by or against any of their affiliates. 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. 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.

Tax-Exempt Status

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 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 Corporation. The tax-exempt status of interest on the Bonds presently depends upon the maintenance by the Corporation 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.

Tax-exempt organizations such as the Corporation are subject to scrutiny from ongoing IRS audit programs. 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.

Bond Audits. The IRS has an ongoing program of examining tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is properly excluded from gross income for federal income tax purposes, and it is possible that the Bonds may be selected for examination under such program. If an examination is commenced, under current procedures, the IRS will treat the Authority as the relevant taxpayer under the Code, and the holders of the Bonds may have no right to participate.

The Corporation has not sought to obtain a private letter ruling from the IRS with respect to the Bonds, and the opinion of Bond Counsel as to the tax-exempt status of the Bonds (see "TAX MATTERS" herein) is not binding on the IRS. An IRS examination of the Bonds could adversely affect the market value and liquidity of the Bonds or result in the loss of the tax-exempt status of the Bonds.

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 significant amounts of UBTI. The Corporation may participate in activities which generate UBTI in the future. Management of the Corporation believes it 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.

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

Exemption from Property Taxes. In recent years, state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their real property tax exemptions. The management of the Corporation believes that the Corporation's facilities used in furtherance of its exempt purpose will be exempt from State real property taxes; however, there can be no assurance that this will occur or continue to be the case, and any loss of exemption could have a material adverse effect on the financial condition of the Corporation.

THE CORPORATION

Valley Christian Schools (the "Corporation") is a nonprofit public benefit corporation and an organization described in 501(c)(3) of the Internal Revenue Code that operates an independent, co-educational, Christian school serving grades K-12.

The Corporation's mission statement is as follows:

Valley Christian Schools' mission is to provide a nurturing environment offering quality education supported by a strong foundation of Christian Values in partnership with parents, equipping students to become leaders to serve God, to serve their families, and to positively impact their communities and the world.

The Corporation owns and operates an Elementary, Junior High, and High School on two separate campuses; the elementary school is located at 1450 Leigh Avenue, San Jose, CA 95125 (the "Trinity Campus"), while the Junior High and High Schools are located at 100 Skyway Drive, San Jose, CA 95111-3636 (the "Skyway Campus").

While the Bonds are in a Weekly Period or Daily Period, investors should make any decision with respect to the purchase, holding or tender of such Bonds based solely upon the credit of the Initial Credit Provider or other Credit Providers (as the case may be), and not the Corporation. See "THE INITIAL CREDIT PROVIDER" and "THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT" herein. **As a result, no financial or operating data with respect to the Corporation has been included in this Official Statement.**

THE AUTHORITY

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

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE INDENTURE. NONE OF THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE AUTHORITY, ABAG OR ANY OF THEIR MEMBERS TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL THEREOF AND INTEREST AND ANY REDEMPTION PREMIUM THEREON DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE AUTHORITY OR ABAG, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT

LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES DESCRIBED HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OR PURCHASE PRICE OF, OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

TAX MATTERS

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes, and interest on the Bonds will not be treated as an item of tax preference for purposes of the alternative minimum tax on individuals and corporations. Further, interest on the Bonds received by a corporate holder of the Bonds will not be included in such holder's adjusted current earnings for purposes of determining the corporate holder's alternative minimum taxable income. In addition, in the opinion of Bond Counsel, under existing law, the interest on the Bonds is exempt from present personal income taxes imposed by the State of California.

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

Interest paid on tax-exempt bonds, such as the Bonds, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at (i) the fourth lowest rate of tax applicable under

Section 1(c) of the Code (i.e., a rate applicable to unmarried individuals) for taxable years beginning on or before December 31, 2010; and (ii) the rate of 31% for taxable years beginning after December 31, 2010, with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payer such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payer an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payer or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Owners of Bonds should consult their own tax advisors as to their qualifications for exemption from backup withholding and the procedures for obtaining exemption.

Prospective purchasers of the Bonds should be aware that ownership of Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Prospective purchasers of the Bonds should also be aware that ownership of the Bonds may result in adverse tax consequences under the laws of various states. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors as to the collateral federal income tax consequences and state tax consequences to them of owning the Bonds.

The Indenture provides that, upon or prior to the occurrence of certain events, an opinion of Bond Counsel must be obtained, to the effect that such event will not cause interest on the Bonds to be includable in gross income for federal income tax purposes. Bond Counsel expresses no opinion as to the effect of any such event on the includability in gross income of interest on the Bonds for federal income tax purposes.

See Appendix C hereto for the proposed form of opinion of Bond Counsel to be delivered on the date of initial delivery of the Bonds.

APPROVAL OF LEGALITY

Certain legal matters incident to the issuance of the Bonds are subject to the approving opinion of Holland & Knight LLP, San Francisco, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C hereto. Certain other legal matters will be passed upon for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, San Francisco, California, for the Authority by Chapman and Cutler LLP, San Francisco, California, for the Corporation by Creech Liebow & Kraus, San Jose, California and for the Initial Credit Provider by Morrison & Foerster LLP, Los Angeles, California.

Bond Counsel has not undertaken independently to verify and therefore expresses no opinion as to the completeness, fairness, or sufficiency of any of the information or statements

contained in this Official Statement or any exhibits, schedules or attachments hereto except as to the accuracy of the information in the portions hereof captioned "INTRODUCTION – The Bonds," "INTRODUCTION – Security and Sources of Payment for the Bonds," "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS", "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" and "APPENDIX C – FORM OF OPINION OF BOND COUNSEL" (apart from any financial and statistical data as to which no opinions or belief needs to be expressed) to the extent such portions purport to summarize certain provisions of the Indenture, the Loan Agreement and the Bonds, and except as to the accuracy of the information under the caption "TAX MATTERS" herein.

The proposed text of the legal opinion of Bond Counsel is set forth in Exhibit C. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that subsequent to the date of the opinion Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances, including changes in law, that may thereafter occur or become effective.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment of the transaction on which the opinion is rendered or for future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

ABSENCE OF MATERIAL LITIGATION

The Authority

To the knowledge of the Authority, there is no material litigation pending or threatened against the Authority concerning the validity of the Bonds or any proceedings of the Authority taken with respect to the issuance thereof.

The Corporation

There is no litigation pending against the Corporation or, to the knowledge of its officers threatened, concerning the validity of the Bonds or the Loan Agreement or any proceedings of the Corporation taken with respect to the issuance thereof.

RATINGS

Moody's Investor's Services ("Moody's") has assigned the Bonds a rating of "Aa3/VMIG 1" with the understanding that upon delivery of the Bonds, the Initial Credit Facility will be executed and delivered to the Trustee by the Initial Credit Provider. Any explanation of the significance of such rating may only be obtained from Moody's. There is no assurance that such ratings will remain in effect for any given period of time or that such ratings might not be lowered or withdrawn entirely, if in the judgment of Moody's, circumstances so warrant. The Authority, the Corporation and the Underwriter have not undertaken any responsibility to bring to the attention of the Bondholders any proposed change in or withdrawal of a rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of a rating may have an adverse effect on the market price or marketability of the Bonds.

UNDERWRITING

The Authority and the Corporation have entered into a purchase contract with Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Underwriter, pursuant to which the Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Authority. The Underwriter has agreed to purchase the Bonds from the Authority at a purchase price equal to the principal amount of the Bonds. In connection with such purchase, the Corporation will pay the Underwriter's fees and expenses totaling \$155,000. The Underwriter is obligated under the purchase contract to purchase all of the Bonds if any are purchased.

CERTAIN RELATIONSHIPS

At the request of the Corporation, pursuant to the Reimbursement Agreement, Bank of America, N.A., a national banking association, is issuing the Initial Credit Facility which secures the Bonds, and pursuant to a purchase contract and a remarketing agreement, Merrill Lynch, Pierce, Fenner & Smith Incorporated will underwrite the Bonds and act as remarketing agent for the Bonds. Bank of America, N.A. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are both owned by Bank of America Corporation. In addition, Bank of America, N.A. and the Corporation have entered into an interest rate swap agreement.

NO CONTINUING DISCLOSURE

So long as the Interest Rate Mode applicable to the Bonds is a Daily Rate or a Weekly Rate, the Loan Agreement does not require the Corporation to have any continuing disclosure obligation under Rule 15c2-12 promulgated under the Securities Exchange Act of 1934. The Corporation has covenanted in the Loan Agreement that, upon conversion of the Bonds to a Term Mode or a Fixed Rate Mode, it will comply with and carry out all of the continuing disclosure requirements of Securities and Exchange Commission Rule 15c2-12, as applicable (provided that the Corporation shall not be required to comply with Rule 15c2-12 to the extent the Bonds qualify for an exemption under Rule 15c2-12).

MISCELLANEOUS

All quotations from and summaries and explanations of the Indenture, the Loan Agreement, the Initial Credit Facility and the Reimbursement Agreement and of other documents and of statutes contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions. A copy of the Indenture, the Loan Agreement, the Initial Credit Facility and the Reimbursement Agreement may be obtained upon request directed to the Trustee at 1420 5th Avenue, 7th Floor, Seattle Washington 98101, Attn: Corporate Trust Department, phone: (206) 344-4682, fax: (206) 344-4630.

This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Bonds.

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

APPENDIX A

BOOK-ENTRY SYSTEM

The information in this Appendix A concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC, and the Authority, the Trustee, the Tender Agent, the Underwriter and the Corporation take no responsibility for the accuracy thereof. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein to the Owners of the Bonds (other than as set forth under "TAX MATTERS") shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

THE AUTHORITY, THE CORPORATION, THE TRUSTEE, THE TENDER AGENT AND THE UNDERWRITER SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR ANY BENEFICIAL OWNER, WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL AND INTEREST, DUE ON THE BONDS; (C) THE DELIVERY OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE INDENTURE; (D) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE BONDS; OR (F) ANY OTHER MATTER.

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

The Depository Trust Company ("DTC"), New York, NY, 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 in the aggregate principal amount of the Bonds and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A

of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org; nothing contained in such websites is incorporated into this Official Statement.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 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, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 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 registrar 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 within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

NONE OF THE AUTHORITY, THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR PREPAYMENT.

None of the Authority, the Corporation nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any prepayment or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the

Tender Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

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

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

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

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture dated as of July 1, 2009 between ABAG Finance Authority for Nonprofit Corporations (the "**Authority**") and U.S. Bank National Association, as trustee, under which the Authority issued its Variable Rate Demand Revenue Bonds, Series 2009 (Valley Christian Schools) (the "**Bonds**") and loaned the proceeds thereof to the Valley Christian Schools (the "**Borrower**") pursuant to a Loan Agreement (the "**Agreement**") dated as July 1, 2009 between the Authority and the Borrower. These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the full terms of such documents. Capitalized terms not defined in this Official Statement will have the meaning set forth in the Indenture.

DEFINITIONS OF CERTAIN TERMS

"**Accountant**" means any independent, certified public accountant or firm of such accountants selected by the Borrower and not objected to by the Bank.

