

In the opinion of Holland & Knight LLP, Bond Counsel, under existing law and assuming compliance with certain arbitrage rebate and other tax requirements referred to herein, interest on the Bonds is excluded from gross income for federal 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.



\$35,440,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
Revenue Bonds
(Jewish Home of San Francisco Project), Series 2005

Dated: Date of Delivery**Price: 100%****Due: November 15, 2035**

The Bonds are being issued pursuant to an Indenture, dated as of December 1, 2005 (the "Indenture"), between the ABAG Finance Authority for Nonprofit Corporations (the "Authority") and Wells Fargo Bank, National Association, as trustee (the "Trustee"), for the benefit of Hebrew Home for Aged Disabled dba Jewish Home of San Francisco (the "Borrower"). The Authority will loan the proceeds of the Bonds to the Borrower pursuant to a Loan Agreement, dated as of December 1, 2005 (the "Loan Agreement"), between the Authority and the Borrower to: (i) finance costs of the acquisition, renovation and equipping of a facility to be used by the Borrower in connection with its provision of senior residential and care services, (ii) pay certain costs of issuance of the Bonds, all as more fully described herein and (iii) fund a portion of capitalized interest on the Bonds. The Bonds are payable by the Trustee from the Revenues pledged under the Indenture as described herein, which generally consist of loan repayments required to be made by the Borrower under the Loan Agreement.

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

The Bonds will initially bear interest at a Daily Rate and while in a Daily Rate Period will be available in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof. During a Daily Rate Period, interest is payable on the fifth Business Day of each month, commencing January 9, 2006. The Bonds may be converted to a different Rate Period as described herein. See "The Bonds - Terms of the Bonds - Adjustment of Rate Periods" herein.

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

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



(the "Initial Credit Provider"). The Initial Credit Facility will expire on December 13, 2010 (the "Expiration Date"), unless extended or terminated prior thereto as described herein.

THE BONDS ARE BEING OFFERED SOLELY ON THE BASIS OF THE INITIAL CREDIT FACILITY AND THE FINANCIAL STRENGTH OF THE INITIAL CREDIT PROVIDER AND ARE NOT BEING OFFERED ON THE BASIS OF THE FINANCIAL STRENGTH OF THE ISSUER OR ANY OTHER SECURITY. THIS OFFICIAL STATEMENT DOES NOT DESCRIBE THE FINANCIAL STRENGTH OF THE ISSUER OR THE BORROWER. THE BONDS ARE SUBJECT TO ACCELERATION OF MATURITY, AT THE ELECTION OF THE INITIAL CREDIT PROVIDER, UPON THE OCCURRENCE OF AN EVENT OF DEFAULT UNDER THE INITIAL CREDIT AGREEMENT. BECAUSE THE INITIAL CREDIT AGREEMENT CONTAINS REFERENCES TO FINANCIAL COVENANTS AFFECTING THE BORROWER NOT SUMMARIZED IN THIS OFFICIAL STATEMENT, PROSPECTIVE INVESTORS WILL NOT BE ABLE TO EVALUATE THE LIKELIHOOD OF AN EVENT OF DEFAULT UNDER THE INITIAL CREDIT AGREEMENT AND THE CORRESPONDING LIKELIHOOD THAT PAYMENT OF THE BOND WOULD BE ACCELERATED.

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

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

The Bonds are offered when, as and if received by the Underwriter, subject to prior sale and to the approval of validity by Holland & Knight LLP, Bond Counsel. Certain legal matters will be passed upon for the Borrower by its counsel, Steefel Levitt & Weiss, San Francisco, California, for the Authority by Jones Hall, San Francisco, California, for the Underwriter by its counsel, Foley & Lardner LLP, San Francisco, California and for the Initial Credit Provider by its counsel, Heller Ehrman LLP, New York, New York. It is expected that the Bonds in definitive form will be available for delivery to the Underwriter via DTC on or about December 13, 2005.

CAIN BROTHERS

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

The information set forth in this Official Statement regarding the Authority under the captions “THE AUTHORITY” and “ABSENCE OF MATERIAL 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 other sources deemed by the Underwriter to be reliable, and is not to be construed as a representation by the Authority or the Underwriter. The Authority has not reviewed or approved any information in this Official Statement except information relating to the Authority under the captions “THE AUTHORITY” and “ABSENCE OF MATERIAL 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 or the Borrower since the date hereof (or since the date of any other information dated other than the date hereof).

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

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

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

\$35,440,000

**ABAG Finance Authority for Nonprofit Corporations
Revenue Bonds
(Jewish Home of San Francisco Project), Series 2005**

INTRODUCTORY STATEMENT

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

General

This Official Statement, including the cover page and Appendices hereto (the "Official Statement"), is provided to furnish information with respect to the sale and delivery of \$35,440,000 aggregate principal amount of ABAG Finance Authority for Nonprofit Corporations Revenue Bonds (Jewish Home of San Francisco Project), Series 2005 (the "Bonds"), which are being issued by the ABAG Finance Authority for Nonprofit Corporations (the "Authority") for the benefit of Hebrew Home for Aged Disabled dba Jewish Home of San Francisco, a California nonprofit public benefit corporation (the "Borrower"), pursuant to an Indenture, dated as of December 1, 2005 (the "Indenture"), between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Wells Fargo Bank, National Association, is also acting as tender agent for the Bonds (the "Tender Agent"). The proceeds of the Bonds will be loaned to the Borrower by the Authority pursuant to a Loan Agreement, dated as of December 1, 2005 (the "Loan Agreement"), between the Authority and the Borrower.

