

In the opinion of Holland & Knight LLP, Bond Counsel, assuming compliance with certain arbitrage rebate and other tax requirements referred to herein, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the federal alternative minimum tax. Interest on the Bonds will, however, be taken into account in computing an adjustment made in determining a corporate Bondholder's alternative minimum tax based on such Bondholder's adjusted current earnings. It is further the opinion of Bond Counsel that, under existing law, interest on the Bonds is exempt from present personal income taxes imposed by the State of California. For a description of the consequences to holders of the Bonds of other provisions of the Internal Revenue Code of 1986, as amended, see "TAX MATTERS" herein.

\$23,500,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
VARIABLE RATE DEMAND REVENUE REFUNDING BONDS
(ESKATON PROPERTIES, INCORPORATED)
SERIES 2008A

CUSIP: 00037C NC0

Dated: Date of Delivery

Price: 100%

Due: May 15, 2029

The Bonds will be issued in fully registered form without coupons and secured under the Bond Indenture described herein. The Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and purchases of beneficial ownership interests in the Bonds will be made in book-entry form only in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof for Bonds while in the Weekly Mode, the Daily Mode or the Unit Pricing Mode. Purchasers will not receive certificates representing their beneficial interests in the Bonds. The principal of and interest on the Bonds will be paid by The Bank of New York Trust Company, N.A., as bond trustee (the "Bond Trustee"), to Cede & Co. as long as Cede & Co. is the registered owner. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursement of such payments to owners of beneficial ownership interests in the Bonds is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds will be issued under and be secured by a Bond Trust Indenture between the ABAG Finance Authority for Nonprofit Corporations (the "Authority") and the Bond Trustee. The proceeds of the Bonds will be loaned to Eskaton Properties, Incorporated a California nonprofit public benefit corporation (the "Borrower"), for the purposes described herein. The Bonds will be payable from and secured by a pledge of payments to be made by the Borrower under the Loan Agreement between the Authority and the Borrower and on an Obligation to be issued by the Borrower under a Master Trust Indenture among the Borrower and the other Members of the Obligated Group created thereunder (the "Obligated Group") and The Bank of New York Trust Company, N.A., as Master Trustee. The sources of payment of, and security for, the Bonds are more fully described in this Official Statement.

When initially delivered, the Bonds will be in the Weekly Mode, and interest will be payable on each Interest Payment Date, commencing May 1, 2008. The Bonds may be converted from one Mode to another Mode, all as described herein. All Bonds will be in the same Mode at any given time.

Payments of principal of and interest on the Bonds will be initially supported by an irrevocable direct-pay letter of credit (the "Initial Credit Facility") issued in favor of the Bond Trustee by U.S. Bank National Association (the "Initial Credit Facility Provider").



The Bond Trustee will be authorized, subject to the terms and conditions of the Initial Credit Facility, to draw thereunder up to an amount sufficient to pay (i) the principal of the Bonds (other than Bank Bonds and Bonds owned or held on behalf of the Borrower or any affiliate of the Borrower) when due, at stated maturity, upon redemption or upon acceleration, (ii) the portion of the purchase price equal to the principal amount of the Bonds (other than Bank Bonds and Bonds owned or held on behalf of the Borrower or any affiliate of the Borrower) tendered for optional or mandatory purchase and not remarketed, or remarketed but for which payment has not been received and (iii) up to 46 days' interest accrued on the Bonds outstanding in the Daily Mode or the Weekly Mode, calculated at a rate of 10% per annum, all as described herein. The stated expiration date of the Initial Credit Facility is March 31, 2013, which date may be extended at the discretion of the Initial Credit Facility Provider upon request of the Borrower. The Initial Credit Facility Provider may terminate the Initial Credit Facility prior to its stated expiration date under the circumstances described herein. Upon satisfaction of the terms and conditions described herein, the Borrower may replace the Initial Credit Facility with a Substitute Credit Facility.

The Bonds (i) are subject to optional redemption and mandatory tender for purchase, and (ii) while in the Daily Mode or Weekly Mode, are subject to optional tender for purchase, each as described herein.

This Official Statement only describes the terms and provisions of the Bonds while in the Weekly Mode, Daily Mode or Unit Pricing Mode. If the Bonds are converted to a Mode other than the Weekly Mode, Daily Mode or Unit Pricing Mode, the Borrower will supplement this Official Statement or deliver a new official statement or remarketing circular describing the new Mode.

POTENTIAL INVESTORS SHOULD BASE THEIR INVESTMENT DECISIONS WITH RESPECT TO THE BONDS SOLELY UPON THE CREDIT OF THE PROVIDER OF THE CREDIT FACILITY SECURING THE BONDS, INITIALLY U.S. BANK NATIONAL ASSOCIATION EXCEPT FOR A VERY LIMITED DESCRIPTION OF THE BORROWER CONTAINED IN THIS OFFICIAL STATEMENT, NO INFORMATION (FINANCIAL OR OTHERWISE) WITH RESPECT TO THE BORROWER IS INCLUDED HEREIN, AND THE BORROWER MAKES NO REPRESENTATION HEREIN CONCERNING ITS PRESENT OR FUTURE FINANCIAL CONDITION. THIS OFFICIAL STATEMENT SHOULD NOT BE RELIED UPON IN DETERMINING WHETHER TO PURCHASE BONDS THAT ARE NOT (I) IN THE WEEKLY MODE, DAILY MODE OR UNIT PRICING MODE AND (II) SECURED BY A CREDIT FACILITY.

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

The Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality of the Bonds by Holland & Knight LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Authority by its special counsel, Nixon Peabody LLP, San Francisco, California; for the Bond Trustee by its counsel, Davis Wright Tremaine LLP, San Anselmo, California; for the Obligated Group by its counsel, Hefner, Stark & Marois, LLP, Sacramento, California; for the Initial Credit Facility Provider by its counsel Foley & Lardner LLP, San Francisco, California; and for the Underwriter by its counsel, Ungaretti & Harris LLP, Chicago, Illinois. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC on or about April 10, 2008.

CAIN BROTHERS

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, sales representative or other person has been authorized by the Authority, the Borrower, the Initial Credit Facility Provider or Cain Brothers & Company, LLC (the "Underwriter") to give information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the Borrower, the Initial Credit Facility Provider or the Underwriter.

The information set forth in this Official Statement regarding the Authority under the captions "THE AUTHORITY" and "LITIGATION – The Authority" has been obtained from the Authority. All other information herein, unless otherwise indicated, has been obtained by the Underwriter from the Borrower and the Initial Credit Facility Provider, and other sources deemed by the Underwriter to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be relied upon or construed as a promise or representation by, the Authority or the Underwriter. The Authority has not reviewed or approved any information in this Official Statement except the information under the captions "THE AUTHORITY" and "LITIGATION – The Authority." 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 Obligated Group or the Initial Credit Facility Provider since the date hereof (or since the date of any other information dated other than the date hereof).

EXCEPT FOR A VERY LIMITED DESCRIPTION OF THE BORROWER CONTAINED IN THE FOREPART OF THIS OFFICIAL STATEMENT, NO INFORMATION (FINANCIAL OR OTHERWISE) WITH RESPECT TO THE BORROWER OR THE OBLIGATED GROUP IS INCLUDED IN THIS OFFICIAL STATEMENT, AND THE BORROWER MAKES NO REPRESENTATION HEREIN CONCERNING ITS PRESENT OR FUTURE FINANCIAL CONDITION. POTENTIAL INVESTORS SHOULD BASE THEIR INVESTMENT DECISIONS WITH RESPECT TO THE BONDS SOLELY UPON THE CREDIT OF THE PROVIDER OF THE CREDIT FACILITY SECURING THE BONDS, INITIALLY U.S. BANK NATIONAL ASSOCIATION. THIS OFFICIAL STATEMENT SHOULD NOT BE RELIED UPON IN DETERMINING WHETHER TO PURCHASE BONDS THAT ARE NOT (I) IN THE WEEKLY MODE, DAILY MODE OR UNIT PRICING MODE AND (II) SECURED BY A CREDIT FACILITY.

The information under the caption "THE INITIAL CREDIT FACILITY PROVIDER" has been furnished by the Initial Credit Facility Provider. The information in APPENDIX C has been furnished by DTC. All other information set forth herein has been furnished by the Borrower, unless otherwise indicated.

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

The CUSIP number for the Bonds is included in this Official Statement for the convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP number for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

The Bonds have not been registered under the Securities Act of 1933, as amended, and neither the Bond Indenture nor the Master Indenture has been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Bonds in accordance with applicable provisions of securities laws of any states in which the Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, any Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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OFFICIAL STATEMENT
relating to

\$23,500,000

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
VARIABLE RATE DEMAND REVENUE REFUNDING BONDS
(ESKATON PROPERTIES, INCORPORATED)
SERIES 2008A

INTRODUCTION

The description and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. See APPENDIX A for definitions of certain words and terms used herein. This Official Statement describes the terms and provisions of the Bonds while in the Weekly Mode, Daily Mode or Unit Pricing Mode. In the event the Bonds are changed to a Mode other than the Weekly Mode, Daily Mode or Unit Pricing Mode, this Official Statement will be supplemented or a new reoffering document will be provided to describe the new Mode.

Purpose of this Official Statement. The purpose of this Official Statement, including the cover page and the appendices hereto, is to set forth information in connection with the offering by the ABAG Finance Authority for Nonprofit Borrowers (the "Authority") of its \$23,500,000 Variable Rate Demand Revenue Refunding Bonds (Eskaton Properties, Incorporated), Series 2008A (the "Bonds" or the "Series 2008A Bonds"). The Bonds will be issued under and pursuant to a Bond Trust Indenture dated as of April 1, 2008 (the "Bond Indenture"), between the Authority and The Bank of New York Trust Company, N.A., as bond trustee (the "Bond Trustee").

The Borrower and the Obligated Group. Eskaton Properties, Incorporated, a California nonprofit public benefit corporation (the "Borrower"), together with Eskaton Gold River Lodge and Eskaton Village-Grass Valley, each a California nonprofit public benefit corporation and an affiliate of the Borrower, are members of an obligated group (the "Obligated Group" or the "Members of the Obligated Group") established under a Master Trust Indenture dated as of July 1, 1999, as heretofore supplemented and amended (the "Existing Master Indenture"), among the Borrower, such affiliates and The Bank of New York Trust Company, N.A., as master trustee (the "Master Trustee").

In connection with the issuance of the Bonds and the issuance of the 2008A Obligation and the Bank Reimbursement Obligation (each as hereinafter defined), the Borrower, as Obligated Group Representative on behalf of the Obligated Group, and the Master Trustee will execute and deliver the Eighth Supplemental Master Indenture dated as of April 1, 2008 (the "Eighth Supplemental Master Indenture"). The Existing Master Indenture, as supplemented and amended by the Eighth Supplemental Indenture, is referred to in this Official Statement as the "Master Indenture."

This Official Statement should not be relied upon in determining whether to purchase Bonds that are not (i) in the Weekly Mode, Daily Mode or Unit Pricing Mode and (ii) secured by a Credit Facility. Potential investors should base their investment decisions with respect to the Bonds solely on the credit of the provider of the Credit Facility (initially, U.S. Bank National Association) as hereinafter described and, except for a very limited description of the Borrower contained under the caption "THE BORROWER," no information (financial or otherwise) is included in this Official Statement with respect to the Borrower or the Obligated Group, nor is the Borrower required to provide any ongoing continuing secondary market information in connection with the initial issuance of the Bonds.

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, 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.

Purpose of the Bonds. The proceeds to be received by the Authority from the sale of the Bonds will be loaned to the Borrower pursuant to a Loan Agreement dated as of March 1, 2008 (the "Loan Agreement"). Such proceeds of the Bonds will be used, together with other available funds, to (i) refund a portion of the outstanding California Statewide Communities Development Authority Certificates of Participation (Eskaton Properties, Incorporated Obligated Group) originally issued in 1999 for the benefit of the Obligated Group (the "Refunded Certificates") and (ii) pay certain expenses incurred in connection with the issuance of the Bonds and the refunding of the Refunded Certificates, including certain costs of obtaining the Initial Credit Facility (as hereinafter defined). See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

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

Security for the Bonds. The Bonds will be issued under and be secured by the Bond Indenture, and as security for the Bonds the Borrower will issue under the Master Indenture and deliver to the Bond Trustee an Obligation (the "2008A Obligation") in a principal amount equal to the aggregate principal amount of the Bonds. The terms of the 2008A Obligation will require payments that, together with other moneys available therefor (and interest earned thereon), will be sufficient to provide for the payment of the principal of, premium, if any, and interest on the Bonds. The 2008A Obligation will entitle the Bond Trustee, as the holder thereof, to the protection of the covenants, restrictions and other obligations imposed upon the Members of the Obligated Group by the Master Indenture.

The 2008A Obligation will be a general joint and several obligation of the Borrower and the other Members of the Obligated Group and, together with the other Obligations previously issued by the Borrower and any additional Obligations that may be issued by the Members of the Obligated Group under the Master Indenture, will be equally and ratably secured by (i) a security interest in the Gross Revenues of the Members of the Obligated Group, subject to certain exceptions, and (ii) certain Deeds of Trust (collectively, the "Deeds of Trust") creating first mortgage liens on certain real property and Facilities of the Members of the Obligated Group for the benefit of the Master Trustee. The provisions of the Deeds of Trust may be modified, amended or waived with the prior written consent of a provider of

bond insurance for certain indebtedness of the Obligated Group and without the consent of the Master Trustee.

For further information concerning the security of the Bonds, see "SECURITY AND SOURCES OF PAYMENT."

Credit Facility; Substitute Credit Facility. Under the Loan Agreement, the Borrower agrees to provide credit and liquidity support for Bonds in a Daily Mode, a Weekly Mode or a Unit Pricing Mode. Initially, payment of principal of, interest on and purchase price for the Bonds will be supported by an irrevocable direct-pay letter of credit (the "Initial Credit Facility") issued by U.S. Bank National Association (the "Initial Credit Facility Provider" or the "Bank"). The Bond Trustee will be authorized to draw under the Initial Credit Facility, subject to the terms and conditions thereof, amounts sufficient to pay (i) the principal of the Bonds (other than Bank Bonds and Bonds owned or held on behalf of the Borrower or any affiliate of the Borrower) when due at maturity, upon redemption or upon acceleration, (ii) the portion of the purchase price equal to the principal amount of the Bonds (other than Bank Bonds and Bonds owned or held on behalf of the Borrower or any affiliate of the Borrower) optionally or mandatorily tendered for purchase and not remarketed, or remarketed but for which payment has not been received, and (iii) up to 46 days' accrued interest on such Bonds outstanding in the Daily Mode or the Weekly Mode (other than Bank Bonds and Bonds owned or held on behalf of the Borrower or any affiliate of the Borrower), calculated at a rate of 10% per annum. The Borrower and the Initial Credit Facility Provider will enter into a Reimbursement, Credit and Security Agreement dated as of April 1, 2008 (the "Reimbursement Agreement"), with respect to the Initial Credit Facility. As security for the obligations of the Borrower under the Reimbursement Agreement, the Borrower will issue an Obligation (the "Bank Reimbursement Obligation") that will be on parity with the 2008A Obligation and all other Obligations outstanding under the Master Indenture. See "THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT" herein. For additional information concerning the Initial Credit Facility Provider, see "THE INITIAL CREDIT FACILITY PROVIDER."

Under certain circumstances described in the Bond Indenture and the Loan Agreement and summarized herein, the Borrower may replace the Initial Credit Facility with a substitute credit facility (a "Substitute Credit Facility") issued by a different credit provider. See "SECURITY FOR THE BONDS – Substitute Credit Facilities" herein and APPENDIX B– "SUMMARY OF PRINCIPAL DOCUMENTS – Summary of Certain Provisions of the Bond Indenture–Credit Facility; Substitute Credit Facility." In such events, the Bonds would be subject to the mandatory tender as described under "THE BONDS – DESCRIPTION OF THE TERMS OF THE BONDS – Tender of Bonds." The Initial Credit Facility and any Substitute Credit Facility are hereinafter sometimes referred to as the "Credit Facility."

THE BORROWER

The Borrower was incorporated in February 1983 and is existing under the laws of the State of California as a nonprofit public benefit corporation and is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

The primary mission of the Borrower is to enhance the quality of life of seniors through innovative health, housing and social services. The Borrower and its affiliated corporations own and operate skilled nursing facilities, congregate care facilities, independent living facilities, assisted living facilities and a continuing care retirement facility.

Other entities that are affiliated with the Borrower serve seniors through more than 25 facilities and programs in northern California. The 2008A Obligation evidencing and securing the loan of the

proceeds of the Series 2008A Bonds is a joint and several obligation of the Borrower and only those affiliates which are Members of the Obligated Group.

PLAN OF FINANCE

The proceeds of the Bonds, together with certain other moneys, will be used to (i) refund the Refunded Certificates and (ii) pay certain expenses incurred in connection with the issuance of the Bonds and the refunding of the Refunded Certificates, including certain costs of obtaining the Initial Credit Facility. For more detailed information regarding the use of proceeds of the Bonds, see "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Refunding

The California Statewide Communities Development Authority issued its Certificates of Participation Select Auction Variable Rate Securities (Eskaton Properties, Incorporated Obligated Group) (the "1999 Certificates") in the original aggregate principal amount of \$67,500,000, of which \$61,100,000 in aggregate principal amount is presently outstanding, to finance or refinance the costs of acquiring, constructing and equipping certain Facilities of the Obligated Group. In order to refund \$24,700,000 in aggregate principal amount of the 1999 Certificates, designated by CUSIP numbers 130077TM69 and 130077TJT5, a portion of the proceeds of the Bonds, together with other available monies, will be deposited with The Bank of New York Trust Company, N.A., as trustee for the 1999 Certificates. Such funds will be in an amount sufficient, together with the interest earnings thereon, to pay the principal component of and interest on the Refunded Certificates on the redemption date established therefor, at a redemption price of 100% of the principal amount thereof.

Interest Rate Swap Transactions

In connection with the issuance of the 1999 Certificates, the Borrower entered into two interest rate exchange agreements (the "Swap Agreements") with Lehman Brothers Special Financing Inc. (the "Counterparty"). In general, the Swap Agreements provide that, subject to the terms thereof, the Borrower pays a fixed rate and receives a floating rate based on a spread over the SIFMA Municipal Swap Index, determined using a notional amount approximately corresponding to the aggregate principal amount of the Refunded Certificates and declining in amounts corresponding to the amortization of the Certificates. The Borrower has no present intention to terminate the Swap Agreements.

Under certain circumstances, the Swap Agreements are subject to termination in whole or in part prior to its scheduled termination date. Following any such termination, either the Borrower or the Counterparty may then owe a termination payment to the other, depending upon market conditions then prevailing. In the event of an early termination of a Swap Agreement, there can be no assurance that (i) the Borrower will receive any termination payment payable to it by the Counterparty, (ii) the Borrower will have sufficient amounts to pay a termination payment payable by it to the Counterparty, or (iii) the Borrower will be able to obtain a replacement swap agreement with comparable terms. Payment due upon early termination may be substantial.

The agreement by the Counterparty to pay certain amounts to the Borrower under the Swap Agreements will not alter or affect the obligations of the Borrower under the Loan Agreement, including the obligation to pay the principal of, interest on, and premium, if any, on any of the Bonds. The owners of the Bonds will not have any rights under the Swap Agreements or against the Counterparty.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

Sources of Funds

Proceeds of Bonds	\$23,500,000
Trustee-Held Funds	1,949,885
Borrower Contribution	<u>149,600</u>
Total Sources of Funds	<u>\$25,599,485</u>

Uses of Funds

Refund Refunded Certificates	\$24,757,642
Initial Credit Facility Fees and Expenses ⁽¹⁾	222,243
Issuance Expenses ⁽²⁾	<u>619,600</u>
Total Uses of Funds	<u>\$25,599,485</u>

⁽¹⁾ Represents initial fees and expenses of the Initial Credit Facility Provider to be paid from Bond proceeds.

⁽²⁾ Including, without limitation, the Underwriter's discount and the estimated fees and expenses, as applicable, of Underwriter's counsel, Bond Counsel, Borrower counsel, the Authority, the Authority's counsel, the Bond Trustee, the Initial Credit Facility Provider's counsel and the rating agency, the title insurance policy premium and other miscellaneous costs incurred in connection with the issuance of the Bonds. Costs of issuance in excess of 2% of the aggregate principal amount of the Bonds will be paid from Borrower funds.

THE BONDS

This Official Statement summarizes certain terms and provisions of the Bonds only while in the Weekly Mode, Daily Mode or Unit Pricing Mode. If any Series 2008A Bond is changed to a Mode other than the Weekly Mode, Daily Mode or Unit Pricing Mode, the Borrower will supplement this Official Statement or deliver a new official statement or remarketing circular describing the new Mode.

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds and to the Bond Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. See APPENDIX A – "SUMMARY OF PRINCIPAL DOCUMENTS."

General

The Bonds will be issued as fully registered bonds without coupons and will be dated the date of initial delivery. The Bonds will initially operate in the Weekly Mode.

All Bonds will be in the same Mode and, while in the Weekly Mode or the Daily Mode, bear interest at the same interest rate at any given time.

The Bonds will be subject to optional and extraordinary optional redemption prior to maturity as described under "THE BONDS – Redemption" and will be subject to optional and mandatory tender, as applicable, as described under "THE BONDS – Tenders."

The Bonds will be made available to Beneficial Owners in book-entry form only, in Authorized Denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof.

Beneficial Owners of the Bonds will not receive certificates representing their interests in the Bonds, except as described below. So long as Cede & Co. is the registered owner of a Series 2008A Bond, the principal and Purchase Price of, and the interest on, the Bonds are payable by wire transfer by

the Bond Trustee (or in the case of the Purchase Price, by the Tender Agent) to Cede & Co., as nominee for DTC which, in turn, will remit such amounts to DTC Participants for subsequent disbursement to the Beneficial Owners. So long as all records of ownership of the Bonds are maintained through the book-entry only system, all payments to the Beneficial Owners of such Bonds will be made in accordance with the procedures described in APPENDIX C – "Book-Entry Only System."

If the book-entry only system for the Bonds is discontinued, the following provisions apply. Principal of and premium, if any, or redemption price of the Bonds will be payable at the Principal Office of the Bond Trustee to the registered owners of such Bonds on such date. Interest on the Bonds will be payable to the persons whose names appear on the Bond Register as the holders thereof as of the close of business on the Record Date (as hereinafter defined) for each Interest Payment Date. Payment of the interest on the Bonds is required to be made by wire transfer in immediately available funds to an account within the United States of America designated by each holder thereof.

Notwithstanding the foregoing, payment of Defaulted Interest on the Bonds shall cease to be payable to the holders of such Bonds on the day, whether or not a Business Day, immediately preceding each Interest Payment Date (*i.e.*, the Record Date) and shall be payable to the holders in whose names such Bonds are registered at the close of business on the Special Record Date for the payment of such Defaulted Interest fixed by the Bond Trustee, which shall be not more than 15 or less than 10 days prior to the date of the proposed payment and not less than 10 days after receipt by the Bond Trustee of the notice of the proposed payment.

Interest on the Bonds will be calculated as described below and will be payable on each Interest Payment Date for the Bonds in an amount equal to all interest which has accrued during the period from (and including) the last such Interest Payment Date to (but not including) such current Interest Payment Date. In no event shall any Series 2008A Bond bear interest at a rate per annum in excess of the Maximum Rate. "Maximum Rate" means the lesser of (a) 10% per annum, (b) the maximum interest rate permitted by law, and (c) with respect to Bonds in the Daily Mode, the Weekly Mode and the Unit Pricing Mode, the maximum interest rate provided by the Credit Facility to pay tenders of such Bonds.

The Bond Indenture provides for a Tender Agent. At the time the Bonds are issued, the Bond Trustee will also serve as the Tender Agent under the Bond Indenture.

Maturity

The Bonds shall mature on, and the Maturity Date thereof shall be, the stated maturity date on the front cover.

Interest

Interest accrued on the Bonds shall be payable in arrears on the applicable Interest Payment Dates for such Bonds.

Determination of Interest Rates during the Daily Mode, the Weekly Mode and the Unit Pricing Mode

Interest on the Bonds in the Daily Mode, the Weekly Mode or the Unit Pricing Mode shall accrue at the rate of interest per annum determined by the Remarketing Agent on and as of the Rate Determination Date as the minimum rate of interest which, in the judgment of the Remarketing Agent under then-existing market conditions, would result in the sale of such Bonds, on the Rate Determination Date in the case of the Daily Mode and on the first day of the Interest Period immediately succeeding the

Rate Determination Date in the case of the Weekly Mode and the Unit Pricing Mode, at a price equal to the Purchase Price. Such determination shall be conclusive and binding upon the interested parties.

During the Daily Mode, the Remarketing Agent shall establish the Daily Rate by 9:30 a.m. Eastern time on each Business Day. The Daily Rate for any day during the Daily Mode which is not a Business Day shall be the Daily Rate established on the immediately preceding Business Day. The Remarketing Agent shall make the Daily Rate available (i) by telephone to the applicable Bond Trustee, any requesting Bondholder or other Interested Party who contacts the Remarketing Agent and (ii) by Immediate Notice to the Bond Trustee by 2:00 p.m. Eastern time on the Business Day after the Rate Determination Date.

During the Weekly Mode, the Remarketing Agent shall establish the Weekly Rate by 4:00 p.m. Eastern time on each Rate Determination Date, which shall be each Wednesday or, if Wednesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, then the Business Day immediately preceding such Wednesday. The Weekly Rate shall be in effect (1) initially, from and including the first day any Bonds become subject to the Weekly Mode to and including the following Wednesday and (2) thereafter, from and including each Thursday to and including the following Wednesday. The Remarketing Agent shall make the Weekly Rate available (i) after 4:00 p.m. Eastern time on the Rate Determination Date by telephone to the Bond Trustee, any Bondholder or other Interested Party who contacts the Remarketing Agent and (ii) by Immediate Notice to the Bond Trustee not later than 2:00 p.m. Eastern time on the Business Day after the Rate Determination Date.

During the Unit Pricing Mode, the Remarketing Agent shall establish the Unit Pricing Rate by 12:30 p.m. Eastern time for the Interest Period selected for each Series 2008A Bond on each Rate Determination Date. Interest Periods during a Unit Pricing Mode shall be of a duration of from one to 270 days, as selected by the Remarketing Agent, as would, in the judgment of the Remarketing Agent under then-existing market conditions, results in the sale of such Bonds at a price equal to the Purchase Price. The Remarketing Agent shall make the Interest Period(s) and Unit Pricing Rate(s) available by Immediate Notice to the Bond Trustee on the Rate Determination Date.

If (a) the Remarketing Agent fails or is unable to determine the interest rate(s) or Interest Periods with respect to such Bonds, or (b) the method of determining the interest rate(s) or Interest Periods with respect to such Bonds shall be held to be unenforceable by a court of law of competent jurisdiction, such Bonds shall thereupon, until such time as the Remarketing Agent again makes such determination or until there is delivered an Opinion of Counsel to the effect that the method of determining such rate is enforceable, bear interest from the last date on which such rate was determined in the case of clause (a) and from the date on which interest was legally paid in the case of clause (b), at an annual rate equal to with respect to Bonds during a Daily Mode, Weekly Mode or Unit Pricing Mode for an Interest Period of 30 days or less, the SIFMA Municipal Swap Index, announced or published immediately prior to the date such rate is determined, and with respect to Bonds during a Unit Pricing Mode for an Interest Period of greater than 30 days, at an annual rate equal to 75% at the highest quoted yield on United States Government Obligations – State and Local Government Series, with a maturity equal to the length of the Interest Period for which such interest rate is calculated.

Each Series 2008A Bond authenticated prior to the first Interest Payment Date thereon shall bear interest from the date of the first authentication and delivery of such Bond. Interest payable on a Series 2008A Bond during a Daily Mode, a Weekly Mode or a Unit Pricing Mode shall be payable on each Interest Payment Date for the period from the later of (i) with respect to Bonds in a Daily Mode, commencing on a Business Day and extending to, but not including, the next succeeding Business Day, (ii) with respect to Bonds in a Weekly Mode, commencing on the first day such Bonds begin to accrue interest in the Weekly Mode and ending on the next succeeding Wednesday and, thereafter commencing

on each Thursday and ending on Wednesday of the following week, or (iii) with respect to Bonds in a Unit Pricing Mode, commencing on the first day such Bonds begin to accrue interest in the Unit Pricing Mode and ending on the last day of the Interest Period.

The Interest Payment Date for Bonds during a Daily Mode or a Weekly Mode is the first Business Day of each month. The Interest Payment Date for Bonds (a) during a Unit Pricing Mode with an Interest Period of 180 days or less, is the Business Day following the end of the Interest Period and (b) during a Unit Pricing Mode with an Interest Period of 181 days or more, the first Business Day of the sixth calendar month following the month in which the change in Mode occurs and the Business Day following the end of the Interest Period.

Changes in Modes

The Borrower may direct that the Bonds be converted to another Mode upon satisfaction of certain conditions set forth in the Bond Indenture.

Changes to Modes Other Than the Fixed Rate Mode

The Borrower may effect a change in Mode with respect to the Bonds to another Mode (other than the Fixed Rate Mode) by giving, no later than the 15th day preceding the proposed Mode Change Date, Immediate Notice to the Authority, the Bond Trustee, the Tender Agent, the Remarketing Agent and the Credit Facility Provider, specifying the Bonds to which such notice relates and its intention to effect a change in the Mode from the Mode then in effect (the "Current Mode") to another Mode (the "New Mode") specified in such written notice, and if the change is to an Auction Mode, the length of the initial Auction Period. Notice of the Mode Change Date shall be given to the holders as described below under the caption "THE BONDS – Tenders – Mandatory Purchase on Mode Change Date."

The New Mode shall commence on the Mode Change Date and interest rate(s) with respect to such Bonds in the New Mode (together, in the case of a change to the Unit Pricing Mode, with the Interest Period(s) and Purchase Date(s)) shall be determined as provided in the Bond Indenture.

The following conditions precedent must be satisfied in order to change to the New Mode on the Mode Change Date:

(a) The Mode Change Date shall be a Business Day (and in the case of a change from the Unit Pricing Mode, shall be a day which is the last Purchase Date for all Interest Periods).

(b) The Bond Trustee, the Authority, the Borrower, the Tender Agent, the Credit Facility Provider and the Remarketing Agent shall have received on the Mode Change Date an opinion of Bond Counsel, dated the Mode Change Date and addressed to the Bond Trustee, the Authority, the Tender Agent, the Credit Facility Provider and the Remarketing Agent, to the effect that the change in Mode will not, in and of itself, adversely affect the validity or enforceability of the Bonds or result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

(c) If the Current Mode is the Unit Pricing Mode, no Interest Period set after delivery by the Borrower to the Remarketing Agent of the notice of the intention to effect a change in Mode shall extend beyond the proposed Mode Change Date.

(d) If the New Mode is an Auction Mode, the Borrower shall have appointed an Auction Agent and a Broker-Dealer.

(e) The Borrower shall deliver to the Tender Agent a Credit Facility if such a Credit Facility is required to be in effect under the terms of the Bond Indenture.

(f) If there is no Credit Facility in effect to provide funds for the purchase of the Bonds to be converted to the New Mode on the Mode Change Date, the remarketing proceeds available on the Mode Change Date shall not be less than the amount required to purchase all of the Bonds which are converting on such Mode Change Date at the Purchase Price.