"**Act**" shall mean Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California.

"**Additional Payments**" means the payments to be made by the Borrower to the Trustee or the Authority in accordance with the 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 (including without limitation the Authority's annual bond administration fee set forth in the Agreement, which annual fee shall be collected annually in advance by the Trustee and paid to the Authority on July 1 of each year), or the Trustee, including Additional Payments.

"**Agreement**" or "**Loan Agreement**" means that certain Agreement between the Authority and the Borrower, as originally executed or as it may from time to time be supplemented, modified or amended subject to and in accordance with the terms thereof and of the Indenture.

"**Alternate Credit Facility**" means any substitute or replacement Credit Facility delivered in accordance with the Indenture, and any extensions or renewals thereof, as the same may be amended and supplemented.

"**Alternate Rate**" means, with respect to Bonds in a Daily Rate Mode or a Weekly Rate Mode, an annual rate equal to the higher of the rates shown in the following table based on the short term rating and long term rating on the Bonds, but in no event in excess of the Maximum Rate:

<u>Short Term Rating</u> (S&P, Moody's, Fitch)		<u>Long Term Rating</u> (S&P, Moody's, Fitch)	<u>% of SIFMA Index</u> (Tax-Exempt)	<u>% of 1-month LIBOR</u> (Taxable)
A1 or P-1 or F1	and	AAA or Aaa or AAA	150%	150%
A1 or P-1 or F1	and	AA or Aa or AA	250%	250%
A1 or P-1 or F1	and	A or A or A	350%	350%
A2 or P-2 or F2	and	BBB or Baa or BBB	450%	450%
A3 or P-3 or F3 or below	and	BBB- or Baa3 or below	Maximum Rate	Maximum Rate

or, in the event the SIFMA Index or LIBOR is no longer published, an index or a rate agreed upon by the Borrower and the Remarketing Agent, but in no event in excess of the Maximum Rate. For all Bonds that are not in the Daily Rate Mode or the Weekly Rate Mode, means as of any interest rate determination date, 100% of the SIFMA Index or, if the SIFMA Index is no longer published, an index or a rate agreed upon by the Borrower and the Remarketing Agent, but in no event in excess of the Maximum Rate.

"**Applicable Principal and Interest Coverage**" means the aggregate principal amount of Bonds supported by the Credit Facility, plus the minimum number of days of interest, calculated at the rate, that in the judgment (evidenced by a written rating confirmation) of each Rating Agency will be required to maintain the applicable rating on the Bonds.

"**Authority**" shall mean ABAG Finance Authority for Nonprofit Corporations as the Authority of the Bonds under the Indenture, and its successors and assigns as provided in the Indenture.

"**Authority Documents**" means the Indenture, the Agreement, the Tax Regulatory Agreement and the Bonds.

"**Authority Indemnified Parties**" means the Authority and the Association of Bay Area Governments, their past, present and future officers, directors, members, advisors, counsels, employees, and agents, individually and collectively.

"**Authorized Amount**" shall mean \$20,000,000 with respect to the Bonds.

"Authorized Denominations" means, with respect to Bonds (i) during a Daily Rate Mode, Weekly Rate Mode or Flexible Rate Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof, and (ii) during a Term Rate Mode and the Fixed Rate Mode, \$5,000 and any integral multiple thereof; provided, however, that if as a result of a change in the Interest Rate Mode from a Term Rate Mode to a Daily Rate Mode, Weekly Rate Mode or Flexible Rate Mode, it is not possible to deliver all the Bonds required or permitted to be Outstanding in a denomination permitted above, Bonds may be delivered, to the extent necessary, in different denominations.

"Authorized Representative" means, with respect to the Authority, its President, Chief Financial Officer, Secretary or the designee of any such officers, and with respect to the Borrower, the President/Superintendent, Assistant Superintendent, Senior Vice President, or Chief Financial Officer designated as an Authorized Representative of the Borrower by a Certificate of the Borrower signed by the President/Superintendent and filed with the Trustee.

"Available Moneys" means:

(a) during any period the Credit Facility is in effect, any of the following moneys that, until applied, are held in a separate and segregated account under the Indenture in which only Available Moneys are held:

(1) proceeds of the Bonds received from the original issuance and sale of the Bonds;

(2) proceeds from the remarketing of any Bonds tendered for purchase pursuant to the Indenture and purchased by any Person other than the Authority or the Borrower (or any "insider," as defined in the United States Bankruptcy Code, of the Authority or the Borrower);

(3) moneys drawn under the Credit Facility;

(4) moneys deposited in a separate and segregated account under the Indenture that have been continuously on deposit with the Trustee for a period of at least 367 days during which no petition in bankruptcy (or other bankruptcy or similar proceedings) is pending or has been filed by or against the Borrower or the Authority (or any "insider", as defined in the United States Bankruptcy Code, of the Borrower or the Authority) under the United States Bankruptcy Code;

(5) any other moneys or securities, if there is delivered to the Trustee an Opinion of Counsel from legal counsel having expertise in bankruptcy matters (who, for purposes of such opinion, may assume that no bondowner is an "insider," as defined in United States Bankruptcy Code) to the effect that the use of such moneys or securities to pay the principal or purchase price of, or premium, if any, or interest on the Bonds would not constitute a voidable preferential payment in the event of the occurrence of the filing of a petition in bankruptcy (or other commencement of bankruptcy or similar proceedings) by or against the Borrower or the Authority under the United States Bankruptcy Code; and

(6) earnings derived from the investment of any of the foregoing;

(b) during any period a Credit Facility is not in effect, any moneys held by the Trustee in any fund or account under the Indenture and available, pursuant to the provisions of the Indenture, to be used to pay principal or purchase price of, or premium, if any, or interest on, the Bonds.

"Bank" means initially Bank of America, N.A., a national banking association, and thereafter the institution providing the Alternate Credit Facility, or such successor or replacement credit facility which is provided to the Borrower.

"Bank Bonds" means any Bond purchased with the proceeds of a drawing on the Credit Facility supporting the Bonds, which Bank Bond shall be registered in accordance with the provisions of the Indenture.

"Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

"Bond Counsel" means, with respect to the Bonds, Holland & Knight LLP or other counsel acceptable to the Borrower, and the Bank, if any, experienced in matters relating to tax exemption of interest on bonds issued by states and their political subdivisions.

"Bondholder" or **"Holder"** or **"Owner"** means, with respect to any Bond, the person in whose name such Bond is registered.

"Bonds" means the ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Revenue Bonds, Series 2009 (Valley Christian Schools).

"Bond Year" shall have the meaning given in the Tax Regulatory Agreement.

"Book-Entry Bonds" means the Bonds registered in the name of the nominee of DTC, or any successor securities depository for the Bonds, as the registered owner of such Bonds Indenture pursuant to the terms and provisions of the Indenture.

"Borrower" means the Valley Christian Schools, a nonprofit, public benefit corporation organized and existing under the laws of the State, and its successors or assigns pursuant to the Agreement.

"Borrower Documents" means the Agreement, the Tax Regulatory Agreement and the Remarketing Agreement.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which the Trustee or the Bank is required or permitted by law to close, and (c) a day on which the New York Stock Exchange is closed.

"Certificate," "Statement," "Request," "Requisition" and **"Order"** of the Authority or the Borrower mean, respectively, a written certificate, statement, request,

requisition or order signed in the name of the Authority by an Authorized Representative of the Authority or in the name of the Borrower by an Authorized Representative of the Borrower. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture pertaining to the requirements of certain certificates.

"Completion Date" means with respect to the Project the date the Borrower notifies the Trustee in a certificate of an Authorized Representative that the Project is completed.

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

"Closing Date" when used with respect to the Bonds means the date on which the Bonds are first issued and delivered.

"Code" means the Internal Revenue Code of 1986 (Title 26 of the United States Code) and any applicable regulations thereunder, as amended.

"Costs of the Project" means costs and expenses incurred or to be incurred by Borrower in connection with the financing of the Project including, but not limited to, Bank fees and Remarketing Agent fees, and which are required by GAAP or permitted by the Internal Revenue Code to be treated as capital in nature, and including all costs particularly described in Section 7 of the Agreement.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Borrower and related to the original authorization, execution, sale and delivery of the Bonds, including but not limited to: costs of preparation and reproduction of documents; fees and expenses of the Authority; initial fees, expenses and charges of the Trustee (including fees of its counsel); legal fees and charges of bond counsel, counsel to the Authority and the counsel to the Borrower; rating agency fees; charges relating to issuance and delivery of the Credit Facility; and any other cost, charge or fee in connection with the original issuance and delivery of the Bonds.

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

"Credit Facility" means (i) initially, an irrevocable direct-pay letter of credit issued by the Bank and delivered on the date of issuance and delivery of the Bonds, or any extension or renewal thereof, and (ii) in the event of delivery of an Alternate Credit Facility, such Alternate Credit Facility, provided however, if the Bonds are in the Fixed Rate Mode, a Credit Facility may include bond insurance or other types of credit enhancement provided that the requirements of the Loan Agreement are satisfied.

"Daily Period" means each Interest Period during which a Daily Rate is in effect.

"Daily Rate" means the interest rate on the Bonds established in accordance with the Indenture.

"Daily Rate Mode" means the Interest Rate Mode during which the Bonds bear interest at a Daily Rate.

"Debt Service" means, for any period of time for which such determination is made, the aggregate of the scheduled payments to be made in respect of principal (or mandatory sinking fund or installment purchase price or lease-purchase or similar payments) and interest on Outstanding Indebtedness during such period.

With respect to Variable Rate Bonds:

(a) the interest rate on such Indebtedness for any period prior to the date of calculation shall be assumed to be the average daily interest rate on such Bonds during the twelve (12) months ending with the month preceding the date of calculation (or such shorter period for which such Indebtedness has been Outstanding or such other period for which such calculation is being made pursuant to the terms of the Indenture); and

(b) for any period after the date of calculation, (1) if the Variable Rate Bonds are not yet Outstanding and if the interest on such Indebtedness is intended at the time of issuance to be excluded from the gross income of the holders thereof for federal tax purposes, the interest rate on such Indebtedness shall be assumed to be one hundred ten percent (110%) of the average rate shown in the SIFMA Index for the twelve (12) months ending with the month preceding the date of calculation, (2) if the Variable Rate Bonds are not yet Outstanding and if the interest on such Indebtedness is intended at the time of issuance to be included in the gross income of the holders thereof for federal tax purposes, the interest rate on such Indebtedness shall be assumed to be a per annum rate equal to the yield to maturity quoted for the week preceding the date of calculation for direct U.S. Treasury obligations having a maturity substantially the same as the nominal maturity on the Variable Rate Bonds, plus one-half of one percent (0.5%) and (3) if the Variable Rate Bonds are Outstanding, regardless of the exclusion or inclusion of interest in the gross income of the holders thereof, the higher of one hundred ten percent (110%) of (a) the average daily interest rate on such Variable Rate Bonds during the twelve months ending with the month preceding the date of calculation, or such shorter period that such Indebtedness have been Outstanding, or (b) the rate of interest on such Variable Rate Bonds on the date of calculation.