Application of Proceeds

The proceeds of the Bonds will be applied (i) to finance costs of the acquisition, renovation and equipping of a facility to be used by the Borrower in connection with its provision of senior residential and care services, (ii) to pay certain costs of issuance of the Bonds and (iii) to fund a portion of capitalized interest on the Bonds. See "THE PROJECT" and "THE BORROWER" herein.

The Initial Credit Facility

The Bonds will be issued as variable rate bonds initially bearing interest at a Daily Rate. While the Bonds are in a Daily Rate Period, payment of the principal, Purchase Price of, and interest on the Bonds will be supported initially by an irrevocable, direct-pay letter of credit (the "Initial Credit Facility") being issued by Allied Irish Banks p.l.c. (the "Initial Credit Provider") pursuant to and subject to the terms of a Letter of Credit Reimbursement Agreement, dated as of December 13, 2005 (the "Initial Credit Agreement"), between the Borrower and the Initial Credit Provider. The Initial Credit Facility will permit the Trustee, in accordance with the terms thereof, to draw in the maximum amount of \$35,999,273 of which (a) up to the amount of \$35,440,000 shall support the payment of principal or the portion of the Purchase Price corresponding to principal of the Bonds, and (b) up to the amount of \$559,273 shall support the payment of up to 48 days' accrued interest computed at the maximum rate of twelve percent (12%) per annum on the basis of a 365-day year or a portion of the Purchase Price corresponding to accrued interest on the Bonds. The Initial Credit Facility will expire on December 13, 2010, unless extended or earlier terminated pursuant to its provisions as more fully described herein and may, under certain circumstances, be replaced by an Alternate Credit Facility. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Initial Credit Facility" and "The Alternate Credit Facility" and "THE INITIAL CREDIT PROVIDER, THE INITIAL CREDIT FACILITY AND THE INITIAL CREDIT AGREEMENT – The Initial Credit Facility" herein.

So long as a Credit Facility is in effect, the Credit Provider providing such Credit Facility shall control the exercise of the rights and remedies of the Holders of the Bonds in the event of a default. See “THE INITIAL CREDIT PROVIDER, THE INITIAL CREDIT FACILITY AND THE INITIAL CREDIT AGREEMENT – The Initial Credit Agreement” herein.

THE BONDS ARE BEING OFFERED SOLELY ON THE BASIS OF THE INITIAL CREDIT FACILITY AND THE FINANCIAL STRENGTH OF THE INITIAL CREDIT PROVIDER AND ARE NOT BEING OFFERED ON THE BASIS OF THE FINANCIAL STRENGTH OF THE ISSUER OR ANY OTHER SECURITY. THIS OFFICIAL STATEMENT DOES NOT DESCRIBE THE FINANCIAL STRENGTH OF THE ISSUER OR THE BORROWER. THE BONDS ARE SUBJECT TO ACCELERATION OF MATURITY, AT THE ELECTION OF THE INITIAL CREDIT PROVIDER, UPON THE OCCURRENCE OF AN EVENT OF DEFAULT UNDER THE INITIAL CREDIT AGREEMENT. BECAUSE THE INITIAL CREDIT AGREEMENT CONTAINS REFERENCES TO FINANCIAL COVENANTS AFFECTING THE BORROWER NOT SUMMARIZED IN THIS OFFICIAL STATEMENT, PROSPECTIVE INVESTORS WILL NOT BE ABLE TO EVALUATE THE LIKELIHOOD OF AN EVENT OF DEFAULT UNDER THE INITIAL CREDIT AGREEMENT AND THE CORRESPONDING LIKELIHOOD THAT PAYMENT OF THE BOND WOULD BE ACCELERATED.

Investment Considerations

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

THE BONDS

Terms of the Bonds

The Bonds will be issued and delivered in the aggregate principal amount set forth on the cover page of this Official Statement, will be dated their date of initial delivery, will mature on November 15, 2035 and will be issued in fully registered form in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The Bonds will bear interest from and including the their Date of Delivery to but excluding the date of payment in full thereof (whether at maturity, upon redemption or acceleration or otherwise) and will initially bear interest at a Daily Rate. While the Bonds bear interest at a Daily Rate, interest will be calculated on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed.

The Bonds will be transferable and exchangeable as set forth in the Indenture and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. See APPENDIX B - “BOOK-ENTRY SYSTEM” herein. So long as Cede & Co. is the registered owner of the Bonds, principal and Purchase Price of, premium, if any, and interest on, the Bonds shall be payable by wire transfer to Cede & Co., as nominee for DTC, which, in turn, will remit such amounts to the DTC Participants (as such term is defined in Appendix B hereto) for subsequent disbursement to the Beneficial Owners. In addition, so long as Cede & Co. is the registered owner of the Bonds, the right of any Beneficial Owner to exercise its right to tender its interest in any Bond for purchase and receive payment therefor will be based only upon and subject to the procedures and limitations of the book-entry only system described in APPENDIX B - “BOOK-ENTRY SYSTEM.”

Determination of Interest Rate on Bonds. Interest on the Bonds will initially be calculated based on a Daily Rate. The Daily Rate shall be determined from time to time as provided in the Indenture; provided, that no Bond (other than a Credit Provider Bond which shall bear interest as provided in the applicable Credit Agreement) shall bear interest at a rate exceeding the Maximum Interest Rate.