In the event that any of the conditions have not been satisfied by the Mode Change Date for a series of Bonds, the New Mode shall not take effect for such Bonds proposed to be converted to a New Mode, such Bonds shall not be purchased on the proposed Mode Change Date. If the change was from a Unit Pricing Mode, such Bonds proposed to be changed to the New Mode shall remain in the Unit Pricing Mode. If the change was from the Daily Mode or the Weekly Mode, such Bonds shall be automatically changed to a Daily Mode.

Changes to Fixed Rate Mode

At the option of the Authority and upon the direction of the Borrower, the Borrower may effect a change in Mode with respect to any Bonds to the Fixed Rate Mode by giving, not less than 30 days (or such shorter time as may be agreed to by the Bond Trustee and the Remarketing Agent before the proposed Mode Change Date, written notice to the Bond Trustee, the Authority, the Tender Agent, the Credit Facility Provider, the Remarketing Agent and each Rating Agency then rating such Bonds proposed to be changed to the New Mode stating that the Mode will be changed to the Fixed Rate Mode and setting forth the proposed Mode Change Date. Such notice shall be accompanied by an approval in writing of the change to the Fixed Rate Mode by the Authority.

The New Mode shall commence on the Mode Change Date and the interest rate(s) with respect to such Bonds in the New Mode shall be determined as provided in the Bond Indenture.

The following conditions precedent must be satisfied in order for the Fixed Rate Mode to take effect:

(a) The Mode Change Date shall be a Business Day (and, in the case of a change from the Unit Pricing Mode, a day which is the last Purchase Date for all Interest Periods for the Bonds).

(b) Not less than fifteen (15) days next preceding the Mode Change Date, the Tender Agent shall mail, in the name of the Authority, a note of such proposed change to the Holders of the Bonds proposed to be changed to the Fixed Rate stating that the Mode will be changed to the Fixed Rate Mode, the proposed Mode Change Date and that such Holder is required to tender such Holder's Bonds proposed to be changed to the Fixed Rate for purchase on such proposed Mode Change Date.

(c) The Bond Trustee, the Authority, the Remarketing Agent, the Credit Facility Provider and the Borrower shall have received, on the Mode Change Date, a Favorable Opinion of Bond Counsel dated the Mode Change Date and addressed to the Authority, the Bond Trustee and the Remarketing Agent.

(d) Prior to the conversion to the Fixed Rate Mode, the certificate of the Remarketing Agent setting forth a maturity and amortization schedule for the converted Bonds shall be provided to the Bond Trustee, the Authority and the Borrower.

(e) Prior to the conversion to the Fixed Rate Mode, a firm underwriting or purchase contract from a recognized firm of bond underwriters or recognized institutional investors to underwrite or purchase all Bonds proposed to be changed to the Fixed Rate which are to be converted on such Mode Change Date at a price of 100% of the principal amount thereof, which contract may be subject to conditions to purchase, shall be provided to the Authority and the Borrower.

If any of the conditions precedent have not been satisfied on or prior to the Mode Change Date, the Fixed Rate Mode shall not become effective and all such Bonds proposed to be changed to the Fixed Rate Mode shall be converted to a Daily Mode.

Tenders

The Bond Indenture provides that with respect to Bonds registered in the Bond Register in the name of Cede & Co. as nominee of DTC, all tenders and deliveries of such Bonds under the provisions of Bond Indenture shall be made pursuant to DTC's procedures as in effect from time to time, and none of the Authority, the Credit Facility Provider, the Borrower, the Bond Trustee or the Remarketing Agent shall have any responsibility for or liability with respect to the implementation of such procedures.

Optional Tenders of Bonds in the Daily Mode or the Weekly Mode

The holders of Eligible Bonds (as hereinafter defined) in the Daily Mode or the Weekly Mode may elect to have their Bonds (or portions of those Bonds in amount equal to integral multiples of the lowest Authorized Denomination) purchased on any Business Day at a price equal to the Purchase Price: (i) in the case of Bonds in the Daily Mode, upon delivery of an irrevocable telephonic notice of tender to the Remarketing Agent, the Bond Trustee and the Tender Agent not later than 11:00 a.m. Eastern time on the Purchase Date specified by the holder; and (ii) in the case of Bonds in the Weekly Mode, upon delivery of an irrevocable written notice of tender or irrevocable telephonic notice of tender to the Remarketing Agent, the Bond Trustee and the Tender Agent, promptly confirmed in writing to the Tender Agent, not later than 4:00 p.m. Eastern time on a Business Day not less than seven (7) days before the Purchase Date specified by the holder in such notice. "Eligible Bonds" are any Bonds other than Bank Bonds or Bonds owned by, for the account of, or on behalf of, the Authority or the Borrower or any affiliate of the Borrower.

Such notices of tender shall state the CUSIP number, Bond number (if the Series 2008A Bond is not registered in the name of the Securities Depository) and the principal amount of the portion of such Bond to be optionally tendered, and the Purchase Date on which such portion is to be purchased.

Mandatory Purchase on Purchase Date

Bonds in the Unit Pricing Mode are subject to mandatory purchase on the Purchase Date for the Interest Period for each Series 2008A Bond at the Purchase Price. No notice of such mandatory purchase shall be given to the Holders.

Mandatory Purchase on Mode Change Date

Bonds to be changed from one Mode to another (other than a change to the Fixed Rate Mode) are subject to mandatory purchase on the Mode Change Date at the Purchase Price. The Tender Agent shall give Immediate Notice of such mandatory purchase to the holders of such Bonds no less than 15 days prior to the Mandatory Purchase Date. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on such Bonds shall cease to accrue from and after the Mandatory Purchase Date. Bonds to be changed to the Fixed Rate Mode are subject to mandatory purchase on the Mode Change

Date at the Purchase Price. Not less than the 15th day next preceding the Mode Change Date, the Tender Agent shall mail, in the name of the Authority, a notice of such proposed change to the holders of the Bonds proposed to be changed to the Fixed Rate stating that the Mode will be changed to the Fixed Rate Mode, the proposed Mode Change Date and that such holder is required to tender such holder's Bonds proposed to be changed to the Fixed Rate for purchase on such proposed Mode Change Date. The failure to give any notice with respect to any Series 2008A Bond shall not affect the validity of the mandatory purchase of any other Series 2008A Bond with respect to which notice was so given. Any notice sent will be conclusively presumed to have been given, whether or not actually received by any holder.

Mandatory Purchase on Expiration Date, Substitute Credit Facility Date or Credit Facility Mandatory Tender Date

On each Substitute Credit Facility Date applicable to a Series 2008A Bond, and on the second Business Day preceding each Expiration Date applicable to a Series 2008A Bond, if such Bond is an Eligible Bond it shall be subject to mandatory purchase on such date at the Purchase Price; provided, however, that such Bonds shall not be subject to mandatory purchase on the second Business Day preceding each Expiration Date if on or prior to the 15th day prior to such Expiration Date, the Borrower has furnished to the Bond Trustee an agreement to extend the then current Credit Facility. The Tender Agent shall give notice of such mandatory purchase by mail to the holders of the Bonds involved no less than 10 days prior to such Mandatory Purchase Date. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on such Bonds shall cease to accrue from and after the Mandatory Purchase Date. The failure to give such notice with respect to any Series 2008A Bond shall not affect the validity of the mandatory purchase of any other Series 2008A Bond with respect to which notice was so given. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any holder.

On any Credit Facility Mandatory Tender Date applicable to a Series 2008A Bond, if such Bond is an Eligible Bond it shall be subject to mandatory purchase on such date at the principal amount thereof, plus accrued interest, if any, with respect thereto to the to the Credit Facility Mandatory Tender Event Date. The Tender Agent shall give notice of such mandatory purchase by mail to the holders of such Bonds no later than the Business Day after receipt of notice from the Credit Facility Provider. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on such Bonds shall cease to accrue from and after the Mandatory Purchase Date.

The Tender Agent may assume that a Series 2008A Bond is an Eligible Bond unless it has actual knowledge that such Bond is not an Eligible Bond.

General Provisions Relating to Tenders

Payment of Purchase Price. At or before 2:30 p.m. Eastern time on the Purchase Date or Mandatory Purchase Date and upon receipt by the Tender Agent of the aggregate Purchase Price of the tendered Bonds, the Tender Agent shall pay the Purchase Price of such Bonds to the holders by bank wire transfer in immediately available funds.

Inadequate Funds for Tenders. If the funds available for purchases of Eligible Bonds are inadequate for the purchase of all Bonds tendered on any Purchase Date or Mandatory Purchase Date, no purchase shall be consummated and the Tender Agent shall, (1) return all tendered Bonds to the holders thereof, (2) return all moneys deposited in the Remarketing Proceeds Account to the Remarketing Agent for return to the Persons providing such moneys and (3) return all moneys deposited by the Credit Facility Provider to the Credit Facility Provider.

Delivery of Bonds by Tendering Bondholders; Undelivered Bonds Deemed Purchased. All Bonds to be purchased on any date shall be required to be delivered to the principal office of the Tender Agent at or before 11:30 a.m. Eastern time on such Purchase Date or Mandatory Purchase Date. If the holder of any Series 2008A Bond (or portion thereof) that is subject to purchase fails to deliver such Bond to the Tender Agent for purchase on the Purchase Date or Mandatory Purchase Date, and if the Tender Agent is in receipt of the Purchase Price therefor, such Bond (or portion thereof) shall nevertheless be deemed tendered and purchased on the day fixed for purchase thereof and ownership of such Bond (or portion thereof) shall be transferred to the purchaser thereof as provided under "Delivery of Bonds to Purchasers" below. Any holder who fails to deliver such Series 2008A Bond for purchase shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Series 2008A Bond to the Tender Agent. The Tender Agent shall, as to any tendered Bonds that have not been delivered to it: (1) promptly notify the Remarketing Agent of such nondelivery; and (2) instruct the Bond Trustee to place a stop transfer against an appropriate amount of Bonds of the series and maturity involved registered in the name of such holder(s) on the Bond Register. The Bond Trustee shall place such stop(s) commencing with the Bond with the lowest serial number registered in the name of such holder(s) until stop transfers have been placed against an appropriate amount of Bonds of the series and maturity involved until the appropriate tendered Bonds are delivered to the Tender Agent who shall deliver such Bonds to the Bond Trustee. Upon such delivery, the Bond Trustee shall make any necessary adjustments to the bond registration book.

Delivery of Bonds to Purchasers. As long as the Bonds are held under the book-entry system of DTC, all tenders and deliveries of Bonds will be accomplished under the procedures of DTC. Otherwise, on the Purchase Date or Mandatory Purchase Date, the Tender Agent shall direct the Bond Trustee to execute and deliver all Bonds purchased on any Purchase Date or Mandatory Purchase Date as follows: (1) Bonds purchased and remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by 2:30 p.m. Eastern time in accordance with the instructions of the Remarketing Agent; (2) Bonds purchased with amounts paid by or on behalf of the Credit Facility Provider shall be registered and made available in the name of or as directed in writing by the Credit Facility Provider on or before 2:30 p.m. Eastern time and become Bank Bonds, provided that such Bank Bonds cannot be released unless the Bond Trustee has received notice that the Credit Facility has been reinstated; and (3) Bonds purchased with amounts paid by or on behalf of the Borrower shall be registered and made available in the name of or as directed in writing by the Borrower on or before 2:30 p.m. Eastern time. Notwithstanding the foregoing, the Tender Agent shall not deliver any such Bonds unless it has received written notice from the Credit Facility Provider that the amount available for the purchase of Bonds is at least equal to the aggregate amount of all Bonds then Outstanding (other than the Bank Bonds or Bonds converted to an Indexed, Stepped Coupon, Auction, Term or Fixed Rate) plus an amount equal to the Required Stated Amount.

No Purchases or Sales in Certain Circumstances. If (i) payment of any installment of interest payable on any of the Bonds shall not be made when the same shall become due and payable or payment of the principal or the premium, if any, payable on any of the Bonds shall not be made when the same shall become due and payable, either at maturity, by proceedings for redemption, upon acceleration through failure to make any payment to any fund or (ii) any conditions set forth in the Remarketing Agreement to the performance of the Remarketing Agent's obligation thereunder to remarket tendered Bonds shall not have been satisfied, then the Remarketing Agent shall not remarket any Bonds.

No Remarketing to the Authority. The Remarketing Agent shall not remarket any Bonds to the Authority, the Borrower, or any affiliate or guarantor of the Borrower; provided, however, that nothing herein shall prevent the Borrower or any affiliate of the Borrower that is then the Credit Facility Provider from purchasing and owning the Bonds as such Credit Facility Provider.

Redemption

Optional Redemption

Any Bonds in the Daily Mode or the Weekly Mode are subject to redemption prior to their Maturity Date, by the Authority at the direction of the Borrower, in whole or in part on any Business Day, at a Redemption Price equal to 100% of the principal amount of Bonds called for redemption, without premium, together with accrued interest, if any, from the end of the preceding Interest Period to the Redemption Date.

Any Bonds in the Unit Pricing Mode are subject to redemption prior to their Maturity Date, by the Authority of the direction of the Borrower, in whole or in part on their respective Purchase Dates, at a Redemption Price equal to 100% at the principal amount of Bonds called for redemption, without premium, together with accrued interest, if any, to the Redemption Date.

Minimum Redemption Amount

No redemption (other than an optional redemption of Bank Bonds) of less than all of the Bonds at the time outstanding will be made unless (i) the aggregate principal amount of such Bonds to be redeemed is equal to or greater than \$100,000 and (ii) the Bonds are redeemed in Authorized Denominations.

Purchase in Lieu of Redemption

In lieu of redeeming Bonds, the Bond Trustee may, at the request of the Borrower, use such funds otherwise available under the Bond Indenture for redemption of Bonds to purchase Bonds identified by the Borrower in the open market for cancellation at a price specified by the Borrower not exceeding the then applicable Redemption Price. In the case of any optional or extraordinary optional redemption or any purchase and cancellation of term Bonds, the Bond Trustee shall apply as a credit against the required Bond Sinking Fund deposits with respect to such term Bonds the amount of such term Bonds in such order as the Borrower elects in writing prior to such optional or extraordinary optional redemption or purchase and cancellation or, if no election is made, in the inverse order thereof. The Bond Trustee is required to cancel all such Bonds purchased pursuant to the Bond Indenture.

Notice of Redemption

For a description of the giving of notices while the Bonds are in the book-entry only system, see APPENDIX C – "Book-Entry Only System." Notice of a call for any redemption shall be given by mailing a copy of such notice of redemption by first class mail, postage prepaid not less than 15 or more than 60 days prior to the Redemption Date to the registered owners of the Bonds to be redeemed to the address shown on the Bond Register to the Authority, the Credit Facility Provider and each Ratings Agency then rating the Bonds, provided, however, that failure to give such notice by mailing or to provide such notice to any registered securities depository or a defect in the notice or the mailing as to any Series 2008A Bond will not affect the validity of any proceedings for redemption as to any other Series 2008A Bond with respect to which notice was properly given to the holder thereof. Except for a mandatory Bond Sinking Fund redemption as described above, prior to the date that the redemption notice is first mailed as aforesaid, (a) funds shall be placed with the Bond Trustee to pay the principal of such Bonds (which funds shall be Eligible Moneys if such Bonds bear interest at the Daily Rate, the Weekly Rate or Unit Pricing Rate), the accrued and unpaid interest thereon to the Redemption Date and the premium, if any, thereon, or (b) such notice of redemption shall state that any redemption is conditional on such funds being deposited with the Bond Trustee on the Redemption Date and that failure to make such a deposit shall not constitute an event of default under the Bond Indenture.

If such conditions are not satisfied or such funds are not so deposited by such date, such Bonds shall not be subject to redemption and the holders thereof shall have the same rights as if no such notice had been given. In such event, the Bond Trustee shall promptly give notice thereof to the owners of such Bonds by first class mail, postage prepaid.

Registration, Transfer and Exchange

For a description of the procedure to transfer ownership of a Series 2008A Bond while in the book-entry only system, see APPENDIX C – "Book-Entry Only System." Subject to the limitations described below, the Bonds, if not then in book-entry only registration, are transferable upon surrender thereof at the Principal Office of the Bond Trustee, duly endorsed by, or if accompanied by a written instrument or instruments of transfer in form and with guarantee of signature satisfactory to the Bond Trustee, and duly executed by the registered owner or such owner's attorney duly authorized in writing. Subject to the limitations described below, any Series 2008A Bond may be exchanged at such times at such Principal Office of the Bond Trustee if accompanied by a written instrument or authorization for exchange in form and with guarantee of signature satisfactory to the Bond Trustee, and duly executed by the registered owner or such owner's attorney duly authorized in writing. No service charge shall be imposed for any exchange or transfer of Bonds. The Authority and the Bond Trustee may, however, require payment by the person requesting an exchange or transfer of Bonds of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, except in the case of the issuance of a Series 2008A Bond or Bonds for the unredeemed portion of a Series 2008A Bond surrendered for redemption in part.

The Authority, the Bond Trustee and any Paying Agent shall not be obligated to transfer or exchange any Series 2008A Bond after notice calling such Bond or portion thereof for redemption has been given as provided in the Bond Indenture, or during the period of 15 days next preceding the mailing of notice of redemption of such Bonds.

EXPECTED OPTIONAL REDEMPTION SCHEDULE

Pursuant to the Reimbursement Agreement, the Borrower will agree to optionally redeem Bonds, pursuant to the optional redemption provisions of the Bond Indenture, on May 15 of the years and in such principal amounts as set forth below:

<u>May 15</u>	<u>Amount</u>	<u>May 15</u>	<u>Amount</u>
2008	\$ 600,000	2019	\$ 950,000
2009	750,000	2020	1,100,000
2010	650,000	2021	1,050,000
2011	750,000	2022	1,200,000
2012	700,000	2023	1,250,000
2013	850,000	2024	1,250,000
2014	750,000	2025	1,350,000
2015	900,000	2026	1,400,000
2016	950,000	2027	1,450,000
2017	900,000	2028	1,500,000
2018	1,050,000	2029	2,150,000

The optional redemption schedule may be substantially revised by the Borrower with the consent of the Initial Credit Facility Provider in accordance with the terms of the Reimbursement Agreement or in connection with the substitution of a Substitute Credit Facility.

SECURITY FOR THE BONDS

General

The Bonds, together with interest and premium, if any, with respect thereto are special, limited obligations of the Authority payable solely from (i) amounts payable under the Credit Facility and (ii) the revenues and income derived from the Loan Agreement and payments by the Borrower (or any other Member of the Obligated Group) on the 2008A Obligation pledged under the Bond Indenture (except to the extent paid out of moneys attributable to proceeds of the Bonds, the income from the temporary investment thereof or amounts derived from the Deed of Trust hereinafter referred to), are and shall always be a valid claim of the owner thereof only against the revenues and income derived from the Loan Agreement and payments on the 2008A Obligation, which revenues and income shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be expressly authorized otherwise in the Bond Indenture and Loan Agreement. Certain investment earnings on moneys held by the Bond Trustee will be transferred to a Rebate Fund established pursuant to the Bond Indenture. Amounts held in the Rebate Fund are not part of the "trust estate" pledged to secure the Bonds and consequently will not be available to make payments on the Bonds.

The rights of the Authority in and to the amounts payable thereon and the amounts payable to the Authority under the Loan Agreement (other than Unassigned Rights) have been assigned to the Bond Trustee to provide for and to secure the payment of principal of and premium, if any, and interest on the Bonds. Payments under will be made directly to the Bond Trustee.

Credit Facility

The Initial Credit Facility will provide both credit and liquidity support for the Bonds in accordance with its terms. For a description of certain information regarding the Bank, see "THE INITIAL CREDIT FACILITY PROVIDER." For a further description of information regarding the Letter of Credit and the Reimbursement Agreement, see "THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT."

The Bond Indenture provides that the Bond Trustee shall pay the interest and principal with respect to the Bonds (other than Bonds purchased with the proceeds of a draw on a Credit Facility or Bonds owned by or on behalf of the Authority or the Borrower or any affiliate of the Borrower) when due solely from moneys drawn under the Credit Facility, including payments of the principal of and interest on the Bonds upon redemption or acceleration pursuant to the Bond Indenture. The Bond Indenture provides that the Bond Trustee (or the Tender Agent if the Tender Agent is the beneficiary under the Credit Facility) shall draw on the Credit Facility in accordance with its terms so as to receive funds, together with any remarketing proceeds, sufficient to pay the purchase price of all Bonds tendered or deemed tendered for purchase in accordance with the Bond Indenture.

Substitute Credit Facility

Upon compliance with certain conditions provided in the Bond Indenture, the Borrower may provide for the delivery of a Substitute Credit Facility. In such event, the Bonds would be subject to mandatory tender as described under "THE BONDS – Mandatory Purchase on Expiration Date, Substitute Credit Facility Date or Credit Facility Mandatory Tender Date."

2008A Obligation and Master Indenture

The 2008A Obligation, together with the Bank Reimbursement Obligation, the Swap Obligation and all previously issued and outstanding Obligations and any Obligations that may be issued in the

future in accordance with the Master Indenture, will be joint and several obligations of the Borrower and the other Members of the Obligated Group and will be equally and ratably secured by (i) a security interest in the Gross Revenues of the Obligated Group, subject to certain exceptions, and (ii) one or more Deeds of Trust (the "Deeds of Trust") creating first mortgage liens on certain real property and Facilities of the Members of the Obligated Group. **The Obligations will not be secured by a mortgage lien on all Facilities of the Obligated Group.** The Master Indenture permits the Members of the Obligated Group to incur additional indebtedness, upon the terms and subject to the conditions specified therein, which additional indebtedness may, but need not, be evidenced or secured by an Obligation. Notwithstanding uncertainties as to the enforceability of the covenant in the Master Indenture of each Member of the Obligated Group to be jointly and severally liable for each Obligation, the accounts of the Members of the Obligated Group will be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the incurrence of additional indebtedness) are met. Subject to certain conditions set forth in the Master Indenture, Obligations may be entitled to the benefit of security in addition to that provided for all Obligations, including, without limitation, letters or lines of credit, insurance or liens on the property of the Obligated Group, which additional security need not be extended to any other Obligation (including the 2008A Obligation). See "SUMMARY OF PRINCIPAL DOCUMENTS – Summary of Certain Provisions of the Master Indenture" in Appendix A.

Bonds Special, Limited Obligation of the Authority

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE REVENUES PLEDGED THEREFOR PURSUANT TO THE BOND INDENTURE. NONE OF THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE AUTHORITY, ABAG OR ANY OF THEIR MEMBERS TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON, THE PURCHASE PRICE THEREOF AND ANY REDEMPTION PREMIUM WITH RESPECT THERETO DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE AUTHORITY OR ABAG, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES. 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 OF, PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE OF, THE BONDS. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

Rights of the Credit Facility Provider

So long as a Credit Facility is in effect and the Credit Facility Provider and the Credit Facility Provider has not dishonored a conforming drawing on the Credit Facility which dishonor has not been cured, the Credit Facility Provider shall be deemed to be the Bondholder of all of the Bonds backed by the Credit Facility for purposes of giving all consents, approvals and with respect to voting rights.

Amendments to Bond Indenture, Master Indenture and Deeds of Trust

Certain amendments to the Bond Indenture may be made without the consent of Bondholders. Certain amendments to the Bond Indenture may be made with the consent of the holders of not less than a

majority of the principal amount of the outstanding Bonds. See "SUMMARY OF PRINCIPAL DOCUMENTS – Summary of Certain Provisions of the Bond Indenture – Amendments and Supplements Without Bondholders' Consent" and "– Amendments and Supplements With Bondholders' Consent" in APPENDIX A.

Certain amendments to the Master Indenture may be made without the consent of the owners of the Obligations (but with the consent of the providers of bond insurance or letters of credit for certain indebtedness of the Obligated Group). The Master Indenture also permits certain amendments to be made to the Master Indenture with the consent of not less than a majority of the aggregate principal amount of the Obligations outstanding at the time of such amendment. Purchasers of the Bonds should be aware that the covenants contained in the Master Indenture may be changed or made more or less restrictive by future amendments to which the holders of the Bonds or the Bond Trustee, as holder of the 2008A Obligation, do not consent. See "SUMMARY OF PRINCIPAL DOCUMENTS – Summary of Certain Provisions of the Master Indenture – Supplements Not Requiring Consent of Holders" and "– Supplements Requiring Consent of Holders" in APPENDIX A.

The Deeds of Trust may be modified, amended or waived with the prior written consent of a provider of bond insurance for certain indebtedness of the Obligated Group and without the consent of the Master Trustee or any holder of an Obligation, including the Bond Trustee as holder of the 2008A Obligation.

THE INITIAL CREDIT FACILITY PROVIDER

U.S. Bank National Association ("USBNA") is a national banking association organized under the laws of the United States and is the largest subsidiary of U.S. Bancorp. At December 31, 2007, USBNA reported total assets of \$233 billion, total deposits of \$139 billion and total shareholders' equity of \$21 billion. The foregoing financial information regarding USBNA has been derived from and is qualified in its entirety by the unaudited financial information contained in the Federal Financial Institutions Examination Council report Form 031, Consolidated Report of Condition and Income for a Bank with Domestic and Foreign Offices ("Call Report"), for the quarter ended December 31, 2007. The publicly available portions of the quarterly Call Reports with respect to USBNA are on file with, and available upon request from, the FDIC, 550 17th Street, NW, Washington, D.C. 20429 or by calling the FDIC at (877) 275-3342. The FDIC also maintains an Internet website at www.fdic.gov that contains reports and certain other information regarding depository institutions such as USBNA. Reports and other information about USBNA are available to the public at the offices of the Comptroller of the Currency at One Financial Place, Suite 2700, 440 South LaSalle Street, Chicago, IL 60605.

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

Except for the contents under the heading "THE INITIAL CREDIT FACILITY PROVIDER," USBNA and U.S. Bancorp assume no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement.

THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT

The following is a summary of certain provisions of the Initial Credit Facility and the Reimbursement Agreement. This summary does not purport to be comprehensive or definitive, and is subject to all of the terms and provisions of the Initial Credit Facility and the Reimbursement Agreement, to which reference is hereby made. Wherever defined terms of the Initial Credit Facility or the

Reimbursement Agreement are referred to, such defined terms are incorporated herein by reference as part of the statement made, and the statement is qualified in its entirety by such reference.

The Initial Credit Facility

General. The Initial Credit Facility is an irrevocable obligation of the Initial Credit Facility Provider to pay to the Bond Trustee, upon drawings made by the Bond Trustee in strict compliance with the terms and conditions of the Initial Credit Facility, up to (a) an amount equal to the outstanding principal amount of the Bonds to enable the Bond Trustee to pay (i) the principal amount of the Bonds when due at maturity or upon redemption or acceleration and (ii) the portion of the purchase price of Bonds tendered pursuant to the Bond Indenture and not remarketed corresponding to the principal amount of such Bonds, plus (b) an amount equal to 46 days' interest on the Bonds at the maximum rate of 10% per annum (i) to enable the Bond Trustee to pay interest on the Bonds when due and (ii) to enable the Bond Trustee to pay the portion of the purchase price of Bonds tendered pursuant to the Bond Indenture and not remarketed corresponding to the accrued interest on such Bonds. The original stated amount of the Initial Credit Facility is \$23,796,164.38, of which \$23,500,000 is in respect of principal of the Bonds and \$296,164.38 is in respect of interest on the Bonds.

Draws. Under the Bond Indenture, the Bond Trustee is directed to draw upon the Initial Credit Facility in the following circumstances:

- (a) to make timely payment of the interest on the Bonds;
- (b) to make timely payment of the principal of the Bonds at maturity or upon optional or mandatory call for redemption; and
- (c) to make timely payment of the purchase price of Bonds required to be purchased upon an optional or mandatory tender for purchase pursuant to the provisions of the Bond Indenture, to the extent remarketing proceeds or other funds are not available to make such payment under the Bond Indenture.

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

- (a) with respect to a drawing under the Initial Credit Facility to pay interest, the interest component shall be reinstated automatically at 5:00 p.m., Pacific time, on the seventh calendar day following the date such drawing is honored by an amount equal to the amount of such drawing for interest, unless the Bond Trustee shall have received written notice from the Initial Credit Facility Provider before 5:00 p.m., Pacific time, such seventh calendar day that an Event of Default (as defined in the Reimbursement Agreement) has occurred under the Reimbursement Agreement and such reinstatement shall not occur; and
- (b) with respect to a drawing under the Initial Credit Facility to pay the purchase price of any Bonds, the principal component and the interest component with respect to such Bonds shall be reinstated when and to the extent that the Initial Credit Facility Provider has received immediately available funds to reimburse the Initial Credit Facility Provider for such drawing pursuant to the Reimbursement Agreement

and the Bond Trustee has delivered to the Initial Credit Facility Provider the reinstatement certificate in the form prescribed by the Initial Credit Facility.

The amount demanded by any Interest Draw Certificate (i) shall be drawn against the Interest Component of the Initial Credit Facility and shall not exceed the amount of the Initial Credit Facility, as reduced and reinstated in accordance with the terms of the Initial Credit Facility, or the Interest Component, as reduced and reinstated in accordance with the terms of the Initial Credit Facility, (ii) shall be computed in accordance with the terms and conditions of the Indenture and the Bonds, (iii) shall not include any amount in respect of interest on the Bonds which was included in any Interest Draw Certificate, Tender Draw Certificate or Redemption Draw Certificate presented and not dishonored on or prior to the date of such Interest Draw Certificate, and (iv) shall be applied pursuant to the provisions of the Indenture to the payment of accrued interest on the Bonds which are not beneficially owned by the Borrower or pledged to the Initial Credit Facility Provider.

Expiration. The Initial Credit Facility will expire upon the first to occur of the following: (a) the Stated Expiration Date (as defined in the Initial Credit Facility), (b) the date on which the Initial Credit Facility Provider receives a certificate from the Bond Trustee in the form prescribed by the Initial Credit Facility to the effect that there are no Bonds outstanding other than Bonds secured by a Substitute Credit Facility meeting the requirements of the Bond Indenture or Bonds bearing interest at a Unit Pricing Rate, a Term Rate or a Fixed Rate (as such terms are defined in the Bond Indenture), (c) the tenth calendar day after the Bond Trustee receives written notice from the Initial Credit Facility Provider stating that an Event of Default has occurred and is continuing under the Reimbursement Agreement, directing the Bond Trustee to call the Bonds for mandatory tender or to declare the Bonds immediately due and payable pursuant to the Bond Indenture, and stating that the Initial Credit Facility will terminate on such tenth calendar day, or (d) the date on which the final drawing available under the Initial Credit Facility by a Redemption Draw Certificate (as defined in the Initial Credit Facility) is honored. The initial Stated Expiration Date of the Initial Credit Facility is March 31, 2013.