(c) For purposes of defeasance of the Bonds under the Indenture, Variable Rate Bonds shall be assumed to bear interest at the Maximum Rate.

(d) If a Series of Variable Rate Bonds is subject to purchase by the Authority pursuant to a mandatory or optional tender by the holder, the "tender" date or dates shall be ignored prior to any such purchase and the stated maturity dates (or mandatory sinking fund or installment purchase price or lease-purchase or similar payments or amortization schedule provided under the Reimbursement Agreement) thereof shall be used for purposes of the calculation of "Debt Service."

"Debt Service Reserve Fund" means the fund by that name established pursuant to the Indenture.

"Determination of Taxability" means a determination that the interest accrued or paid on any of the Bonds is included in gross income of the Holders or former Holders for federal income tax purposes, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(i) the day on which the Borrower is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that the interest on the Bonds is included in the gross income of any Holder or former Holder thereof for federal income tax purposes;

(ii) the day on which the Borrower receives notice from the Trustee in writing that the Trustee has received (1) notice in writing by any Holder or former Holder that the Internal Revenue Service has issued a statutory notice of deficiency or similar notice to such Holder or former Holder that asserts in effect that the interest on the Bonds received by such Holder or former Holder is included in the gross income of such Holder or former Holder for federal income tax purposes, or (2) an Opinion of Bond Counsel that concludes in effect that the interest on the Bonds is included in the gross income of any Holder or former Holder thereof for federal income tax purposes;

(iii) the day on which the Borrower is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that there has been issued a public or private ruling of the Internal Revenue Service or a technical advice memorandum issued by the national office of the Internal Revenue Service that the interest on the Bonds is included in the gross income of any Holder or former Holder thereof for federal income tax purposes; or

(iv) the day on which the Borrower is advised in writing by Bond Counsel that a final determination, from which no further right of appeal exists, has been made by a court of competent jurisdiction in the United States of America in a proceeding with respect to which the Borrower has been given written notice and an opportunity to participate and defend that the interest on the Bonds is included in the gross income of any Holder or former Holder thereof for federal income tax purposes;

provided, however, (a) no Determination of Taxability shall occur because interest on any of the Bonds is included in the gross income of any Holder or former Holder for federal income tax purposes solely because such Bonds were held by a Person who is a Substantial User or a Related Person, and (b) during any Weekly Rate Period or Monthly Rate Period, no Determination of Taxability shall occur under subparagraphs (i), (ii)(1) and (iii) of this paragraph unless the Borrower has been afforded the opportunity to contest any such advisement, notice of deficiency, ruling or other conclusion and such contest by the Borrower, if made, has been finally determined (with no further right of appeal) adversely to the Borrower or, if earlier, until two years shall have elapsed since receipt of such advisement, notice, ruling or conclusion without any such final determination. The Authority shall contest such advisement

only if fully indemnified to its satisfaction by the Borrower and if the Borrower pays all costs and expenses thereof, including reasonable legal fees and expenses.

"DTC Participant" means those broker-dealers, banks and other financial institutions from time to time for which the Securities Depository holds Bonds as a securities depository.

"Electronic Means" means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication.

"Event of Default" means any of the events specified under the heading "Events of Default; Acceleration; Waiver of Default."

"Expiration" (and other forms of "expire") means, when used with respect to a Credit Facility, the expiration of such Credit Facility in accordance with its terms.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30 or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Borrower.

"Fitch" means Fitch, Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" will be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower, with the approval of the Authority and the Bank.

"Fixed Period" means each Interest Period during which a Fixed Rate is in effect.

"Fixed Rate" means the interest rate on the Bonds established in accordance with the Indenture.

"Fixed Rate Mode" means the Interest Rate Mode during which the Bonds bear interest at a Fixed Rate.

"Flexible Period" means each Interest Period during which a Flexible Rate is in effect.

"Flexible Rate" means the interest rate on the Bonds established in accordance with Section 2.03(a)(iii) in the Indenture.

"Flexible Rate Mode" means the Interest Rate Mode during which the Bonds bear interest at Flexible Rates for Flexible Periods established in accordance with the Indenture.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant

segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

"Income Available for Debt Service" means, unless the context provides otherwise, as to any period of time, net income, or excess of revenues over expenses, plus depreciation, amortization, interest expense, capitalized interest expense, capitalized lease payments, principal payments due, letter of credit fees, rental expense, other non-cash items (including, without limitation, any write-offs of issuance costs of an existing bond indebtedness or other expenses) and the change in discount of the contributed support receivable as reflected on Borrower's statement of cashflows, as determined in accordance with generally accepted accounting principles; provided, that no determination thereof shall take into account gifts, grants, bequests, donations or contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of principal of, redemption premium and interest on Indebtedness or the payment of operating expenses.

"Indebtedness" means for any Person calculated on a consolidated basis in accordance with GAAP: (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property; (ii) all direct or indirect guaranties of such Person in respect of, and all obligations (contingent or otherwise) of such Person to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness of any other Person; and (iii) all obligations of such Person as lessee under leases which have been or should be in accordance with GAAP recorded as capital leases. In calculating Indebtedness, no amount shall be included more than once in the aggregate of the above described amounts.

"Indenture" means the Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions of the Indenture.

"Inducement Date" shall mean the date on which the Borrower adopted a resolution expressing its intent to provide financing for the Project through the issuance of the Bonds.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Mergent/FIS, Inc., 525077 Centre Drive, Suite 150, Charlotte, North Carolina 028217, Attn: Called Bonds Borrower; and Standard & Poor's Corporation's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or at such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate to the Trustee in writing.

"Interest Payment Date" means (i) with respect to Bonds bearing interest at a Daily Rate or a Weekly Rate, the first Business Day of each calendar month, (ii) with respect to Bonds bearing interest at a Flexible Rate, the first Business Day following the end of each Flexible Period, (iii) with respect to Bonds bearing interest at a Term Rate or the Fixed Rate, the first day of May or November occurring not less than three months after the first day of the

Interest Period and thereafter semiannually on the first day of each May and November, and (iv) in each such case, each mandatory Purchase Date and the Maturity Date thereof.

"Interest Period" means the period during which the Bonds shall bear interest at a Daily Rate, Weekly Rate, Flexible Rate, Term Rate, or Fixed Rate determined as follows:

(i) each Daily Period will commence on a Business Day and end on the day preceding the next succeeding Business Day;

(ii) each Weekly Period will be a period of seven calendar days and shall commence on a Thursday (the "Weekly Period Commencement Day") and end on the Wednesday of the following calendar week, provided that a change in the Interest Rate Mode to a Weekly Rate Mode will commence on the Business Day immediately following the last day of the preceding Interest Period, will not be longer than seven calendar days and will end on day before the next Weekly Period Commencement Day;

(iii) each Flexible Period will commence on the effective date of a change in the Interest Rate Mode to a Flexible Rate Mode for such Bonds or on the day immediately succeeding the last day of the immediately preceding Flexible Period for such Bonds, and will end on a day preceding a Business Day, and will be from one (1) to two hundred seventy (270) days as determined by the Remarketing Agent;

(iv) each Term Period will commence on the effective date of a change in the Interest Rate Mode to a Term Rate Mode or on the day immediately succeeding the last day of the immediately preceding Interest Period and will end on the date specified by the Borrower pursuant to the Indenture, which date so specified will be succeeded by a Business Day and will be a day that is at least one year after the first day of such Term Period and that is not after the Maturity Date; and

(vi) the Fixed Period will commence on the effective date of a change in the Interest Rate Mode to a Fixed Rate Mode and end on the earlier of the day next preceding the effective date of a change in the Interest Rate Mode from such Fixed Rate Mode to another Interest Rate Mode and the Maturity Date of the Bonds.

"Interest Rate Mode" means, with respect to any Bond, the method by which the interest rate thereon will be determined pursuant to the Indenture and in particular will mean the method for determining a Daily Rate, Weekly Rate, Flexible Rate or Term Rate, or the Fixed Rate, as the case may be.

"LIBOR" means the London Interbank Offered Rate for deposits in U.S. dollars with a maturity (equal to the length of the Interest Period for which the Alternate Rate is being calculated) that appears on Reuters Screen LIBOR 01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the rate determination date. In the case of the Term Rate Mode with an Interest Period greater than twelve months, LIBOR shall mean the USD-ISDA-Swap Rate for the length of such corresponding Interest Period.

"**Loan**" means the loan or loans made by the Authority to the Borrower pursuant to the Loan Agreement for the purpose of providing funds for the reimbursement, financing and refinancing for the Project as set forth in the Agreement.

"**Loan Default Events**" means any of the events of default specified in the Agreement.

"**Loan Payments**" shall have the meaning set forth in the Agreement.

"**Mandatory Redemption Account**" means the account within the Redemption Fund established pursuant to the Indenture.

"**Market Rate**" means any interest rate determined in accordance with the procedures set forth in the Indenture.

"**Maturity Date**" means July 1, 2039.

"**Maximum Annual Debt Service**" means the highest Debt Service requirement for the current or any succeeding Fiscal Year.

"**Maximum Rate**" means, with respect to Bonds other than Bank Bonds, the lesser of (a) twelve percent (12%), (b) while any Credit Facility is in effect with respect to such Bonds, the interest rate used to calculate the amount of the interest component of the Applicable Principal and Interest Coverage for such Bonds, or (c) the highest interest rate which may be borne by such Bonds under State law.

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

"**Net Bond Proceeds**" means the proceeds of the Bonds reduced by amounts in a reasonably required reserve or replacement fund.

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

"**Nominee**" means the nominee of the Securities Depository, which may be the Securities Depository, or any nominees substituted by the Securities Depository pursuant to the Indenture.

"**Notice of Mandatory Tender**" means that notice required to be delivered by the Trustee pursuant to Section 2.07(a) of the Indenture.

"Notice Parties" means, with respect to Bonds, the Authority, the Borrower, the Trustee, the Remarketing Agent, the Tender Agent, if any, and the Bank, if any.

"Opinion of Bond Counsel" means an Opinion of Counsel delivered by a nationally recognized bond counsel firm experienced in matters relating to the validity of and the exclusion from gross income for federal income tax purposes of interest payable on obligations of state and political subdivisions.

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the Authority) appointed by the Authority or the Borrower, as appropriate. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture pertaining to the requirements of certain certificates.

"Optional Redemption Account" means the account of that name in the Redemption Fund established pursuant to the Indenture.