The interest rate on the Bonds for each Daily Rate Period shall be determined by the remarketing agent appointed by the Borrower pursuant to the provisions of the Indenture. The Borrower has appointed Cain Brothers & Company, LLC and J.P. Morgan Securities Inc. to serve as the initial remarketing agents (collectively, together with any successor(s) thereto, the "Remarketing Agent") for the Bonds and will enter into a Remarketing Agreement, dated as of December 1, 2005, with the Remarketing Agent. During each Daily Rate Period, the Bonds shall bear interest at the Daily Rate, determined by the Remarketing Agent either on each Business Day for such Business Day or on the preceding Business Day for the Business Day succeeding such date of determination and as may be determined by the Remarketing Agent for any date that is not a Business Day on any such day during which there shall be active trading in Tax-Exempt obligations comparable to such Bonds for such day. The Daily Rate shall be the rate determined by the Remarketing Agent (based on the examination of Tax-Exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the lowest rate which would enable the Remarketing Agent to sell the Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If the Remarketing Agent shall not have determined a Daily Rate for any day, the Daily Rate shall be the same as the Daily Rate for the immediately preceding day. In no event shall the Daily Rate be greater than the Maximum Interest Rate.

Payment of Interest on Bonds During Daily Rate Period. Interest on each Bond bearing interest at the Daily Rate shall be payable on the Fifth Business Day of each calendar month, commencing January 9, 2006, to the registered owner whose name appears on the registration books maintained by the Trustee as of the close of business on the applicable Record Date, which shall be the last day of the month whether or not such day is a Business Day during any Daily Rate Period. Interest with respect to Bonds in the Daily Rate Period shall accrue from the first day of the month preceding such Interest Payment Date through and including the last day of such month unless such Bond is registered and authenticated before the Record Date for the first Interest Payment Date, in which event it shall bear interest from the Date of Delivery; provided, however, that if, as shown by the records of the Trustee, interest on the Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for registration of transfer or exchange shall bear interest from the last date to which interest has been paid in full or duly provided for on the Bonds, or, if no interest has been paid or duly provided for on the Bonds, from the Date of Delivery. Payment of the interest on any Bond shall be made to the person appearing on the bond registration books of the Trustee as the Bondholder thereof on the Record Date, such interest to be paid by the Trustee to such Bondholder (i) by check mailed by first class mail on the Interest Payment Date, to such Bondholder's address as it appears on the registration books, or (ii) upon written request at least three (3) Business Days prior to the applicable Record Date of the Bondholder of Bonds aggregating not less than \$1,000,000 in principal amount, by wire transfer in immediately available funds at an account maintained in the United States at such wire address as such Bondholder shall specify in its written notice (any such written request shall remain in effect until rescinded in writing by such Bondholder); except, in each case, that, if and to the extent that there shall be a default in the payment of the interest due on such Interest Payment Date, such defaulted interest shall be the rate on the Bonds on the day before such default occurred, and such defaulted interest shall be paid to the Bondholder in whose name any such Bonds are registered at the close of business on the fifth Business Day next preceding the date of payment of such defaulted interest.

Adjustment of Rate Periods. Pursuant to the provisions of the Indenture, from time to time, the Borrower may convert the Bonds from one Rate Period to a different Rate Period which may include a Daily Rate Period, a Term Rate Period, a Variable Term Rate Period and an Auction Rate Period.

Following is a discussion of adjustment of Bonds to other Rate Periods.

Adjustment to Weekly Rate. By written notice to the Authority, the Trustee and any Credit Provider and Marketing Party, the Borrower may at any time elect that the Bonds bearing interest at a Daily Rate be adjusted to bear interest at a Weekly Rate. Such notice shall specify the effective date of such adjustment to a Weekly Rate, which shall be a Business Day not earlier than the fifteenth day following the third Business Day after the date of receipt by the Trustee of such notice (or such shorter period after the date of such receipt as shall be acceptable to the Trustee); provided, however, that if prior to the Borrower's making such election, any Bonds shall have been called for redemption and such redemption shall not have theretofore been effected, the effective date of such Weekly Rate Period shall not precede such redemption date. The Trustee shall give notice by mail of an adjustment to a Weekly Rate Period to the Holders not less than fifteen (15) prior to the effective date of such Weekly Rate Period. Such notice shall state (1) that the interest rate on the Bonds will be adjusted to a Weekly Rate, (2) the

effective date of such Weekly Rate Period, (3) that the Bonds are subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, and (5) that the Holders do not have the right to retain their Bonds on such effective date.

Adjustment to or Continuation of Term Rate. By written notice to the Authority, the Trustee and any Credit Provider and Marketing Party, the Borrower may at any time elect that the Bonds bearing interest at a Daily Rate (in an amount which is an Authorized Denomination for the new Rate Period) be adjusted to bear interest at a Term Rate. Such notice shall specify the effective date of the Term Rate Period, which shall be a Business Day not earlier than the thirtieth day following the seventh Business Day after the date of receipt by the Trustee of such notice (or such shorter period after the date of such receipt as shall be acceptable to the Trustee); provided, however, that if prior to the Borrower's making such election, any Bonds shall have been called for redemption and such redemption shall not have theretofore been effected, the effective date of such Term Rate Period shall not precede such redemption date.