At least 90 days and not more than one hundred and 120 days before the third anniversary date of the issuance of the Initial Credit Facility, the Borrower may request the Initial Credit Facility Provider in writing (each such request being irrevocable unless the Initial Credit Facility Provider seeks to renegotiate the terms as provided below) to extend the Stated Expiration Date of the Initial Credit Facility for one additional year and such extension shall automatically occur for purposes of this Agreement and the Initial Credit Facility, unless the Initial Credit Facility Provider notifies the Borrower of its intent to not so extend the Stated Expiration Date at least 30 days prior to such third anniversary date. Subsequent one year extensions may be made on the same terms and in the same manner in each subsequent year of the term hereof. The Borrower understands and agrees that the granting of each such request is completely at the discretion of the Initial Credit Facility Provider and that the granting by the Initial Credit Facility Provider of one or more such requests does not obligate the Initial Credit Facility Provider to grant any further such request. The Initial Credit Facility Provider reserves the right, in connection with any extension of the Stated Expiration Date, on the third anniversary of the issuance of the Initial Credit Facility and on each anniversary thereafter, to renegotiate any provision hereof with respect to the extended term by delivering to the Borrower within 60 days of the Borrower's notice to the Initial Credit Facility Provider of the extension, prior written notice to the Borrower of the Initial Credit Facility Provider's intention to renegotiate and the terms it wishes to renegotiate. Upon 90 days' prior Notice to the Initial Credit Facility Provider, the Borrower may replace the Initial Credit Facility at any time with a Substitute Credit Facility as permitted by the Bond Indenture. Notwithstanding the foregoing, before any cancellation or replacement of the Initial Credit Facility pursuant to this Section shall take effect, the Borrower shall pay, or cause to be paid, any and all outstanding Liquidity Advances (as defined in the Reimbursement Agreement) and any other Obligations owed under the Reimbursement Agreement (including accrued interest thereon) and shall cause the Bond Trustee to deliver the Initial Credit Facility

to the Initial Credit Facility Provider for cancellation. In addition, the Initial Credit Facility may be immediately terminated and replaced by a Substitute Credit Facility upon a negative change in the long term or short term ratings of the Initial Credit Facility Provider that results in increased costs to the Borrower.

The Reimbursement Agreement

General. Under the Reimbursement Agreement, the Initial Credit Facility Provider agrees to issue the Initial Credit Facility to the Bond Trustee concurrently with the original issuance and delivery of the Bonds, and the Borrower agrees, among other things, to reimburse the Initial Credit Facility Provider, with interest, for each drawing under the Initial Credit Facility and to pay certain fees to the Initial Credit Facility Provider. Capitalized terms used under the caption "THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT – The Reimbursement Agreement" and not otherwise defined herein shall have the meanings assigned to such terms in the Reimbursement Agreement.

Security. The obligations of the Borrower to the Initial Credit Facility Provider under the Reimbursement Agreement will be secured by the five Deeds of Trust with Assignment of Leases, Rents, Security Agreement and Fixture Filing (the "Deeds of Trust") covering the Facilities and all revenues, income, receipts and money received thereof (the "Gross Revenues") and delivered by the Borrower to a trustee for the sole benefit of the Initial Credit Facility Provider, and will have the benefit and security of the Master Indenture to the extent provided therein. Bonds purchased with proceeds of drawings under the Initial Credit Facility will be pledged to the Initial Credit Facility Provider pursuant to the Reimbursement Agreement until such time as such Bonds are remarketed and the Initial Credit Facility is reinstated with respect thereto. As used herein, the term "Financing Documents" includes the Master Indenture, the Bond Indenture, the Eighth Supplemental Master Indenture, the Bonds, Obligation No. 11, Obligation No. 12, the Loan Agreement, the Reimbursement Agreement, the Deeds of Trust, the Bond Purchase Agreement, the Remarketing Agreement and certain other security documents for the benefit of the Initial Credit Facility Provider.

Representations, Warranties and Covenants. The Reimbursement Agreement sets forth various representations, warranties and covenants of the Borrower, including, among others, representations, warranties and covenants relating to maintenance of corporate existence, maintenance of insurance, limitations on transfer of property, furnishing of financial reports and other information, maintenance of certain financial ratios and levels, limitations on additional debt, limitations on additional liens, limitations on loans, transfers of cash and distributions, and ERISA matters.

Events of Default. Each of the following events shall constitute an "Event of Default" under the Reimbursement Agreement:

(a) Failure by the Borrower to make or cause to be made to the Initial Credit Facility Provider when due under the Reimbursement Agreement any payment as (i) reimbursement for a drawing under the Initial Credit Facility, (ii) a fee, or (iii) interest on any such drawing or fee;

(b) Failure by the Borrower to make any other payment to the Initial Credit Facility Provider under the Reimbursement Agreement or any other Financing Document within 10 days of the date when it is due;

(c) Failure by the Borrower or any other Member of the Obligated Group to perform or comply with any of the terms or conditions contained in the following Sections of the Reimbursement Agreement: 6.01 (corporate existence), 6.06 (transfer of property), 6.07 (Borrower's business) 6.08 (visitation rights), 6.13 (financial covenants and consultant's reports upon failure to meet certain financial

ratios or levels), 6.15 (additional debt), 6.18 (loans, transfers and distributions), 6.20 (obligated group), 6.23 (ERISA), 6.25 (no adverse agreements), 6.29 (amendments to Financing Documents), 6.30 (limitation on conversions), 6.31 (limitation on optional calls), or the Borrower shall grant or otherwise create any lien in violation of 6.16 (negative pledge);

(d) Failure by the Borrower or any other Member of the Obligated Group to perform or comply with any of the terms or conditions contained in the Reimbursement Agreement and continuance of such failure for 30 days after written notice from the Initial Credit Facility Provider to the Borrower, or such longer period to which the Initial Credit Facility Provider in its sole discretion may agree in the case of a failure not curable by the exercise of due diligence within such 30-day period, provided that the Borrower or such other Member of the Obligated Group shall have commenced to cure such failure within such 30-day period and shall complete such cure as quickly as reasonably possible with the exercise of due diligence;

(e) Any of the representations or warranties of the Borrower or any Member of the Obligated Group set forth in the Reimbursement Agreement or the other Financing Documents or in any other document furnished to the Initial Credit Facility Provider pursuant to the terms of the Reimbursement Agreement proves to have been false or misleading in any material respect;

(f) Any material provision of the Reimbursement Agreement or any other Financing Document shall at any time for any reason cease to be valid and binding or shall be declared to be null and void, or shall be violative of any applicable law relating to a maximum amount of interest permitted to be contracted for, charged or received, or the validity or enforceability thereof shall be contested by the Borrower or any other Member of the Obligated Group, the Bond Trustee or any Governmental Authority, or the Borrower or any other Member of the Obligated Group shall deny that it has any or further liability or obligation under the Reimbursement Agreement or any other Financing Document to which it is a party;

(g) The occurrence of an Event of Default as defined in any of the other Financing Documents, without regard to any waiver of such Event of Default by any Person other than the Initial Credit Facility Provider;

(h) The Borrower or any other Member of the Obligated Group shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of the Borrower or any other Member of the Obligated Group or of property of the Borrower or any other Member of the Obligated Group, or (ii) not, or be unable to, or admit in writing the inability of the Borrower or any other Member of the Obligated Group to, pay its debts generally as they become due, or (iii) make a general assignment for the benefit of creditors, or (iv) be adjudicated bankrupt or insolvent, or (v) commence a voluntary case under the United States Bankruptcy Code or file a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against the Borrower or any other Member of the Obligated Group in any bankruptcy, reorganization or insolvency proceeding, or take corporate action for the purpose of effecting any of the foregoing, or (vi) have instituted against it a proceeding in any court of competent jurisdiction, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking in respect of the Borrower or any other Member of the Obligated Group an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up or liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of the Borrower or any other Member of the Obligated Group or of all or any substantial part of the assets of the Borrower or any other Member of the Obligated Group or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by the Borrower or any other Member of the Obligated Group in good faith, the same shall

(A) result in the entry of an order for relief or any such adjudication or appointment or (B) remain undismissed and undischarged for a period of 60 days, or (vii) the Borrower or any other Member of the Obligated Group shall take any action in furtherance of, or indicating its consent to, approval of or acquiescence in, any of the acts described in clauses (i) through (vi) above;

(i) Any litigation or administrative proceeding ensues, and is not dismissed within 90 days, involving the Borrower or any other Member of the Obligated Group, the Facilities or any instrument, contract or document delivered to the Initial Credit Facility Provider in compliance with the Reimbursement Agreement, and the adverse result of such litigation or proceeding could have, in the Initial Credit Facility Provider's reasonable opinion, a Material Adverse Effect, except for any action or proceeding in respect of which the Initial Credit Facility Provider has received from counsel for the Borrower or any other Member of the Obligated Group acceptable to the Initial Credit Facility Provider an opinion in form and substance satisfactory to the Initial Credit Facility Provider to the effect that (1) such action or proceeding is without merit or (2) the adverse result of such action or proceeding will neither (i) result in a judgment of more than \$250,000 over any applicable insurance coverage in effect and available to pay such judgment nor (ii) materially and adversely affect the operations of the Borrower or any other Member of the Obligated Group or the transactions contemplated by the Financing Documents;

(j) The Borrower fails to maintain, or caused to be maintained, in full force and effect any of the insurance coverages as required by the Reimbursement Agreement and the other Financing Documents;

(k) Any one or more judgments are entered against the Borrower or any other Member of the Obligated Group aggregating \$250,000 or more and within 30 days of such entry either (1) such judgments have not been satisfied and execution of such judgment has not been stayed pending appeal or (2) such judgments give rise to Liens aggregating at any time more than \$250,000 which are not removed by a bond or other arrangement given or obtained on terms which do not violate any covenant under the Reimbursement Agreement;

(l) The occurrence of an event of default in respect of (i) any Debt of the Borrower or any other Member of the Obligated Group of \$250,000 or more or (ii) any Debt of the Borrower or any other Member of the Obligated Group to the Initial Credit Facility Provider (after the lapse of any applicable grace period) that results in the acceleration or mandatory redemption of such Debt, or enables the holder or holders of such Debt or any Person acting on behalf of such holder or holders to accelerate the maturity, or cause the mandatory redemption of such Debt;

(m) The occurrence of an event of default as defined in any other credit agreement under which the Borrower or any other Member of the Obligated Group or any other Affiliate is now or hereafter obligated to the Initial Credit Facility Provider;

(n) The California Department of Social Services or any other Governmental Authority (i) suspends or revokes the operating license for the Facilities (or any portion thereof), or does not renew the operating license for the Facilities (or any portion thereof) prior to its then current expiration date, (ii) materially increases any reserve requirement specifically with respect to the Facilities, (iii) imposes any Lien in connection with the Facilities (other than a Permitted Lien), (iv) files a petition for the appointment of an administrator for the Facilities, or (v) takes any other action or imposes any other requirement as a sanction for failure to meet any requirement of the California Residential Care Facilities for the Elderly Act, other Applicable Law or the California Department of Social Services which could have a Material Adverse Effect;

(o) The Facilities or any portion thereof is subjected to any condemnation or similar proceeding which could have a Material Adverse Effect;

(p) Any part of the Facilities suffers a loss by fire or other Casualty which could have a Material Adverse Effect;

(q) The Borrower is enjoined or prohibited from performing any of its obligations under any of the Bond Documents for a period of more than 15 consecutive days;

(r) The independent certified public accountants retained by the Borrower (i) deliver an opinion on the financial statements of the Borrower, which opinion states that such financial statements do not fairly or accurately present the financial condition of the Borrower or includes an explanatory paragraph which describes conditions which raise substantial doubt about the Borrower's ability to continue to operate as a going concern, or (ii) fail to deliver an unqualified opinion on the annual financial statements of the Borrower (other than as to a change in generally accepted accounting principles with which such accountants concur).

Remedies. Upon or after the occurrence of any Event of Default, the Initial Credit Facility Provider may, at its sole option and without prior notice, demand, protest or presentment, and to the extent permitted by applicable law, do any or all of the following:

(a) Notify the Bond Trustee that such Event of Default has occurred, direct the Bond Trustee to call the Bonds for mandatory purchase pursuant to the Bond Indenture, and notify the Bond Trustee that the Initial Credit Facility will terminate 10 calendar days after the Bond Trustee's receipt of such notice;

(b) Notify the Bond Trustee that such Event of Default has occurred, direct the Bond Trustee to declare the Bonds immediately due and payable pursuant to the Bond Indenture, and notify the Bond Trustee that the Initial Credit Facility will terminate 10 calendar days after the Bond Trustee's receipt of such notice;

(c) By Notice to the Borrower, terminate the Liquidity Period;

(d) Declare the Borrower's obligations under the Reimbursement Agreement to be, whereupon the same shall become, immediately due and payable;

(e) Take whatever action may be available at law or in equity to collect Bank Obligations due and payable and to enforce the performance of the Borrower's or any other Member of the Obligated Group's obligations under the Reimbursement Agreement and the other Financing Documents, including applying to any court of competent jurisdiction for, and obtaining appointment of, a receiver;

(f) Require the Borrower to pay interest and Letter of Credit commitment fees at higher rates as provided in the Reimbursement Agreement;

(g) Direct the Bond Trustee to exercise remedies in accordance with the provisions of the Bond Indenture and the Security Documents to which it is a party;

(h) Direct the Bond Trustee to exercise remedies in accordance with the provisions of the Master Indenture and the Deeds of Trust as and to the extent permitted by the Master Indenture;

(i) By injunction or other writ, order, decree or decision of a court of competent jurisdiction in an action, suit or other proceeding at law or in equity, enjoin any acts or things which may be unlawful or in violation of the Initial Credit Facility Provider's rights under the Reimbursement Agreement, the other Financing Documents or any other agreement or instrument;

(j) Employ, or direct the Bond Trustee to employ, leasing agents or sales agents and negotiate and execute leases, sales contracts and financing undertakings in connection with all or any part of the Facilities, and to modify or cancel leases and to fix or modify Monthly Service Fees on such terms as the Initial Credit Facility Provider may consider proper;

(k) Execute all applications and certificates which may be required in the name of the Borrower;

(l) File for record, at the Borrower's cost and expense and in the Borrower's name, any notices of completion, notices of cessation of labor, or any other notices that the Initial Credit Facility Provider in its sole and absolute discretion may consider necessary or desirable to protect its security;

(m) Set off, in such order as the Initial Credit Facility Provider may determine, any or all of the obligations of the Borrower or any other Member of the Obligated Group to the Initial Credit Facility Provider, direct or indirect, now existing or hereinafter created including any and all Bank Obligations, against any or all of the property of the Borrower or any other Member of the Obligated Group in the Initial Credit Facility Provider's possession at or subsequent to the occurrence of the Event of Default regardless of the capacity in which the Initial Credit Facility Provider possesses such property;

(n) Exercise any and all such rights as the Initial Credit Facility Provider may have as a secured party under the California Uniform Commercial Code or other applicable law with respect to the security interests created by the Reimbursement Agreement; and in respect of any sale or other disposition under the California Uniform Commercial Code or other applicable law, any notice required to be given by the Initial Credit Facility Provider shall be sufficient if given five days prior to the day on which such sale or other disposition will be made, and such notice shall be deemed reasonable notice;

(o) Sell the Initial Credit Facility Provider's rights under the Reimbursement Agreement, the other Financing Documents, any other agreements or instruments delivered to the Initial Credit Facility Provider, or any of them, to anyone at private sale; and

(p) Exercise, or cause to be exercised, any and all such remedies as it may have under the Reimbursement Agreement, the other Financing Documents or any other document at law or in equity.

THE AUTHORITY

The Authority is a joint powers agency duly organized and existing under the laws of the State of California. The Authority was formed pursuant to the terms of a Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992, 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, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE REVENUES PLEDGED THEREFOR PURSUANT TO THE BOND INDENTURE. NONE OF THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY

OTHER MONEYS OR ASSETS OF THE AUTHORITY, ABAG OR ANY OF THEIR MEMBERS TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON, THE PURCHASE PRICE THEREOF AND ANY REDEMPTION PREMIUM WITH RESPECT THERETO DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE AUTHORITY OR ABAG, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES DESCRIBED HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE OF, THE BONDS. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

BONDHOLDERS' RISKS

General

The risk factors discussed below should be considered in evaluating risks associated with the payment of the principal of, premium, if any, and interest on, and Purchase Price of, the Bonds. This discussion of risk factors is not intended to be exhaustive and does not describe any risks associated with the operations of the Obligated Group.

The Credit Facility Provider

The Bonds are being offered solely on the basis of the Credit Facility securing the Bonds, initially the Initial Credit Facility to be issued by the Bank, and not on the basis of the creditworthiness of the Obligated Group or any other security for the Bonds. There can be no assurance that the credit rating of a Credit Facility Provider will continue at their then-current levels. A decline in a credit rating of a Credit Facility Provider could result in a decline in the creditworthiness of the Bonds, including any rating that may be assigned to the Bonds in the future. For information concerning the Bank, see "THE INITIAL CREDIT FACILITY PROVIDER." Except for a limited description of the Borrower contained under "THE BORROWER" no information with respect to the Obligated Group or its operations included in this Official Statement.

So long as the Credit Facility Provider is not in default of its obligations under the Credit Facility, certain rights and remedies otherwise available to the Holders of the Bonds will be reserved for or subject to the direction or consent of the Credit Facility Provider. See "SECURITY FOR THE BONDS– Rights of the Credit Facility Provider and "–Amendments to Bond Indenture, Master Indenture and Deeds of Trust." The Reimbursement Agreement contains various terms, conditions and covenants to which the Borrower is subject, and the summary of the Reimbursement Agreement set forth under "THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT" does not purport to be comprehensive or definitive. Owners of the Bonds will not be able to fully assess the likelihood that the Bonds would be accelerated before the stated maturity thereof, at the direction of the Credit Facility Provider, upon the occurrence of an Event of Default under the Bond Indenture or that the Bonds would be subject to mandatory tender and purchase, at the direction of the Credit Facility Provider, upon the occurrence of an Event of Default under the Reimbursement Agreement.

THE BONDS ARE BEING OFFERED SOLELY ON THE BASIS OF THE FINANCIAL STRENGTH OF THE INITIAL CREDIT FACILITY PROVIDER AND NOT ON THE FINANCIAL STRENGTH OF THE BORROWER OR ANY OTHER SECURITY, NOTWITHSTANDING THE INFORMATION RELATING TO THE BORROWER INCLUDED

HEREIN. BONDHOLDERS WILL NOT BE ABLE TO ASSESS THE LIKELIHOOD THAT PAYMENT OF THE BONDS WILL BE ACCELERATED BEFORE THE STATED MATURITY THEREOF BECAUSE OF AN EVENT OF DEFAULT UNDER THE BOND INDENTURE, UPON WHICH ACCELERATION THE BONDS WOULD CEASE TO ACCRUE INTEREST AND WOULD BE PAYABLE AT PAR PLUS ACCRUED INTEREST.

Enforceability of the Credit Facility

Section 105 of the Bankruptcy Code empowers a bankruptcy court to issue such orders as are necessary or appropriate to carry out the provisions of the Bankruptcy Code. Court decisions discussing the enforceability of letters of credit indicate that it is possible that a bankruptcy court acting pursuant to Section 105 or other equitable powers under the Bankruptcy Code could enjoin a drawing by the Bond Trustee under the Initial Credit Facility or a Substitute Credit Facility or the payment by the Bond Trustee to Bondholders of amounts drawn under the Initial Credit Facility or a Substitute Credit Facility under various circumstances, including the bankruptcy or insolvency of, or a similar event with respect to, the Borrower or an affiliate of the Borrower.

The Initial Credit Facility and any Substitute Credit Facility also will not, and are not intended to, protect Bondholders from events affecting the Initial Credit Facility Provider or the issuer of such Substitute Credit Facility or the creditworthiness of either, including the bankruptcy or insolvency of the Initial Credit Facility Provider or any such issuer of any Substitute Credit Facility.

Tax-Exempt Status of Interest on the Bonds

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations such as the Bonds to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the Bonds. Noncompliance with these requirements by the Authority or the Borrower may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. See "TAX MATTERS."

Non-compliance with certain requirements of the Code could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds are not required to be redeemed, and are not subject to mandatory acceleration, in the event interest thereon is determined to be includable in gross income for federal income tax purposes. No provision has been made to compensate owners of the Bonds for federal income taxes, interest and/or penalties which may be assessed in connection with any such tax liability or such determination or for any other loss or any diminution of gain which may occur. The Initial Credit Facility Provider has the right to control the direction of remedies upon any Event of Default under the Bond Indenture resulting from a covenant default. See "BONDHOLDERS' RISKS – The Credit Facility Provider."

EXEMPTION FROM CONTINUING DISCLOSURE REQUIREMENTS

Rule 15c2-12 ("Rule 15c2-12") under the Securities Exchange Act of 1934, as amended, generally requires that "obligated persons" such as the Borrower provide (i) continuing disclosure on an annual basis of financial information and operating data and (ii) notice of certain specific events that could affect the credit underlying the payment obligations of municipal securities. Offerings of municipal securities that are issues in minimum denominations of \$100,000 and are subject to purchase on the demand of the holder, such as will be the case with respect to the Bonds while bearing interest in the Weekly Mode or Daily Mode, are exempt from the requirements of Rule 15c2-12. If the Bonds are

remarketed in a Mode other than the Weekly Mode or the Daily Mode, the Borrower shall in the future become subject to the continuing disclosure obligations of Rule 15c2-12 with respect to the Bonds. The Authority has no continuing disclosure obligation with respect to the Bonds.

LITIGATION

The Authority

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

The Borrower

The Borrower has advised that there is no litigation or proceeding pending or threatened against it except litigation or proceedings in which the estimated probable ultimate recoveries and the costs and expenses of defense, in the opinion of management of the Borrower, (i) will be entirely within applicable commercial insurance policy limits (subject to applicable deductibles), or (ii) will not have a material adverse effect on the operation or financial condition of the Borrower. No litigation or proceedings are pending or, to the knowledge of the Borrower, threatened against it which in any manner question the right of the Borrower to enter into the transactions described herein.

LEGAL MATTERS

Certain legal matters incidental to the authorization, issuance and sale by the Authority of the Bonds will be subject to the approving opinion of Holland & Knight LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Authority by its special counsel, Nixon Peabody LLP, San Francisco, California; for the Bond Trustee by its counsel, Davis Wright Tremaine LLP, San Anselmo, California; for the Obligated Group by its counsel, Hefner, Stark & Marois, LLP, Sacramento, California; for the Initial Credit Facility Provider by its counsel, Foley & Lardner LLP, San Francisco, California; and for the Underwriter by its counsel, Ungaretti & Harris LLP, Chicago, Illinois.

TAX MATTERS

In the opinion of Holland & Knight LLP, Bond Counsel, under existing law, the interest on the Bonds is exempt from present State of California personal income taxes. In addition, in the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes.

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 Borrower maintain its status as an organization exempt from federal income taxation by reason of being described in Section 501(c)(3) of the Code; the requirement that, unless an exception applies, 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 restrictions on the ownership and use of the facilities financed with the proceeds of the Bonds. 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 by the Authority and the Borrower 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 thereof for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Authority and the Borrower have covenanted in the Bond Indenture and the Loan Agreement 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 Borrower 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.

Notwithstanding the foregoing, Bond Counsel expresses no opinion as to whether a change in Mode will adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. The Bond Indenture requires an opinion of Bond Counsel with regard to a change in Mode before any such change occurs.

Alternative Minimum Tax. An alternative minimum tax is imposed by the Code on both corporations (as defined for federal income tax purposes) and on taxpayers other than corporations. Interest on the Bonds will not be treated as an item of tax preference for purposes of the alternative minimum tax. Interest on the Bonds will therefore not be included in the alternative minimum taxable income of taxpayers other than corporations. Interest on the Bonds received by a corporate Bondholder will, however, be included in such a Bondholder's adjusted current earnings. A corporation's alternative minimum taxable income will be increased by seventy-five percent (75%) of the corporation's adjusted current earnings not otherwise included in its alternative minimum taxable income. The rate of the alternative minimum tax imposed on corporations is twenty percent (20%).

Reference is made to the proposed form of opinion of Bond Counsel attached hereto as APPENDIX B for the complete text thereof.

Other Tax Consequences. Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, 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. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the Bonds other than the opinion described above relating to present State of California personal income taxes. Prospective purchasers of the Bonds should consult their tax advisors as to the collateral federal income tax and state tax consequences to them of owning the Bonds.

Information Reporting and Backup Withholding. 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 holders 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 holder of Bonds. This withholding generally applies if the holder of Bonds (i) fails to furnish the payor such holder's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor 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 payor or such holder's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such holder is not subject to backup withholding. Holders of Bonds should consult their own tax advisors as to their qualifications for exemption from backup withholding and the procedures for obtaining the exemption.

RATINGS

Moody's Investors Service has assigned to the Bonds the ratings of "Aa1/VMIG1." Such ratings will be based upon the issuance by the Initial Credit Facility Provider of the Initial Credit Facility simultaneously with delivery of the Bonds. The ratings assigned to the Bonds reflect only the views of the rating agency, and an explanation of the significance of such ratings may be obtained only from the rating agency.

Generally, a rating agency bases its ratings on the information and materials furnished and on investigations, studies and assumptions by the rating agency. No assurance can be given that a particular rating will be maintained for any given period of time or will not be revised or withdrawn entirely by the rating agency, if, in its judgment, circumstances warrant. Any such revision or withdrawal of the rating may have an adverse effect on the market price or marketability of the Bonds. The Underwriter, the Credit Facility Provider, the Authority and the Borrower have undertaken no responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the ratings of the Bonds or to oppose any such proposed revision or withdrawal.

REMARKETING AGENT

Cain Brothers & Company, LLC, New York, New York, has been appointed by the Borrower pursuant to the Remarketing Agreement to act as the initial remarketing agent (the "Remarketing Agent") for the purposes described in the Bond 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. The Remarketing Agent may resign upon 30 days' written notice to the Authority, the Credit Facility Provider, the Borrower and the Bond Trustee. The Remarketing Agent may be removed at any time at the direction of the Borrower, with the consent of the Credit Facility Provider, by an instrument signed by the Borrower and the Credit Facility Provider and filed at least 30 days prior to such removal with the Remarketing Agent and with the Bond Trustee. No resignation or removal of the Remarketing Agent shall be effective until a successor has been appointed and accepted its duties; provided, however, that in the event that the Borrower fails to appoint a successor Remarketing Agent within 90 days following receipt of notice of resignation from the Remarketing Agent, such resignation will take effect on the 91st day following receipt by the Borrower of such notice of resignation.

UNDERWRITING

The Bonds are being purchased by the Underwriter at an aggregate purchase price of \$23,265,000, which reflects \$235,000 of Underwriter's discount, pursuant to an agreement entered into by and among the Authority, the Borrower and the Underwriter. The bond purchase agreement provides that the Underwriter will purchase all the Bonds, if any are purchased, and requires the Borrower and certain affiliates of the Borrower to indemnify the Underwriter and the Authority against losses, claims and liabilities arising out of any untrue statement of a material fact contained in this Official Statement or the

omission herefrom of any material fact in connection with the transactions contemplated by this Official Statement.

MISCELLANEOUS

The references herein to the Act, the Bond Indenture, the Loan Agreement, the Master Indenture, the Reimbursement Agreement and the Initial Credit Facility are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and for full and complete statements of the provisions thereof reference is made to the Act, the Bond Indenture, the Loan Agreement, the Master Indenture, the Reimbursement Agreement and the Initial Credit Facility in their entirety. Copies of drafts of such documents are on file at the offices of the Authority, and following delivery of the Bonds, executed copies will be on file at the office of the Bond Trustee. All estimates and other 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.

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 "LITIGATION – The Authority," and the Authority will not participate in or be responsible for the offering, sale, distribution or remarketing of the Bonds.

The attached Appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The Borrower has reviewed the information contained herein which relates to it and the other Members of the Obligated Group and has approved all such information for use within this Official Statement. The Borrower has approved the execution and delivery of this Official Statement.

The execution of this Official Statement has been duly authorized by the Authority.

**ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS**

By: /s/ Joseph K. Chan
 Chief Financial Officer

This Official Statement is approved:

ESKATON PROPERTIES, INCORPORATED

By: /s/ Bill Pace
 Chief Financial Officer

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APPENDIX A

SUMMARY OF PRINCIPAL DOCUMENTS

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APPENDIX A

SUMMARY OF PRINCIPAL DOCUMENTS

The following is a summary of certain provisions of the Bond Indenture, the Loan Agreement, the Master Indenture and the Eighth Supplemental Master Indenture that are not described elsewhere in this Official Statement. This summary does not purport to be comprehensive and reference should be made to the Bond Indenture for a full and complete statement of its provisions. All capitalized terms not defined in this Official Statement have the meanings set forth in the Bond Indenture and the Loan Agreement.

DEFINITION OF CERTAIN TERMS

The following are summaries of the definitions of certain terms used in this Summary of Bond Indenture. All capitalized terms not defined here or elsewhere in this Official Statement have the meanings set forth in the Bond Indenture.

"1992 Certificates" means the California Statewide Communities Development Authority Insured Health Facilities Revenue Certificates of Participation (Eskaton Properties, Incorporated – Phase II), Series 1992 issued in the original aggregate principal amount of \$17,300,000.

"1992 Project" means the facilities of the Corporation or another Obligated Group Member originally financed by the 1992 Certificates and refinanced by the 1999 Certificates.

"1999 Certificates" means the Taxable 1999 Certificates and the Tax-Exempt 1999 Certificates.

"1999 Project" means the facilities of the Corporation or another Obligated Group Member originally financed by the 1999 Certificates or originally financed by the Taxable Loans and refinanced by the 1999 Certificates.

"Act" means Chapter 5 of Division 7 (commencing with Section 6500) of the Government Code of the State of California as from time to time amended.

"Alternate Rate" means (1) with respect to Bonds bearing interest in a Daily Mode, a Weekly Mode or a Unit Pricing Mode for an Interest Period of 30 days or less, an annual rate equal to the SIFMA Municipal Swap Index, announced or published immediately prior to the date such Alternate Rate is determined; and (2) with respect to Bonds bearing interest in a Unit Pricing Mode for an Interest Period of greater than 30 days or in a Term Rate Mode, an annual rate equal to 75% of the highest quoted yield on Defeasance Obligations – State and Local Government Series, with a maturity equal to the length of the Interest Period for which the Alternate Rate is calculated, which yield was published in Form PD4262, Department of Treasury, Bureau of Public Debt, as most recently published prior to the date such Alternate Rate is determined.

"Auction Mode" means the Mode during which Bonds bear interest at the Auction Rate (as defined in *Exhibit B* hereto).

“*Authority*” means the ABAG Finance Authority for Nonprofit Corporations, a joint exercise of powers authority duly organized and existing under the laws of the State of California, created and existing under and by virtue of the Act, and its successors and assigns.

“*Authorized Denominations*” means denominations of (i) \$25,000 and any integral multiple thereof with respect to Bonds in an Auction Mode, Indexed Mode, Stepped Coupon Mode or R-FLOATs Mode, (ii) \$100,000 and any integral multiple of \$5,000 in excess thereof with respect to Bonds in the Daily Mode, the Weekly Mode or the Unit Pricing Mode, and (iii) \$5,000 and any integral multiple thereof, with respect to Bonds in the Term Rate Mode or the Fixed Rate Mode.

“*Authorized Representative*” means the President, Chief Financial Officer, or Secretary of the Authority or any other officer authorized by the Authority to take action pursuant herewith.

“*Bank Bonds*” means Bonds purchased with the proceeds of a draw on a Credit Facility and pledged to the Credit Facility Provider, but excluding Bonds which have thereafter been remarketed and with respect to which such Credit Facility has been reinstated.

“*Bloomberg*” means L.P.’s Bloomberg Professional System, and its successors and assigns.

“*Bond Counsel*” means any nationally recognized municipal bond counsel acceptable to the Authority, the Bond Trustee and the Credit Facility Provider.

“*Bond Financed Property*” means any and all property refinanced with the proceeds of the Bonds and financed or previously refinanced with the proceeds of the Refunded Certificates.

“*Bond Indenture*” means this Bond Trust Indenture, dated as of April 1, 2008 between the Authority and the Bond Trustee, as it may from time to time be amended or supplemented.

“*Bond Register*” means the registration books of the Authority kept by the Bond Trustee to evidence the registration and transfer of Bonds.

“*Bond Sinking Fund*” means the fund by that name created under the Bond Indenture to which amounts are to be deposited in accordance with the Bond Indenture.