"Outstanding," when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability shall have been discharged in accordance with the Indenture; and (c) Bonds for the transfer or exchange of which, or in lieu of or in substitution for which, other Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Permitted Investments" means any of the following obligations as and to the extent that such obligations are at the time legal investments under the laws of the State for moneys held under the Indenture and then proposed to be invested therein, as shall be certified by the Borrower to the Trustee:

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

(2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided that such obligations are backed by the full faith and credit of the United States of America (stripped securities shall constitute Permitted Investments only if they have been stripped by the agency itself): U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, General Services Administration, U.S. Maritime Administration, U.S. Borrower of Housing and Urban Development, Government National Mortgage Association, and Federal Housing Administration;

(3) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities shall constitute Permitted Investments only if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage

Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), Resolution Funding Corporation or Farm Credit System;

(4) bonds or notes issued by any state or municipality which are rated by S&P and Moody's in one of the two highest rating categories assigned by such agencies;

(5) repurchase agreements with either a primary dealer on the reporting dealer list of the Federal Reserve or any bank, which, in either case, is rated in the "AA" or better by S&P and Moody's, provided that

(a) the term of such repurchase agreement is not greater than thirty days;

(b) the Trustee or third party acting solely as agent for the Trustee has possession of the collateral;

(c) the collateral is valued weekly and the market value of the collateral is maintained at an amount equal to at least 104% (or, if the collateral consists of obligations of FHLMC or FNMA, 105%) of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus interest;

(d) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately;

(e) the repurchase securities are any ones of the type described in (1), (2) and (3) above;

(f) the repurchase securities are free and clear of any third-party lien or claim;

(g) there will have been delivered to the Trustee and the Authority an Opinion of Counsel to the effect that such repurchase agreement meets all guidelines under State law for legal investment of public funds; and

(h) the repurchase agreement will be documented using the Bond Market Association's Master Repurchase Agreement.

(6) investment agreements, including guaranteed investment contracts ("GICs"), forward purchase agreements and reserve fund put agreements with providers rated investment grade by Moody's and S&P with no collateralization requirement or downgrade provision (such ratings may be based on a guaranty);

(7) 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 "AAAm-G"; "AAA-m"; or "AA-m" and if rated by

Moody's rated "Aaa", "Aa1" or "Aa2" including funds for which the Trustee and its affiliates provide investment advisory or other management services;

(8) certificates of deposit secured at all times by collateral that may be used by national or commercial banks, savings and loan associations or mutual savings banks for purposes of satisfying its obligations to collateralize pursuant to federal law, if issued by a commercial bank, savings and loan association or mutual savings bank, which is rated "AA" or better by S&P and Moody's;

(9) 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 Trustee and its affiliates;

(10) commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P;

(11) federal funds, deposit accounts, 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, including those of the Trustee and its affiliates;

(12) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State as it may be amended; and

(13) obligations of a bank or other financial institution rated at least "Aa3" by Moody's.

"Person" means any legal entity as the context may require.

"Principal Corporate Trust Office" means with respect to the Trustee, the office of the Trustee at U.S. Bank National Association, 1420 Fifth Avenue, Seventh Floor, Seattle, Washington 98101.

"Project" means the acquisition, construction, installation, improvement, renovation, furnishing and equipping of a junior high school and high school campus owned by the Borrower and an acquisition of approximately 11.37 acres of land immediately adjacent thereto.

"Purchase and Reimbursement Account" means the account that may be established pursuant to the Indenture.

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

"Purchase Price" shall mean that amount equal to 100% of the principal amount of any Bond purchased pursuant to the Indenture, plus accrued and unpaid interest thereon to but

not including the Purchase Date or the date on which such Bond is deemed purchased in accordance with the Indenture.

"Qualified Project Costs" means Costs of the Project which constitute costs for property which is to be owned by the Borrower and will not be used in an "unrelated trade or business" (as such term is used in Section 513(a) of the Code) of the Borrower (or any other organization described in Section 501(c)(3) of the Code) or in the trade or business of a person who is neither a governmental unit nor an organization described in Section 501(c)(3) of the Code. In determining the amount of Qualified Project Costs, any guaranty fees and any capitalized interest on the Bonds shall be allocated between Qualified Project Costs to be paid or reimbursed from proceeds of the Bonds and Costs of the Project other than Qualified Project Costs to be paid or reimbursed from the proceeds of the Bonds. Qualified Project Costs shall not include costs or expenses paid with respect to the facilities more than sixty (60) days prior to the Inducement Date unless those expenditures qualify as "preliminary expenditures" within the meaning of the Income Tax Regulations.

"Rating Agency" means Moody's, so long as such rating agency maintains a rating on the Bonds, and any other nationally recognized securities rating agency designated in writing by the Borrower with the written approval of the Authority and the Bank; provided however, such definition shall include S&P with respect to Permitted Investments.

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

"Record Date" means (a) with respect to Bonds bearing interest at the Daily Rate, Weekly Rate or Flexible Rate, the close of business on the Business Day immediately preceding the Interest Payment Date therefor, and (b) with respect to Bonds bearing interest at a Term Rate or the Fixed Rate, the fifteenth day (whether or not a Business Day) preceding the Interest Payment Date therefor.

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

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

"Registrar" means initially the Trustee and each different Registrar as provided in the Indenture.

"Reimbursement Agreement" means the Reimbursement Agreement, dated as of July 1, 2009 by and between the Borrower and the Bank, as amended or supplemented from time to time, or any similar agreement with respect to an Alternate Credit Facility.

"Remarketing Agent" means initially Merrill Lynch, Pierce, Fenner & Smith Incorporated, and its successors and assigns.

"Remarketing Agreement" means, with respect to the Bonds, an agreement between the Borrower and the Remarketing Agent pursuant to which the Remarketing Agent agrees to perform the duties thereof specified in the Indenture with respect to the Bonds.

"Representation Letter" means the letter executed by the Authority and delivered to the Securities Depository, representing such matters as shall be necessary to qualify the Bonds for the Securities Depository's book-entry system.

"Reserve Requirement" will equal zero (-0-) dollars.

"Responsible Officer" of the Trustee means and includes the chairman of the board of directors, the president, every vice president, every assistant vice president, the cashier, every assistant cashier, every trust officer and every officer and assistant officer of the Trustee, other than those specifically above mentioned, to whom any corporate trust matter is referred because of his or her knowledge of, and familiarity with, a particular subject and who is specifically assigned to administer the duties of the Trustee under the Indenture.

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

"Revenues" means all payments received by the Authority or the Trustee from the Borrower, including proceeds of draws on the Credit Facility on behalf of the Borrowers (except Additional Payments paid by the Borrower pursuant to the Agreement, amounts transferred from the Construction Fund or the Costs of Issuance Fund, and any amounts paid by the Borrower pursuant to the Agreement), including, without limiting the generality of the foregoing, Loan Payments (including both timely and delinquent payments, any late charges, insurance proceeds, or condemnations awards 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 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 Indenture or the Tax Regulatory Agreement).

"S&P" means Standard & Poor's Public Finance Ratings, a corporation organized and existing under the laws of the state of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower, with the approval of the Authority and the Bank.

"Securities Depositories" means The Depository Trust Company ("DTC"), 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Authority may indicate in a certificate of the Authority delivered to the Trustee.

"SIFMA Index" means the Securities Industry and Financial Markets Association (formerly The Bond Market AssociationTM). Municipal Swap Index as disseminated by

Municipal Market Data, a Thomson Financial Services Company, or its successor, for the most recently preceding Business Day.

"State" means the State of California.

"Substantially All" means ninety-five percent (95%) or more, unless an Opinion of Bond Counsel is rendered indicating that such term, as used in the Indenture, shall have a different meaning

"Substitution Date" means:

(i) with respect to a Bond that is subject to mandatory tender for purchase pursuant to the Indenture as a result of a substitution of the then-existing Credit Facility supporting such Bond with an Alternate Credit Facility, the effective date of such Alternate Credit Facility; and

(ii) with respect to a Bond that is not subject to mandatory tender for purchase pursuant to the Indenture as a result of a substitution of the then-existing Credit Facility supporting such Bond with an Alternate Credit Facility, the date that is the later of (a) the effective date of such Alternate Credit Facility, and (b) the following date(s):

(1) while such Bond is in a Daily Rate Mode or a Weekly Rate Mode, the fifteenth (15th) day immediately succeeding the day on which the Trustee gives notice of such substitution or replacement to the Owner of such Bond and each Rating Agency then rating such Bond; and

(2) while such Bond is in a Flexible Rate Mode or a Term Rate Mode, the applicable Purchase Date for such Bond.

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

"Tax Regulatory Agreement" means the Tax Regulatory Agreement and No Arbitrate Certificate between the Authority and the Borrower dated as of July 1, 2009, as the same may be amended or supplemented in accordance with its terms.

"Tender Agency Agreement" means, with respect to the Bonds, an agreement between the Borrower and the Tender Agent, if any, pursuant to which the Tender Agent agrees to perform the duties thereof specified in the Indenture with respect to such Bonds.

"Tender Agent" means the Trustee, or any successor tender agent appointed pursuant to the Indenture.

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

"Term Rate" means the interest rate on Bonds established in accordance with the Indenture.

"Term Rate Mode" means the Interest Rate Mode during which the Bonds bear interest at a Term Rate.

"Termination" (and other forms of "terminate") means, when used with respect to any Credit Facility, the replacement, removal, surrender or other termination of such Credit Facility in accordance with its terms, other than an Expiration or an extension or renewal thereof.

"Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successor as Trustee hereunder as provided in the Indenture.

"Trust Estate" means the property conveyed to the Trustee pursuant to the section paragraph under the section entitled "Pledge and Assignment of Revenues and Rights Under the Agreement; Revenue Fund. "

"United States Bankruptcy Code" means the United States Bankruptcy Reform Act of 1978, as amended from time to time, or any substitute or replacement legislation.

"Variable Rate Bonds" shall mean Bonds or Indebtedness issued with a variable, adjustable, convertible or other similar rate which can not be ascertained and determined at the time of issuance for the entire term of such Bonds.

"Weekly Period" means each Interest Period during which a Weekly Rate is in effect.

"Weekly Period Commencement Day" means Thursday as set forth in the definition of Interest Period above.

"Weekly Rate" means the interest rate on Bonds established weekly in accordance with the Indenture.

"Weekly Rate Mode" means the Interest Rate Mode during which the Bonds bear interest at a Weekly Rate.

THE INDENTURE

The Indenture sets forth the terms of the Bonds, the nature and extent of the security, various rights of the Holders, rights, duties and immunities of the Trustee and the rights and obligations of the Authority. Certain provisions of the Indenture are summarized below. Other provisions are summarized in this Official Statement under the captions “THE BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of the Indenture.

Pledge and Assignment of Revenues and Rights under the Agreement; Revenue Fund

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, the Authority has 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 Indenture and the payments of amounts owing to the Bank pursuant to the Reimbursement Agreement, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture other than the Rebate Fund or Credit Facility Account or remarketing proceeds or the proceeds of draws under the Credit Facility to pay the Purchase Price of the Bonds. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery of the Bonds, without any physical delivery thereof or further act.

The Authority has transferred in trust, granted a security interest in and assigned to the Trustee, for the benefit of the Holders from time to time of the Bonds, and to the Bank, all of the Revenues and other amounts pledged in the preceding paragraph and all of the right, title and interest of the Authority in the Agreement (except for any deposits to the Rebate Fund, the right to receive any Administrative Fees and Expenses payable to the Authority, the right of the Authority to receive any indemnification and the right to consent to certain actions, receive any notices and reports). The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee without any set-off whatsoever. The Trustee also shall be entitled to and shall (subject to the provisions of the Indenture) take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Trustee and the Bank and all of the obligations of the Borrower under the Agreement.