Such notice of adjustment to a Term Rate Period (1) shall also specify the duration of the Term Rate Period selected and the last day of such Term Rate Period, (2) may specify two or more consecutive Term Rate Periods and the duration of each such Term Rate Period, (3) may elect that such Term Rate Period shall be automatically renewed for successive Term Rate Periods each having the same duration as the Term Rate Period so specified; provided, however that if the last day of any such successive Term Rate Period shall not be a day immediately preceding a Business Day, then such successive Term Rate Period shall end on the first day immediately preceding the Business Day succeeding such day, or if such day would be after the day preceding the maturity date of such Bonds, such succeeding Term Rate Period shall end on the day preceding the maturity date of the Bonds, and (4) subject to the compliance with the provisions of the Indenture, may specify for such Term Rate Period(s) optional redemption provisions, prices and periods different from those set out in the Indenture.

The notice of adjustment described in the immediately preceding paragraph shall be accompanied by an opinion of Bond Counsel to the effect that the adjustment to such Term Rate Period (a) is authorized or permitted by the Indenture, and (b) will not, in and of itself, adversely affect the tax-exempt status of interest on the Bonds. In addition, if the Borrower shall elect automatic renewals of the Term Rate Period as described in the preceding paragraph, the opinion of Bond Counsel described in the preceding sentence shall also contain an opinion to the effect that such continuing automatic renewals of such Term Rate Period (a) are authorized or permitted by the Indenture, and (b) will not, in and of themselves, adversely affect the tax-exempt status of interest on the Bonds. If the Borrower elects automatic renewals of the Term Rate Period as described in clause (3) of the immediately preceding paragraph, no opinion of Bond Counsel shall be required in connection with the commencement of each successive Term Rate Period determined in accordance with such election.

The Trustee shall give notice by mail of an adjustment to or continuation of a Term Rate Period to the Holders not less than thirty (30) days prior to the effective date of such Term Rate Period. Such notice shall state (1) that the interest rate on the Bonds will be adjusted to a Term Rate, (2) the effective date of the Term Rate Period, (3) that the Bonds shall be subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, and (5) that the Holders do not have the right to retain their Bonds on such effective date.

Adjustment to Variable Term Rates. By written notice to the Authority, the Trustee and any Credit Provider and Marketing Party and within certain restrictions of the Indenture, the Borrower may at any time elect that the Bonds bearing interest at a Daily Rate shall be adjusted to bear interest at Variable Term Rates. Such notice (1) shall specify the effective date of the Variable Term Rate Period during which the Bonds shall bear interest at Variable Term Rates, which shall be a Business Day not earlier than the fifteenth day following the third Business Day after the date of receipt by the Trustee of such notice (or such shorter period after the date of such receipt as shall be acceptable to the Trustee); provided, however, that if prior to the Borrower making such election any of the Bonds shall have been called for redemption and such redemption shall not have theretofore been effected, the effective date of such Variable Term Rate Period for the Bonds shall not precede such redemption date and (2) shall be accompanied by an opinion of Bond Counsel to the effect that such adjustment (a) is authorized or permitted by the Indenture and (b) will not, in and of itself, adversely affect the tax-exempt status of interest on the Bonds.

The Trustee shall give notice by mail of an adjustment to a Variable Term Rate Period to the Holders not less than fifteen (15) days prior to the effective date of such Variable Term Rate Period. Such notice shall state (1)

that the interest rate on the Bonds will be adjusted to Variable Term Rates, (2) the effective date of such Variable Term Rate Period, (3) that the Bonds are subject to mandatory tender for purchase on the effective date of such Variable Term Rate Period, (4) the procedures for such mandatory tender, and (5) that the Holders do not have the right to retain their Bonds on such effective date.

Adjustment to Auction Rate Period. At the option of the Borrower, the interest rate on the Bonds may be adjusted from a Daily Rate Period to an Auction Rate Period. Any such adjustment shall be made as follows:

(1) In any such adjustment from a Daily Rate Period, the Auction Rate Adjustment Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Daily Rate Period from which the adjustment is to be made.

(2) Not later than 5:00 p.m., New York City time, on the date of determination of the Auction Rate, the Broker-Dealer shall notify the Trustee, the Borrower and the Auction Agent of the Auction Rate by telephone, promptly confirmed in writing.

(3) The Borrower may revoke its election to effect an adjustment of the interest rate on the Bonds to an Auction Rate by giving written notice of such revocation to the Trustee, the Authority and any Credit Provider and Marketing Party at any time prior to the setting of the Auction Rate by the Broker-Dealer.

(4) No Bonds may be converted to the Auction Rate when the Bonds are not held by a Securities Depository in book-entry form.

The Borrower shall give written notice of any adjustment to an Auction Rate to the Authority, the Trustee and any Credit Provider and Marketing Party, not less than seven (7) Business Days prior to the date on which the Trustee is required to notify the Holders of the adjustment pursuant to the provisions of the Indenture described in the paragraph below. Such notice shall specify the Auction Rate Adjustment Date and the length of the initial Auction Period. Together with such notice, the Borrower shall file with the Trustee an opinion of Bond Counsel to the effect that the adjustment of the Bonds to an Auction Rate Period (a) is authorized or permitted by the Indenture and (b) will not, in and of itself, adversely affect the tax-exempt status of interest on the Bonds. No such change to an Auction Rate Period shall become effective unless the Borrower shall also file with the Trustee an opinion of Bond Counsel to the same effect dated the Auction Rate Adjustment Date.

Not less than fifteen (15) days prior to the Auction Rate Adjustment Date, the Trustee shall mail a written notice of the adjustment to the Holders.