“*Bond Trustee*” means The Bank of New York Trust Company, N.A., or any successor trustee under the Bond Indenture.

“*Bond Year*” means any 12-month period beginning December 1 of a calendar year and ending November 30 of the next succeeding year. For the purpose of calculating debt service on the Bonds payable in any Bond Year, principal and interest payable on the Bonds on November 30 of any Bond Year shall be deemed to be payable during the preceding Bond Year.

“*Bondholder*,” “*holder*” or “*owner of the Bonds*” means the registered owner of any Bond and does not mean any beneficial owner of a Bond whether through a book-entry system or otherwise.

“*Bonds*” means the \$23,500,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Revenue Refunding Bonds (Eskaton Properties, Incorporated), Series 2008A initially authorized to be issued by the Authority pursuant to the terms and conditions of this Bond Indenture.

“*Business Day*” means a day which is not (a) a Saturday, Sunday or legal holiday on which banking organizations in the State of New York or the city in which the Principal Office of the Credit Facility Provider, the Remarketing Agent, the Tender Agent, the Auction Agent, the Market Agent, any Broker-Dealer or the Bond Trustee is located are authorized by law to close and on which such entity is in fact closed or (b) a day on which the New York Stock Exchange is closed.

“*Closing Date*” means April 10, 2008, the date of initial issuance and delivery of the Bonds.

“*Code*” means the Internal Revenue Code of 1986, as amended, or any corresponding provision of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final regulations or temporary regulations), the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings) and applicable court decisions.

“*Corporation*” means Eskaton Properties, Incorporated, a California nonprofit public benefit corporation, and its successors and assigns and any surviving, resulting or transferee corporation.

“*Costs of Issuance*” or “*Issuance Costs*” means all costs and expenses of issuance of the Bonds, including, but not limited to: (i) underwriters’ discount and fees; (ii) counsel fees, including, without limitation, Bond Counsel, and special tax counsel fees, as well as counsel fees for the Authority; (iii) financial advisor fees; (iv) rating agency fees; (v) trustee fees and trustee counsel fees; (vi) paying agent and certifying and authenticating agent fees related to issuance of the Bonds; (vii) accounting fees and expenses; (viii) printing costs of the Bonds and of the preliminary and final official statement; (ix) publication costs associated with the financing proceedings; (x) costs of any credit enhancement of the Bonds; and (xi) any other fees or costs deemed issuance costs for purposes of the Act and by Section 1.150-1(b) of the Income Tax Regulations.

“*Credit Facility*” means a letter of credit, municipal bond insurance policy or other form of credit enhancement for the Bonds which provides for payment of principal of and interest on the Bonds in the event of a Default and, if the Credit Facility is a letter of credit, payment of principal of and interest on the Bonds, including any Alternate Credit Facility, furnished by the Corporation to the Tender Agent pursuant to the Loan Agreement, and any Substitute Credit Facility. Initially, the term "Credit Facility" shall refer to Irrevocable Letter of Credit issued by U.S. Bank National Association.

"Credit Facility Mandatory Tender Event Date" means the second business Day next following the Business Day on which the Trustee receives a Credit Facility Mandatory Tender Event Notice.

"Credit Facility Mandatory Tender Event Notice" means a written notice from the Credit Facility Provider to the Trustee stating that (i) the Credit Facility will not be reinstated with respect to a draw thereunder to pay interest on the Bonds or (ii) an Event of Default has occurred under the Reimbursement Agreement and the Credit Facility will terminate 10 calendar days after the Trustee's receipt of such notice and directing the Trustee to call the Bonds for immediate mandatory tender.

"Credit Facility Provider" means the issuer of a Credit Facility. The initial Credit Facility Provider is U.S. Bank National Association.

"Current Mode" shall have the meaning specified in the Bond Indenture.

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

"Daily Rate" means an interest rate that is determined on each Business Day with respect to the Bonds in the Daily Mode pursuant to the Bond Indenture.

"Defaulted Interest" means interest on any Bond which is payable but not duly paid on the date due.

"Defeasance Obligations" means noncallable direct obligations of, or noncallable obligations (which shall not include shares or investments in unit investment trusts or mutual funds) the timely payment of the principal of and interest on which is fully guaranteed by, the United States of America.

"Depository Participant" means those broker-dealers, banks and other financial institutions reflected on the books of the Securities Depository as holding beneficial interests in the Bonds.

"DTC" means The Depository Trust Company.

"Eighth Supplemental Master Indenture" means the Eighth Supplemental Master Trust Indenture dated as of April 1, 2008, among the Corporation, as Obligated group Representative on behalf of the Members of the Obligated Group and the Master Trustee pursuant to which Obligation No. 11 and Obligation No. 12 are issued.

"Eligible Bonds" means any Bonds other than Bank Bonds or Bonds owned by, for the account of, or on behalf of, the Authority or the Corporation or any affiliate of the Corporation.

"Eligible Moneys" means (a) moneys (i) paid or deposited by the Corporation or any other Member of the Obligated Group to or with the Bond Trustee, (ii) continuously held in any fund, account or subaccount established under the Bond Indenture which is subject to the lien of this Bond Indenture and in which no other moneys which are not Eligible Moneys are held and (iii) which have so been on deposit with the Bond Trustee for at least 367 days from their receipt by the Bond Trustee, during and prior to which period no petition by or against the Authority, the

Corporation, any other Member of the Obligated Group or any “affiliate” thereof (as defined in Title 11 of the United States Code) to which such moneys are attributable under any bankruptcy or similar law now or hereafter in effect shall have been filed and no bankruptcy or similar proceeding otherwise initiated (unless such petition or proceeding shall have been dismissed and such dismissal be final and not subject to appeal), together with investment earnings on such moneys; (b) moneys received by the Bond Trustee pursuant to the Credit Facility which are held in any fund, account or subaccount established thereunder in which no other moneys which are not Eligible Moneys are held, together with investment earnings on such moneys; (c) proceeds from the remarketing of any Bonds pursuant to the provisions of the Bond Indenture to any person other than the Authority, the Corporation, any other Member of the Obligated Group or any “affiliate” thereof (as defined in Title 11 of the United States Code); (d) proceeds from the issuance and sale of refunding bonds, together with the investment earnings on such proceeds, if there is delivered to the Bond Trustee at the time of issuance and sale of such bonds an opinion of nationally recognized bankruptcy counsel which opinion is acceptable to the Bond Trustee and each Rating Agency then maintaining a rating on the Bonds bearing interest at a Daily Rate or Weekly Rate (which opinion may assume that no Bondholders are “insiders” within the meaning of Title 11 of the United States Code) to the effect that the use of such proceeds and investment earnings to pay the principal of, premium, if any, or interest on the Bonds would not be avoidable as preferential payments under Section 547 of the United States Bankruptcy Code recoverable under Section 550 of the United States Bankruptcy Code should the Authority, the Corporation or any “affiliate” thereof (as defined in Title 11 of the United States Code) become a debtor in a proceeding commenced thereunder; and (e) moneys which are derived from any other source, together with the investment earnings on such moneys, if the Bond Trustee has received an unqualified opinion of nationally recognized bankruptcy counsel which is acceptable to the Bond Trustee and each Rating Agency then maintaining a rating on the Bonds bearing interest at a Daily Rate or Weekly Rate (which opinion may assume that no Bondholders are “insiders” within the meaning of Title 11 of the United States Code) to the effect that payment of such amounts to bondholders would not be avoidable as preferential payments under Section 547 of the United States Bankruptcy Code recoverable under Section 550 of the United States Bankruptcy Code should the Authority, the Corporation, any other Member of the Obligated Group or any “affiliate” thereof (as defined in Title 11 of the United States Code) become a debtor in a proceeding commenced thereunder; provided that such proceeds, moneys or income shall not be deemed to be Eligible Moneys or available for payment of the Bonds if, among other things, an injunction, restraining order or stay is in effect preventing such proceeds, moneys or income from being applied to make such payment. For the purposes of this definition, the term “moneys” shall include cash and any investment securities including, without limitation, Government Obligations.

“*Event of Default*” means any occurrence or event specified in the Bond Indenture.

“*Expiration Date*” means (i) the date upon which a Credit Facility is scheduled to expire (taking into account any extensions of such Expiration Date) in accordance with its terms without regard to any early termination thereof and (ii) the date upon which a Credit Facility terminates following voluntary termination by the Corporation pursuant to the Bond Indenture.

“*Facilities*” means all land, leasehold interests and buildings and all fixtures and equipment (as defined in the Uniform Commercial Code or equivalent statute in effect in the state where such fixtures or equipment are located) of a Person.

“*Failed Tender Rate*” means, upon the occurrence of a Credit Facility Event of Default, a per annum rate of interest equal to the SIFMA Municipal Swap Index plus 1%, provided that in no event shall the Failed Tender Rate exceed the Maximum Rate.

“*Favorable Opinion of Bond Counsel*” means an unqualified Opinion of Counsel, which shall be Bond Counsel, to the effect that such action is permitted under this Bond Indenture and will not, in and of itself, adversely affect the validity or enforceability of the Bonds or result in the inclusion of interest on the Bonds in gross income for federal income tax purposes, which Opinion may be based upon a ruling or rulings of the Internal Revenue Service, and may include any exceptions contained in the Opinion of Bond Counsel delivered upon original issuance of the Bonds.

“*Fitch*” means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Authority at the written direction of the Corporation, with written notice to the Authority, the Credit Facility Provider and the Bond Trustee.

“*Fixed Rate*” means the fixed interest rate or rates on Bonds determined pursuant to and in accordance with the Bond Indenture.

“*Fixed Rate Bonds*” means the Bonds during a Fixed Rate Mode.

“*Fixed Rate Mode*” means a Mode during which Bonds bear interest at a Fixed Rate.

“*Fixed Rate Period*” means the period from the date Bonds are converted to a Fixed Rate Mode to the Maturity Date of such Bonds.

“*Fund*” means any of the funds established pursuant to this Bond Indenture.

“*Governing Body*” means the board of directors, the board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested.

“*Government Obligations*” means (a) Defeasance Obligations or (b) evidences of a direct ownership in future interest or principal payments on Defeasance Obligations, which Defeasance Obligations are held in a custodial account by a custodian satisfactory to the Bond Trustee pursuant to the terms of a custody agreement, and which are rated “AAA” by S&P or Moody’s.

“*Hedge Agreement*” means an interest rate swap, cap, collar, floor, forward, or other hedging agreement, arrangement or security, however denominated, expressly identified pursuant to its terms as being entered into in connection with and in order to hedge interest rate fluctuations on all or a portion of the Bonds, and with a counterparty which is rated (or whose guarantor under the Hedge Agreement is rated) at least “A” by Moody’s or S&P.

“*Immediate Notice*” means notice by telephone, email transmission or telecopier to such address as the addressee shall have provided in writing, promptly followed by written notice by first class mail, postage prepaid; provided, however, that if any Person required to give an Immediate Notice shall not have been provided with the necessary information as to the

telephone, email transmission or telecopier number of an addressee, Immediate Notice shall mean written notice by first class mail, postage prepaid.

“*Independent Counsel*” means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include independent legal counsel for the Corporation, any other Member of the Obligated Group, the Authority, the Master Trustee or the Bond Trustee.

“*Indexed Mode*” means the Mode during which the Bonds bear interest at the Indexed Rate.

“*Indexed Rate*” means an interest rate that is determined with respect to the Bonds in the Indexed Mode pursuant to the Bond Indenture, provided, however, that the Indexed Rate shall never exceed the Maximum Rate.

“*Interest Fund*” means the fund by that name created under the Bond Indenture.

“*Interest Payment Date*” means:

(a) with respect to Bonds in a Daily Mode, a Weekly Mode or an R-FLOATs Mode other than Bonds in a Special R-FLOATs Rate Period, the first Business Day of each month;

(b) with respect to Bonds in a Special R-FLOATs Rate Period of 90 days or less, the first Business Day of the month following the last day of such Special R-FLOATs Rate Period and with respect to Bonds in a Special R-FLOATs Rate Period of more than 90 days, the first Business Day of each third month following the commencement of such Special R-FLOATs Rate Period and the first Business Day of the month following the last day of such Special R-FLOATs Rate Period;

(c) with respect to Bonds in a Unit Pricing Mode (a) with an Interest Period of 180 days or less, the Purchase Date, and (b) with an Interest Period of 181 days or more, the first Business Day of the sixth calendar month following the month in which the change in Mode occurs and the Purchase Date;

(d) with respect to Bonds in a Term Rate Mode, the first June 1 or December 1 following the month in which the conversion to the Term Rate Mode occurs, each June 1 and December 1 thereafter, and the Purchase Date;

(e) with respect to Bonds in the Fixed Rate Mode, the first June 1 or December 1 following the month in which the conversion to the Fixed Rate Mode occurs and each June 1 and December 1 thereafter;

(f) with respect to a Bond in the Auction Mode, the Business Day immediately following the last day of each Auction Period; provided that if an Auction Period exceeds one year, the Interest Payment Date shall be the first June 1 or December 1 following the month in which such Auction Period commences and each June 1 or December 1 thereafter during such Auction Period and the Business Day immediately following the last day of such Auction Period;

(g) any Mode Change Date;

(h) with respect to Bonds in an Indexed Mode, each June 1 or December 1 or such other dates determined by the Remarketing Agent pursuant to the Bond Indenture;

(i) with respect to Bonds in a Stepped Coupon Mode, each June 1 or December 1 or such other dates determined by the Remarketing Agent pursuant to the Bond Indenture;

(j) the respective Maturity Dates of the Bonds; and

(k) with respect to Bank Bonds, the dates set forth in the Reimbursement Agreement.

“*Interest Payment Period*” means the period commencing on the last Interest Payment Date to which interest has been paid on a Bond (or, if no interest has been paid from the Closing Date, commencing on the Closing Date) to, but not including, the Interest Payment Date on which interest is to be paid.

“*Interest Period*” means the period of time that an interest rate remains in effect, which period:

(a) with respect to Bonds in an R-FLOATs Mode: (i) bearing interest at a weekly R-FLOATs Rate commences on the first day Bonds begin to accrue interest in the weekly R-FLOATs Rate and ends on the next succeeding Wednesday, and thereafter commences on each Thursday and ends on Wednesday of the following week, (ii) bearing interest at a monthly R-FLOATs Rate commences on the first day Bonds begin to accrue interest at the monthly R-FLOATs Mode and ends on the day immediately preceding the first Business Day of the next succeeding month, and thereafter commences on the first Business Day of each month and ends on the day preceding the first Business Day of the next succeeding month; and (iii) a Special R-FLOATs Rate Period;

(b) with respect to Bonds in a Daily Mode, commences on a Business Day and extends to, but does not include, the next succeeding Business Day;

(c) with respect to Bonds in a Weekly Mode, commences on the first day such Bonds begin to accrue interest in the Weekly Mode and ends on the next succeeding Wednesday, and thereafter commences on each Thursday and ends on Wednesday of the following week;

(d) with respect to Bonds in a Unit Pricing Mode, shall be established by the Remarketing Agent pursuant to the Bond Indenture;

(e) with respect to Bonds in an Indexed Mode, commences on the first day Bonds begin to accrue interest in the Indexed Mode and ends on the day prior to the final Maturity Date of the Bonds;

(f) with respect to Bonds in a Stepped Coupon Mode, commences on the first day Bonds begin to accrue interest in the Stepped Coupon Mode and ends on the day prior to the final Maturity Date of the Bonds;

(g) with respect to Bonds in a Term Rate Mode, initially, shall be from and including the Mode Change Date to, but not including, the Purchase Date established pursuant to the Bond

Indenture and thereafter shall be from and including such Purchase Date to but not including the next Purchase Date; provided that the Interest Period shall be at least 180 days in length;

- (h) with respect to Bonds in an Auction Mode, shall be an Auction Period; and
- (i) with respect to Bonds in a Fixed Rate Mode, shall be the Fixed Rate Period.

“Interested Parties” means the Authority, the Corporation, any other Member of the Obligated Group, the Bond Trustee, the Tender Agent, the Paying Agent, the Credit Facility Provider, the Remarketing Agent, the Auction Agent, the Broker-Dealer, the Market Agent and the Bondholders.

“Letter of Representations” means the Blanket Letter of Representations from the ABAG Finance Authority for Nonprofit Corporations to DTC dated June 27, 1995.

“Loan Agreement” means that certain Loan Agreement dated as of April 1, 2008 between the Corporation and the Authority, as it may from time to time be amended or supplemented.

“Mandatory Purchase Date” means: (1) any Purchase Date for Bonds in the Unit Pricing Mode or the Term Rate Mode; (2) any Mode Change Date; (3) the effective date of an elective change to a Special R-FLOATs Rate Period of greater than 35 days; (4) unless the provisions of the Bond Indenture are satisfied, any Substitute Credit Facility Date or the second Business Day preceding any Expiration Date; and (5) any Credit Facility Mandatory Tender Event Date.

“Master Indenture” means the Master Trust Indenture dated as of July 1, 1999, as supplemented and amended to date (including the Eighth Supplemental Master Indenture) and as supplemented or amended in accordance with the terms thereof, among the Corporation, the other Members of the Obligated Group named therein, and the Master Trustee.

“Master Trustee” means The Bank of New York Trust Company, N.A., or any successor trustee under the Master Indenture.

“Maturity Date” means May 15, 2029, and with respect to any Bonds upon change to the Stepped Coupon Mode, the Indexed Mode or the Fixed Rate Mode, such maturities as are determined pursuant to the Bond Indenture; provided that while any Bonds bear interest at the Auction Rate, such Bonds shall mature on and the Maturity Date thereof shall be the Interest Payment Date for such Bonds immediately preceding the stated Maturity Date.

“Maximum Rate” means the lesser of (a) 10% per annum, (b) the maximum interest rate permitted by law, and (c) with respect to Bonds in the Daily Mode, the Weekly Mode and the Unit Pricing Mode, the maximum interest rate provided by the Credit Facility to pay tenders of such Bonds.

“Members” or *“Members of the Obligated Group”* means any person which has executed the Master Indenture or any supplements thereto and thereby has become contractually obligated to comply with the provisions of the Master Indenture and has not withdrawn from the Obligated Group pursuant to the provisions of the Master Indenture. As of April 10, 2008, the Members are the Corporation, Eskaton Gold River Lodge, a nonprofit public benefit corporation organized

under the laws of the State of California, and Eskaton Village – Grass Valley, a nonprofit public benefit corporation organized under the laws of the State of California.

“*Mode*” means, as the context may require, the Auction Mode, the Unit Pricing Mode, the Daily Mode, the Weekly Mode, the R-FLOATs Mode, the Indexed Mode, the Stepped Coupon Mode, the Term Rate Mode or the Fixed Rate Mode.

“*Mode Change Date*” means the day following the last day of one Mode for any Bonds on which another Mode begins.

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

“*New Mode*” has the meaning specified in the Bond Indenture.

“*Non-Remarketing Period*” has the meaning specified in the Bond Indenture.

“*Obligated Group*” means, collectively, the Members of the Obligated Group.

“*Obligation No. 11*” means the \$23,500,000 principal amount Obligation No. 11 of the Corporation in substantially the form attached to the Eighth Supplemental Master Indenture.

“*Obligations*” means Obligation No. 11, and any other Obligations issued under the Master Indenture, as defined therein.

“*Officer’s Certificate*” means a certificate signed, in the case of a certificate delivered by a corporation, by its President, Vice President, Chief Financial Officer, Secretary or any other officer authorized to sign by resolution of the Governing Body of such corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person, in either case whose authority to execute such Certificate shall be evidenced to the satisfaction of the Bond Trustee.

“*Official Statement*” means an official statement prepared in connection with the issuance and sale of the Bonds.

“*Opinion of Bond Counsel*” means an unqualified Opinion of Counsel, which shall be Bond Counsel, containing the opinion specifically required by the provisions of this Bond Indenture, which Opinion may be based upon a ruling or rulings of the Internal Revenue Service, and may include any exceptions contained in the Opinion of Bond Counsel delivered upon original issuance of the Bonds.

“*Opinion of Counsel*” means a written opinion of counsel who is acceptable to the Authority in form and substance acceptable to the Authority and the Bond Trustee.

“*Outstanding Bonds*” or “Bonds outstanding” means all Bonds which have been duly authenticated and delivered by the Bond Trustee under this Bond Indenture, except:

(a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds for the payment or redemption of which cash or Defeasance Obligations shall have been theretofore deposited with the Bond Trustee (whether upon or prior to the maturity or redemption date of any such Bonds) in accordance with the Bond Indenture; provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Bond Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Bond Trustee shall have been filed with the Bond Trustee;

(c) Bonds in lieu of which others have been authenticated under the Bond Indenture; and

(d) Bonds deemed tendered for purchase pursuant to the Bond Indenture.

For certain purposes more fully described in the Bond Indenture, Bonds which are owned or held by a Member shall be disregarded and deemed not to be Outstanding under this Bond Indenture.

“*Paying Agent*” means the bank or banks, if any, designated pursuant to the Bond Indenture to receive and disburse the principal of and interest on the Bonds, or designated pursuant to the Master Indenture to receive and disburse the principal of and interest on any Obligations.

“*Person*” means any natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

“*Principal Office*” means, when used with respect to the Bond Trustee, the corporate trust office of the Bond Trustee identified as such for the performance of the functions in question, and, when used with respect to any other entity, means the principal office of such entity or such other office of such entity as may be designated by that entity in writing to the Bond Trustee, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Bond Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“*Private User*” means any Person, other than a governmental unit within the meaning of Sections 141 and 150 of the Internal Revenue Code of 1986, as amended or a Tax Exempt Organization (including the Corporation) engaged, solely and exclusively, in an activity with respect to Bond financed facilities that does not constitute an Unrelated Trade or Business of such Tax Exempt Organization (including the Corporation) and would not constitute an Unrelated Trade or Business of the Corporation if carried on by the Corporation.

“*Proceeds*” means the first offering price of the Bonds.

“*Purchase Contract*” means a Bond Purchase Contract, dated April 8, 2008 between Cain Brothers & Company LLC and the Authority providing for the sale of the Bonds, to which the Letter of Representation of the Corporation is attached.

“*Purchase Date*” means with respect to Bonds (i) during the Unit Pricing Mode, the Business Day following the end of each Interest Period, (ii) during the Term Rate Mode, the Business Day following the end of each Interest Period, (iii) during the Daily Mode or the Weekly Mode, a Business Day for which notice of tender as required by this Bond Indenture has been given, and (iv) for a Bond in the Weekly R-FLOATs Mode, any Rate Determination Date, for a Bond in the Monthly R-FLOATs Mode any Interest Payment Date, and for a Bond in the Special R-FLOATs Rate Period the Interest Payment Date immediately following such Special R-FLOATs Rate Period in each case selected by the Holders of said Bond pursuant to the Bond Indenture, provided that the Bonds in the R-FLOATs Mode are entitled to be purchased only to the extent that proceeds of a remarketing are available for such purchase.

“*Purchase Fund*” means the fund by that name created under the Bond Indenture.

“*Purchase Price*” means (i) an amount equal to the principal amount of any Bonds purchased on any Purchase Date, plus, in the case of any purchase of Bonds in the Daily Mode, the Weekly Mode or the R-FLOATs Mode, accrued and unpaid interest thereon, if any, to the Purchase Date, or (ii) an amount equal to the principal amount of Bonds purchased on a Mandatory Purchase Date, plus accrued and unpaid interest thereon, if any, to the Mandatory Purchase Date.

“*Qualified Investments*” means, to the extent permitted by applicable law:

- (i) Government Obligations;
- (ii) Direct obligations of, or obligations guaranteed by, any agency or instrumentality of the United States of America, whether or not the full faith and credit of the United States of America is pledged to the full and timely payment of all interest and principal thereof, including, without limitation:
 - a) Participation certificates and direct obligations of the Federal Home Loan Mortgage Corporation and the Federal Housing Administration;
 - b) Consolidated debt obligations, and obligations secured by a letter of credit, of the Federal Home Loan Banks;
 - c) Debt obligations and mortgage-backed securities of the Federal National Mortgage Association; and
 - d) Debt obligations of the Resolution Trust Corporation and Resolution Funding Corporation, including stripped obligations;
- (iii) Investments in money market funds rated "AAAm" or "AAAm-G" by S&P, including funds for which the Bond Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Bond Trustee provide investment advisory or other management services;

(iv) Commercial paper which is rated at the time of purchase not lower than the second highest short-term rating category (without regard to gradations within such category) of at least one nationally recognized rating agency and which matures not more than 270 days after the date of purchase;

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

(vi) Investment Agreements with any financial institution, the long-term debt, the claims paying ability or the financial program strength of which is rated not lower than the second highest category (without regard to gradations within such category) by at least one nationally recognized rating agencies. If the investment agreement is guaranteed by a third-party, then the above rating requirements will apply to the guarantor only. In all cases, the above rating requirements will apply only at the time the investment agreement is executed;

(vii) Forward Agreements with respect to obligations listed in paragraphs (i), (ii), (iii) or (iv) in which a financial institution has a continual obligation to deliver or purchase the obligations at an agreed upon price or yield. The financial institution must have long-term debt, claims paying ability or financial program strength ratings in one of the three highest rating categories (without regard to gradations within such category) by at least one nationally recognized rating agency. If the financial institution's obligation is guaranteed by a third-party, then the above rating requirements will apply to the guarantor only;

(viii) Such other investments as may be consented to in writing by the Credit Facility Provider.

“Rate Determination Date” means the date on which the interest rate(s) with respect to some or all of the Bonds shall be determined, which, (i) in the case of the initial conversion to the R-FLOATs Mode (or from one Interest Period to another Interest Period within the R-FLOATs Mode), shall be, initially upon the conversion to such Mode or such Interest Period, no later than the Business Day prior to the Mode Change Date, and thereafter, in the case of Bonds with a weekly R-FLOATs Rate, shall be each Wednesday or, if a Wednesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, then the Business Day immediately preceding such Wednesday and, in the case of Bonds with a monthly R-FLOATs Rate, shall be the last Business Day of each month and, in the case of R-FLOATs in a Special R-FLOATs Rate Period the first day of such Special R-FLOATs Rate Period; (ii) in the case of the Unit Pricing Mode, shall be the first day of each Interest Period; (iii) in the case of the Daily Mode, shall be each Business Day commencing with the first day such Bonds become subject to the Daily Mode; (iv) in the case of conversion to the Weekly Mode, shall be, initially upon the conversion to such Mode, no later than the Business Day immediately prior to the Mode Change Date, and thereafter, shall be each Wednesday or, if Wednesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, then the Business Day immediately preceding such Wednesday; (v) in the case of the Term Rate Mode, shall be a Business Day no earlier than 30 Business Days and no later than the Business Day immediately

preceding the first day of each Interest Period, as selected by the Remarketing Agent; (vi) in the case of the Indexed Mode, the Stepped Coupon Mode and the Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be at least one Business Day prior to the Mode Change Date; and (vii) in the case of Bonds in the Auction Mode, shall be the Auction Date.

“*Rating Agencies*” means Moody’s, Fitch or S&P, and their respective successors and assigns.

“*Rating Category*” means one of the general rating categories of the Rating Agencies without regard to any refinement or gradation of such rating category by numerical modifier or otherwise.

“*Rebate Amount*” means the excess of the future value, as of a computation date, of all receipts on nonpurpose investments (as defined in Section 1.148-1(b) of the Income Tax Regulations) over the future value, as of that date, of all payments on nonpurpose investments, all as provided by regulations under the Code implementing Section 148 thereof.

“*Rebate Fund*” means the fund by that name established pursuant to the Bond Indenture.

“*Record Date*” means (i) with respect to Bonds in the Unit Pricing Mode, Daily Mode, Weekly Mode, R-FLOATs Mode or Auction Mode, the day (whether or not a Business Day) immediately preceding each Interest Payment Date, and (ii) with respect to Bonds in an Indexed Mode, a Stepped Coupon Mode, a Term Rate Mode or a Fixed Rate Mode, the fifteenth day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

“*Redemption Date*” means, when used with respect to any Bond to be redeemed, the date fixed for such redemption pursuant to Article V hereof.

“*Redemption Fund*” means the fund by that name created under the Bond Indenture.

“*Redemption Price*” means, with respect to any Bond (or portion thereof), the price to be paid upon redemption as set forth in Article V of this Bond Indenture.

“*Refunded Certificates*” means \$24,700,000 of the outstanding principal amount of the 1999 Certificates.

“*Registrar*” means the Bond Trustee, as keeper of the Bond Register.

“*Reimbursement Agreement*” means the Reimbursement, Credit and Security Agreement dated as of April 1, 2008 between the Corporation and U.S. Bank National Association, as the initial Credit Facility Provider and, subsequently, any agreement between the Corporation and a Credit Facility Provider pursuant to which a Substitute Credit Facility is issued, as amended, supplemented or extended from time to time in accordance with the provisions thereof.

“*Remarketing Agent*” means any remarketing agent appointed by the Corporation in accordance with the Bond Indenture and not objected to by the Authority, the Credit Facility Provider and at the time serving as such under the Remarketing Agreement.

“*Remarketing Agreement*” means any remarketing agreement between the Corporation and a Remarketing Agent, as such agreement may from time to time be amended and supplemented, to remarket the Bonds delivered or deemed to be delivered for purchase by the Holders thereof.

“*Remarketing Proceeds Account*” means the account by that name within the Purchase Fund established pursuant to the Bond Indenture.

“*Required Stated Amount*” means, at any time of calculation with respect to any Bonds in the Daily Mode or the Weekly Mode, an amount equal to the aggregate principal amount of all Bonds then Outstanding, together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Rate) for the period specified in a Certificate of the Corporation to be the minimum period specified by the Rating Agencies then rating the Bonds as necessary to maintain the short-term rating of the Bonds.

“*R-FLOATs Mode*” means the Mode during which Bonds bear interest at the R-FLOATs Rate.

“*R-FLOATs Rate*” means an interest rate that is determined with respect to any Bonds in the R-FLOATs Mode pursuant to the Bond Indenture, unless the Bonds are in a Non-Remarketing Period in which case at the Maximum Rate pursuant to the Bond Indenture or in a Special R-FLOATs Rate Period in which case pursuant to the Bond Indenture.

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

“*Securities Depository*” means DTC and its successors and assigns or if (i) the then-Securities Depository resigns from its functions as depository of the Bonds or (ii) the Authority discontinues use of the then-Securities Depository pursuant to the Bond Indenture, any other securities depository which is selected by the Authority at the request of the Corporation.

“*SIFMA Municipal Swap Index*” means The Securities Industry and Financial Markets Association™ Municipal Swap Index as disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successor, for the most recently preceding Business Day, provided, however, that if such index is no longer produced by Municipal Market Data, Inc. or its successor, then “*SIFMA Municipal Index*” shall mean such other reasonably comparable index selected by the Authority.

“*Special Record Date*” means the date fixed by the Bond Trustee pursuant to the Bond Indenture for the payment of Defaulted Interest.

“*Special R-FLOATs Rate Period*” means a period which ends on the last day of a month and which the Remarketing Agent determines is the shortest period which will enable the Remarketing Agent to remarket the Bonds in the R-FLOATs Mode at par plus accrued interest.

“*State*” means the State of California.

“*Stepped Coupon Mode*” means the Mode during which the Bonds bear interest at the Stepped Coupon Rate.

“*Stepped Coupon Rate*” means an interest rate that is determined with respect to the Bonds pursuant to the Bond Indenture, provided, hereof, that the Stepped Coupon Rate shall never exceed the Maximum Rate.