The Trustee shall establish, maintain and hold in trust a separate fund designated the Revenue Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund; except that Revenues comprised of all interest, profits and other income received from the investment of accounts and funds established pursuant to the Indenture shall be deposited as provided in the Indenture; and except that all moneys received by the Trustee and required by the Agreement to be deposited in the Redemption Fund shall be promptly deposited in such Fund. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

The Bonds shall not constitute a debt or liability, or a pledge of the faith and credit, of the State or of any political subdivision thereof, other than the Authority, which shall only be obligated to pay the Bonds solely from the Revenues and funds in the Indenture provided therefor. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

Establishment of Construction Fund

There is created and established with the Trustee a separate trust fund designated the "Valley Christian Schools Construction Fund" (and is in the Indenture referred to as the "Construction Fund"), which shall be applied only as provided in this paragraph. The Trustee shall, within a reasonable time after receipt of each requisition, disburse to the Borrower from amounts available in the Construction Fund. Upon the occurrence of an Event of Default under the Indenture and acceleration of the Bonds pursuant to the section entitled "Events of Default; Acceleration; Waiver of Default," or upon redemption of all of the Bonds, amounts on deposit in the Construction Fund shall be transferred to the Revenue Fund. Promptly following the Completion Date, the Trustee shall call the Bonds for redemption as provided in the Indenture, shall transfer any funds on deposit in the Construction Fund to the Revenue Fund and shall close the Construction Fund. In the event amounts remain on deposit in the Construction Fund on and after the date three years from the Closing Date, such amounts shall be invested at the direction of the Borrower, in accordance with any yield restriction requirements imposed by the Code.

Establishment and Application of Debt Service Reserve Fund

There is created and established with the Trustee a separate trust fund designated the "Valley Christian Schools Debt Service Reserve Fund" and is in the Indenture referred to as the "Debt Service Reserve Fund".

So long as a Credit Facility is in effect, all amounts in the Debt Service Reserve Fund must be used and withdrawn by the Trustee solely for the purpose of making up any deficiency in the Revenue Fund only to the extent necessary to provide sufficient funds to fund the Interest Account, the Principal Account or the Redemption Fund (relating to mandatory sinking fund installments, if any) in connection with reimbursement of draws on the Credit Facility for payments of interest and principal on the Bonds, or (together with any other moneys available therefor) for the redemption of all Bonds then Outstanding.

Allocation of Revenues

At such time as the Borrower makes principal and interest payments pursuant to the Loan Agreement, but no later than on or before the Business Day immediately preceding each Interest Payment Date and each day on which payments of principal are due on the Bonds (whether at maturity or because of redemption or acceleration), the Trustee must transfer from the Revenue Fund, and deposit or transfer into the following respective accounts within the Revenue Fund which are hereby established, 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 fund

or account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: To the Interest Account, the amounts received from the Borrower as an interest payment pursuant to the Agreement. Amounts in the Interest Account shall be used solely to pay interest on the Bonds or to reimburse the Bank for draws on the Credit Facility used to pay interest on the Bonds.

Second: To the Principal Account, the amounts received from the Borrower as a principal payment (whether at maturity or because of redemption or acceleration) pursuant to the Agreement. Amounts in the Principal Account shall be used solely to pay principal of the Bonds or to reimburse the Bank for draws on the Credit Facility used to pay principal of the Bonds.

Third: To the Debt Service Reserve Fund, the amounts required to cure the deficiency to the Reserve Requirement, if any.

At least twenty (20) Business Days before each Interest Payment Date, the Trustee shall determine the amount, if any, credited or to be credited to the Revenue Fund during the period from the day after the last Interest Payment Date to the next succeeding Interest Payment Date pursuant to Section 5.05 (investment earnings) or from any other source. The Trustee shall give notice to the Borrower of such amount and the amount due, which notice shall be mailed, by electronic means or delivered in such a manner that the Borrower will receive such notice by the tenth but not sooner than the twentieth Business Day before such next succeeding Interest Payment Date. Any telephonic notice shall be supplemented by written notice given in accordance with the preceding sentence. Failure by the Trustee to give notice pursuant to this subsection, or the insufficiency of any such notice, shall not affect or diminish the obligations of the Borrower under the Agreement.

Any moneys remaining in the Revenue Fund after the foregoing transfers shall be transferred first to the Bank to reimburse the Bank for any amounts owing to the Bank, and then, to the Borrower.

The amounts deposited into the Interest Account and Principal Account shall be withdrawn and applied to the payment of interest and principal with respect to the Bonds on each Interest Payment Date and with respect to interest on each redemption date.

Notwithstanding anything in the Indenture to the contrary but subject to the general responsibilities of the Tender Agent, so long as the Bonds are in the Daily Rate Mode, Weekly Rate Mode, Term Rate Mode, or the Flexible Rate Mode the principal of, interest on, and Redemption Price of, the Bonds shall be paid solely from first draws on the Credit Facility and second other Available Moneys.

The Trustee shall direct the Bank to pay the proceeds of a drawing under the Credit Facility to the Trustee. In connection with any drawing on the Credit Facility, the Trustee shall give to the Bank such prior notice as may be required under the terms of the Credit Facility.

Each withdrawal or drawing under the Credit Facility, shall be made not later than the time required by such Credit Facility in order to receive payment thereunder on the Business Day

on which payment of the amount of such drawing or withdrawal is required to be made to the holders of the Bonds pursuant to the Indenture. The Trustee shall comply with all provisions of such Credit Facility and will not draw upon any Credit Facility any amounts for payment of Bonds registered in the name of the Authority, the Borrower or the Bank.

The Trustee agrees to accept any Credit Facility conforming to the requirements of the Agreement which is delivered to the Trustee in accordance therewith, in substitution for any then outstanding Credit Facility. Upon acceptance of any such Credit Facility the Trustee shall (a) give notice to the Bank of the cancellation of the superseded Credit Facility and shall surrender the superseded Credit Facility to the issuer thereof and (b) shall give notice of such substitution to the Authority and the Bondholders in same manner that notices of redemption are given as soon as practicable after receipt by the Trustee of notice from the Borrower of such Credit Facility substitution.

The Trustee shall give all required notices to the Bank, in accordance with the provisions of the Credit Facility. The Trustee shall transfer, in a timely manner, to any paying agent or Tender Agent, if other than the Trustee, all amounts drawn under the current Credit Facility in order to make payments on the Bonds or to pay the Purchase Price of any Bonds tendered pursuant to the Indenture and not remarketed.

Amounts drawn under the Credit Facility and other Available Moneys shall not be commingled with other moneys in the Revenue Fund and the Trustee must set up separate subaccounts in the Revenue Fund for amounts drawn on the Credit Facility, other Available Moneys, and moneys which do not constitute Available Moneys. Amounts transferred from the Construction Fund following the Completion Date shall be held until used to redeem the Bonds pursuant to the Indenture or, to the extent the Bank honors a draw on their Credit Facility to pay amounts due on one hundred percent (100%) of the Outstanding Bonds, to reimburse said Bank for such amounts, any remaining amounts to be held until used to pay, or to reimburse said Bank for payment of, the principal of the Bonds as the same becomes due at maturity or upon redemption or acceleration or otherwise, and amounts transferred from the Construction Fund following an Event of Default hereunder or under the Loan Agreement shall be used to pay amounts due on the Bonds or, to the extent the Bank honors a draw on their Credit Facility to pay amounts due on one hundred percent (100%) of the Outstanding Bonds, to reimburse said Bank for such amounts.

Application of Redemption Fund

The Trustee must establish, maintain and hold in trust a separate fund designated as the Redemption Fund and within such Fund shall establish an Optional Redemption Account, a Mandatory Redemption Account and such separate accounts as directed by the Borrower. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds in the manner and upon the terms and conditions specified in Article IV or to reimburse the Bank for draws on the Credit Facility used to pay the Redemption Price of the Bonds redeemed; provided that, at any time prior to giving such notice of redemption, the Trustee may on the written instructions of the Borrower with the prior written consent of the Bank 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 Fund) as the Trustee may in its discretion determine, except that the Purchase Price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds.

Purchase and Reimbursement Account

A Purchase and Reimbursement Account is established and must be held by the Tender Agent in trust for the purpose of depositing money obtained from

- (i) the remarketing of Bonds, and
- (ii) draws under a Credit Facility made for the payment of tendered Bonds.

The Tender Agent shall maintain separate subaccounts in the Purchase and Reimbursement Account for moneys drawn on any Credit Facility (the "Credit Facility Account"), and for moneys constituting remarketing proceeds (the "Remarketing Proceeds Account"). The Purchase and Reimbursement Account shall not constitute part of the Trust Estate. Amounts on deposit in the Purchase and Reimbursement Account shall be held uninvested by the Tender Agent.

The Trustee shall draw under the Credit Facility by no later than the time provided in the Credit Facility for presentation of documents in order to receive payment in immediate available funds by 3:00 p.m., New York City time, on each Purchase Date an amount sufficient to pay the Purchase Price, and shall immediately deposit the proceeds of such draw in the Credit Facility Account within the Purchase and Reimbursement Account.

Investment of Moneys in Funds and Accounts

Except as otherwise provided in the Indenture, all moneys in any of the funds and accounts (other than the Rebate Fund or Credit Facility Account or remarketing proceeds or the proceeds of draws under the Credit Facility to pay the Purchase Price of the Bonds) established pursuant to the Indenture shall be invested by the Trustee solely in such Permitted Investments as are specified in a Request of the Borrower received by the Trustee at least two (2) Business Days before the investment date, which Request of the Borrower shall state that such investment is a Permitted Investment as required by the Indenture, provided, however, that, if the Borrower does not file such a request with the Trustee, the Trustee shall invest to the extent practicable in investments described in clause (7) of the definition of the term "Permitted Investments."

Moneys in the Debt Service Reserve Fund may be invested in Permitted Investments having weighted average maturities not exceeding five (5) years; provided, however, moneys in the Debt Service Reserve Fund may be invested in Permitted Investments with a nominal maturity date which is greater than five (5) years as long as said Permitted investments by their terms allow the Trustee to obtain (at any time the Trustee is required to draw on the Debt Service Reserve Fund hereunder) the corpus thereof at no less than the purchase price thereof without loss in value. Moneys in the remaining funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated by the Borrower that such moneys will be required by the Trustee.

Except as otherwise provided in written instructions of the Borrower, all interest, profits and other income received from the investment of moneys in any fund or account established under the Indenture (other than the Rebate Fund or Credit Facility Account or remarketing proceeds or the proceeds of draws under the Credit Facility to pay the Purchase Price of the Bonds) shall be credited to the Revenue Fund.