Redemption

General. The Bonds shall be subject to redemption prior to their stated maturity in Authorized Denominations (solely with Available Moneys if the Credit Facility is in effect) upon the terms set forth below.

Optional Redemption. During any Daily Rate Period, the Bonds shall be subject to redemption prior to the maturity thereof upon prepayment of the Loan Repayments at the option of the Borrower, in whole, or in part in Authorized Denominations, on any Business Day at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the date of redemption. See "OPTIONAL REDEMPTION SCHEDULE" below.

Mandatory Redemption. The Bonds shall be subject to redemption in whole not later than fifteen (15) days after receipt by the Trustee from the Credit Provider for such Bonds of notice of the occurrence of an event of default under the Credit Agreement and requesting that the Trustee give notice of mandatory redemption of the Bonds.

Selection of Bonds for Redemption. In the event of redemption upon optional prepayment by the Borrower of its Loan Repayments, the Trustee will call for redemption Bonds of the maturity directed by the

Borrower. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of any Series and/or maturity, the Trustee shall select the Bonds to be redeemed from all Bonds of such Series and/or maturity or such given portion thereof not previously called for redemption in any manner which the Trustee in its sole discretion shall deem appropriate; provided, however, that Credit Provider Bonds shall be the first Bonds selected for redemption.

Notice of Redemption. Notice of optional redemption shall be mailed by first class mail not less than fifteen (15) days prior to such redemption date and notice of mandatory redemption shall be mailed by first class mail not less than five (5) days prior to the redemption date, to the respective Holders of any Bonds designated for redemption at their addresses on the registration books maintained by the Trustee. Each notice of redemption shall state the redemption date, the place or places of redemption, the CUSIP number(s), if less than all of the Bonds are to be redeemed, the distinctive number(s) of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the principal thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither failure to receive such notice nor any defect therein shall affect the sufficiency of such redemption.

With respect to any notice of redemption of Bonds at the option of the Borrower, unless upon the giving of such notice such Bonds shall be deemed to have been paid within the meaning of the Indenture, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of and premium, if any, and interest on such Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such amounts were not so received.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds (or portions thereof) so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, except for payment of particular Bonds for which moneys are being held by the Trustee which moneys shall be pledged to such payment, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said principal and interest accrued to the date fixed for redemption.

Optional Tender for Purchase

During any Daily Rate Period, any Bond, or portion thereof in an Authorized Denomination, shall be purchased on any Business Day at the Purchase Price thereof, upon (i) receipt by the Tender Agent of an irrevocable notice in writing or by telephone confirmed in writing to the Tender Agent at its Principal Office, by no later than 11:00 a.m., New York City time, on any Business Day, which states the principal amount of such Bond to be tendered for purchase and the Purchase Date, and (ii) receipt of such Bond tendered for purchase to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in a form satisfactory to the Tender Agent, executed in blank by the Holder thereof with the signature of such Holder guaranteed by a guarantor institution participating in a guarantee program acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date. If any Bond is to be purchased in part, the amount so purchased and the amount not so purchased must each be an Authorized Denomination.

“Purchase Price” of any Bond means the principal amount thereof, plus accrued interest to, but not including, the Purchase Date; provided, however, that if the Purchase Date is an Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Bond shall be paid to the Holder of such Bond pursuant to the Indenture.

The Tender Agent shall accept any notice of optional tender pursuant to the provisions of the Indenture described under this subcaption from any beneficial owner of any Bond held in book-entry form, or any nominee of such beneficial owner, but shall make payment of the Purchase Price thereof only to the registered owner of such Bond.

Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond in a Daily Rate Period is held in book-entry form, such Bond need not be delivered in connection with any optional tender, and all references herein to physical delivery of Bonds shall be ineffective. In such case, payment of the Purchase Price in connection with such tender shall be made to the registered Holder of such Bonds on the date designated for such payment, without further action by the beneficial owner who delivered the tender notice, and transfer of beneficial ownership shall be made in accordance with the procedures of the Securities Depository.

Mandatory Tender for Purchase

During any Daily Rate Period, Bonds shall be subject to mandatory tender for purchase at the Purchase Price thereof, upon the occurrence of any of the events stated below:

- (A) as to any Bond, on the effective date of any change in a Rate Period for such Bond;
- (B) as to all Bonds, on the Business Day preceding the termination (by expiration or otherwise) of any Credit Facility with respect to such Bonds;
- (C) as to all Bonds, on the Business Day preceding the providing of any Credit Facility with respect to such Bonds;
- (D) as to all Bonds, not later than four (4) Business Days following receipt by the Trustee from the Credit Provider of notice to the effect that the Credit Provider has not been reimbursed for a drawing for interest on the Bonds and that the amount available to be drawn for interest has not been reinstated and requesting that the Trustee give notice of mandatory tender of the Bonds; and
- (E) as to all Bonds, not later than nine (9) Business Days after receipt by the Trustee from the Credit Provider of notice of the occurrence of an event of default under the Credit Agreement and requesting the Trustee give notice of mandatory tender of the Bonds.

The Trustee shall give notice by mail to the Holders of the Bonds at their addresses shown on the registration books kept by the Trustee, of any mandatory tender of Bonds, (a) not less than fifteen (15) days prior to such required tender pursuant to clauses (A) through (C) above, (b) not less than three (3) days prior to such required tender pursuant to clause (D) above, and (c) not less than five (5) days prior to such required tender pursuant to clause (E) above, which notice shall in each case state the date of such mandatory tender and that the Bonds are required to be tendered for purchase on such date.