“*Substitute Credit Facility*” means a Credit Facility after the initial Credit Facility, furnished to the Bond Trustee pursuant to the Loan Agreement.

“*Substitute Credit Facility Date*” means the date of a Substitute Credit Facility furnished to the Bond Trustee by the Corporation pursuant to the Loan Agreement.

“*Tax Certificate*” means either (a) the Certificate as to Tax, Arbitrage, and Other Matters signed by the Corporation and Obligated Group Members concurrently with the issuance of the Bonds, or (b) the Certificate as to Tax, Arbitrage, and Other Matters signed by the Authority concurrently with the issuance of the Bonds, as determined by the context.

“*Taxable 1999 Certificates*” means the California Statewide Communities Development Authority Taxable Convertible Certificates of Participation (Eskaton Properties, Incorporated Obligated Group) Select Auction Variable Rate Securities (SAVRS®), Series 1999 issued in the original aggregate principal amount of \$55,100,000.

“*Taxable Loans*” means (a) the financing between the Corporation and the U.S. Department of Housing and Urban Development and Firstbank Mortgage Company evidenced by a note dated April 27, 1972, in the original principal amount of \$2,282,500, (b) the financing between the Corporation and the U.S. Department of Housing and Urban Development and Seafirst Mortgage Company evidenced by a note dated July 1, 1977, in the original principal amount of \$1,508,600, and (c) the loan to the Corporation from Bank of America National Trust and Savings Association evidenced by a note dated December 4, 1998, in the original principal amount of \$2,450,000.

“*Tax-Exempt 1999 Certificates*” means the California Statewide Communities Development Authority Tax-Exempt Certificates of Participation (Eskaton Properties, Incorporated Obligated Group) Select Auction Variable Rate Securities (SAVRS®), Series 1999 issued in the original aggregate principal amount of \$12,400,000.

“*Tax-Exempt Organization*” means any governmental unit, or a Person organized under the laws of the United States of America or any state thereof which is (i) an organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code and is not a private foundation under Section 509(a) of the Code, and (ii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect, except for income from an unrelated trade or business as defined in Section 513(a) of the Code.

“*Tender Agent*” means any tender agent appointed in accordance with the Bond Indenture. Initially, the Bond Trustee will act as Tender Agent.

“*Term Rate*” means the per annum interest rate with respect to any Bonds in the Term Rate Mode determined pursuant to the Bond Indenture.

“*Term Rate Mode*” means the Mode during which any Bonds bear interest at the Term Rate.

“*Unassigned Rights*” means the Authority’s right to receive payment of its fees and expenses, the Authority’s rights to indemnification under the Loan Agreement, the Authority’s right to execute and deliver supplements and amendments to the Loan Agreement, the Authority’s rights to receive notices under the Bond Indenture and the Loan Agreement and the Authority’s rights to give consents and make certain appointments under the Bond Indenture and the Loan Agreement.

“*Unit Pricing Mode*” means the Mode during which any Bonds bear interest at the Unit Pricing Rate.

“*Unit Pricing Rate*” means the per annum interest rate with respect to any Bond in the Unit Pricing Mode determined pursuant to the Bond Indenture.

“*Unrelated Trade or Business*” means an activity which constitutes an “unrelated trade or business” within the meaning of Section 513(a) of the Code without regard to whether such activity results in unrelated trade or business income subject to taxation under Section 512(a) of the Code.

“*Weekly Mode*” means the Mode during any Bonds bear interest at the Weekly Rate.

“*Weekly Rate*” means an interest rate that is determined on a weekly basis with respect to any Bonds in the Weekly Mode pursuant to the Bond Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

The Master Indenture contains various covenants, security provisions, terms and conditions, certain of which are summarized below. Reference is made to the Master Indenture for a full and complete statement of its terms.

The Master Indenture authorizes the issuance of Obligations by the Obligated Group which will be secured by the Gross Revenues of each Obligated Group Member. Each Obligation issued under the Master Indenture is a joint and several obligation of each Obligated Group Member.

AUTHORIZATION FOR ISSUANCE OF OBLIGATIONS

From time to time subject to the terms, limitations and conditions established in the Master Indenture, the Obligated Group Representative may authorize for itself or on behalf of any other Obligated Group Member the issuance of an Obligation or a series of Obligations by entering into a Supplemental Master Indenture. The Obligation or the Obligations of any such series may be issued and delivered to the Master Trustee for authentication upon compliance with the provisions of the Master Indenture and of any Supplemental Master Indenture.

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

PAYMENT OF OBLIGATIONS BY OBLIGATED GROUP

Each Obligated Group Member jointly and severally covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Obligation issued under the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture, in the Supplemental Master Indenture or Indentures relating to such Obligation or Obligations, and in said Obligations according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

GROSS REVENUE FUND; RESTRICTIONS ON FURTHER ENCUMBERING GROSS REVENUES

Each Obligated Group Member, respectively, agrees that so long as any of the Obligations remain Outstanding, all of the Gross Revenues of the Obligated Group shall be deposited as soon as practicable upon receipt in a fund designated as the "Gross Revenue Fund" which the Obligated Group Members shall establish and maintain, subject to the provisions below, in one or more accounts at such banking institution or institutions as the Obligated Group Representative shall from time to time designate in writing to the Master Trustee for such purpose (the "Depository Bank(s)"). No moneys other than Gross Revenues shall be deposited in the Gross Revenue Fund. Subject only to the provisions of the Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, each Obligated Group Member, respectively, to the extent now or hereafter permitted by law, pledges and grants a security interest to the Master Trustee in the Gross Revenue Fund and all of the Gross Revenues of the Obligated Group to secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations issued under the Master Indenture and the performance by each Obligated Group Member of its other obligations thereunder. Prior to the delivery of the first series of Obligations, the Obligated Group Representative shall deliver to the Master Trustee a duly executed financing statement evidencing the security interest of the Master Trustee in form required by the California Uniform Commercial Code with copies sufficient in number for filing with the office of the Secretary of State of the State of California in Sacramento, California and shall execute and cause to be sent to each Depository Bank a notice of the security interest granted under the Master Indenture and shall execute and deliver such other documents (including, but not limited to, continuation statements) as may be necessary or reasonably requested by the Master Trustee in order to perfect or maintain as perfected such security interest or give public notice thereof.

The foregoing pledge, and agreement to pay, shall not inhibit, and the Master Indenture allows, so long as no Obligated Group Member is in default in the payment of any Obligation, the use of any funds on deposit in the Gross Revenue Fund for any proper corporate purpose of any Obligated Group Member.

Each Obligated Group Member covenants that it will file such financing statements or amendments to or terminations of existing financing statements which shall, in the opinion of counsel, be necessary to comply with applicable law or as required due to changes in the Obligated Group, including without limitation: (1) any Person becoming an Obligated Group Member pursuant to the Master Indenture; or (2) any Obligated Group Member ceasing to be an Obligated Group Member pursuant to the Master Indenture.

Each Obligated Group Member covenants that it will not pledge or grant a security interest in (except as provided in the first paragraph under this heading and as may be otherwise provided in the Master Indenture) any of its Gross Revenues.

In the event that any installment of principal of or interest on any Obligation issued under the Master Indenture or other amount as is so required to be paid shall not be paid when and as the same becomes due and payable, then the Master Trustee shall give notice thereof to the Obligated Group Representative and, unless such delinquent installment is paid, or provision for payment is duly made, in a manner satisfactory to the Master Trustee, within 10 days after receipt of such notice, the Obligated Group Representative shall cause the Depository Bank(s) to transfer the Gross Revenue Fund to the name and credit of the Master Trustee. All Gross Revenues of the Obligated Group shall continue to be deposited in the Gross Revenue Fund as provided in the first paragraph under this heading until the amounts on deposit in said fund are sufficient to pay in full, or have been used to pay in full, all such delinquent installments and all other then existing Events of Default known to the Master Trustee, whereupon the Gross Revenue Fund shall be returned promptly to the appropriate Obligated Group Members. During any period that the Gross Revenue Fund is held by the Master Trustee, the Master Trustee shall use and withdraw amounts in said fund from time to time to make such delinquent installments as such installments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts are not sufficient to pay all such installments due on any date, then to the payment of debt service on such Obligations ratably, without any discrimination or preference, and to such other payments in the order which the Master Trustee, in its discretion, shall determine to be in the best interests of the Holders. During any period that the Gross Revenue Fund is held by the Master Trustee, the Obligated Group Members shall not be entitled to use or withdraw any of the Gross Revenues of the Obligated Group unless the Master Trustee at its sole discretion directs the payment of current or past due operating expenses of the Obligated Group Members. Each Obligated Group Member agrees to execute and deliver all instruments as may be required to implement this provision. Each Obligated Group Member further agrees that a failure to comply with the terms of this provision shall cause irreparable harm to the Holders and shall entitle the Master Trustee, with or without notice, to take immediate action to compel the specific performance of the obligations of the Obligated Group Members as provided in this section.

RATES AND CHARGES

Commencing the Fiscal Year beginning January 1, 1999, each Obligated Group Member covenants to set rates and charges for its facilities and services so that in any Fiscal Year the Debt Service Coverage Ratio, calculated at the end of such Fiscal Year, is not less than 1.20.

If at any time the ratio required by the previous paragraph is not met, the Obligated Group Representative shall promptly retain a Consultant to make recommendations to increase such ratio for subsequent Fiscal Years to the levels required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level. Each Obligated Group Member, respectively, agrees that to the extent permitted by law it will follow the recommendations of the Consultant. So long as the Obligated Group shall retain a Consultant and follow such Consultant's recommendations, this paragraph shall be deemed to have been complied with for any such Fiscal Year, even if such ratio is below the previously referred to level for such Fiscal Year, provided that such ratio is not less than 1.0.

If in any Fiscal Year a report of a Consultant is delivered to the Master Trustee stating that Industry Restrictions or changes in public or private third-party reimbursement programs have been imposed which make it impossible for the coverage requirement in the first paragraph under this heading to be met, then such coverage requirement shall be reduced to the greater of 1.00 or the highest ratio which the Consultant determines may be achieved in light of such Industry Restrictions.

Notwithstanding the foregoing, an Obligated Group Member may permit the rendering of service at, or the use of, its facilities without charge or at reduced charges, at the discretion of the Governing Body of such Obligated Group Member, to the extent necessary for maintaining its tax-exempt status and its eligibility for grants, loans, subsidies or payments from the United States of America, any instrumentality thereof, or any state in which it conducts its business or any instrumentality thereof, or in compliance with any recommendation for free services that may be made by a Consultant.

LIMITATIONS ON LIENS

Each Obligated Group Member, respectively, agrees that it will not create, assume or permit the existence of any Lien upon any of its Facilities now owned or hereafter acquired by it, nor any Financed Property unless all Obligations issued under the Master Indenture shall be secured prior to or equally and ratably with any indebtedness or other obligation secured by such Lien, nor upon its Gross Revenues unless all Obligations issued under the Master Indenture are secured prior to any indebtedness or other obligations secured by such Lien. Each Obligated Group Member further agrees that if such a Lien is created or assumed by an Obligated Group Member, it will make effective a provision whereby all Obligations issued under the Master Indenture will be secured prior to or equally with any or other Obligations secured by such Lien as required thereunder; provided, however, that notwithstanding the foregoing provisions, and without securing Obligations issued thereunder, Obligated Group Members may create, assume or suffer to exist Permitted Liens as defined in the Master Indenture.

LIMITATIONS ON ADDITIONAL INDEBTEDNESS

Each Obligated Group Member, respectively, agrees that it will not incur any Additional Indebtedness (whether through the issuance of Obligations or otherwise) other than Additional Indebtedness described below, which Additional Indebtedness may be incurred only in the manner and pursuant to the terms as follows:

(a) Long-Term Indebtedness, if prior to incurrence of any Long-Term Indebtedness, one of the following three conditions is met (1) there is delivered to the Master Trustee an Officer's Certificate, accompanied by the Certificate of an Accountant confirming the contents thereof, certifying that the Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness and the Long-Term Indebtedness then to be incurred, for each of the two most recent Fiscal Years for which audited Financial Statements are available and that the average Debt Service Coverage Ratio for such years is not less than 1.20; or (2) there is delivered to the Master Trustee an Officer's Certificate, accompanied by the Certificate of an Accountant confirming the contents thereof, certifying the Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness and the Long Term Indebtedness then to be incurred, for the most recent Fiscal Year for which audited Financial Statements are available and that such Debt Service Coverage Ratio is not less than 1.30; or (3)(A) there is delivered to the Master Trustee an Officer's Certificate certifying the ratio determined by dividing the Income Available for Debt Service by the Debt Service Requirement, taking into account all Outstanding Long-Term Indebtedness, but not the Long-Term Indebtedness then to be incurred, for the most recent Fiscal Year for which audited Financial Statements are available and that such ratio is not less than 1.20; and (B) there shall be filed with the Master Trustee the report of a Consultant to the effect that the forecast Debt Service Coverage Ratio, taking the proposed Long-Term Indebtedness into account (or an Officer's Certificate if such forecast Debt Service Coverage Ratio is not less than 1.35), for (i) in the case of Long Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the first two full Fiscal Years succeeding the later of the date on which such capital improvements are expected to be in operation and the date on which Break Even Occupancy are expected to have been sustained for a period of 3 months, but in no event later than the date through which interest on such Long Term Indebtedness is funded; or (ii) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the first two full Fiscal Years succeeding the date on which the Indebtedness is incurred, for each such period is not less than 1.30, as shown by forecast statements of revenue and expense for each such period, accompanied by a statement of the relevant assumptions upon which such forecasted statements are based, provided that such Debt Service Coverage requirements shall be reduced, in each case, to 1.00 if the Master Trustee receives a Consultant's report to the effect that Industry Restrictions prevent the Obligated Group from meeting such requirements;

(b) Completion Indebtedness, not to exceed 10% of the principal amount of the Indebtedness originally incurred to finance the project for which such Completion Indebtedness is required;

(c) Long-Term Indebtedness for the purpose of refunding (including crossover refunding) any Outstanding Long-Term Indebtedness so as to render it no longer Outstanding if the Master Trustee receives an Officer's Certificate to the effect that Maximum Annual Debt

Service following such refunding does not exceed 110% of the Maximum Annual Debt Service prior to such refunding;

(d) Short-Term Indebtedness, provided that: (i) immediately after the incurrence of such Indebtedness the Outstanding principal amount of all such Indebtedness does not exceed 15% of the Adjusted Annual Operating Revenues for the most recent Fiscal Year for which audited Financial Statements are available and (ii) for a period of 30 consecutive calendar days in each such Fiscal Year, the amount of Short-Term Indebtedness Outstanding must be reduced to an amount not greater than 3% of the maximum amount of Adjusted Annual Operating Revenues for the most recent Fiscal Year for which audited Financial Statements are available;

(e) Non-Recourse Indebtedness;

(f) Balloon Indebtedness may be incurred provided that: (1) at the time such Balloon Indebtedness is to be incurred the conditions described in subsection (a)(1), (2) or (3) under this heading are met with respect to such Balloon Indebtedness, assuming any such Balloon Indebtedness for which a binding take-out commitment is in place at the time of incurrence to pay off the Balloon Indebtedness when 25% or more comes due or the aggregate principal amount of which does not exceed 15% of the Adjusted Annual Operating Revenues, to be Long-Term Indebtedness, as if it were being repaid in substantially equal annual installments of principal and interest over a term of the lesser of 25 years or the economic life of the asset being financed and bearing interest at an interest rate equal to the rate which the Obligated Group could reasonably be expected to borrow at for such term by issuing an Obligation. There shall be delivered to the Master Trustee, together with any Officer's Certificate or report of a Consultant required by subsection (b), a letter of a Consultant or a banking or investment banking institution knowledgeable in matters of retirement housing finance, confirming that the interest rate assumption set forth in such Certificate complies with the requirements of this subparagraph; or (2) (i) the Obligated Group Member incurring such Balloon Indebtedness establishes in an Officer's Certificate filed with the Trustee an amortization schedule for such Balloon Indebtedness, which amortization schedule shall provide for substantially equal payments of principal and interest for each Fiscal Year over a period which does not extend beyond the maturity of such Balloon Indebtedness that are not less than the amounts required to make any actual payments required to be made in such Fiscal Year by the terms of such Balloon Indebtedness; (ii) the Obligated Group Member incurring such Balloon Indebtedness agrees in such Officer's Certificate to cause to be deposited during each Fiscal Year with a bank or trust company (pursuant to an agreement between such Obligated Group Member and such bank or trust company) the amount of principal shown on such amortization schedule net of any amount of principal actually paid on such Balloon Indebtedness during such Fiscal Year (other than from amounts on deposit with such bank or trust company) which deposit shall be made prior to any such required actual payment during such Fiscal Year if the amounts so on deposit are intended to be the source of such actual payments; (iii) such Obligated Group Member makes all payments of principal and interest in such amounts and by such dates as shown on such amortization schedule and (iv) the conditions described in paragraph (a) above are met when it is assumed that such Balloon Indebtedness is actually payable in accordance with such amortization schedule; or (3) (i) such Balloon Indebtedness is used to acquire Facilities; (ii) the principal amount of such Balloon Indebtedness does not exceed 20% of the Adjusted Annual Operating Revenues, and (iii) the Obligated Group Member incurring such Balloon Indebtedness files with the Trustee a report of a Consultant to the effect that, in the opinion of the Consultant,

such Balloon Indebtedness can be replaced, at or prior to its maturity, with Long-Term Indebtedness having a term of not less than 25 years and other terms and conditions which are commercially reasonable; and (iv) the conditions of paragraph (a) above are met when it is assumed that such Balloon Indebtedness will be paid in equal installments of principal and interest over a 25 year term.

(g) Variable Rate Indebtedness incurred pursuant to any other paragraph under this heading, provided that the interest rate on such Indebtedness for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to 110% of the average interest rate (calculated in the manner in which the rate of interest is expressed to be calculated) that was or would have been in effect for the 12 month period immediately preceding the date on which such calculation is made; provided, however, that if such average annual rate of interest cannot be calculated for such entire 12 month period but can be calculated for a shorter period, then the assumed interest rates shall be 110% of the average annual rate of interest that was or would have been in effect for such shorter period; and provided further, that if such average annual rate of interest cannot be calculated for any preceding period of time, then the assumed interest rates shall be 110% of the initial rate of interest that is actually applicable to such Indebtedness upon incurrence thereof;

(h) Put Debt and Extendable Debt may be incurred provided that at the time such Put Debt or Extendable Debt is to be incurred the conditions described in paragraph (a) above are met with respect to such Put Debt or Extendable Debt, assuming the term and amortization of such Put Debt or Extendable Debt are as set forth therein, notwithstanding any put options contained therein;

(i) Reimbursement or other repayment obligations arising under reimbursement or similar agreements with banks or other financial institutions relating to letters or lines of credit or similar credit facilities used to secure Indebtedness;

(j) Liabilities under capitalized lease agreements for the lease of, or indebtedness for money borrowed or liabilities under instruments evidencing deferred payment arrangements for the purchase of, equipment, tangible personal property or real property provided that the aggregate amount incurred by the Obligated Group under this subparagraph shall not exceed at the time of incurrence 15% of the Adjusted Annual Operating Revenues for the most recent Fiscal Year for which audited Financial Statements are available, as shown on or derived from such audited Financial Statements;

(k) Unlimited contributions to self-insurance or shared or pooled risk insurance programs;

(l) Other Indebtedness (which may be secured by Obligations issued under the Master Indenture), the principal amount of which, when added to the principal amount of all other Long Term Indebtedness incurred under this paragraph and then outstanding, does not exceed 10% of Adjusted Annual Operating Revenues; and

(m) the aggregate of the Outstanding Indebtedness incurred under subsections (d), (f)(1), (j) or (l) above shall not exceed, at the time of incurrence of any such Indebtedness, 25% of the Adjusted Annual Operating Revenues for the most recent Fiscal Year for which audited Financial Statements are available.

CONSOLIDATION, MERGER, SALE OR CONVEYANCE

Each Obligated Group Member, respectively, covenants that it will not (i) merge or consolidate with any other corporation which is not an Obligated Group Member, or (ii) sell or convey all or substantially all of its assets to any Person which is not an Obligated Group Member, unless:

(a) Such Obligated Group Member will be the continuing corporation, or if the successor corporation is not such an Obligated Group Member such successor corporation shall be a corporation organized and existing under the laws of the United States of America or a state thereof;

(b) The Master Trustee shall have received the following Supplemental Master Indenture, Consultant's or Accountant's report or Officer's Certificate, as appropriate, and counsel opinions: (1) if the successor corporation is not such Obligated Group Member, a Supplemental Master Indenture, wherein such successor corporation shall agree that, effective upon or as soon as possible thereafter such consolidation, merger, sale or conveyance, it shall: (A) become an Obligated Group Member under the Master Indenture and thereby subject to compliance with all provisions of the Master Indenture pertaining to an Obligated Group Member, including the performance and observance of all covenants and obligations of an Obligated Group Member under the Master Indenture; and (B) assume the due and punctual payment of the principal of, premium, if any, and interest on all Obligations issued under the Master Indenture according to their tenor; and (2) a report of a Consultant or Accountant, or an Officer's Certificate, as appropriate, to the effect that the conditions described in subparagraph (a) of the section entitled "Limitations on Additional Indebtedness" would be met for the incurrence of one dollar of Long-Term Indebtedness; and (3) an Officer's Certificate to the effect that immediately following such transaction the Obligated Group will not be in default in the performance or observance of any covenant or condition to be performed or observed by it under the Master Indenture; and (4) an opinion of counsel to the effect that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions under this heading and that it is permissible for the Master Trustee under the provisions of the Master Indenture to join in the execution of any instrument required to be executed and delivered, to the effect that each instrument executed and delivered to the Master Trustee in accordance with the Master Indenture has been duly authorized, executed and delivered by the successor corporation and constitutes a legal, valid and binding obligation enforceable in accordance with its terms, and to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance will not subject any Obligations to the provisions of the Securities Act of 1933, as amended (or that such Obligations have been so registered if registration is required); and (5) if all amounts due or to become due on any Related Bond which bears interest which is not includable in gross income of the Holder under the Code have not been fully paid to the Holder thereof, an opinion of bond counsel to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of

the delivery of any such Related Bond, would not adversely affect the exemption from federal income taxation of interest payable on any such Related Bond; and

(c) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Obligated Group Member, with the same effect as if it had been named in the Master Indenture as an Obligated Group Member or had become an Obligated Group Member under the Master Indenture, as the case may be. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable under the Master Indenture; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in the Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued under the Master Indenture shall in all respects have the same legal rank and benefit under the Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued under the Master Indenture by an Obligated Group Member without any such consolidation, merger, sale or conveyance having occurred; and

(d) The Obligated Group Representative agrees to notify the Authority in writing within 30 business days following any merger, acquisition or affiliation of each Obligated Group Member and an entity which has entered into a loan, lease or similar agreement with the Authority.

In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued as may be appropriate.

SALE, LEASE OR OTHER DISPOSITION OF ASSETS

Each Obligated Group Member, respectively, agrees that it will not in any Fiscal Year sell, lease or otherwise dispose of any Property, Plant and Equipment, other than as provided in the provisions under this heading, the Book Value of which would cause the aggregate Book Value of Property so transferred by Obligated Group Members in such year to exceed either, at the option of the Obligated Group Representative, (1) 5% of the Book Value of the Property of the Obligated Group or (2) 5% of the Appraised Value of the Property of the Obligated Group (excluding in either case any asset restricted as to use for a particular purpose inconsistent with its use for the payment of principal of, redemption premium and interest on Indebtedness or the payment of operating expenses), or which would cause such Obligated Group Member to be in default in the performance or observance of any covenant or condition to be performed or observed by it under the Master Indenture, except for transfers of assets described below:

- (a) In the ordinary course of business;
- (b) In connection with a “sale and leaseback” transaction that would be treated as and constitute a true sale and leaseback under the Code;

(c) To any Person not an Obligated Group Member if prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate stating that, in the judgment of the signer, such Property has become, or within the next succeeding 24 calendar months is reasonably expected to become, inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the operations of the Obligated Group;

(d) To another Obligated Group Member;

(e) To a Person which is not an Obligated Group Member if such Person shall become an Obligated Group Member under the Master Indenture or to a successor corporation pursuant to a merger or consolidation permitted by the Master Indenture, without limit;

(f) To a Person which is not an Obligated Group Member, provided that prior to the sale, lease or other disposition there is delivered to the Master Trustee a certificate of the Obligated Group Representative stating that, following the transfer, (i) the Obligated Group Members could incur one additional dollar of Long-Term Indebtedness pursuant to Section 3.5(a) hereof, (ii) unless waived by the Bond Insurer, the Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available would not be less than 1.30 and would not be lower than 70% of the Debt Service Coverage Ratio without taking into account the transfer; and liquidity would be reduced to not less than 120 Days Cash on Hand;

(g) To any Person not an Obligated Group Member provided that such Property is transferred for fair market value or in return for other Property of equal or greater value and usefulness and the Master Trustee receives an Officer's Certificate of the Borrower certifying that such transfer was made for fair market value or in return for other Property of equal or greater value and usefulness; and

(h) In the form of withholdings from payments due, for services rendered, to any Obligated Group Member from a health care service plan or other third-party payor pursuant to a contractual arrangement between such Obligated Group Member and such payor which sets forth the terms and conditions of repayment by such payor of the withholdings.

DISPOSITION OF LIQUID ASSETS

Each Obligated Group Member, respectively, agrees that it will not in any Fiscal Year sell, transfer or otherwise dispose of any of its Liquid Assets, except as follows:

(a) to another Obligated Group Member; or

(b) in return for other Property of equal or greater fair market value; or

(c) if the value of the Liquid Assets disposed of, when added to the value of all other Liquid Assets disposed of pursuant to subparagraph (b) above in the then current Fiscal Year, is equal to or less than 3% of the value of all of the Liquid Assets of the Obligated Group as of the last day of the immediately preceding Fiscal Year; or

(d) if the Obligated Group has at least 90 Days Cash On Hand immediately following the disposition of such Liquid Assets; or

(e) As a loan to any Person, provided that the Master Trustee shall have received written confirmation from an Accountant that such loan may be properly treated in the Financial Statements of the applicable Obligated Group Members as a loan under generally accepted accounting principles and an Officer's Certificate certifying that (i) such loan has been evidenced in writing, (ii) such loan bears interest at a reasonable interest rate, and (iii) there is a reasonable expectation that such loan will be repaid in accordance with its terms.

Notwithstanding the foregoing provisions under this heading, no Obligated Group Member shall sell or otherwise convey any of its accounts receivable to any Person (other than another Obligated Group Member).

DAYS CASH ON HAND

Each Obligated Group Member covenants to maintain Unrestricted Liquid Funds such that the Obligated Group will have at least 90 Days Cash On Hand on each Cash Test Date.

If on any Cash Test Date, the Obligated Group does not have the number of Days Cash On Hand required by the paragraph above, the Obligated Group Representative shall promptly (and in no event more than 135 days after such Cash Test Date) retain a Consultant to make recommendations to increase the amount of Days Cash on Hand for subsequent Cash Test Dates to the level required, or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level. Each Obligated Group Member agrees, to the extent permitted by law, that it will follow the recommendations of the Consultant. So long as the Obligated Group shall retain a Consultant and shall follow the recommendations of the Consultant to the extent permitted by law, the provisions under this paragraph shall be deemed to have been complied with as of any such Cash Test Date even if the amount of Days Cash on Hand is below the required level, provided that the Obligated Group has at least 45 Days Cash on Hand as of such Cash Test Date.

FILING OF FINANCIAL STATEMENTS; CERTIFICATES OF NO DEFAULT; OTHER INFORMATION

Each Obligated Group Member, respectively, covenants that it will: (a) as soon as practicable, but in no event later than 120 days after the end of the Fiscal Year of each Obligated Group Member, cause the Obligated Group Representative to deliver to the Master Trustee, to each Holder holding Obligations with balances of \$1,000,000 or more who may have so requested in writing or in whose behalf the Master Trustee may have so requested to any Rating Agencies then providing a rating for Related Bonds, and to any Person as required by a continuing disclosure agreement entered into in connection with any Obligation under the Master Indenture, (i) a copy of the consolidated audited Financial Statements of Eskaton and its subsidiaries and (ii) a copy of the audited Financial Statements of any other Obligated Group Member, as of the end of such Fiscal Year accompanied by the opinion of an Accountant; (b) as soon as practicable but in no event later than 120 days after the end of each Fiscal Year, cause the Obligated Group Representative to file with the Master Trustee, and with each Holder who may have so requested or in whose behalf the Master Trustee may have so requested, an Officer's Certificate setting forth the Debt Service Coverage Ratio for the Obligated Group for

such Fiscal Year and stating whether or not to the best knowledge of the signers any Obligated Group Member is in default in the performance of any covenant contained in the Master Indenture and, if so, specifying each such default of which the signers may have knowledge; (c) if an Event of Default shall have occurred and be continuing, (1) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs (or of any consolidated or combined group of companies, including the Borrower and its consolidated or combined affiliates, including any other Obligated Group Member) as the Master Trustee, at the direction of the Holders of at least 25% in aggregate principal amount of the Obligations then Outstanding, may from time to time reasonably request, excluding specifically donor records, patient records, personnel records and medical staff records of each Obligated Group Member, privileged communications between each Obligated Group Member and counsel, litigation records and malpractice and claims records; and (2) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request; (d) within 10 days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of the Master Indenture required to be prepared by a Consultant; and (e) file in the appropriate offices such financing and continuation statements as may be required by the Uniform Commercial Code of the state or states in which the Obligated Group Members do business to perfect, to the extent permitted by law, the security interests granted pursuant to the Master Indenture.

GENERAL COVENANTS AS TO CORPORATE EXISTENCE, MAINTENANCE OF PROPERTY, ETC.

Each Obligated Group Member covenants in the Master Indenture:

(a) except as otherwise expressly provided in the Master Indenture, to preserve its corporate or other separate legal existence and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and to be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing contained in the Master Indenture shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business;

(b) at all times to cause its business to be carried on and conducted and its Property to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this paragraph (b) shall be construed: (1) to prevent it from ceasing to operate any portion of its Property or entering into a “sale and leaseback” transaction that would constitute and be treated as a true sale and leaseback under the Code with respect to any of its Property, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business, by a determination by its Governing Body) it is advisable not to operate the same or to enter into such “sale and leaseback” arrangement, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (2) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business;

(c) to do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Property; provided, nevertheless, that nothing contained in the Master Indenture shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith;

(d) promptly to pay all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof;

(e) promptly to pay or otherwise satisfy and discharge all of its obligations and Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations issued and Outstanding under the Master Indenture) whose validity, amount or collectibility is being contested in good faith, subject to the rights of the Obligated Group Member to assert setoffs;

(f) at all times to comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness, other than any thereof whose validity is being contested in good faith;

(g) to procure and maintain all necessary licenses and permits, when and as available and the status of its Facilities (other than those not currently having such status) as a provider of retirement housing and health care services eligible for reimbursement under the Medicare and Medi-Cal and comparable programs, including future governmental programs and other third-party payment programs which are a significant source of revenue, the appropriateness of which are determined by the Governing Body of the Obligated Group Representative; provided, however, that it need not comply with this paragraph if and to the extent that Governing Body of the Obligated Group Representative has determined in good faith, evidenced by a resolution of such Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due; and

(h) so long as the Master Indenture shall remain in force and effect, in the case of each Primary Obligor which is a Tax-Exempt Organization at the time it becomes a Primary Obligor, so long as all amounts due or to become due on any Related Bond have not been fully paid to the Holder thereof, to take no action or suffer any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, which, in the opinion of bond counsel, would result in the interest on any Related Bond becoming subject to federal income taxes.