Subject to the section entitled "Deposit of Money or Securities with Trustee" and the paragraph below, investments in any and all funds and accounts established pursuant to the Indenture (other than the Rebate Fund or Credit Facility Account or remarketing proceeds or the proceeds of draws under the Credit Facility to pay the Purchase Price of the Bonds) may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Indenture for transfer to or holding in a particular fund amounts received or held by the Trustee under the Indenture, provided that the Trustee shall at all times account for such investments strictly in accordance with the particular funds to which they are credited and otherwise as provided in the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee or its affiliates may act as sponsor, advisor or depository with regard to any Permitted Investment. The Trustee may sell at the best price obtainable, or present for redemption, any securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such securities is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment. Any Permitted Investment that is a registrable security shall be registered in the name of the Trustee.

Notwithstanding anything to the contrary in this section, moneys held by the Trustee or the Tender Agent that are remarketing proceeds or draws on the Credit Facility shall be held uninvested and uncommingled with other moneys.

Rebate Fund

The Trustee must establish a separate fund for the Bonds designated the "Rebate Fund." Within the Rebate Fund, the Trustee must maintain such other accounts as it is instructed by the Borrower as shall be necessary in order to comply with the terms and requirements of the Tax Regulatory Agreement. Absent an Opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Borrower shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited in the Indenture pursuant to this section and the Tax Regulatory Agreement. Subject to the transfer provisions provided in the Indenture, all money at any time deposited in the Rebate Fund must be held by the Trustee in trust for payment to the United States Treasury, and no other person will have any rights in or claim to such money. All amounts on deposit in the Rebate Fund for the Bonds shall be governed by this section and the Tax Regulatory Agreement for the Bonds, unless and to the extent that the Borrower delivers to the Trustee an Opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied. The Trustee will be deemed conclusively to have complied with such provisions if it follows the directions of the Borrower including supplying all necessary information in the manner provided in the Tax Regulatory Agreement, will not be required to take any actions thereunder, in the absence of written directions by the Borrower, and will have no liability or responsibility to enforce

compliance by the Borrower with the terms of the Tax Regulatory Agreement. The Trustee will have no responsibility to make any independent calculations or determinations or to review the Borrower's calculations hereunder.

Rights of Bank

To the extent any provision in the Indenture requires the Trustee to obtain or procure the consent, direction, approval or request of the Bank, the Trustee must obtain or procure such consent, direction, approval or request in all instances, except during any time in which

(i) such Bank has failed to pay a properly presented conforming draw or notice of presentment under its respective Credit Facility, which failure is continuing,

(ii) such Credit Facility shall at any time for any reason be finally determined under applicable law, by a court of competent jurisdiction, to be null and void and not valid and binding on the respective Bank, or the validity or enforceability thereof is being contested by such Bank or by any governmental agency or authority which has taken control of the assets of the Bank in any bankruptcy, insolvency or similar proceedings and which shall be authorized under applicable law to act on behalf of such Bank, or

(iii) the Credit Facility is no longer in effect and any and all of the Borrower's obligations under the respective Credit Facility have been paid in full.

So long as any Credit Facility issued pursuant to the Reimbursement Agreement is in full force and effect, and there has not been a failure to pay a properly presented conforming draw under such Credit Facility, then, in all such events, subject to the last paragraph below,

(i) the issuer of such Credit Facility shall be deemed to be the sole Owner of the Outstanding Bonds the payment of which such Credit Facility secures or secured when the approval, consent or action of the Owners of such Bonds is required or may be exercised under the Indenture except for purposes of modifications and amendments requiring the consent of all Owners of such Bonds; and

(ii) with respect to such modifications and amendments, the consent of the issuer of such Credit Facility shall be required in addition to the consent of the Owners of such Bonds.

In the event that the principal, sinking fund installments, if any, Purchase Price and Redemption Price, if applicable, or interest due on any Outstanding Bonds shall be paid under the provisions of the Credit Facility that secures or secured the Bonds and that is issued pursuant to the Reimbursement Agreement, all covenants, agreements and other obligations of the Borrower to the Owners of such Bonds shall continue to exist, and the Bank shall be subrogated to the rights of such Owners.

Tax Covenants

The Authority covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would result in the interest on the Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code. Without

limiting the generality of the foregoing, the Authority covenants that it will comply with the requirements of the Tax Regulatory Agreement, which is incorporated in the Indenture as if fully set forth in the Indenture. This covenant shall survive the payment in full or the defeasance of the Bonds.

The Authority and the Trustee agree to comply with Section 148(f) of the Code, relating to rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds; provided that the Trustee shall be deemed to comply with such requirements and shall have no liability to the extent it follows the written directions of the Authority, the Borrower or the Rebate Analyst. This covenant shall survive payment in full or defeasance of the Bonds.

In the event that at any time the Authority is of the opinion that for purposes of this section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Authority shall so instruct the Trustee and the Borrower in a Request of the Authority accompanied by a supporting Opinion of Bond Counsel, and the Trustee shall take such action as may be directed by the Borrower.

Notwithstanding any provisions of this section, if the Borrower shall provide to the Authority and the Trustee an Opinion of Bond Counsel to the effect that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Authority and the Trustee may conclusively rely on such opinion in complying with the requirements of this section and the Tax Regulatory Agreement, and the covenants hereunder shall be deemed to be modified to that extent.

Other Covenants; Amendment of Agreement

Subject to the provisions of the Indenture, the Trustee shall upon receipt of amounts due from the Borrower pursuant to the Agreement, perform such duties as are expressly provided for under the Indenture which are imposed upon the Authority under the Agreement and assigned to it pursuant to the Indenture and shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of the rights of the Authority under the Agreement as assigned to the Trustee and the Bank.

The Authority shall not amend, modify or terminate any of the terms of the Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Bank (so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank), and the Trustee. The Trustee shall give such written consent if but only if

- (i) it has received a written representation from the Authority or Opinion of Bond Counsel to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (which written representation may be based on representations of other parties in accordance with the Indenture), provided that, if an Event of Default has occurred and is continuing, the

Trustee rather than the Authority shall make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (provided that, in making such determination, the Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel);

(ii) (1) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent in writing to such amendment, modification or termination; or

(2) the Bank consents in writing to such amendment, modification or termination (Bank consent to amendment, modification or termination of the Agreement without Bondholder consent shall be permitted only so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any draws thereunder), provided that no such amendment, modification or termination shall reduce the amount of Loan Payments to be made to the Authority or the Trustee by the Borrower pursuant to the Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding. The Trustee shall mail a copy of such amendment as executed to the Bank and each Rating Agency then rating the Bonds promptly after execution by the Authority and the Borrower.

Events of Default; Acceleration; Waiver of Default

If any one or more of the following events occur, it is hereby declared to constitute an “Event of Default”:

(a) if default shall be made in the due and punctual payment of the principal of, or premium (if any) on, any Bond when and as the same shall become due and payable, whether at maturity as in the Indenture expressed, by proceedings for redemption, by declaration or otherwise;

(b) if default shall be made 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) if default shall be made in the due and punctual payment of the Purchase Price of any Bond subject to tender pursuant to the Indenture;

(d) if default shall be made by the Authority in the performance or observance of any other of the material covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Borrower by the Trustee, or to the Authority, the Borrower and the Trustee by the Bank or the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding; provided that if such default cannot be fully remedied within thirty (30) days, but can reasonably be expected to be fully remedied, such default shall not

constitute an Event of Default if the Authority shall immediately upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch;

(e) if a Loan Default Event has occurred and is continuing; or

(f) if the Bank gives notice that an event of default shall have occurred and be continuing under the Reimbursement Agreement and instructing the Trustee to accelerate the Bonds,

While a Credit Facility is in effect, upon the occurrence of an Event of Default under clause (a) through (c) above, unless the principal of all the Bonds shall have already become due and payable, the Trustee, by notice in writing to the Authority and the Borrower 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 Indenture or in the Bonds contained to the contrary notwithstanding. Upon any such declaration the Trustee shall immediately draw upon any then existing Credit Facility in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds so declared to be due and payable.

Upon the occurrence of an Event of Default under clause (d) and (e) above, unless the principal of all the Bonds shall have already become due and payable, the Trustee, by notice in writing to the Authority and the Borrower, may and, upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding 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 Indenture or in the Bonds contained to the contrary notwithstanding.

Notwithstanding the foregoing, upon the occurrence of an Event of Default under clause (d) through (f), if the Credit Facility is in effect and the Bank has not wrongfully failed to honor a properly presented draw made under and in strict compliance with the terms of the Credit Facility, which failure has not been cured, then the Trustee upon written demand of the Bank, 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 Indenture or in the Bonds contained to the contrary notwithstanding. Upon any such declaration the Trustee shall immediately draw upon any then existing Credit Facility in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds so declared to be due and payable.

Notwithstanding any other provision of the Indenture, the Trustee may not declare an Event of Default, accelerate the Bonds or exercise any remedy under clause (d) through (f) without the written consent of the Bank (so long as the Credit Facility is in effect and the Bank has not dishonored any properly presented and conforming draw thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank).

Notwithstanding any other provision of the Indenture, the Bank, by a written instrument delivered to the Trustee, may waive any Event of Default under clause (d) through (f) (so long as the Credit Facility is in effect and the Bank has not dishonored any properly presented and conforming draw thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank).

To the extent that a Credit Facility secures the Bonds and the Bank honors a final draw thereunder upon acceleration of the Bonds, interest on the Bonds shall cease to accrue from and after the declaration of such acceleration.

Institution of Legal Proceedings by Trustee

If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon being indemnified to its satisfaction by the Bank or the Holders, upon the written request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding and with the consent of the Bank or at the direction of the Bank shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds or the Bank under the Act or under the Agreement or the Indenture by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

Covenant to Pay Bonds in Event of Default

The Authority covenants that, upon the happening of any Event of Default, the Authority will pay, but only out of Revenues and the other funds in the Indenture provided therefor, to the Trustee, upon demand, for the benefit of the Holders of the Bonds and the Bank, the whole amount then due and payable thereon (by declaration or otherwise) for interest or for principal and premium, or both, as the case may be, and all other sums which may be due under the Indenture or secured thereby, including reasonable compensation to the Trustee and its agents and counsel and any expenses or liabilities incurred by the Trustee hereunder and, its agents and counsel. In case the Authority shall fail to pay the same forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of, Revenues as in the Indenture provided and not otherwise. The Trustee shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of the Indenture, and the right of the Trustee to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of the Indenture.

Trustee Appointed Agent for Bondholders

The Trustee is appointed the agent and attorney-in-fact of the Holders of all Bonds Outstanding under the Indenture for the purpose of filing any claims relating to the Bonds.

Power of Trustee to Control Proceedings

Subject to the right of the Bank to control remedial proceedings under the Indenture, in the event that the Trustee, upon the happening of an Event of Default, shall have taken some action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default under the Indenture, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Notwithstanding the foregoing, the Bank shall have full control of proceedings provided for in this section (so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank).