No Holder of any Bond subject to mandatory tender shall have the option to retain such Bond.

Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is held in book-entry form, such Bond need not be delivered in connection with any mandatory tender, and all references herein to physical delivery of Bonds shall be ineffective. In such case, payment of the Purchase Price in connection with such tender shall be made to the Holder of such Bonds on the date designated for such payment, without further action by the beneficial owner who delivered the tender notice, and transfer of beneficial ownership shall be made in accordance with the procedures of the Securities Depository.

Payment of Purchase Price

If the Bonds to be purchased pursuant to an optional or mandatory tender are remarketed, the Tender Agent shall pay the Purchase Price of such Bonds by drawing upon the moneys deposited with it therefor. Payment of the

purchase price of any Bonds held in book-entry form shall be made in immediately available funds by 2:30 p.m., New York City time.

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

Bonds Deemed Purchased

If moneys sufficient to pay the Purchase Price of Bonds to be purchased pursuant to the tender provision of the Indenture shall be held by the Tender Agent on the date such Bonds are to be purchased, such Bonds shall be deemed to have been purchased and shall be purchased, for all purposes of the Indenture, irrespective of whether or not such Bonds shall have been delivered to the Tender Agent, and the former Holder of such Bonds shall have no claim thereon, under the Indenture or otherwise, for any amount other than the Purchase Price thereof.

In the event any Bonds purchased as provided in the Indenture shall not be presented to the Tender Agent, the Tender Agent shall segregate and hold the moneys for the Purchase Price of such Bonds in trust, without liability for interest thereon, for the benefit of the former Holders of such Bonds, who shall, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the Purchase Price of such Bonds. Any moneys which the Tender Agent shall segregate and hold in trust for the payment of the Purchase Price of any Bond and remaining unclaimed for two (2) years after the date of purchase shall, upon the Borrower's written request to the Tender Agent, be paid to the Borrower. After the payment of such unclaimed moneys to the Borrower, the former Holder of such Bond shall look only to the Borrower for the payment thereof.

General Provisions Relating to Tenders

Creation of Purchase Fund. Upon the issuance of the Bonds, there shall be created and established under the Indenture with the Tender Agent a fund to be designated the "Purchase Fund" to be held in trust only for the benefit of the Holders of tendered Bonds who shall thereafter be restricted exclusively to the moneys held in such fund for the satisfaction of any claim for the Purchase Price of such tendered Bonds.

There shall be created and designated the following accounts within the Purchase Fund: the "Remarketing Proceeds Account," the "Credit Facility Purchase Account" and the "Borrower Account." Moneys paid to the Tender Agent for the purchase of tendered or deemed tendered Bonds received from the Remarketing Agent shall be deposited in the Remarketing Proceeds Account and moneys received from drawings on any Credit Facility shall be deposited in the Credit Facility Purchase Account. In the event remarketing proceeds and amounts drawn on the Credit Facility not sufficient to pay the Purchase Price for tendered Bonds, the Borrower may, at its sole option, provide funds to purchase such tendered Bonds. In the event the Borrower shall, at its sole option, provide funds, such funds shall be deposited in the Borrower Account. Moneys provided from payments made under any Credit Facility not required to be used in connection with the purchase of tendered Bonds shall be returned to the Credit Provider. Moneys provided by the Borrower not required to be used in connection with the purchase of tendered Bonds shall be returned to the Borrower.

Moneys in the Remarketing Proceeds Account, the Credit Facility Purchase Account and the Borrower Account shall not be commingled with other funds held by the Tender Agent and shall remain uninvested. Neither the Borrower nor the Authority shall have any right, title or interest in any of the funds held on deposit in the Remarketing Proceeds Account nor any remarketing proceeds held for any period of time by the Remarketing Agent.

Payment of Purchase Price. Moneys delivered to the Tender Agent on a Purchase Date shall be applied at or before 2:30 p.m. (New York City time) on such Purchase Date to pay the Purchase Price of Purchased Bonds in immediately available funds as follows in the indicated order of application set forth below and, to the extent not so

applied on such date, shall be held in the separate and segregated accounts of the Purchase Fund for the benefit of the Holders of the Purchased Bonds which were to have been purchased:

- FIRST: Moneys deposited in the Remarketing Proceeds Account with respect to such Bonds.
- SECOND: Moneys deposited in the Credit Facility Purchase Account with respect to such Bonds.
- THIRD: Moneys, if any, deposited in the Borrower Account with respect to such Bonds.

Insufficient Funds for Tenders of Bonds for which a Credit Facility is in Place. If sufficient funds are not available for the purchase of Bonds which Bonds are deemed tendered and required to be purchased on any Purchase Date in accordance with the provisions of the Indenture, all such Bonds shall be returned to their respective owners. Thereafter, the Tender Agent shall continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the Credit Provider. Any obligation of the Remarketing Agent or such Credit Provider to cause the deposit of such funds from remarketing proceeds or proceeds of a draw on the Credit Facility, respectively, shall remain enforceable pursuant to the Indenture, and such obligation shall only be discharged at such time as funds are deposited with the Tender Agent in an amount sufficient to purchase all such tendered Credit Facility Supported Bonds, together with any interest which has accrued on such Bonds to the subsequent actual Purchase Date.