INSURANCE REQUIRED

Each Obligated Group Member, respectively, agrees that it will maintain insurance, which may include one or more self-insurance programs, covering such risks and in such amounts as, in its judgment, are adequate to protect it and its properties and operations and as

are, with respect to retirement housing and health care services activities and properties, customary for retirement housing and health care services corporations of similar size and character. Such insurance policies may include fire insurance, insurance coverage of boilers and other selected machinery items, general liability insurance and property damage coverage, comprehensive automobile liability insurance, workers' compensation coverage as required by the laws of the State, use and occupancy insurance covering loss of operating revenues by reason of the total or partial interruption of retirement housing and health care services provided by any Obligated Group Member, professional liability insurance protecting each Obligated Group Member against claims arising from any act or omission in the furnishing of retirement housing or health care services to any resident or patient, and fidelity bonds on officers and employees of any Obligated Group Member. The Obligated Group Representative that each insurance policy (except liability policies) shall name the Obligated Group, the Authority and Trustee as insured parties, beneficiaries or loss payees; provided, however, that payments of the proceeds of such insurance shall be made exclusively to the Borrower, if the amount of the proceeds in each instance is less than \$1,000,000. Each commercial insurance policy maintained by the Obligated Group pursuant to this paragraph shall be written by an insurance company rated in at least the "A" category by one of the Rating Agencies or by A.M. Best Company, Inc.

INSURANCE CONSULTANT

Each Obligated Group Member shall, not less frequently than every two years (every year in the case of self-insurance), retain an Insurance Consultant to make recommendations as to the amount and type of insurance which should be obtained in order to comply with the standard set forth in the previous heading. All policies of insurance and bonds required by the Master Indenture shall be in amounts and shall contain such provisions as comply with the recommendations of the Insurance Consultant; provided that, notwithstanding any other provision of the Master Indenture, no Obligated Group Member shall be required to provide insurance coverage which, in the written opinion of the Insurance Consultant, is for risks not normally covered or is in excess of standard requirements, if any, for facilities similar in size, location and nature to the Facilities. If the Insurance Consultant makes recommendations for the increase of any of the coverage, the Obligated Group Representative shall increase such coverage in accordance with such recommendations, subject to a good faith determination of the Obligated Group Representative that such recommendations, in whole or in part, are in the best interests of the Obligated Group.

CASUALTY; CONDEMNATION; LOSS OF TITLE

If any of the Facilities are wholly or partially destroyed or damaged by fire or other casualty covered by insurance required under the Master Indenture, or if any of the Facilities shall be wholly or partially condemned, taken or injured by any Person, or if any part of any of the Facilities shall be lost because of failure of title, each Obligated Group Member covenants that it will promptly notify the Master Trustee of such event and will take all actions and will do all things which may be necessary to enable recovery to be made upon such policies of insurance (including title insurance) or on account of such taking, condemnation, conveyance, damage, injury or loss of title in order that moneys due on account of losses suffered may be collected and paid to the Master Trustee and applied as provided under the Master Indenture. Any adjustment of loss or damage and any settlement or payment therefor, which may be agreed upon by the Obligated Group Member and the appropriate insurer or condemnor or other Person, shall be

evidenced to the Master Trustee by a Certificate signed by an Authorized Representative of such Obligated Group Member. The Master Trustee may rely conclusively upon such Certificate.

PROCEEDS OF HAZARD INSURANCE

Immediately after occurrence of loss or damage covered by insurance which is reasonably expected to exceed an amount equal to 10% of the insured value of the combined Property, Plant and Equipment, the applicable Obligated Group Member shall notify the architect and the Trustee thereof. The architect promptly shall determine and advise the Master Trustee and the Obligated Group Member, in writing, whether it is practicable to repair, reconstruct or replace such damaged or destroyed or condemned or lost property and, if so, the estimated time and funds required for such repair, reconstruction or replacement; provided that the advice of the architect shall not be required if the estimated cost of repair, reconstruction or replacement, as set forth in reasonable detail in a Certificate delivered to the Trustee, is less than 5% of insured value of the Property, Plant and Equipment at the applicable campus. The proceeds of insurance required by the Master Trust Indenture shall be applied as provided in the paragraphs below.

If the architect advises that such repair, reconstruction or replacement is practicable, and if, within 90 days from the receipt of the architect's report or the applicable Obligated Group Member delivers to the Master Trustee: (1) a written report of a Consultant or, if the estimated cost of repair, reconstruction or replacement, as set forth in reasonable detail in a Certificate of the Obligated Group Member delivered to the Master Trustee is less than 10% of the insured value of Property, Plant and Equipment at the applicable campus a Certificate of the applicable Obligated Group Member, stating that, in the signer's opinion, based upon information provided by the Insurance Consultant or, if unavailable, based upon the Obligated Group Member's best judgment of the net insurance proceeds anticipated, the Obligated Group Member will have sufficient funds from the net proceeds of insurance (including business income insurance and other available funds) to make the payments on Related Bonds, to pay the cost of repairing, restoring or replacing the portion of the Facilities affected by such loss or damage and to pay all operating expenses until completion of the repair, reconstruction or replacement of such part of the Facilities which is affected by such loss or damage and for the first full Fiscal Year after such completion; (2) an executed construction contract for such work at a guaranteed maximum price or fixed price; (3) cash or an irrevocable letter of credit in an amount at least equal to the excess, if any, of the funds necessary for payment of the amounts due under such construction contract, over the available net insurance proceeds; and (4) the surety bonds and insurance during construction required under the Master Trust Indenture, then the Obligated Group Member shall promptly proceed to repair, reconstruct and replace such part of the Facilities, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible. The moneys required for such repair, reconstruction and replacement shall be paid: (x) from the net proceeds of insurance (other than proceeds of business income insurance) received by reason of such occurrence, which net proceeds (after deducting any reasonable expenses incurred by the Master Trustee or the Borrower in collecting the same, the "Net Insurance Proceeds") shall be deposited with the Master Trustee, and (y) to the extent that such Net Insurance Proceeds are not sufficient, from moneys to be provided by the Obligated Group Member, which shall be deposited with the Master Trustee. The funds so deposited shall be maintained in a separate account and shall be disbursed by the Master Trustee only upon receipt by the Master Trustee of a requisition, numbered consecutively upwards from 1, signed by an Authorized Representative of the Obligated Group Member and the architect (each a "Requisition") and which shall state:

(i) the name and address of the Person to whom the payment is to be made, (ii) the amount to be paid, (iii) the obligation on account of which the payment is to be made, showing the total obligation, any amount previously paid, and the unpaid balance, (iv) that the obligation was properly incurred and is a proper charge, (v) that the amount requisitioned is due and unpaid, (vi) that with respect to items covered in the Requisition, there are no vendors', mechanics', or other liens, bailment leases or conditional sale contracts which should be satisfied or discharged before the payments as requisitioned therein are made, or which will not be discharged before the payments requisitioned therein are made, or which will not be discharged by such payment, (vii) that the remaining amount deposited with the Master Trustee from Net Insurance Proceeds and moneys provided by the Obligated Group Member after the payment of the Requisition will be sufficient to pay all remaining costs of the project, (viii) that the work can be completed within the time shown on the schedule, and (ix) that the work performed or materials supplied is satisfactory to the Obligated Group Member.

Such Requisition shall be accompanied by acknowledgements of payment and waivers of lien from all persons supplying labor or materials for all lienable work done and materials delivered through the date of the previous requisition and bills of sale or equivalent documentation for any personal property included in the Requisition.

Notwithstanding the foregoing, if the estimated cost of such repair, reconstruction or replacement is less than 5% of insured value of Property, Plant and Equipment at the applicable campus, the Borrower shall not be required to deliver the items referred to in subparagraphs (1) through (4) above, the Net Insurance Proceeds shall be paid to the applicable Obligated Group Member and the Obligated Group Member shall promptly proceed with such repair, reconstruction or replacement. Any Net Insurance Proceeds remaining after the completion of such repair, replacement or reconstruction shall promptly at the direction of the Obligated Group Member's Authorized Representative be transferred to the Master Trustee and applied either (i) to the purchase of Related Bonds in the open market for the purpose of cancellation at prices not exceeding the current or first applicable optional prepayment price (including premium) at which Related Bonds may be prepaid plus accrued interest thereon to the date of payment therefor, or (ii) to pay the principal of or interest on the Related Bonds at maturity, or (iii) any combination of the foregoing, as may be provided in such direction; provided that before any funds are applied to pay interest on the Related Bonds, the Master Trustee shall have received an opinion of bond counsel or a ruling of the Internal Revenue Service that such payment will not adversely affect the exclusion from gross income under Section 103 of the Code of interest paid on the Related Bonds.

Notwithstanding the foregoing, if the Consultant advises that (i) the remaining facilities can continue to operate effectively with less than full repair, reconstruction and replacement thereof; (ii) the Borrower can continue to maintain the requirements of "Rates and Charges," above, for the next two full Fiscal Years; and (iii) there are not deficiencies in any of the funds established under any Related Bond Indenture, then any Net Insurance Proceeds remaining after the completion of partial repair, reconstruction or replacement (if any) shall promptly be deposited with the Trustee and applied in accordance with the Master Indenture.

If the architect advises that such repair, reconstruction or replacement is not practicable, or if the architect's report or the Consultant's report and other documents described in the second paragraph under this heading are not delivered within the required time period, then all Net

Insurance Proceeds shall be applied to the prepayment of the Related Bonds; provided however, that in the case of damage to or destruction of all or substantially all of the Facilities the Obligated Group Member shall pay to the Master Trustee an amount sufficient, together with the Net Insurance Proceeds, to prepay all Related Bonds Outstanding.

EMINENT DOMAIN

Immediately after the commencement of any condemnation or similar proceedings by a third party in the exercise of a power of eminent domain, or a power in the nature of eminent domain affecting the Facilities, the applicable Obligated Group Member shall notify the Master Trustee, the architect and the Consultant in writing:

(a) any condemnation awards or other compensation received as a result of such proceedings shall be applied as provided in paragraphs (b), (c), (d), (e) and (f) below;

(b) the proceeds of any condemnation award or other compensation paid by reason of a conveyance in lieu of the exercise of such power, with respect to all or substantially all of the Facilities (after deducting any costs or expenses incurred by the Master Trustee or the Obligated Group Member in collecting the same, the "Net Condemnation Proceeds") shall be paid to the Master Trustee for prepayment, at the direction of the Obligated Group Member, of Outstanding Related Bonds, and the Obligated Group Member shall pay to the Master Trustee prior to the prepayment date any additional amount required to effect such prepayment. Any Net Condemnation Proceeds received for a taking of less than substantially all of the Facilities shall be applied as provided in paragraphs (c), (d), (e) and (f) below;

(c) notwithstanding paragraph (d) below, if the estimated cost of replacing or restoring the portion of the Facilities affected by such taking or conveyance is less than 10% of insured value of Property, Plant and Equipment at the applicable campus, the Obligated Group Member shall not be required to deliver the items referred to in paragraph (d) below, the Net Condemnation Proceeds shall be paid to the Obligated Group Member and the Obligated Group Member shall promptly proceed to replace or restore such portion of the Facilities; provided that the Obligated Group Member shall not be required to replace or restore such portion of the Facilities so long as the Obligated Group Member delivers to the Master Trustee (i) a Certificate to the effect that such failure to replace or restore shall not affect the Obligated Group Member's ability to comply with the provisions of the Master Indenture and (ii) an opinion of bond counsel to the effect that such failure to replace or restore will not have an adverse effect on any exclusion from gross income for federal income tax purposes of the interest on the Related Bonds;

(d) if, within 90 days of receipt of such condemnation award or other compensation which is greater than 10% of the insured value of Property, Plant and Equipment at the applicable campus, the applicable Obligated Group Member delivers to the Master Trustee a written Statement of the architect stating such architect's estimate of the cost of replacing or restoring the portion of the Facilities affected by such taking or conveyance; and

(e) a Consultant's report or, if the estimated cost of replacement or restoration, as set forth in reasonable detail in a Certificate of the applicable Obligated Group Member delivered to the Master Trustee is less than 10% of the insured value of Property, Plant and Equipment at the

applicable campus, a Certificate of the Obligated Group Member, stating that, in the signer's opinion, the Obligated Group Member will have sufficient funds from the Net Condemnation Proceeds (and from proceeds of use and occupancy insurance and other available funds) to make the payments required of the Obligated Group Member under the Related Bonds, to pay the cost of replacing or restoring the portion of the Facilities affected by such taking or conveyance and to pay all operating expenses until completion of the replacement or restoration of such portion of the Facilities which is affected by such taking or conveyance and for the first full Fiscal Year after such completion, then: (1) the Obligated Group Member may elect to replace or restore the portion of the Facilities affected by such taking or reconveyance, in which event the Obligated Group Member shall promptly proceed to replace or restore such portion of the Facilities, including any fixtures, furniture, equipment and effects, to its original usefulness and condition insofar as possible (unless the Obligated Group Member delivers to the Master Trustee an opinion of bond counsel to the effect that the Obligated Group Member's failure to replace or restore such portion of the Facilities to the original usefulness and condition will not have an adverse effect on any exclusion from gross income for federal income tax purposes of the interest on the Related Bonds), provided that the Obligated Group Member has delivered to the Master Trustee (i) an executed construction contract for such work at a price not greater than the amount stated in such architect's report and (ii) cash or an irrevocable letter of credit in an amount equal to the funds, if any, required by such architect's report in excess of the available Net Condemnation Proceeds, and (iii) any surety bonds and insurance during construction required under the Master Trust Indenture. The moneys required for such replacement or restoration shall be paid: (x) from the Net Condemnation Proceeds which shall be deposited with the Master Trustee and disbursed in accordance with the requisition procedure acceptable to the Master Trustee; and (y) to the extent that such proceeds are not sufficient, from moneys to be provided by the Obligated Group Member; or (2) the Obligated Group Member may elect to have all or part of such Net Condemnation Proceeds applied to the prepayment of Outstanding Related Bonds, and the Obligated Group Member shall pay any additional amount required to effect such prepayment; or (3) if the Statements of the architect and the Consultant required by paragraph (d) above and this subparagraph (e) are not delivered within the required time period, then the Net Condemnation Proceeds shall be deposited in the Principal Fund and applied to the prepayment of the Related Bonds, and the Obligated Group Member shall pay prior to the prepayment date any additional amount required to effect such prepayment;

(f) any Net Condemnation Proceeds remaining after the completion of such replacement or reconstruction shall promptly at the direction of the Authorized Representative of the Obligated Group Member be transferred to the Principal Fund and applied either (i) to the purchase of Related Bonds in the open market for the purpose of cancellation at prices not exceeding the current or first applicable optional prepayment price (including premium) at which Related Bonds may be prepaid plus accrued interest thereon to the date of payment therefor, or (ii) to the prepayment of Related Bonds in accordance with the Related Bond Indenture, or (iii) to pay the principal of or interest on the Related Bonds at maturity, or (iv) any combination of the foregoing, as may be provided in such direction; provided that before any funds are applied to pay interest on the Related Bonds, the Master Trustee shall receive an opinion of bond counsel or a ruling of the Internal Revenue Service that such payment will not adversely affect the exclusion from gross income under Section 103 of the Code of interest paid on the Related Bonds; and

(g) notwithstanding the foregoing, if the Consultant advises that (i) the Facilities can continue to operate effectively with less than full replacement or restoration of the portion of the Facilities affected by such taking or conveyance, (ii) the Obligated Group Member can continue to comply with “Rates and Charges,” above for the following two full Fiscal Years, and (iii) there are no deficiencies in any of the funds established under any Related Bond Indenture, then any Net Condemnation Proceeds shall promptly be applied in accordance with paragraph (f) above.

JOINING THE OBLIGATED GROUP

Persons which are not Obligated Group Members may become an Obligated Group Member upon delivery to the Master Trustee of the following:

(a) a Supplemental Master Indenture containing the agreement of such Person: (1) to become an Obligated Group Member under the Master Indenture and thereby become subject to compliance with all provisions of the Master Indenture pertaining to an Obligated Group Member, including the performance and observance of all covenants and obligations of an Obligated Group Member; and (2) unconditionally and irrevocably guaranteeing to the Master Trustee and each other Obligated Group Member that all Obligations issued and then Outstanding will be paid in accordance with the terms thereof and of the Master Indenture when due;

(b) an opinion of counsel to the effect that: (1) the conditions contained in the Master Indenture relating to membership in the Obligated Group have been satisfied; (2) the Supplemental Master Indenture described in subparagraph (a) above has been duly authorized, executed and delivered by such Person and constitutes a legal, valid and binding obligation of such Person, enforceable in accordance with its terms, with such exceptions and limitations as are acceptable to the Master Trustee; and (3) under then existing law such Person becoming an Obligated Group Member will not subject any Obligations Outstanding under the Master Indenture to the registration provision of the Securities Act of 1933, as amended (or that such Obligations have been so registered if registration is required);

(c) if all amounts due or to become due on any Related Bond which bears interest which is not includable in gross income of the Holder under the Code, have not been fully paid to the Holder thereof, an opinion of bond counsel to the effect that under then existing law the consummation of such transaction, whether or not contemplated on any date of the delivery of any such Related Bond, would not adversely affect the exemption from federal income taxation of interest payable on any such Related Bond;

(d) a report of a Consultant or Accountant, or an Officer’s Certificate, as appropriate, to the effect that the condition described in subparagraph (a)(2) or (3) of “Limitations on Additional Indebtedness,” above, would be met for the incurrence of one additional dollar of Long-Term Indebtedness; provided that, in calculating Income Available for Debt Service (i) there shall be excluded from revenues of such Persons any revenues generated by Property of such Persons previously transferred or otherwise disposed of by such Person and (ii) there shall be excluded from expenses of such Persons any expenses related to Property of such Person previously transferred or otherwise disposed of by such Person;

(e) an Officer's Certificate to the effect that immediately upon any Person becoming an Obligated Group Member, the Obligated Group will not be in default in the performance or observance of any covenant or condition to be performed or observed by it under the Master Indenture;

(f) a resolution of the Board of Directors of the Obligated Group Representative, consenting to the addition of such Person to the Obligated Group; and

(g) an irrevocable power of attorney authorizing the execution of Obligations by the Obligated Group Representative.

WITHDRAWAL FROM THE OBLIGATED GROUP

No Obligated Group Member may withdraw from the Obligated Group, unless such Obligated Group Member is not a Primary Obligor and the Master Trustee receives the following:

(a) the written consent of the Obligated Group Representative to the withdrawal of such Obligated Group Member from the Obligated Group;

(b) if all amounts due on any Related Bond which bears interest that is not includable in gross income under the Code have not been paid to the Holder thereof, an opinion of bond counsel, to the effect that under then existing law such Obligated Group Member's withdrawal from the Obligated Group would not adversely affect the exemption from federal income taxation of interest payable on any such Related Bond;

(c) a written report of an Accountant stating that, upon the withdrawal of such Obligated Group Member from the Obligated Group, the condition described in subparagraph (a)(2) or (3) of "Limitations on Additional Indebtedness," above, would be met for the incurrence of one additional dollar of Long-Term Indebtedness;

(d) an Officer's Certificate to the effect that, upon the withdrawal of such Obligated Group Member from the Obligated Group, the Obligated Group would not be in default in the performance or observance of any covenant or condition to be performed or observed by it.

EVENT OF DEFAULT

Event of Default, as used in the Master Indenture, shall mean any of the following events:

(a) the Obligated Group shall fail to make any payment required by any Obligation within 10 days of the date that such payment shall become due and payable, in accordance with the terms thereof, of the Master Indenture and any Supplemental Master Indenture;

(b) any Obligated Group Member shall fail duly to observe or perform any covenant or agreement on its part under the Master Indenture (other than as referred to in subparagraph (a) above) for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Obligated Group Member by the Master Trustee, or to the Obligated Group Member and the Master Trustee by the Holders of at least

25% in aggregate principal amount of Obligations then Outstanding; except that, if such failure may be remedied but not within such 60-day period and if the Obligated Group Member has taken all action reasonably possible to remedy such failure or breach within such 60-day period, such failure shall not become an Event of Default for so long as the Obligated Group Member shall diligently proceed to remedy the same;

(c) an event of default shall occur and be continuing under a Related Bond Indenture (which “event of default” shall be defined in such Related Bond Indenture) or upon a Related Bond;

(d) any Obligated Group Member shall fail to make any required payment with respect to any Indebtedness (other than Obligations issued and Outstanding and other than any other Indebtedness which is Non-Recourse Indebtedness) in an aggregate amount greater than 2% of Adjusted Annual Operating Revenues for the most recent Fiscal Year for which audited Financial Statements are available, whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument, under which there may be issued, or by which there may be secured or evidenced, any Indebtedness in an aggregate amount greater than 2% of Adjusted Annual Operating Revenues for the most recent Fiscal Year for which audited Financial Statements are available, whether such Indebtedness now exists or shall hereafter be created, shall occur, provided, however, that such default will not constitute an Event of Default if within 30 days, or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced (1) the Borrower or such Obligated Group Member, or both, in good faith commence proceedings to contest the existence or payment of such Indebtedness, and (2) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness;

(e) the entry of a decree or order by a court having jurisdiction in the premises adjudging any Obligated Group Member a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of any Obligated Group Member under the Federal Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, assignee or sequestrator (or other similar official) of the Obligated Group Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days;

(f) the institution by any Obligated Group Member of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of any Obligated Group Member or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

ACCELERATION; ANNULMENT OF ACCELERATION

Upon Actual Knowledge of the occurrence and during the continuation of an Event of Default, the Master Trustee may, and (i) upon the written request of the Holders of not less than 25% in aggregate principal amount of Obligations issued and Outstanding or upon the written request of any Holder if an Event of Default described in subparagraph (b) under “Event of Default,” above, has occurred with respect to such Holder’s Obligation, or (ii) upon the acceleration of any Obligation pursuant to the terms of the Supplemental Master Indenture pursuant to which such Obligation was issued, the Master Trustee shall, by notice to the Obligated Group Members, declare all Obligations issued and Outstanding immediately due and payable; provided, however, that if the terms of any Supplemental Master Indenture give a Person the right to consent to acceleration of the Obligations issued pursuant to such Supplemental Master Indenture, the Obligations issued pursuant to such Supplemental Master Indenture may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Supplemental Master Indenture.

In the event of the acceleration of all Obligations, there shall be due and payable on the Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon and, to the extent permitted by applicable law, which accrues to the date of payment.

At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if: (1) the Obligated Group has paid or deposited with the Master Trustee moneys sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices or other payments then due (other than the principal or other payments then due only because of such declaration) of all Obligations issued and Outstanding; (2) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Master Trustee and any paying agents; (3) all other amounts then payable by the Obligated Group shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (4) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration) shall have been remedied; then the Master Trustee may annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

ADDITIONAL REMEDIES AND ENFORCEMENT OF REMEDIES

Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Obligations issued and Outstanding together with indemnification of the Master Trustee to its satisfaction therefor, shall proceed to protect and enforce its rights and the rights of the Holders of Obligations issued by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to: (1) enforcement of the right of such Holders to collect and enforce the payment of amounts due or becoming due under

the Obligations; (2) suit upon all or any part of the Obligations; (3) civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders of Obligations; (4) by mortgage foreclosure, trustee's sale, or other proceeding in law or in equity, exercise all rights and remedies provided in any deed of trust given to secure payment of amounts due or to become due on the Obligations; (5) civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of Obligations; and (6) enforcement of any other right of such Holders conferred by law or by the Master Indenture.

Regardless of the happening of an Event of Default, the Master Trustee may and if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Obligations then Outstanding shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (1) to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation thereof, or (2) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions of the Master Indenture and, in the sole judgment of the Master Trustee, is not unduly prejudicial to the interest of the Holders of Obligations not making such request.

APPLICATION OF REVENUES AND OTHER MONEYS AFTER DEFAULT

During the continuance of an Event of Default all moneys received by the Master Trustee pursuant to any right given or action taken under the foregoing provisions, and any amounts transferred and deposited in an account pursuant to the Master Indenture, net of any amounts retained by the Master Trustee after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses and advances incurred or made by the Master Trustee with respect thereto and all other fees and expenses of the Master Trustee under the Master Indenture shall be applied as follows:

(a) Unless the principal of all Outstanding Obligations issued shall have become or have been declared due and payable: First, to the payment to the Persons entitled thereto of all installments of interest then due on the Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and Second, to the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available are not sufficient to pay in full all the Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal of all Outstanding Obligations shall become due and payable, to the payment of the principal and interest then due and unpaid upon the Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons

entitled thereto without any discrimination or preference. If the principal of all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled, then, subject to the provisions of this paragraph, in the event that the principal of all Outstanding Obligations shall later become due or are declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a), above.

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

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

HOLDERS OF OBLIGATIONS CONTROL OF PROCEEDINGS

If an Event of Default has occurred and be continuing, notwithstanding anything in the Master Indenture to the contrary, the Holders of at least a majority in aggregate principal amount of Obligations then Outstanding shall have the right, at any time, by any instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Master Indenture or for the appointment of a receiver or any other proceedings under the Master Indenture, provided, that such direction is not in conflict with any applicable law or the provisions of the Master Indenture and provided, further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, and, in the sole judgment of the Master Trustee, is not unduly prejudicial to the interest of Holders of Obligations not joining in such direction and provided, further, that nothing under this heading shall impair the right of the Master Trustee in its discretion to take any other action under the Master Indenture which it may deem proper and which is not inconsistent with such direction by Holders of Obligations.

WAIVER OF EVENT OF DEFAULT

No delay or omission of the Master Trustee or of any Holder of the Obligations to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by the Master Indenture to the Master Trustee and the

Holders of the Obligations, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

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

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

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

REMOVAL AND RESIGNATION OF THE MASTER TRUSTEE

As long as no Event of Default shall have occurred under the Master Indenture, the Obligated Group Representative may, upon written notice to the Master Trustee, remove the Master Trustee. The Master Trustee may resign on its motion or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than 50% of the principal amount of Obligations then Outstanding. No such resignation or removal shall become effective unless and until a successor Master Trustee (or temporary successor Master Trustee as provided below) has been appointed and has assumed the trusts created by the Master Indenture. Written notice of such resignation or removal shall be given to the members of the Obligated Group and to each Holder of an Obligation then Outstanding at the address then reflected on the books of the Master Trustee and such resignation or removal shall take effect upon the appointment and qualification of a successor Master Trustee. A successor Master Trustee may be appointed at the direction of the Holders of not less than 50% in aggregate principal amount of Obligations then Outstanding. In the event a successor Master Trustee has not been appointed and qualified within 60 days of the date notice of resignation is given, the Master Trustee, any Obligated Group Member or any Holder of an Obligation may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

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

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

Each successor Master Trustee, not later than 10 days after its assumption of the duties under the Master Indenture, shall mail a notice of such assumption to each registered Holder of an Obligation.

SUPPLEMENTAL MASTER INDENTURES NOT REQUIRING CONSENT OF HOLDERS OF OBLIGATIONS

Each Obligated Group Member, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplemental Master Indentures for one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission under the Master Indenture;
- (b) to correct or supplement any provision in the Master Indenture which may be inconsistent with any other provision in the Master Indenture, or to make any other provisions with respect to matters or questions arising which shall not materially and adversely affect the interests of the Holders;
- (c) to grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of the first paragraph under the heading below;
- (d) to qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect;
- (e) to create and provide for the issuance of Obligations as permitted under the Master Indenture; and
- (f) to evidence the succession of another corporation to any Obligated Group Member, or successive successions, or the additions of a Person to the Obligated Group, and the assumption by the successor corporation or additional Obligated Group Member of the covenants, agreements and obligations of the Obligated Group Member summarized above under the heading “Days Cash on Hand” and “Joining the Obligated Group,” respectively, and to evidence the withdrawal of an Obligated Group Member from the Obligated Group pursuant to the Master Indenture.

SUPPLEMENTAL MASTER INDENTURES REQUIRING CONSENT OF HOLDERS OF OBLIGATIONS

Other than Supplemental Master Indentures referred under the previous heading and subject to the terms and provisions and limitations contained in the Master Indenture and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding shall have the right, from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by each Obligated Group Member, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee of such Supplemental Master Indentures 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 Master Indenture; provided, however, nothing under this heading shall permit or be construed as permitting a Supplemental Master Indenture which would: (1) extend the stated maturity of or time for paying interest on any Obligation or reduce the principal amount of or the redemption premium or rate of interest payable on any Obligation or change the method of calculating interest on an Obligation without the consent of the Holder of such an Obligation; (2) modify, alter, amend, add to or rescind any of the terms or provisions contained in the Master Indenture in any manner which would materially and adversely affect the interests of the Holders of Obligations or any of them without the consent of the Holders of all Obligations then Outstanding; or (3) reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplemental Master Indentures without the consent of the Holders of all Obligations then Outstanding.

AMENDMENT OR REPEAL OF MASTER INDENTURE

At the option of the Borrower, the Master Indenture may be amended or repealed upon receipt by the Master Trustee of the following:

(a) a Request of the Borrower requesting execution and delivery of a supplemental Master Indenture and stating that the Borrower has become a member of an obligated group under another master indenture (the “Substitute Master Indenture”) and that one or more obligations (each, a “Substitute Obligation”) are being issued in place of each Obligation Outstanding;

(b) a properly executed counterpart of each Substitute Obligation, issued under the Substitute Master Indenture and registered in the name of the respective Holder, duly authenticated by the master trustee under the Substitute Master Indenture;

(c) an opinion of counsel to the effect that each Substitute Obligation has been validly issued under the Substitute Master Indenture and constitutes a valid and binding obligation of the Obligated Group Members and each other member of the obligated group under the Substitute Master Indenture;

(d) an opinion of bond counsel to the effect that the amendment or repeal under this heading will not result in interest on any Related Bonds ceasing to be excluded from gross income pursuant to Section 103 of the Code;

(e) a copy of the Substitute Master Indenture, certified as a true and accurate copy by the master trustee under the Substitute Master Indenture;

(f) a report of a Consultant to the effect that the Borrower could issue at least one dollar of Long Term Indebtedness under the Master Indenture immediately following the execution and delivery of the Substitute Master Indenture by the Borrower assuming no amendment or repeal of the Master Indenture; and

(g) evidence from any Rating Agency then rating any debt of the Obligated Group that the amendment or repeal will not, in and of itself, cause such Rating Agency to reduce or withdraw the then existing ratings.

Upon satisfaction of the foregoing conditions, the Master Trustee and the Borrower shall execute a supplemental Master Indenture and such additional documentation as may be reasonably necessary.

SATISFACTION AND DISCHARGE OF MASTER INDENTURE

If: (a) the Borrower shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which have been mutilated, destroyed, lost or stolen and which have been replaced or paid as provided in a Supplemental Master Indenture) and not theretofore cancelled; or (b) all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and been paid; or (c) the Obligated Group Members shall deposit with the Master Trustee (or with a bank or trust company acceptable to the Master Trustee pursuant to an agreement between the Obligated Group Members and such bank or trust company in form acceptable to the Master Trustee) as trust funds the entire amount of moneys or Government Obligations, the principal of and the interest on which when due, will be sufficient, in the opinion of an independent public accountant to pay at maturity or upon redemption all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation, including principal and interest due or to become due to such date of maturity or redemption date, as the case may be, and if in any such case the Obligated Group Members shall also pay or cause to be paid all other sums payable under the Master Indenture by the Obligated Group Members, then the Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Obligated Group Members, and at the cost and expense of the Obligated Group Members, shall execute proper instruments acknowledging satisfaction of and discharging the Master Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE EIGHTH SUPPLEMENTAL MASTER INDENTURE

CREATION OF OBLIGATION NO. 11 AND OBLIGATION NO. 12

The Eighth Supplemental Master Indenture, among other things, creates Obligation No. 11 and Obligation No. 12, which shall be issuable without coupons and shall be dated as of April 1, 2008. Obligation No. 11 is to be issued in the principal amount of \$23,500,000, and shall be registered in the name of the Bond Trustee for amounts owing under the Bonds. Obligation No. 12 is to be issued in the principal amount of \$23,796,164.38, and shall be registered in the name of the Credit Facility Provider for amounts owing under the Reimbursement Agreement.