Limitation on Bondholders' Right to Sue

Subject to the right of the Bank to control remedial proceedings under the Indenture, notwithstanding any other provision under the Indenture, no Holder of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture unless:

- (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Indenture;
- (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers in the Indenture before granted or to institute such action, suit or proceeding in its own name;
- (c) said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner in the Indenture provided, and that all proceedings at law or in

equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of all Holders of the Outstanding Bonds.

The right of any Holder of any Bond to receive payment of the principal of and premium, if any, and interest on such Bond out of Revenues and the funds pledged in the Indenture, as in the Indenture provided, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder, notwithstanding the foregoing provisions of this section or under the heading entitled "Power of Trustee to Control Proceedings" or any other provision of the Indenture.

Waiver of Acceleration and Past Defaults

At any time after a declaration of acceleration has been made, but before any judgment or decree for payment of money due on any Bonds has been obtained by the Trustee as provided in this Article, the owners of a majority in principal amount of the Bonds Outstanding may, by written notice to the Authority, the Borrower and the Trustee, rescind and annul such declaration and its consequences if:

- (i) there is deposited with the Trustee a sum sufficient to pay:
 - (1) all overdue installments of interest on all Bonds; and
 - (2) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in the definition of Debt Service; and
 - (3) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;
- (ii) all events of default, other than the non-payment of the principal of Bonds which have become due solely by such declaration of acceleration, have been cured or have been waived as provided in the next paragraph.

Before any judgment or decree for payment of money due has been obtained by the Trustee as provided in this Article, the owners of a majority in principal amount of the Bonds Outstanding may, by written notice delivered to the Trustee and the Authority, on behalf of the owners of all the Bonds waive any past default under the Indenture and its consequences, except a default:

- (i) in the payment of the principal of (or premium, if any) or interest on any Bond; or

(ii) in respect of a covenant or provision in the Indenture which cannot be modified or amended without the consent of the owner of each Outstanding Bond affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Indenture; but no such waiver shall extend to or affect any subsequent or other default or impair any right or remedy consequent thereon.

Notwithstanding the foregoing, so long as a Credit Facility is in effect and the Bank has not dishonored any properly presented and conforming draw thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank, the Trustee shall not waive any declaration of acceleration or Event of Default without the prior written consent of the Bank, and no waiver will be effective until the Trustee receives written notice from the Bank that the Credit Facility is reinstated up to the full amount available; provided further that the Trustee shall not waive any Event of Default under paragraph (f) of the section entitled "Events of Default; Acceleration; Waiver of Default" unless the Bank shall have waived or rescinded the event of default under the Reimbursement Agreement and the Credit Facility remains in full force and effect.

Modification without Consent of Bondholders

Subject to the conditions and restrictions in the Indenture contained, the Authority and the Trustee, from time to time and at any time, may enter into an indenture or indentures supplemental to the Indenture, which indenture or indentures thereafter shall form a part of the Indenture, including, without limitation, for one or more of the following purposes; provided that the Bank (so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank) and the Borrower shall have consented to such amendment, and the Trustee shall have received an Opinion of Bond Counsel to the effect that such amendment or modification will not cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes and a written representation from the Authority or an Opinion of Bond Counsel to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (which written representation may be based on representations of other parties in accordance with the provisions of the Indenture pertaining to the requirements of certain certificates); provided that, if an Event of Default has occurred and is continuing, the Trustee rather than the Authority shall make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (provided that, in making such determination, the Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel):

(a) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;

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

(c) to modify, amend or supplement the Indenture or any Indenture supplemental hereto in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any Indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(d) in connection with an amendment of the Agreement permitted by the Indenture for the purpose of conforming the terms, conditions and covenants of the Indenture to the corresponding or related provisions of such amended Agreement;

(e) in connection with delivery of an Alternate Credit Facility for the purpose of conforming the terms, conditions and covenants of the Indenture so as to provide Bondholders the full benefit of the provisions of such Alternate Credit Facility;

(f) for any other purpose that will not materially and adversely affect the interests of the Holders of the Bonds; or

(g) to make revisions to the Indenture that shall become effective only upon, and in connection with, the remarketing of all of the Bonds then Outstanding.

Any supplemental indenture authorized by the provisions of this section may be executed by the Authority and the Trustee without the consent of the Holders of any of the Bonds, notwithstanding any of the provisions of the section entitled "Modification with Consent of Bondholders," but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

The Trustee shall mail an executed copy of any supplemental indenture authorized by this section to the Bank and each Rating Agency promptly after execution by the Authority and the Trustee, but such notice shall not be a condition of the effectiveness of such amendment.

Modification with Consent of Bondholders

Exclusive of supplemental indentures permitted by the section entitled "Modification Without Consent of Bondholders" and subject to the terms and provisions contained in this section, and not otherwise, the Bank, if any, (so long as the Credit Facility is in effect and the Bank has not dishonored any properly presented and conforming draw thereunder or any default by the Bank under the Credit Facility shall have and be continuing) and the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or

indentures supplemental hereto as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in this section or in the section entitled "Modification Without Consent of Bondholders" contained shall permit, or be construed as permitting, without the consent of the Bank and the Owners of all Bonds Outstanding, (a) an extension of the maturity of the principal of, or the interest on, any Bond issued under the Indenture, or (b) a reduction in the principal amount or Purchase Price of, or redemption premium on, any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures or any modifications or waivers of the provisions of the Indenture or the Agreement, or (e) the creation of any lien ranking prior to or on a parity with the lien of the Indenture on the Trust Estate or any part thereof, except expressly permitted in the Indenture, or (f) the deprivation of the Owner of any Outstanding Bond of the lien hereby created on the Trust Estate.

If at any time the Issuer shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given to the Bank and to the Owners of the Bonds as provided in the Indenture; provided, that prior to the delivery of such notice, the Trustee may require that an opinion of Bond Counsel be furnished to the effect that the supplemental indenture complies with the provisions of the Indenture and will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Owners of Bonds. If, within sixty (60) days or such longer period as shall be prescribed by the Issuer following such notice, the Bank and the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding (except for those supplemental indentures requiring the consent of the Bank and the Owners of all Bonds Outstanding as described above) at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as in the Indenture provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained in the Indenture, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this section permitted and provided, in the Indenture shall be and be deemed to be modified and amended in accordance therewith.

The Trustee shall mail an executed copy of any supplemental indenture authorized by this section to the Bank and each Rating Agency promptly after execution by the Authority and the Trustee.

The Bank, if any (so long as the Credit Facility is in effect and the Bank has not dishonored any properly presented and conforming draws thereunder or any default by the Bank under the Credit Facility shall have occurred and be continuing), shall be deemed the Owner of the Bonds for the purpose of this section; provided however that the Bank shall not, by virtue of being deemed the Owner of the Bonds for purposes of this section, be permitted to (a) extend the maturity of the principal of, or the interest on, any Bond issued under the Indenture, or (b) reduce

the principal amount or Purchase Price of, or redemption premium on, any Bond or the rate of interest thereon, or (c) create a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) reduce the aggregate principal amount of the Bonds required for consent to such supplemental indentures or any modifications or waivers of the provisions of the Indenture or the Agreement, without the consent of all the Owners of all Bonds Outstanding.

Anything in the Indenture to the contrary notwithstanding, a supplemental indenture under this Article shall not become effective unless and until the Borrower shall have consented to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed to the Borrower at least 15 Business Days prior to the proposed date of execution and delivery of any such supplemental indenture.

The Trustee may, without the consent of the Authority, amend or supplement the Indenture in any manner otherwise permitted by this Article so long as such supplemental indenture does not adversely affect the rights of the Authority.

Discharge of Indenture

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

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

If the Authority shall pay all Bonds then Outstanding as provided above and shall also pay or cause to be paid all other sums payable under the Indenture by the Authority, and any balance remaining in the funds and accounts established under the Indenture shall have been paid to the Bank to the extent any amounts are owing to the Bank, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), which election shall be made on the Request of the Borrower, and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the section entitled "Discharge of Liability on Bonds." In such event, upon Request of the Authority (which request shall be made upon the Request of the Borrower), the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and the Borrower and shall execute and deliver to the Authority and the Borrower all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or

deliver to the Borrower all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption and which are not required for the payment of fees and expenses of the Trustee.

Discharge of Liability on Bonds

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the section entitled "Deposit of Money or Securities with Trustee") to pay or redeem any Outstanding Bond, whether upon or prior to its maturity or the redemption date of such Bond, (provided that, if such Bond is to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice), 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 premium, if any, and interest on such Bond by the Authority, and the Authority shall remain liable for such payment but only out of the money or securities deposited with the Trustee as aforesaid for its payment, provided further, however, that the provisions of the Indenture concerning the escheat of unclaimed funds shall apply in all events.

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

Deposit of Money or Securities with Trustee

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the amount necessary to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds established pursuant to the Indenture and shall be:

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

(b) (i) noncallable direct obligations of the United States of America (including, without limitation, obligations issued or held in book-entry form on the books of the Borrower of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America (including without limitation the interest component of Resolution Funding Corporation strips for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form); or

(ii) securities the interest on which is excludable from gross income for federal tax purposes which have been advance refunded pursuant to the Code for which a nationally recognized rating service is maintaining a rating within the highest rating category of such rating service and the principal of and interest on which, in the written opinion of an Accountant, when due will provide money sufficient to pay the principal of, and premium, if any, and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal, and premium, if any, 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 Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Authority) to apply such money to the payment of such principal, and premium, if any, and interest with respect to such Bonds and provided, further, that the Authority and the Trustee shall have received

(i) an Opinion of Bond Counsel to the effect that such deposit shall not cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes; and

(ii) a verification report of a firm of certified public accountants or other financial services firm acceptable to the Authority verifying that the money or securities so deposited together with earnings thereon will be sufficient to make all payments of principal of and premium, if any, and interest on the Bonds to be discharged to and including the earlier of their respective maturity dates or the date they are to be redeemed; provided that for Variable Rate Debt the interest rate assumptions described in the definition of Debt Service may be used.

Liability of Authority Limited to Revenues

Notwithstanding anything in the Indenture or in the Bonds contained, the Authority will not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal or redemption price of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes of the Indenture any funds of the Authority which may be made available to it for such purposes.

THE LOAN AGREEMENT

The Loan Agreement provides the terms of the loan of the Bond proceeds of each series to the Borrower and the repayment of and security for such loan provided by the Borrower. Although certain provisions of the Loan Agreement are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Loan Agreement.