Remarketing of Bonds

Upon an optional or mandatory tender for purchase of Bonds, the Remarketing Agent shall offer for sale and use its best efforts to sell such Bonds, any such sale to be made on the date of such purchase in accordance with the provisions of the Indenture at a price equal to the principal amount thereof plus accrued interest, if any, thereon to the Purchase Date.

OPTIONAL REDEMPTION SCHEDULE

Pursuant to the Initial Credit Agreement, the Borrower has agreed to optionally redeem Bonds, pursuant to the optional redemption provisions of the Indenture, on November 15 of each year in such principal amount as is set forth below:

<u>November 15</u>	<u>Amount</u>	<u>November 15</u>	<u>Amount</u>
2009	\$600,000	2023	\$1,270,000
2010	635,000	2024	1,340,000
2011	670,000	2025	1,415,000
2012	705,000	2026	1,495,000
2013	745,000	2027	1,575,000
2014	785,000	2028	1,660,000
2015	830,000	2029	1,755,000
2016	875,000	2030	1,850,000
2017	925,000	2031	1,950,000
2018	970,000	2032	2,060,000
2019	1,025,000	2033	2,170,000
2020	1,080,000	2034	2,290,000
2021	1,140,000	2035	2,420,000
2022	1,205,000		

The optional redemption schedule may be substantially revised by the Borrower with the consent of the Initial Credit Provider in accordance with the terms of the Initial Credit Facility or by the substitution and terms of an Alternate Credit Facility.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources:

Principal Amount of Bonds	\$35,440,000
Equity Contribution	<u>1,695,257</u>
Total	\$37,135,257

Uses:

Project Costs	\$34,259,340
Capitalized Interest	2,120,489
Costs of Issuance ⁽¹⁾	<u>755,428</u>
Total	\$37,135,257

⁽¹⁾ Includes underwriting fee, Authority fees, credit provider, legal, rating agency fees, trustee and other expenses.

SECURITY AND SOURCE OF PAYMENT

General

The principal, premium, if any, and interest on the Bonds are payable solely from the Revenues received from the Borrower pursuant to the Loan Agreement and the other amounts pledged therefor under the Indenture. The Purchase Price of the Bonds tendered or deemed tendered for purchase pursuant to the Indenture is payable solely from the proceeds of the remarketing of such Bonds, draws on the Credit Facility for such Bonds and amounts provided by the Borrower, at its sole option, pursuant to the provisions of the Loan Agreement.

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

As indicated above, payment of the principal, Purchase Price and interest on the Bonds will be supported by the Initial Credit Facility. An investment decision to purchase the Bonds should be made solely on the basis of the creditworthiness of the Initial Credit Provider. This Official Statement does not contain any financial or

operating information relating to the Borrower or its ability to make payments sufficient to pay the principal, Purchase Price or interest on the Bonds and prospective investors should not expect that the Borrower would be able to make payments sufficient to pay the principal, Purchase Price or interest on the Bonds. The Borrower is not required to provide funds to pay the Purchase Price of the Bonds.

The Initial Credit Facility

The Initial Credit Facility will permit the Trustee, in accordance with the terms thereof, to draw in the maximum amount of \$35,999,273 of which (a) up to the amount of \$35,440,000 shall support the payment of principal or the portion of the Purchase Price corresponding to principal of the Bonds, and (b) up to the amount of \$559,273 shall support the payment of up to 48 days' accrued interest computed at the maximum rate of twelve percent (12%) per annum on the basis of a 365-day year or a portion of the Purchase Price corresponding to accrued interest on the Bonds.

For a further description of information regarding the Initial Credit Provider, the Initial Credit Facility and the Initial Credit Agreement, see "THE INITIAL CREDIT PROVIDER, THE INITIAL CREDIT FACILITY AND THE INITIAL CREDIT AGREEMENT" herein.

The Initial Credit Facility provides both credit and liquidity support for the Bonds in accordance with its terms. The Indenture provides that, upon compliance with certain conditions, the Borrower may deliver an Alternate Credit Facility in substitution for the then-existing Credit Facility. In such event, the Bonds will be subject to mandatory tender for purchase as described under "THE BONDS – Mandatory Tender for Purchase" herein.

Alternate Credit Facility

At any time the Borrower may, at its option, provide for the delivery of an Alternate Credit Facility and the Borrower shall, in any event, cause to be delivered an Alternate Credit Facility at least twenty (20) days before the expiration date of any existing Credit Facility, unless otherwise permitted by the Indenture. As and to the extent applicable, taking into account the Rate Period to be applicable to the Bonds for which an Alternate Credit Facility is being provided, such Alternate Credit Facility shall be in all material respects the same as the Credit Facility it replaces; provided, that the expiration date of such Alternate Credit Facility shall be a date not earlier than three hundred sixty-four (364) days from its date of issuance, subject to earlier termination upon payment of the Bonds in full or provision for such payment in accordance with the defeasance provisions of the Indenture.

On or prior to the date of the delivery of an Alternate Credit Facility, the Borrower shall cause to be furnished (i) an opinion of counsel to the Credit Provider issuing such Alternate Credit Facility to the effect that such Alternate Credit Facility is enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable remedies) and (ii) written evidence from the Rating Agency then rating such Series of Bonds that the Bonds shall have a long-term rating of "A" (or equivalent) or higher or, if such Series of Bonds shall have only been assigned a short-term rating, such short-term rating shall be in one of the two highest short-term rating category (without regard to "+" or "-"s).