Payments on Obligation No. 11 and Obligation No. 12 shall be made as set forth in the respective forms of Obligation No. 11 and Obligation No. 12, which forms are provided in the Eighth Supplemental Master Indenture. Obligation No. 11 and Obligation No. 12 shall be executed, authenticated and delivered in accordance with the Master Indenture. The Corporation shall be the Primary Obligor with respect to Obligation No. 11 and Obligation No. 12.

EVENTS OF DEFAULT; ACCELERATION

Upon the occurrence of an Event of Default under the Master Indenture, the Master Trustee shall, if requested by the Holder of Obligation No. 11 or Obligation No. 12, regardless of whether the amount owing under Obligation No. 11 or Obligation No. 12 equals at least 25% of the aggregate principal amount of all Obligations issued under the Master Indenture then Outstanding, give notice pursuant to the Master Indenture to the Obligated Group declaring the principal of all Obligations issued under the Master Indenture then Outstanding to be due and immediately payable, notwithstanding anything in the Master Indenture or in such Obligations contained to the contrary.

AMENDMENT

The Master Indenture is hereby amended by adding a the following provision:

Lender's Title Insurance. Any lender's policy of title insurance issued in connection with a mortgage or deed of trust securing the Obligations shall name the Master Trustee as the beneficiary and any proceeds thereof shall be held by the Master Trustee equally and ratably for the benefit of Holders of all Obligations.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

The Bond Indenture contains various covenants, security provisions, terms and conditions, certain of which are summarized below. Reference is made to the Bond Indenture for a full and complete statement of the Bond Indenture's provisions.

FUNDS

Expense Fund. The Bond Trustee shall establish a separate account to be known as the "Expense Fund." An initial deposit to the credit of the Expense Fund is to be made in accordance with the Bond Indenture. Amounts on deposit in the Expense Fund shall be disbursed upon receipt by the Bond Trustee of a requisition in the form attached to the Bond Indenture for the payment of Costs of Issuance. At such time as the Bond Trustee is furnished with a Written Request of the Corporation stating that all Costs of Issuance have been paid, and in no event later than August 1, 2008, the Bond Trustee shall transfer any moneys remaining in the Expense Fund to the Redemption Fund and the Bond Trustee shall close the Expense Fund. Each such requisition shall be sufficient to evidence to the Bond Trustee the facts stated therein and the Bond Trustee shall have no duty to confirm the accuracy of such facts.

Revenue Fund. The Authority shall establish with the Bond Trustee and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Revenue Fund." All payments upon Obligation No. 11 and all payments under the Loan Agreement, as and when

received by the Bond Trustee, shall be deposited in the Revenue Fund and shall be held therein until disbursed as provided in the Bond Indenture. Pursuant to the assignment and pledge of payments upon Obligation No. 11 set forth in the granting clauses contained in the Bond Indenture, the Authority will direct the Corporation to make payments under the Loan Agreement and upon Obligation No. 11 directly to the Bond Trustee when and as the same become due and payable by the Corporation under the terms of the Loan Agreement and such Obligation No. 11.

If on or before the date any payment under the Loan Agreement or Obligation No. 11 pledged thereunder is due, the Bond Trustee has not received such payment, the Bond Trustee shall request the Master Trustee to give immediate telephonic notice promptly confirmed in writing to each member and to the Corporation of the nonpayment.

Interest Fund. The Authority shall establish with the Bond Trustee and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Interest Fund." Except for income thereon which is to be transferred to other funds under the Bond Indenture or to the Rebate Fund, and except as provided in the Bond Indenture, moneys on deposit in the Interest Fund may be used only for the purpose of paying the interest on the Bonds and fees to the Credit Facility Provider as the same becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Bond Indenture) or reimbursing the Credit Facility Provider for draws under the Credit Facility applied to payment of interest on the Bonds.

On or prior to three Business Days next preceding each Interest Payment Date, the Bond Trustee shall deposit in the Interest Fund from moneys in the Revenue Fund an amount which will be equal to the interest to become due on the Bonds on such Interest Payment Date; provided, however, that no deposit pursuant to this paragraph need be made to the extent that there is a sufficient amount already on deposit in the Interest Fund for that purpose. If sufficient funds to make the transfers described in this caption are not available in the Revenue Fund on the third Business Day preceding an Interest Payment Date, the Bond Trustee will give Immediate Notice thereof to the Corporation, promptly confirmed in writing. At the time of such notice, if the interest rate for all Interest Periods in the Interest Payment Period ending on such Interest Payment Date has not yet been determined, the Bond Trustee shall use an assumed interest rate of the Maximum Rate for Bonds bearing interest in such a Mode for the number of days during such period that such interest rate is not yet available.

In connection with any partial redemption or defeasance prior to maturity of the Bonds, the Bond Trustee may, at the written request of the Corporation, use any amounts on deposit in the Interest Fund (which amounts must be Eligible Moneys for Bonds bearing interest at a Daily Mode or Weekly Mode when a Credit Facility is in effect) in excess of the amount needed to pay the interest on the Bonds remaining outstanding on the first Interest Payment Date occurring on or after the date of such redemption or defeasance to pay or provide for the payment of the principal of and interest on the Bonds to be redeemed or defeased or as otherwise directed by the Corporation if the Bond Trustee shall have received an Opinion of Bond Counsel to the effect that such transfer will not, in and of itself, adversely affect the validity or enforceability of the Bonds or result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

Bond Sinking Fund. The Bond Trustee shall establish and maintain so long as any of the Bonds are outstanding a separate account to be known as the “Bond Sinking Fund.” Except for income thereon which is to be transferred to other funds under the Bond Indenture or to the Rebate Fund, and except as provided in the Bond Indenture, moneys on deposit in the Bond Sinking Fund may be used only to pay principal of and to mandatorily redeem Bonds and to reimburse the Credit Facility Provider for draws under the Credit Facility applied to payment of principal on the Bonds.

On or prior to three Business Days preceding each Maturity Date and any mandatory Bond Sinking Fund redemption date, after making the deposits required by the Bond Indenture, the Bond Trustee shall deposit in the Bond Sinking Fund from moneys in the Revenue Fund an amount which is equal to the principal of the Bonds next to become due by maturity or mandatory Bond Sinking Fund redemption. No such deposit need be made, however, to the extent that there is a sufficient amount already on deposit and available for such purpose in the Bond Sinking Fund to be applied to such next maturity or mandatory Bond Sinking Fund redemption payment. If sufficient funds to make the transfers to the Bond Sinking Fund described in this caption are not available in the Revenue Fund on the third Business Day preceding any Maturity Date or mandatory Bond Sinking Fund redemption date, the Bond Trustee will give Immediate Notice thereof to the Corporation, promptly confirmed in writing.

Moneys on deposit in the Bond Sinking Fund, other than income earned thereon which is to be transferred to other funds created under the Bond Indenture or to the Rebate Fund and except as otherwise provided by the Bond Indenture, shall be applied by the Bond Trustee to pay principal on the Bonds as it becomes due and to redeem the Bonds in accordance with the mandatory Bond Sinking Fund redemption schedule provided for in the Bond Indenture. In lieu of such mandatory Bond Sinking Fund redemption, the Bond Trustee shall, at the Written Request of the Corporation, purchase for cancellation an equal principal amount of Bonds of the maturity to be redeemed in the open market identified by the Corporation at prices specified by the Corporation not exceeding the principal amount of the Bonds being purchased plus accrued interest with such interest portion of the purchase price to be paid from the Interest Fund and the principal portion of such purchase price to be paid from the Bond Sinking Fund. In addition, the amount of Bonds to be redeemed on any date pursuant to the mandatory Bond Sinking Fund redemption schedule shall be reduced by the principal amount of Bonds of the maturity required to be redeemed which are acquired by the Corporation or any other Member and delivered to the Bond Trustee for cancellation.

In connection with any partial redemption or defeasance prior to maturity of the Bonds, the Bond Trustee may, at the written request of the Corporation, use any amounts on deposit in the Bond Sinking Fund (which amounts must be Eligible Moneys for Bonds bearing interest at a Daily Mode, Weekly Mode or Unit Pricing Mode when a Credit Facility is in effect) in excess of the amount needed to pay principal on the Bonds remaining outstanding on the first principal or mandatory sinking fund payment date occurring on or after the date of such redemption or defeasance to pay or provide for the payment the principal of and interest on the Bonds to be redeemed or defeased or as otherwise directed by the Corporation if the Bond Trustee shall have received an Opinion of Bond Counsel to the effect that such transfer will not, in and of itself, adversely affect the validity or enforceability of the Bonds or result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

Redemption Fund. The Authority shall establish with the Bond Trustee and maintain so long as any of the Bonds are outstanding a separate account to be known as the “Redemption Fund.” In the event of (i) prepayment by or on behalf of the Corporation or any other Member of amounts payable under the Loan Agreement or on Obligation No. 11, including prepayment with condemnation or insurance proceeds or proceeds of a sale consummated under threat of condemnation, or (ii) deposit with the Bond Trustee by the Corporation, any other Member or the Authority of moneys from any other source for redeeming Bonds or the purchase of Bonds for cancellation, except as otherwise provided in the Bond Indenture, such moneys shall be deposited in the Redemption Fund. Moneys on deposit in the Redemption Fund shall be used first, to make up any deficiencies existing in the Interest Fund and the Bond Sinking Fund (in the order listed), second, if such amounts are Eligible Moneys for Bonds bearing interest at a Daily Mode, Weekly Mode or Unit Pricing Mode when a Credit Facility is in effect, for the redemption or purchase of Bonds in accordance with the provisions of the Bond Indenture, and, third, for reimbursement of the Credit Facility Provider for draws under the Credit Facility applied to redemption of Bonds.

Rebate Fund. Section 148(f) of the Code, as implemented by Sections 1.148-0 to 1.148-11 of the Income Tax Regulations (the “Rebate Provisions”) requires that, among other requirements and with certain exceptions, the Authority pay to the United States of America the Rebate Amount owed with respect to the Bonds. The Corporation shall timely make or have made all necessary calculations of the Rebate Amount as required to comply with the requirements of the Bond Indenture and the Rebate Provisions and shall deposit or cause the Bond Trustee to deposit into the Rebate Fund from investment earnings on moneys deposited in the other funds and accounts created thereunder, or from any other funds held by the Bond Trustee and available for such purpose, or from other moneys paid by the Corporation to the Bond Trustee for such purpose, the amount necessary to increase the balance in the Rebate Fund to the Rebate Amount. The Corporation shall annually certify in writing the Rebate Amount, if any (and if none is due, that none is due), and the calculations determining the same to the Bond Trustee, and shall instruct the Bond Trustee in writing to make from the Rebate Fund (or to the extent necessary, from other funds of the Corporation delivered to the Bond Trustee) all required payments to the United States of America of the Rebate Amount as shall be required to satisfy the Rebate Provisions, and to the extent the funds held by the Bond Trustee in the Rebate Fund are not sufficient to make payments of such Rebate Amount, the Corporation shall pay to the Bond Trustee an amount necessary to make up such deficiency. In complying with the foregoing, the Corporation may rely upon any instructions from and any Opinions of Bond Counsel, including, without limitation, a letter to be delivered by Bond Counsel to the Corporation and the Bond Trustee on the date of issuance of the Bonds, and upon any certificates, opinions or calculations prepared by certified public accountants or other consultants reasonably selected by the Corporation.

The Authority and the Bond Trustee shall cooperate with the Corporation in complying with the requirements summarized here and shall promptly provide to the Corporation, upon its request, any information in the possession of the Authority or the Bond Trustee concerning the investment of Gross Proceeds (as defined in the next sentence) of the Bonds and all other information in the possession of the Authority or the Bond Trustee, of benefit to the Corporation in complying with the requirements of this Section. “Gross Proceeds” for this purpose include (a) proceeds of the Bonds, (b) amounts received from the Corporation pursuant to the Loan Agreement with respect to the Bonds, (c) all funds and accounts subject to the lien of the Bond

Indenture allocable to the Bonds, and (d) other amounts that the Corporation may advise the Bond Trustee to treat as Gross Proceeds, and investment earnings on all of the foregoing.

Prior to making any distribution from the Rebate Fund held under the Bond Indenture, the Bond Trustee shall determine, from written calculations provided thereunder by the Corporation, whether funds remaining therein subject to the terms of the Bond Indenture shall be sufficient to pay the Rebate Amount when due and shall advise the Corporation of the deficiency, if any, which the Corporation shall promptly pay to the Bond Trustee. The Corporation shall provide the Bond Trustee, along with calculations, directions with regard to payment of the Rebate Amount. Payments to be made to the United States of America as required thereunder may be made directly by the Bond Trustee from the Rebate Fund, or any other fund or account held under the Bond Indenture, or from funds provided by the Corporation upon, and in such amounts as provided in written instructions from the Corporation to the Bond Trustee, notwithstanding any other provisions herein to the contrary.

If any amount allocable to the Bonds shall remain in the Rebate Fund after payment in full of the Bonds and after payment in full to the United States of the Rebate Amount with respect to the Bonds in accordance with the terms hereof, the Bond Trustee shall, upon the written request of the Corporation, distribute such amount to the Corporation.

The obligation to pay the Rebate Amount to the United States and to comply with all other requirements summarized in this section shall survive the defeasance or payment in full of the Bonds.

Under no circumstances whatsoever shall the Bond Trustee be liable to the Authority, the Corporation or any Bondholder for any loss of the status of interest on the Bonds as excludable from gross income for federal income tax purposes, or any claims, demands, damages, liabilities, losses, costs or expenses resulting therefrom or in any way connected therewith, resulting from a failure to comply with Section 148(f) of the Code so long as the Bond Trustee has acted in accordance with the written directions of the Corporation, as authorized under the Bond Indenture.

INVESTMENT OF FUNDS

Upon receipt of a Written Request of the Corporation filed with the Bond Trustee, moneys in the Revenue Fund, Interest Fund, Bond Sinking Fund, Debt Service, Redemption Fund, Reserve Fund, the Project Fund and Expense Fund shall remain invested, to the extent possible, at all times until the moneys therein are required to be used and shall be invested in Qualified Investments. Investments on deposit in all funds and accounts shall be valued at market value at least quarterly. If the Corporation fails to file such a Written Request with the Bond Trustee, moneys in such funds shall be invested in Qualified Investments described in paragraph (iii) of the definition thereof. Such investments shall be made so as to mature on or prior to the date or dates that moneys therefrom are anticipated to be required. The Bond Trustee, when authorized by the Corporation, may trade with itself in the purchase and sale of securities for such investment; provided, however, that in no case shall investments be otherwise than in accordance with the investment limitations contained in the Bond Indenture. The Corporation shall be responsible for all Written Requests complying with the requirements of the Tax Certificate. The Bond Trustee shall not be liable or responsible for any loss resulting from

any such investments. Any purchase or sale of securities may be accomplished through the Bond Trustee's bond department.

All income in excess of the requirements of the Funds specified in the provisions of the Bond Indenture summarized in the first paragraph of this caption derived from the investment of moneys on deposit in any such funds shall be deposited, on the first Business Day of each month, in the following funds, in the order listed:

(i) The Rebate Fund to the extent required by the Bond Indenture;

(ii) The Bond Sinking Fund and the Interest Fund (in that order), to the extent, with respect to the Bond Sinking Fund, of the amount required to be deposited in the Bond Sinking Fund to make the next required principal payment on the Bonds if such payment is scheduled to occur within 13 months of such transfer and to the extent, with respect to the Interest Fund, of the amounts which the Bond Trustee estimates based on the then current interest rate of the Bonds will be required to be deposited in the Interest Fund necessary to make any interest payments on the Bonds occurring within 13 months of such transfer; and

(iii) The balance, if any, in the Redemption Fund.

The Authority (and the Corporation by its execution of the Loan Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority and the Corporation the right to receive brokerage confirmations of security transactions as they occur, the Authority and the Corporation specifically waives receipt of such confirmations to the extent permitted by law. The Bond Trustee will furnish the Authority and the Corporation periodic cash transaction statements which include detail for all investment transactions made by the Bond Trustee under the Bond Indenture.

ARBITRAGE

The Authority covenants and agrees in the Bond Indenture that it will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds issued under the Bond Indenture or with respect to the payments derived under the Loan Agreement or any other moneys regardless of source or where held which may, notwithstanding compliance with the other provisions of the Bond Indenture, the Loan Agreement and the Tax Certificate, result in constituting any Bonds "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code. The Authority further covenants and agrees that it will comply with and take all actions required by the Tax Certificate.

CREDIT FACILITY; SUBSTITUTE CREDIT FACILITY

Pursuant to the Loan Agreement, the Corporation covenants and agrees that at all times while any Bonds are outstanding which bear interest at the Daily Rate, the Weekly Rate or the Unit Pricing Rate, the Corporation will maintain a Credit Facility in full force and effect with respect to all such Bonds in an amount not less than the Required Stated Amount for such Bonds.

Immediately after payment in full has been made on any Bond, either at Maturity, by Bond Sinking Fund payment, optional redemption or upon provision for payment as provided in the Bond Indenture, the Bond Trustee shall direct or send appropriate notice to the Credit Facility Provider requesting or directing that the amount available under the Credit Facility be reduced by an amount equal to such principal so paid plus the amount of interest provided for under the Credit Facility on such principal amount. No direction or consent of the Authority or the Corporation shall be required for the Bond Trustee to take the action required by the preceding sentence.

While Bonds are bearing interest at a Daily Rate a Weekly Rate or a Unit Pricing Rate, a Substitute Credit Facility may become effective on any Business Day, which shall be a Substitute Credit Facility Date. The Corporation shall cause a draft of any Substitute Credit Facility in substantially final form and a commitment letter with respect thereto, together with written evidence from each Rating Agency rating the Bonds prior to the Substitute Credit Facility Date of the rating on the Bonds after the Substitute Credit Facility Date, to be delivered to the Bond Trustee and the Authority, not less than 15 days prior to the proposed Substitute Credit Facility Date. On each Substitute Credit Facility Date the Authority, the Bond Trustee, the Corporation and the Bond Trustee's Agent shall also receive (i) an opinion of counsel for the Substitute Credit Facility Provider regarding the enforceability of the Substitute Credit Facility in substantially the form delivered to the Bond Trustee upon execution and delivery of the Credit Facility then in effect and (ii) an Opinion of Bond Counsel to the effect that the substitution of the Credit Facility then in effect will not, in and of itself, adversely affect the validity or enforceability of the Bonds or result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

On any Substitute Credit Facility Date on which a Substitute Credit Facility becomes effective in accordance with the provisions summarized under this caption, the Bond Trustee shall take such action as is required under the Credit Facility Agreement to cause the cancellation of the Credit Facility then in effect provided that all draws made thereunder have been honored.

On each Substitute Credit Facility Date the Bonds shall be subject to mandatory purchase pursuant to the Bond Indenture. If any draw on a Credit Facility is necessary on the Substitute Credit Facility Date, the Bond Trustee shall draw on the prior Credit Facility. If any Bank Bonds remain outstanding on such Substitute Credit Facility Date, the new Credit Facility Provider shall fund and purchase the prior Credit Facility Provider's position in such Bank Bonds.

Immediate Notice shall be given by the Bond Trustee to the Credit Facility Provider, the Corporation, the Authority and each Rating Agency then maintaining a rating on the Bonds if no satisfactory Substitute Credit Facility shall be furnished to the Bond Trustee in accordance with this caption on or prior to the Expiration Date of the then current Credit Facility, unless the requirements of the Bond Indenture are satisfied.

On the second Business Day preceding the Expiration Date, the Bonds shall be subject to mandatory purchase pursuant to the Bond Indenture.

SUPPLEMENTAL BOND INDENTURES

Subject to the limitation set forth in the Bond Indenture, the Authority and the Bond Trustee may, without the consent of, or notice to, any of the Bondholders, but with the consent of the Credit Facility Provider, if any, enter into an indenture or indentures supplemental to the Bond Indenture, as shall not be inconsistent with the terms and provisions the Bond Indenture, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in the Bond Indenture;
- (b) to grant to or confer upon the Bond Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders and the Bond Trustee, or either of them;
- (c) to assign and pledge under the Bond Indenture additional revenues, properties or collateral or to provide for the use of a Credit Facility including during any Mode with respect to which such a Facility is not required under the terms of the Bond Indenture;
- (d) to evidence the appointment of a separate co-bond trustee or the succession of a new bond trustee under the Bond Indenture;
- (e) to permit the qualification of the Bond Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;
- (f) to permit the issuance of coupon bonds under the Bond Indenture and to permit the exchange of Bonds from registered form to coupon form and vice versa;
- (g) to provide for the refunding or advance refunding of any Bonds, including providing for the establishment and administration of an escrow fund and the taking of related action in connection therewith;
- (h) to the extent necessary, as evidenced by an Opinion of Bond Counsel, to preserve the exclusion of interest on the Bonds outstanding from gross income for the federal income tax purposes; and
- (i) with the written consent of the Credit Facility Provider, to make any other change that, in the judgment of the Bond Trustee, does not materially adversely affect the rights of any Bondholders.

The Authority and the Bond Trustee may not enter into a bond indenture or indentures supplemental to the Bond Indenture pursuant to subparagraph (g) above unless they shall have received an Opinion of Bond Counsel to the effect that entry into such indenture and the issuance of coupon Bonds pursuant thereto is permitted under the Bond Indenture and will not, in and of itself, adversely affect the validity or enforceability of the Bonds or result in the inclusion of interest on the Bonds in gross income for federal income tax purposes. The Bond Trustee may decline in its discretion to enter into an indenture supplemental to the Bond Indenture pursuant to the other subparagraphs of the Bond Indenture described above unless it receives such an Opinion of Bond Counsel.

If at any time the Authority or the Bond Trustee proposes to enter into an indenture supplemental to the Bond Indenture pursuant to this caption, the Bond Trustee shall cause notice of the proposed execution of such supplemental indenture to be given to the Credit Facility Provider and any Rating Agency then maintaining a rating on any of the Bonds in the manner provided in the Bond Indenture at least 10 days prior to the execution of such supplemental indenture, which notice shall include a copy of the proposed supplemental indenture.

In addition to supplemental indentures covered by the Bond Indenture and subject to the terms and provisions contained in this caption, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Bonds which are outstanding under the Bond Indenture at the time of the execution of such indenture or supplemental indenture, in all cases with the written consent of the Credit Facility Provider, if any, shall have the right, from time to time, anything contained in the Bond Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Bond Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Indenture or in any supplemental indenture; provided, however, that, except as set forth in the next proviso, the Credit Facility Provider may consent to such amendment on behalf of the owners of the Bonds so long as the Credit Facility Provider has not lost any of its rights pursuant to the Bond Indenture; provided, however, that nothing contained in the Bond Indenture shall permit, or be construed as permitting, a supplemental indenture to effect: (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bonds, without the consent of the holders of such Bonds; (b) a reduction in the amount or extension of the time of any payment required to be made to or from the Interest Fund or the Bond Sinking Fund; (c) the creation of any lien prior to or on a parity with the lien of the Bond Indenture on the property described in the granting clauses of the Bond Indenture or the deprivation of any Bondholder of the lien created by the Bond Indenture on such property, without the consent of the holders of all the Bonds at the time outstanding; (d) a reduction in the aforesaid aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all the Bonds at the time outstanding which would be affected by the action to be taken; or (e) a modification of the rights, duties or immunities of the Bond Trustee, without the written consent of the Bond Trustee.

If at any time the Authority shall request the Bond Trustee to enter into any such supplemental indenture for any of the purposes of this caption, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed to the Credit Facility Provider and each holder of Bonds as shown on the registration books of the Bond Trustee. 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 Bond Trustee for inspection by all Bondholders. The Bond Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail such notice, and any such failure shall not affect the validity of such supplemental indenture when consented to and approved as provided in this caption. If the holders of the requisite principal amount of Bonds which are outstanding under the Bond Indenture at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as provided in the Bond Indenture, no holder of any Bond shall have any right

to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as permitted by and provided in the Bond Indenture, the Bond Indenture shall be and be deemed to be modified and amended in accordance therewith.

If at any time the Authority or the Bond Trustee proposes to enter into an indenture supplemental to the Bond Indenture pursuant to this caption, the Bond Trustee shall cause notice of the proposed execution of such supplemental indenture to be given to the Credit Facility Provider and any Rating Agency then maintaining a rating on any of the Bonds in the manner provided in the Bond Indenture at least 10 days prior to the execution of such supplemental indenture, which notice shall include a copy of the proposed supplemental indenture.

Anything in the Bond Indenture to the contrary notwithstanding, so long as the Corporation is not in default under the Loan Agreement, a supplemental indenture under the Bond Indenture shall not become effective unless and until the Corporation shall have consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Bond Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture to which the Corporation has not already consented, together with a copy of the proposed supplemental indenture and a written consent form to be signed by the Corporation, to be mailed by first class mail to the Corporation at least 30 days prior to the proposed date of execution and delivery of any such supplemental indenture.

DEFAULTS AND REMEDIES

Each of the following events is an “event of default” under the Bond Indenture:

- (a) payment of any installment of interest payable on any of the Bonds shall not be made when the same shall become due and payable; or
- (b) payment of the principal or the premium, if any, payable on any of the Bonds shall not be made when the same shall become due and payable, either at Maturity, by proceedings for redemption, upon acceleration, through failure to make any payment to any fund under the Bond Indenture or otherwise; or
- (c) payment of the Purchase Price of any Bond tendered pursuant to the Bond Indenture is not made when it becomes due and payable; or
- (d) any event of default as defined in the Loan Agreement or in Section 6.1 of the Master Indenture shall occur as a result of which the Authority or the Bond Trustee is entitled under the Loan Agreement to request that the Master Trustee declare Obligation No. 11 to be immediately due and payable or such event of default shall be continuing from and after the date on which the Master Trustee is entitled under the Master Indenture to declare any Obligation immediately due and payable, or the Master Trustee shall declare any Obligation declare the loan to be immediately due and payable; or
- (e) the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond

Indenture or any agreement supplemental hereto to be performed on the part of the Authority, and such default shall continue for the period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority and the Corporation by the Bond Trustee; provided that the Bond Trustee may give such notice in its discretion and shall give such notice at the written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding under the Bond Indenture; provided further that if such default cannot with due diligence and dispatch be wholly cured within 30 days but can be wholly cured, the failure of the Authority to remedy such default within such 30-day period shall not constitute a default under the Bond Indenture if the Authority shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch and the same shall in all events be cured within 60 days after written notice thereof from the Bond Trustee to the Corporation; or

(f) the Trustee receives a notice from the Credit Facility Provider stating that an Event of Default as defined in the Reimbursement Agreement has occurred and is continuing, directing the Bond Trustee to declare the Bonds immediately due and payable, and stating that the Credit Facility will terminate 10 days after the Trustee's receipt of such notice.

If on the date payment of principal of or interest on any Bonds is due, sufficient moneys are not available to make such payment, the Bond Trustee shall give telephonic notice, confirmed in writing, of such insufficiency to the Corporation.

The Bond Trustee shall give the Corporation Immediate Notice of any failure of the Corporation to pay any installment of interest, principal or premium on Obligation No. 11 on any other payment of principal, premium, if any, and interest required by the Loan Agreement when the same shall become due and payable, whether upon a scheduled Interest Payment Date, at Maturity, upon any date fixed for prepayment, by acceleration or otherwise.

Upon the happening of any event of default specified in subparagraphs (c) through (f) above and the continuance of the same for the period, if any, specified in said subparagraphs, the Bond Trustee as the assignee of the Authority may, with the consent of the Credit Facility Provider, and shall upon the request of the Credit Facility Provider, but without any action on the part of the Bondholders, and upon the happening of an event of default specified in subparagraphs (a) or (b) above, and without any action on the part of the Bondholders, or upon the happening and continuance of any other event of default (other than those specified in subparagraphs (a) or (b) above and the written request of holders of not less than 25% in aggregate principal amount of the Bonds then outstanding under the Bond Indenture (exclusive of Bonds then owned by the Corporation, the Authority or an affiliate of either), and (except as provided in the Bond Indenture), the Bond Trustee as assignee of the Authority shall, by notice in writing delivered to the Authority, declare the entire principal amount of the Bonds then outstanding under the Bond Indenture and the interest accrued thereon, immediately due and payable, and the entire principal and interest shall thereupon become and be immediately due and payable, subject, however, to the provisions of the Bond Indenture with respect to waivers of events of default. If a Credit Facility is then in effect, the Bond Trustee shall thereupon draw under the Credit Facility. The Bond Trustee shall give notice thereof by first class mail, postage prepaid, to all owners of outstanding Bonds, the Authority, the Corporation and the Credit Facility Provider; provided, however, that the giving of such notice shall not be considered a

precondition to the Bond Trustee declaring the entire principal amount of the Bonds then outstanding and the interest thereon immediately due and payable. Interest shall cease to accrue upon declaration of acceleration.

REMEDIES; RIGHTS OF BONDHOLDERS

Upon the occurrence of any Event of Default under the Bond Indenture, the Bond Trustee may, with the written consent of the Credit Facility Provider and without any action on the part of the Bondholders, and shall, upon being indemnified to its satisfaction, at the direction of the Credit Facility Provider pursue any available remedy, including a suit at law or in equity to: (a) enforce the payment of the principal of, premium, if any, and interest on the Bonds outstanding under the Bond Indenture; (b) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the owners under, and require the Authority or the Corporation to carry out any agreements with or for the benefit of the owners of Bonds and to perform its or their duties under, the Act, the Obligation No. 11, the Loan Agreement and the Bond Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Loan Agreement or the Bond Indenture, as the case may be; (c) bring suit upon the Bonds; or (d) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the owners of Bonds.

If an Event of Default shall have occurred, and if the Bond Trustee shall have been requested to do so by the Credit Facility Provider or the owners of not less than 25% in aggregate principal amount of Bonds then outstanding with the written consent of the Credit Facility Provider and the Bond Trustee shall have been indemnified as provided in the Bond Indenture, the Bond Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this caption as the Bond Trustee shall deem most expedient in the interests of the owners of Bonds; provided, however, that the Bond Trustee shall have the right to decline to comply with any such request or direction if the Bond Trustee shall be advised by counsel (who may be its own counsel) that the action so requested may not lawfully be taken or the Bond Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of Bonds not parties to such request.

No remedy by the terms of the Bond Indenture conferred upon or reserved to the Bond Trustee (or to the holders of Bonds or the Credit Facility Provider) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bond Trustee, the holders of Bonds or the Credit Facility Provider under the Bond Indenture now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default under the Bond Indenture, whether by the Bond Trustee, by the holders of Bonds, or the Credit Facility Provider, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

When the Bond Trustee incurs expenses or renders services after the occurrence of an act of bankruptcy with respect to the Authority or the Corporation or any other Member of the Obligated Group, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

DIRECTION OF PROCEEDINGS BY BONDHOLDERS

The Credit Facility Provider or the owners of not less than a majority in aggregate principal amount of Outstanding Bonds shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Bond Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture, including the enforcement of the rights of the Authority under the Loan Agreement or the appointment of a receiver or any other proceedings under the Bond Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Bond Indenture.