Maintenance of Corporate Existence; Consolidation, Merger, Sale or Transfer under Certain Conditions

The Borrower covenants and agrees that, so long as any of the Bonds are Outstanding, it will maintain its existence as a nonprofit public benefit corporation qualified to do business in the State and an organization described in Section 501(c)(3) of the Code and will not dissolve, sell or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it or acquire all or substantially all of the assets of any person or entity. Notwithstanding the foregoing, the Borrower may, without violating the covenants contained in this section, consolidate with or merge into another corporation, or acquire or permit one or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, if:

- be:
- (1) The surviving, resulting or transferee corporation, as the case may be:
 - (a) assumes in writing, if such corporation is not the Borrower, all of the obligations of the Borrower under the Agreement;
 - (b) is not, after such transaction, otherwise in default under any provisions of the Agreement; and
 - (c) is an organization described in Section 501(c)(3) of the Code, or a corresponding provision of the federal income tax laws then in effect.
 - (2) The Authority, the Trustee and the Bank shall have received a Certificate of the Borrower to the effect that such consolidation, merger, sale or transfer will not cause the Borrower as reconstituted to be in default under any of the covenants under the Agreement;
 - (3) The Trustee and the Authority shall have received an Opinion of Bond Counsel to the effect that under existing law, such merger, consolidation, sale, acquisition or other transfer will not cause interest on the Bonds to be included in gross income for federal income tax purposes under Section 103 of the Code; and
 - (4) The written consent of the Bank has been received by the Trustee, together with an acknowledgment that the Credit Facility will remain in effect.

If a merger, consolidation, sale or other transfer is effected, as provided in this section, the provisions of this section shall continue in full force and effect, and no further merger, consolidation, sale or transfer shall be effected except in accordance with the provisions of this section.

Events of Default

The following shall be "events of default" under the Agreement, and the terms "events of default" or "default" shall mean, whenever they are used in the Agreement, any one or more of the following events:

- (A) The Borrower fails to make any Loan Payment by its due date; or
- (B) The Borrower fails to observe and perform any material covenant, condition or agreement on its part to be observed or performed under the Agreement other than as referred to in paragraph (A) above for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the Borrower by the Authority, the Bank or the Trustee, with a copy to the Bank; provided, however, if the failure stated in the notice is correctable but cannot be corrected within the applicable period, the Trustee, upon the prior written consent of the Bank, will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the default is corrected; or
- (C) Any of the representations or warranties of the Borrower made in the Agreement or in any other document, certificate or writing furnished by the Borrower to the Authority in connection with the application for or the negotiation of the Agreement or the issuance of the Bonds was false or incorrect in any material respect when made; or
- (D) The Borrower applies for or consents to the appointment of any receiver, trustee, or similar officer for it or for all or any substantial part of its property or admits in writing its inability to pay its debts as they mature; or such a receiver, trustee or similar officer is appointed without the application or consent of the Borrower and such appointment continues undischarged for a period of sixty (60) days; or the Borrower institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding is instituted (by petition, application or otherwise) against the Borrower and remains undischarged for a period of sixty (60) days; or the Borrower makes a general assignment for the benefit of creditors.

Remedies on Default

In the event any of the Bonds shall at the time be Outstanding and unpaid (and provision for the payment of thereof shall not have been made as provided in the Indenture) and any event of default under the Agreement shall have happened and be continuing, the Authority or the Trustee may, with the consent of the Bank, and shall, at the direction of the Bank, take any one or more of the following remedial steps:

(1) The Authority or the Trustee may, at its option, declare all installments of Loan Payments to be immediately due and payable, whereupon the same shall become immediately due and payable.

(2) The Authority or the Trustee may take whatever action at law or in equity that may appear necessary or desirable to collect the payments then due and thereafter to become due under the Indenture, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, condition or covenant of the Borrower under the Agreement.

The term "all installments" shall mean an amount equal to the entire principal amount of the then Outstanding Bonds, together with all interest accrued or to accrue on and prior to the next succeeding redemption date or dates on which the Bonds can be and actually are redeemed after giving notice to the Holders thereof as required by the Indenture (less moneys available for such purpose then held by the Trustee) plus any other payments due or to become due under the Agreement, including, without limitation, any unpaid fees and expenses of the Authority, the Trustee and any paying agents of the Bonds which are then due or will become due prior to the time that the Bonds are paid in full and the trust established by the Indenture is terminated.

(A) No remedy in the Agreement conferred upon or reserved to the Authority, the Bank or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Agreement or now or hereafter existing at law or in equity or by statute. No delay in exercising or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority, the Bank or the Trustee to exercise any remedy reserved to it by this section, it shall not be necessary to give any notice, other than such notice as may be the Agreement expressly required. The Trustee and the Bank shall each be deemed a third party beneficiary of all covenants and conditions the Agreement contained.

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

Agreement Represents Complete Agreement; Amendments

The Agreement and the Tax Regulatory Agreement may not be effectively amended, changed, modified, altered or terminated without complying with the procedures described in the second paragraph of the section entitled "THE INDENTURE – Other Covenants; Amendments of Agreement". The Authority agrees that it will not consent to an amendment of the Indenture without the approval of the Borrower.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

_____, 2009

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

Re: \$20,000,000 ABAG Finance Authority for Nonprofit Corporations
Variable Rate Demand Revenue Bonds, Series 2009 (Valley Christian
Schools)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the ABAG Finance Authority for Nonprofit Corporations (the "Issuer"), of its \$20,000,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Revenue Bonds, Series 2009 (Valley Christian Schools) (the "Bonds").

All capitalized terms used herein and not otherwise defined shall have the same meanings as ascribed to them under the Indenture (the "Indenture") dated as of July 1, 2009, between the Issuer and U.S. Bank National Association, as trustee (the "Trustee").

The description of the Bonds in this opinion and other statements concerning the terms and conditions of the issuance of the Bonds do not purport to set forth all of the terms and conditions of the Bonds, the Indenture, the Loan Agreement (as defined herein) or any other document relating to the issuance of the Bonds, but are intended only to identify the Bonds and to describe briefly certain features thereof.

The Bonds are dated the date of their initial authentication and delivery, were issued in fully registered form, and will mature on July 1, 2039, and bear interest on the outstanding principal balance thereof, from the date thereof, at the interest rates described in the Indenture. The Bonds will initially bear interest at the Weekly Rate. The Bonds are subject to mandatory and optional tender, optional redemption and acceleration prior to maturity in the manner and upon the terms and conditions set forth in the Indenture.

The Bonds are payable both as to principal and interest from certain revenues payable by Valley Christian Schools (the "Borrower") to the Issuer under a Loan Agreement (the "Loan Agreement") dated as of July 1, 2009, between the Issuer and the Borrower, and from certain other sources, as more particularly described in the Indenture. The Issuer's rights under the Loan Agreement (with certain exceptions) have been assigned to the Trustee pursuant to the

terms of the Indenture. The Bonds are further secured by the Letter of Credit (the “Credit Facility”) issued by Bank of America, N.A. and as otherwise provided in the Indenture.

The Bonds are being issued to (i) finance a portion of the costs of the acquisition, construction, installation, improvement, renovation, furnishing and equipping of a junior high school and high school campus owned by the Borrower and an acquisition of approximately 11.37 acres of land immediately adjacent thereto, and (ii) to pay capitalized interest and capitalize certain other costs related to the Credit Facility, as more particularly described in the Indenture and the Loan Agreement.

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

In rendering the opinions set forth below, we have examined a certified copy of a resolution adopted by the Issuer on May 15, 2009, authorizing the issuance of bonds in support of the Borrower (the “Issuer Resolution”), a copy of the Resolution adopted by the Board of Supervisors of the County of Santa Clara, California on February 10, 2009, approving the issuance of the Bonds by the Issuer for purpose of Section 147(f) of the Code (as defined below), certified copies of the resolutions adopted by the Board of Directors of the Borrower and executed copies of the Indenture, the Loan Agreement, the Tax Regulatory Agreement and No Arbitrage Certificate dated July 1, 2009, executed by the Issuer and the Borrower, and various certificates and opinions delivered in connection therewith, and are relying on the covenants and agreements of the Borrower, the Issuer and the Trustee contained therein, including, without limitation, the covenants of the Borrower and the Issuer to comply with the applicable requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of the Internal Revenue Code of 1986, as amended (the “Code”), and applicable regulations thereunder, to the extent necessary to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes.

We have also examined an Affidavit of Publication of the San Jose Mercury News dated January 23, 2009 and other proofs submitted to us relative to the issuance and sale by the Issuer of the Bonds.

In addition to the foregoing, we have examined and relied upon the opinion dated the date hereof of Chapman and Cutler LLP, counsel to the Issuer and such other agreements, documents and opinions, including certificates and representations of public officials, officers and representatives of the Borrower and various other parties participating in this transaction as we have deemed relevant and necessary in connection with the opinions set forth below. We have also examined and relied upon the opinion of Creech Liebow & Kraus as to the status of the Borrower as an organization exempted from federal income taxation by Section 501(a) of the

Code, as an organization described by Section 501(c)(3) of the Code and as to other matters set forth therein.

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

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

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

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

(1) The Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery thereof by the other parties thereto, are valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms. The Indenture creates a valid pledge of the trust estate on the terms and conditions set forth therein.

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

(3) Under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes. Interest on the Bonds will not be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed by the Code. Further, interest on the Bonds is not required to be taken into account in determining the adjusted current earnings of a corporation for purposes of computing the alternative minimum tax. Interest on the Bonds, therefore, will not be included in the alternative minimum taxable income of either corporate or non-corporate holders of the Bonds.

The opinions expressed in this paragraph (3) are conditioned upon compliance with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer, the Borrower and the Trustee have covenanted to comply with such requirements. Failure of the Issuer, the Borrower or the Trustee to comply with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

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

Notwithstanding the opinion rendered in this Paragraph 3, we express no opinion to whether a conversion of the interest rate determination method and interest period applicable to the Bonds from a Weekly Rate to any other Interest Rate Mode will adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(4) Under existing law, the interest on the Bonds is exempt from State of California personal income taxes.

Our opinions expressed herein are predicated upon current facts and circumstances, and upon present laws and interpretations thereof. We assume no affirmative obligation to update the opinions expressed herein if such facts, circumstances, laws or interpretations thereof change after the date hereof, that may adversely affect the opinions contained herein or the exclusion from gross income of interest on the Bonds for federal income tax purposes after the date hereof, even if such changes come to our attention.

All opinions as to legal obligations of the Issuer and the Borrower set forth above are subject to and limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws, in each case relating to or affecting the enforcement of creditors' rights, (b) applicable laws or equitable principles that may affect remedies or injunctive or other equitable relief, and (c) judicial discretion which may be exercised in applicable cases to adversely affect the enforcement of certain rights or remedies.

The scope of our engagement in relation to the issuance of the Bonds has been limited solely to the examination of facts and law incident to rendering the opinions expressed herein. Except to the extent set forth in our opinion to the underwriter, the Borrower and the Issuer of even date herewith, we have not been engaged nor have we undertaken to review, confirm or verify and therefore express no opinion as to the accuracy, adequacy, completeness, fairness or sufficiency of the Official Statement or any exhibits or appendices thereto or any other offering material relating to the Bonds. In addition, we have not been engaged to and therefore express no opinion regarding the perfection or priority of the lien on the Revenues or other funds created by the Indenture or as to the compliance by the Issuer, the Borrower, the underwriter or any other party involved in this financing with, or the necessity of such parties complying with any federal or state registration requirements or security statutes, regulations or ruling with respect to the sale, offer or distribution of the Bonds.

Sincerely yours,

HOLLAND & KNIGHT LLP



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