WAIVER OF EVENTS OF DEFAULT

The Bond Trustee may, with the written consent of the Credit Facility Provider, in its discretion without any action on the part of the Bondholders, and shall, upon the direction of the Credit Facility Provider, waive any Event of Default under the Bond Indenture and its consequences and rescind any declaration of maturity of principal, and shall do so upon being indemnified to its satisfaction and receipt of the written request of the holders of (1) at least a majority in aggregate principal amount of all the Bonds outstanding in respect of which default in the payment of principal and/or interest exists, or (2) at least a majority in aggregate principal amount of all the Bonds outstanding in the case of any other event of default with the written consent of the Credit Facility Provider; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of any outstanding Bonds when due whether by mandatory redemption through the Bond Sinking Fund, at the dates of Maturity specified therein or otherwise other than principal due upon an acceleration of the Bonds or (b) any default in the payment when due of the interest on any such Bonds, other than accrued interest due solely as a result of an acceleration of the Bonds, unless prior to such waiver or rescission all arrears of interest, with interest thereon (to the extent permitted by law) at the rate borne by the Bonds in respect of which such default shall have occurred on overdue installments of interest or all arrears of payments of principal when due, as the case may be, and all fees and expenses of the Bond Trustee, the Authority and any Paying Agent in connection with such default shall have been paid or provided for, including, but not limited to, the reasonable fees of their counsel. Notwithstanding the foregoing any default under the Bond Indenture shall not be waived after a draw under the Credit Facility unless the Trustee has received notice that the Credit Facility has been reinstated. The Bond Trustee shall not waive an Event of Default under paragraph (f) under the heading "Defaults and Remedies" above unless it shall have received notice that the Credit Facility Provider shall have rescinded any event under the Reimbursement Agreement which has resulted in such Event of Default.

In case of any such waiver or rescission or in case any proceeding taken by the Bond Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Bond Trustee and the Bondholders

shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Bond Indenture respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

APPLICATION OF MONEYS

All moneys received by the Bond Trustee or by any receiver pursuant to any right given or action taken under the provisions of the Bond Indenture and any other funds then held shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees of, and the expenses, liabilities and advances incurred or made by the Bond Trustee which are outstanding at the request or with the concurrence of the Bond Trustee, be deposited in the Revenue Fund and all moneys (other than moneys, including remarketing proceeds and proceeds of draws under the Credit Facility, for the payment of Bonds which have previously matured or otherwise become payable prior to such Event of Default or for the payment of interest which became due prior to such Event of Default) in the Funds maintained by the Bond Trustee under the Bond Indenture shall be applied as follows (provided that the proceeds of draws on the Credit Facility, which shall be applied solely to the payment of the principal of and interest on the Bonds):

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto without any discrimination or privilege;

SECOND: To the payment to the Persons entitled thereto of the unpaid principal (including unpaid premium, if any) of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Bond Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege;

THIRD: To the payment of amounts, if any, payable pursuant to the terms of the Bond Indenture; and

FOURTH: To the payment to the Persons entitled thereto of unpaid principal and interest due and owing on any Bonds, the payment of principal and interest of which has been extended in the manner described in the Bond Indenture.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:

FIRST: To the payment of the principal (including unpaid premium, if any) and interest then due and unpaid upon the Bonds, without preference or priority of principal or interest over the other, or of any installment of interest over any other installment of interest, or of any Bond

over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or privilege; and

SECOND: To the payment of the principal (including unpaid premium, if any) and interest when due and unpaid upon Bonds with respect to which the payment of principal and interest has been extended as described in the Bond Indenture; and

THIRD: To the payment of amounts, if any, payable pursuant to the terms of the Bond Indenture.

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

Whenever moneys are to be applied by the Bond Trustee pursuant to the provisions of Bond Indenture summarized under this caption, such moneys shall be applied by it at such times, and from time to time, as the Bond Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such moneys which shall not include the application of moneys upon the occurrence of an acceleration pursuant to the Bond Indenture, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable, or, with respect to payments of Defaulted Interest, shall be such date as is required by the Bond Indenture) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and of the Special Record Date by mailing a copy of such notice by first class mail to the registered owners of the Bonds, at least 10 days prior to the Special Record Date. The Bond Trustee shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid under the provisions summarized under this caption, all expenses and charges of the Bond Trustee have been paid and all amounts due and owing to the Credit Facility Provider, if any, have been paid, any balance remaining shall be paid to the Persons entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Corporation.

REMOVAL OF THE BOND TRUSTEE

Subject to the Bond Indenture, the Bond Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Bond Trustee, the Corporation, the Credit Facility Provider and the Authority, and signed by the owners of a majority in aggregate principal amount of Bonds then outstanding. So long as no Event of Default has occurred and is continuing under the Bond Indenture or the Loan Agreement, the Bond Trustee may be removed for cause (including but not limited to maintaining non-competitive fees) at any time by an instrument or concurrent instruments in writing signed by the Corporation consented

to in writing by the Authority and the Credit Facility Provider and delivered to the Bond Trustee. The foregoing notwithstanding, the Bond Trustee may not be removed by the Corporation unless written notice of the delivery of such instrument or instruments signed by the Authority is mailed to the owners of all Bonds outstanding under the Bond Indenture, which notice indicates the Bond Trustee will be removed and replaced by the successor trustee named in such notice, such removal and replacement to become effective on the 90th day next succeeding the date of such notice, unless the owners of not less than ten percent (10%) in aggregate principal amount of such Bonds then outstanding under the Bond Indenture shall object in writing to such removal and replacement. Such notice shall be mailed by first class mail postage prepaid to the owners of all such Bonds then outstanding at the address of such owners then shown on the Bond Register.

DEFEASANCE

If the Authority shall pay or provide for the payment of the entire indebtedness on all Bonds (including for the purposes of the provisions of the Bond Indenture summarized under this caption, Bonds held by the Corporation) in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Bonds outstanding, as and when the same become due and payable;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys (which shall be Eligible Moneys (other than moneys described in subparagraphs (b) and (c) of the definition of Eligible Moneys) for payment of Bonds bearing interest at the Daily Rate, the Weekly Rate or the Unit Pricing Rate, or for Bank Bonds), in an amount sufficient to pay or redeem (when redeemable) all Bonds outstanding (including the payment of premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested in Defeasance Obligations which are not prepayable or callable prior to, but mature on a date on or prior to the date the moneys therefrom are anticipated to be required in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds outstanding at or before their respective maturity dates; it being understood that the investment income on such Defeasance Obligations may be used for any other purpose under the Act;

(c) by delivering to the Bond Trustee, for cancellation by it, all Bonds outstanding; or

(d) by depositing with the Bond Trustee, in trust, Defeasance Obligations which are not prepayable or callable prior to, but mature on a date on or prior to the date the moneys therefrom are anticipated to be required (purchased with Eligible Moneys (other than moneys described in subparagraphs (b) and (c) of the definition of Eligible Moneys) for payment of Bonds bearing interest at the Daily Rate or the Weekly Rate, or for Bank Bonds) in such amount as the Bond Trustee shall determine will, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, and any uninvested cash, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds outstanding at or before their respective maturity dates; provided that the Bond Trustee shall be permitted to rely upon an accountant's verification report as conclusive evidence of the sufficiency of the amount of such deposit;

and if the Credit Facility has terminated and the Authority and the Corporation shall pay or cause to be paid all other sums payable under the Bond Indenture by the Authority and all sums payable under the Reimbursement Agreement, the Bond Indenture and the estate and rights granted under the Bond Indenture shall cease, determine, and become null and void, and thereupon the Bond Trustee shall, upon Written Request of the Authority, and upon receipt by the Bond Trustee of an Officer's Certificate of the Corporation and an opinion of Independent Counsel, each addressed to the Authority, the Bond Trustee and the Credit Facility Provider, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Bond Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Bond Indenture, the Loan Agreement and all financing statements filed in connection therewith, other than the liens on and financing statements filed in connection with such liens on the Defeasance Obligations deposited. The provisions of subparagraphs (b) and (d) above shall only apply if (x) (A) such Bond matures or is called for redemption prior to the next date upon which such Bond is subject to purchase pursuant to the Bond Indenture or (B) if such Bond bears interest at a Daily Rate or Weekly Rate, the Bond Trustee, the Credit Facility Provider and the Authority receive evidence satisfactory to them that the moneys on deposit in the escrow established to advance refund such Bonds are in an amount sufficient to pay the principal of and interest on such Bonds at the Maximum Interest Rate, on any date such Bonds may be tendered during the period prior to payment in full of principal, premium, if any, and interest payable on such Bonds, in which case the tendered Bonds shall be purchased with moneys on deposit in the escrow and shall be canceled, which evidence shall be accompanied by a written notice from each Rating Agency then maintaining a rating on the Bonds to be refunded that the rating on such Bonds will not be withdrawn, suspended or reduced from the rating borne by such Bonds immediately prior to such refunding, and (y) the Corporation waives, to the satisfaction of the Bond Trustee, its right to convert the method for determining the interest rate borne by such Bond pursuant to the Bond Indenture.

The satisfaction and discharge of the Bond Indenture shall be without prejudice to the rights of the Bond Trustee to charge and be reimbursed by the Authority and the Corporation for any expenditures which it may thereafter incur in connection herewith.

Any moneys, funds, securities, or other property remaining on deposit in the Revenue Fund, Interest Fund, Bond Sinking Fund, Redemption Fund, Expense Fund or in any other fund or investment under the Bond Indenture (other than said Defeasance Obligations or other moneys deposited in trust as above provided and other than amounts on deposit in the Rebate Fund) shall, upon the full satisfaction of the Bond Indenture, forthwith be transferred, paid over and distributed to the Corporation immediately preceding such satisfaction, as their respective interests may appear.

Upon compliance with the Bond Indenture, the Authority, the Corporation or any other Member may at any time surrender to the Bond Trustee for cancellation by it any Bonds previously authenticated and delivered, which the Authority or the Members of the Obligated Group may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

In addition, if any Bonds are defeased pursuant to subparagraph (b) or (d) above, the Corporation shall also deliver or cause to be delivered the following to the Bond Trustee:

(i) report of an independent firm of nationally recognized certified public accountants or such other accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date (a “Verification”);

(ii) an escrow deposit agreement;

(iii) an opinion of Bond Counsel to the effect that the Bonds are no longer “Outstanding” under the Bond Indenture; and

(iv) a certificate of discharge of the Bond Trustee with respect to the Bonds.

Each Verification and opinion of Bond Counsel shall be acceptable in form and substance, and addressed, to the Authority and the Bond Trustee.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

REPRESENTATIONS

The Corporation represents in the Loan Agreement that it is a nonprofit public benefit corporation duly incorporated under the laws of the State, is in good standing and is duly authorized to conduct its business in the State and the Corporation has full power under all applicable laws and its Articles of Incorporation and By-laws to create, issue, enter into, execute and deliver, as applicable, the Official Statement, the Tax Certificate, the Remarketing Agreement, the Master Indenture, the Eighth Supplemental Master Indenture, Obligation No. 11 and the Loan Agreement. In addition, the Corporation represents in the Loan Agreement that the Corporation and the other Obligated Group Members is each a nonprofit public benefit corporation and (i) is a Tax-Exempt Organization, (ii) has received a letter from the Internal Revenue Service to the foregoing effect, which letter has not been modified, limited or revoked, (iii) is in compliance with all the terms, conditions and limitations (if any) contained in such letter, it being specifically represented by them that the facts and circumstances which form the basis of such letter continue to exist, (iv) is in compliance with all laws and regulations applicable to its status under the Code, and (v) is therefore exempt from federal income taxes under Section 501(a) of the Code.

ASSIGNMENT OF RIGHTS UNDER THE LOAN AGREEMENT

The Corporation acknowledges and consents to the pledge and assignment of the Loan Agreement (excluding Unassigned Rights) and payments to be made under the Loan Agreement and thereunder, and of the Authority’s rights under the Loan Agreement (excluding Unassigned Rights) to the Bond Trustee pursuant to the Bond Indenture to secure payment of the Bonds and agrees that the Bond Trustee may, on behalf of the owners of the Bonds, enforce the rights, remedies and privileges granted to the Authority under the Loan Agreement, other than the Unassigned Rights.

PAYMENTS UNDER THE LOAN AGREEMENT

Under the terms of the Loan Agreement, the Corporation agrees that the principal of, premium, if any, and interest on the Bonds shall be made payable in accordance with the provisions of the Bond Indenture and the Loan Agreement. The Corporation further agrees that the Loan Agreement and payments to be made thereunder (excluding Unassigned Rights) and thereon shall be assigned and pledged to the Bond Trustee to secure the payment of the Bonds. The foregoing notwithstanding, the Corporation agrees that the moneys and securities, if any, on deposit in the Rebate Fund and the Purchase Fund are not part of the “trust estate” and are not available to make payments of principal, premium, if any, and interest on the Bonds.

INDEMNIFICATION OF THE AUTHORITY AND THE BOND TRUSTEE

The Corporation agrees to pay, and to protect, indemnify and save the Authority and its members, the Association of Bay Area Governments and its members, the Bond Trustee and each of their respective officers, governing members, directors, officials, employees, attorneys and agents harmless from and against, any and all liabilities, losses, damages, tax penalties, costs and expenses incurred by them, all as more fully described in the Loan Agreement.

USE OF PROPERTY

The Corporation agrees to use, its senior residential and care Facilities primarily as revenue producing facilities and for related activities and only in furtherance of its lawful corporate purposes. The Corporation further covenants to operate, so as not to discriminate on a legally impermissible basis.

The Corporation further agrees that it will not use or permit to be used or permit to be used, any of its bond financed property (i) primarily for sectarian instruction or study or as a place of devotional activities or religious worship or as a facility used primarily in connection with any part of the program of a school or department of divinity for any religious denomination or the training of ministers, priests, nuns, rabbis or other similar persons in the field of religion, or (ii) in a manner which is prohibited by the establishment of religion clause of the First Amendment to the Constitution of the United States of America and the decisions of the United States Supreme Court interpreting the same or by any comparable provisions of the Constitution of the State and the decisions in the Supreme Court of the State interpreting the same.

The Corporation will permit the Authority, but the Authority shall not be obligated, to make inspections of any of its Property to determine compliance with the two preceding paragraphs. The provisions summarized in this paragraph and the immediately preceding paragraph shall remain in full force and effect notwithstanding the payment of the Bonds and all amounts due and owing under the Loan Agreement and Obligation No. 11 and the termination of the Bond Indenture and the Loan Agreement.

The covenants and agreements contained summarized under this caption need not be observed or may be changed if the Bond Trustee and the Corporation receive an Opinion of Bond Counsel to the effect that such nonobservance or change will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes or the validity of the Bonds.

INVESTMENT OF FUNDS; COMPLIANCE WITH TAX REQUIREMENTS

The Corporation covenants and agrees that moneys on deposit in any Fund under the Bond Indenture shall at all times be invested by the Bond Trustee in Qualified Investments and that the Corporation will take all actions necessary, including without limitation providing the Bond Trustee with, or causing the Bond Trustee to receive, all necessary directions in writing to assure that such moneys are continuously invested in accordance with the provisions of the Bond Indenture and the Tax Certificate. In the absence of any direction by the Corporation, moneys on deposit in any Fund under the Bond Indenture shall not be invested. The Bond Trustee is hereby authorized to trade with itself in the purchase and sale of securities as provided in the Bond Indenture until otherwise directed by the Corporation in an Officer's Certificate.

The Authority and the Corporation each agrees and covenants that it will not (i) knowingly use or permit the use of any of the funds provided by the Authority under the Loan Agreement, (ii) knowingly use or invest or permit the use or investment of any other funds of the Corporation (including, without limitation, any funds of the Corporation pledged to any Credit Facility Provider in connection with the Corporation's obligations under the Credit Facility or otherwise), directly or indirectly, (iii) direct the Bond Trustee to invest any funds held by it under the Bond Indenture, or (iv) take any other action or approve any other action, that directly or indirectly would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code, a "hedge bond" within the meaning of Section 149 of the Code, or "federally guaranteed" within the meaning of Section 149(b) of the Code; and that it will observe and not violate the requirements of Section 148 of the Code. Without limiting the generality of the foregoing, the Authority covenants that not more than fifty percent (50%) of the proceeds of the Bonds will be invested in a guaranteed investment contract with a term of four (4) years or more, or in another form of nonpurpose investment (within the meaning of Section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four (4) years or more.

In addition to the foregoing, the Authority covenants and agrees, for the benefit of the owners from time to time of the Bonds, that:

(i) it will not take any action, or omit to take any action or permit any action that is within its control to be taken or omitted, the result of which would cause or be likely to cause the interest payable with respect to any Bonds not to be excluded from gross income for federal income tax purposes;

(ii) it will comply with the requirements applicable to it contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code to the extent necessary to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes;

(iii) it will refrain from taking any action that would cause the Bonds, or any of them, not to be classified as "qualified bonds" under Section 141(e) of the Code; and

(iv) it shall complete and file Form 8038, Information Return for Tax-Exempt Private Activity Bond Issues, with respect to the Bonds, within the time period required by Section 149(e) of the Code and take any other steps necessary to comply with the information reporting requirement imposed by that section of the Code.

The Bond Trustee covenants that it will make investments of money deposited with it in any Fund in connection with the Bonds only in accordance with the terms of the Bond Indenture and with written directions of the Corporation and that it will make all payments to the United States of America to the extent moneys are available therefor in Funds held in accordance with the terms of the Bond Indenture.

CORPORATION'S OBLIGATIONS UNCONDITIONAL

The Authority and the Corporation agree that the Corporation shall bear all risk of damage, destruction or loss of title in whole or in part to its property, or any part thereof, including without limitation any loss, complete or partial, or interruption in the use, occupancy or operation of such Property, or any manner or thing which for any reason interferes with, prevents or renders burdensome, the use or occupancy of its Property or the compliance by the Corporation with any of the terms of the Loan Agreement. In furtherance of the foregoing, but without limiting any of the other provisions of the Loan Agreement, the Corporation agrees that its obligations to pay the principal, premium, if any, and interest owing under the Loan Agreement, to pay the other sums provided for in the Loan Agreement and to perform and observe its other agreements contained in the Loan Agreement shall be absolute and unconditional and that the Corporation shall not be entitled to any abatement or diminution thereof nor to any termination of the Loan Agreement for any reason whatsoever. Under no circumstances shall payments on the Bonds made pursuant to payments by the Credit Facility Provider under the Credit Facility diminish, abate or otherwise discharge the obligations of the Corporation under the Loan Agreement.

EXCHANGE OF BONDS

In the event the Act or the Authority created thereunder is determined to be unconstitutional under the laws of the State or under the laws of the United States of America, and as a result thereof, the Bonds issued by the Authority are declared to be invalid and unenforceable, then the Corporation agrees that it will issue its own bonds (the interest on which may not be exempt from federal income tax) in exchange for an amount of Bonds equal to the then outstanding Bonds, principal amount for principal amount, having the same rates of interest, maturity, redemption provisions and prepayment provisions as are then applicable to the Bonds being exchanged. The bonds to be issued by the Corporation will be issued under an indenture having substantially the same terms and provisions as the Bond Indenture and the Loan Agreement and such bonds of the Corporation will be issued thereunder in exchange for an amount of Bonds equal to the Bonds surrendered by the registered owners thereof. Notice of any such exchange shall be given as provided for redemption of the Bonds under the Bond Indenture and the expenses of such exchange, including the printing of the bonds and other reasonable expenses in connection therewith, shall be borne by the Corporation.

DISCHARGE OF ORDERS

The Corporation covenants to cause any order, writ or warrant of attachment, garnishment, execution, replevin or similar process filed against any part of the funds or accounts held by the Bond Trustee under the Bond Indenture to be discharged, vacated, bonded or stayed within 90 days after such filing (which 90-day period shall be extended for so long as the Corporation is contesting such process in good faith), but, notwithstanding the foregoing, in any

event not later than five days prior to any proposed execution or enforcement with respect to such filing or any transfer of moneys or investments pursuant to such filing.

DEPOSITS TO THE DEBT SERVICE RESERVE FUND

The Corporation agrees to deposit into the Debt Service Reserve Fund an amount (which may consist of cash and/or the Qualified Investments permitted under the Bond Indenture) or a letter of credit or a surety bond policy sufficient to cause the amount in the Debt Service Reserve Fund to equal to the Debt Service Reserve Fund Requirement as required under the Bond Indenture.

CREDIT FACILITY; SUBSTITUTE CREDIT FACILITY

While any Bonds bear interest at the Daily Rate, the Weekly Rate or the Unit Pricing Rate, the Corporation shall furnish a Credit Facility (or, if a Credit Facility is then in existence, a Substitute Credit Facility in substitution for the Credit Facility then in effect if permitted by the Credit Facility then in effect) to the Bond Trustee authorizing the Bond Trustee to draw funds to pay the principal of, accrued interest on and purchase price of the Bonds bearing interest at the Daily Rate or the Weekly Rate. Any Credit Facility (or Substitute Credit Facility) shall be a facility provided by a Credit Facility Provider in an amount equal to the Required Stated Amount for such Bonds with a term of at least 360 days from the effective date thereof.

The Corporation shall give at least 60 days' written notice to the Bond Trustee of (1) its intent to furnish a Credit Facility or Substitute Credit Facility to the Bond Trustee, which notice shall specify the nature of such Credit Facility, the identity of the Credit Facility Provider, the Bonds to have the benefit of the Credit Facility, and the proposed effective date and scheduled termination date of the Credit Facility and (2) its intent to terminate a Credit Facility then in effect, which notice shall specify the proposed termination date for such Credit Facility.

SUPPLEMENTS AND AMENDMENTS TO THE LOAN AGREEMENT

The Corporation, with the consent of the Authority, the Credit Facility Provider and the Bond Trustee may from time to time enter into such supplements and amendments to the Loan Agreement as to them may seem necessary or desirable to effectuate the purposes or intent of the Loan Agreement; provided, however, that no such amendment shall be effective if not adopted in accordance with the terms of the Bond Indenture. An executed copy of any of the foregoing amendments, changes or modification shall be filed with the Bond Trustee. The Bond Trustee may grant such waivers of compliance by the Corporation with provisions of the Loan Agreement as to which the Bond Trustee may deem necessary or desirable to effectuate the purposes or intent of the Loan Agreement and which, in the opinion of the Bond Trustee, do not have a material adverse effect upon the interests of the Bondholders, provided that the Bond Trustee shall file with the Authority any and all such waivers granted by the Bond Trustee within three (3) business days thereof.

DEFAULTS AND REMEDIES

The occurrence and continuance of any of the following events shall constitute an "event of default" under the Loan Agreement:

(a) failure of the Corporation to pay any installment of interest, principal or premium under the Loan Agreement or on Obligation No. 11 or any other payment required by the Loan Agreement when the same shall become due and payable, whether upon a scheduled Interest Payment Date, on a Maturity Date, upon any date fixed for prepayment, upon acceleration or otherwise; or

(b) failure of the Corporation to comply with or perform any of the covenants, conditions or provisions of the Loan Agreement, or failure of the Corporation or any other Obligated Group Member to comply with or perform any of the covenants, conditions or provisions of the Tax Certificate and to remedy such default within 30 days after written notice thereof from the Authority or the Bond Trustee to the Corporation; provided that, if such default cannot with due diligence and dispatch be wholly cured within 30 days but can be wholly cured, the failure of the Authority, the Corporation or the Bond Trustee to remedy such default within such 30 day period shall not constitute a default under the Loan Agreement if any of the foregoing shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch; or

(c) any representation or warranty made by the Corporation in the Loan Agreement or in any statement or certificate, furnished to the Authority or the Bond Trustee or the purchaser of any Bonds in connection with the sale of Bonds or furnished by the Corporation pursuant thereto proves untrue in any material respect as of the date of the issuance or making thereof and shall not be corrected or brought into compliance within 30 days after written notice thereof to the Corporation by the Authority or the Bond Trustee; or

(d) any Event of Default shall occur under the Bond Indenture; or

(e) the Corporation admits insolvency or bankruptcy or its inability to pay its debts as they mature, or is generally not paying its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for the Corporation, or for the major part of its property; or

(f) a trustee, custodian or receiver is appointed for the Corporation or for the major part of its property and is not discharged within 60 days after such appointment; or

(g) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against the Corporation (other than bankruptcy proceedings instituted by the Corporation against third parties), and if instituted against the Corporation are allowed against the Corporation or are consented to or are not dismissed, stayed or otherwise nullified within 60 days after such institution.

The Corporation will give Immediate Notice to the Authority and the Bond Trustee of any Event of Default described in (d) through (g).

Upon the occurrence and during the continuance of any event of default under the Loan Agreement and subject to compliance with the Loan Agreement, the Authority shall have the

following rights and remedies, in addition to any other remedies in the Loan Agreement or by law provided:

(A) The Bond Trustee, as assignee of the Authority, may, with the written consent of the Credit Facility Provider and shall, at the written direction of the Credit Facility Provider, by written notice to the Master Trustee, declare Obligation No. 11 immediately due and payable.

(B) The Bond Trustee, as assignee of the Authority, may in its discretion, with the written consent of the Credit Facility Provider, and shall, upon indemnification to its satisfaction and upon the written direction of the Credit Facility Provider, with or without entry, personally or by attorney, proceed to protect and enforce its rights by pursuing any available remedy including a suit or suits in equity or at law, whether for damages or for the specific performance of any obligation, covenant or agreement contained in the Loan Agreement, or in aid of the execution of any power granted in the Loan Agreement, or for the enforcement of any other appropriate legal or equitable remedy, as the Bond Trustee shall deem most effectual to collect the payments then due and thereafter to become due on Obligation No. 11 or to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Loan Agreement, or to protect and enforce any of the Authority's rights or duties under the Loan Agreement. With regard to the Deed of Trust, the exercise of any remedies are subject to provisions of the Bond Indenture, as applicable.

APPENDIX B

FORM OF BOND COUNSEL OPINION

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April __, 2008

Eskaton Properties, Incorporated
5105 Manzanita Avenue
Carmichael, California 95608

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

The Bank of New York Trust Company, N.A.
Corporate Trust Department
700 South Flower Street, Suite 500
Los Angeles, California 90017

Re: \$23,500,000 ABAG Finance Authority for Nonprofit Corporations
Variable Rate Demand Revenue Refunding Bonds
(Eskaton Properties, Incorporated), Series 2008A

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 \$23,500,000 Variable Rate Demand Revenue Refunding Bonds (Eskaton Properties, Incorporated), Series 2008A (the “Bonds”).

All capitalized terms used herein and not otherwise defined shall have the same meanings as ascribed to them under the Bond Trust Indenture (the “Indenture”) between the Issuer and The Bank of New York Trust Company, N.A., as trustee (the “Trustee”), dated as of April 1, 2008.

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 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 the date set forth in the Indenture, and bear interest on the outstanding principal balance thereof, from the date thereof, at the interest rates described in the Indenture. The Bonds are subject to mandatory and optional tender and mandatory and optional redemption 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 Eskaton Properties, Incorporated (the "Borrower") to the Issuer under a Loan Agreement (the "Agreement") between the Issuer and the Borrower, dated as of April 1, 2008, and from certain other sources, as more particularly described in the Indenture. The Issuer's rights under the Agreement (with certain exceptions) have been assigned to the Trustee pursuant to the terms of the Indenture.

The Bonds are being issued to (i) refund certain outstanding indebtedness and (ii) pay certain expenses incurred in connection with the issuance of the Bonds, as more particularly described in the Indenture and the 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 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 certified copies of a resolution adopted by the Issuer on April 7, 2008, authorizing the issuance of bonds in support of the Borrower (the "Issuer Resolution") and the resolutions adopted by the Board of Directors of the Borrower and executed copies of the Indenture, the Agreement, the Tax Certificates dated as of April 1, 2008, executed by the Issuer and the Borrower, respectively, 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 covenant of the Borrower to comply with the applicable requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A 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.

In addition to the foregoing, we have examined and relied upon the opinion dated the date hereof of Hefner, Stark & Marois, LLP 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, 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 has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery thereof by the other parties thereto, is a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms.

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

(3) Under existing law, the interest on the Bonds is excluded from gross income of the holders thereof for federal income tax purposes and is exempt from State of California personal income taxes. Moreover, such interest will not be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed by the Code; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax.

The opinions expressed in the preceding paragraph are conditioned upon compliance by the Issuer, the Borrower and the Trustee with their covenants relating to certain arbitrage rebate and other tax requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code (including, without limitation, their covenants to comply with the requirements contained in Section 148 of the Code), to the extent necessary to preserve the exclusion of interest on the Bonds from gross income of the holders thereof for federal income tax purposes. Failure of the Issuer, the Borrower and/or the Trustee to comply with such requirements could cause the interest on the Bonds to be included in gross income of the holders thereof for federal income tax purposes retroactive to the date of issuance of the Bonds.

Notwithstanding the foregoing, we express no opinion as to whether a conversion from one interest Mode to another interest Mode with respect to the Bonds will adversely affect the exclusion from gross income of interest on the Bonds for

federal income tax purposes. The Indenture requires a favorable opinion of nationally recognized Bond Counsel with regard to such matters before any such conversion or change may be made.

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

Our opinions expressed herein are predicated upon present laws and interpretations thereof. We assume no affirmative obligation with respect to any change of circumstances, laws or interpretations thereof 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.

All opinions as to legal obligations of the Issuer and the Borrower set forth above are subject to and limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws, in each case relating to or affecting the enforcement of creditors' rights, (ii) applicable laws or equitable principles that may affect remedies or injunctive or other equitable relief, and (iii) other applicable laws that may affect remedies, but do not, in our opinion, materially impair the practical realization of available remedies or the benefits or security of the parties entitled thereto.

This opinion shall not be deemed or treated as an offering circular, prospectus or official statement, and is not intended in any way to be a disclosure document used in connection with the sale or delivery of the Bonds.

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. We have not been engaged nor have we undertaken to review or verify and therefore express no opinion as to the accuracy, adequacy, fairness, completeness or sufficiency of any information or material that may have been used in the offering or placement of the Bonds. In addition, we have not passed upon and therefore express no opinion as to the compliance by the Issuer, the Borrower, 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 rulings with respect to the offer, sale or distribution of the Bonds.

Sincerely yours,

HOLLAND & KNIGHT LLP

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

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APPENDIX C

Book-Entry Only System

The information provided in this APPENDIX C has been provided by DTC. No representation is made by the Authority, the Underwriter, the Bond Trustee, the Borrower or the Initial Credit Facility Provider as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date of this Official Statement.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Borrower ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Borrower and Fixed Income Clearing Borrower, all of which are registered clearing agencies. DTC 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.

Purchases of Bonds under the Book-Entry 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 Series 2008A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the Book-Entry System for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration

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

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

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

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

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Bond Trustee on the 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 Bond Trustee, the Authority or the Borrower, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Bond Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

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

DTC may discontinue providing its services as securities depository with respect to Bonds at any time by giving notice to the Authority and the Bond Trustee. Under such circumstances, in the event that

a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

While the Bonds are in the Book-Entry System, reference in this Official Statement to owners of such Bonds should be read to include any person for whom a Participant acquires an interest in the Bonds, but (i) all rights of ownership, as described herein, must be exercised through DTC and the Book-Entry System and (ii) notices that are to be given to registered owners by the Bond Trustee will be given only to DTC. DTC is required to forward (or cause to be forwarded) the notices to the Participants by its usual procedures so that such Participants may forward (or cause to be forwarded) such notices to the Beneficial Owners.

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