Revenues and Loan Repayments

The Authority is obligated to pay the principal of, premium, if any and interest on the Bonds solely from the Revenues received from the Borrower under the Loan Agreement and the other amounts pledged therefor under the Indenture. Pursuant to the Indenture, the Authority has pledged to the Trustee for the benefit of the Bondholders all of the Revenues. "Revenues" means all amounts received by the Authority or the Trustee for the account of the Authority pursuant or with respect to the Loan Agreement or the Credit Facility (other than payments of the purchase price of any Bonds), including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, any late charges, and paid from whatever source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of

amounts in the funds and accounts established pursuant to the Indenture, but not including Additional Payments, or any moneys paid for deposit into the Rebate Fund or for the purchase of Bonds.

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

THE INITIAL CREDIT PROVIDER, THE INITIAL CREDIT FACILITY AND THE INITIAL CREDIT AGREEMENT

The Initial Credit Provider

The information herein relates to and has been provided by Allied Irish Banks p.l.c. for inclusion in this Official Statement. No other party has independently verified or assumes any responsibility for such information, and neither the Authority nor the Borrower nor the Underwriter makes any representation as to the accuracy or completeness of such information. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of Allied Irish Banks p.l.c. since the date hereof, or that the information contained or incorporated by reference in this section is correct as of any time subsequent to its date.

THE BONDS ARE BEING OFFERED SOLELY ON THE BASIS OF THE INITIAL CREDIT FACILITY AND THE FINANCIAL STRENGTH OF THE INITIAL CREDIT PROVIDER AND ARE NOT BEING OFFERED ON THE BASIS OF THE FINANCIAL STRENGTH OF THE ISSUER OR ANY OTHER SECURITY. THIS OFFICIAL STATEMENT DOES NOT DESCRIBE THE FINANCIAL STRENGTH OF THE ISSUER OR THE BORROWER. THE BONDS ARE SUBJECT TO ACCELERATION OF MATURITY, AT THE ELECTION OF THE INITIAL CREDIT PROVIDER, UPON THE OCCURRENCE OF AN EVENT OF DEFAULT UNDER THE INITIAL CREDIT AGREEMENT. BECAUSE THE INITIAL CREDIT AGREEMENT CONTAINS REFERENCES TO FINANCIAL COVENANTS AFFECTING THE BORROWER NOT SUMMARIZED IN THIS OFFICIAL STATEMENT, PROSPECTIVE INVESTORS WILL NOT BE ABLE TO EVALUATE THE LIKELIHOOD OF AN EVENT OF DEFAULT UNDER THE INITIAL CREDIT AGREEMENT AND THE CORRESPONDING LIKELIHOOD THAT PAYMENT OF THE BOND WOULD BE ACCELERATED.

Allied Irish Banks, p.l.c. (“AIB”) is issuing the Initial Credit Facility through its New York Branch, a full branch banking facility which is licensed by the State of New York Banking Department and whose deposits are insured by the Federal Deposit Insurance Corporation. THE INITIAL CREDIT FACILITY IS SOLELY AN OBLIGATION OF ALLIED IRISH BANKS, p.l.c. ACTING BY AND THROUGH ITS NEW YORK BRANCH. IT IS NEITHER AN OBLIGATION OF NOR GUARANTEED BY AIB’S SUBSIDIARIES OR OTHER AFFILIATES. THE INITIAL CREDIT FACILITY IS NOT A DEPOSIT AND IS NOT FDIC INSURED.

Allied Irish Banks, p.l.c.

THIS DOCUMENT REPRESENTS ONLY A SUMMARY OF THE INFORMATION REFERRED TO HEREIN. EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN, THIS DOCUMENT DOES NOT ATTEMPT TO DESCRIBE THE BUSINESS OR ANALYZE THE CONDITION, FINANCIAL OR OTHERWISE, OF ALLIED IRISH BANKS, p.l.c. (“AIB”) OR OTHERWISE DESCRIBE ANY RISKS ASSOCIATED WITH AIB. EACH BONDHOLDER MUST RELY ON THAT HOLDER’S OWN KNOWLEDGE, INVESTIGATION AND EXAMINATION OF AIB AND AIB’S CREDITWORTHINESS.

AIB reports its financial information on a consolidated basis which includes AIB and certain affiliates and subsidiaries (“AIB Group”). AIB Group provides a diverse and comprehensive range of banking, financial and related services principally in Ireland, Britain, Poland and the United States. AIB Group is currently organized into four (4) divisions: Republic of Ireland; Great Britain & Northern Ireland; Poland; and Capital Markets (which includes AIB’s New York Branch).

AIB is the largest banking corporation organized under the laws of Ireland. As of December 31, 2004, AIB's total assets were EUR102 billion. Pre-tax profits for the year ending December 31, 2004 amounted to EUR1,418 million. Profit after tax was EUR1,047 million. Return on equity was 20.2% and return on assets was 1.17%.

AIB's New York Branch files quarterly reports on Form FFIEC-002 ("Call Reports") with the Federal Reserve Bank of New York, 33 Liberty Street, New York, NY 10001, the Federal Deposit Insurance Corporation ("FDIC") at 20 Exchange Place, New York, NY 10005 and with the New York State Banking Department at 1 State Street, New York, NY 10004. The Call Reports are publicly available.

AIB is an Irish registered public limited company and its ordinary shares are quoted on the Dublin and London stock exchanges. The Group's ordinary shares (symbol AIB) and non-cumulative preference shares (symbol AIBPr) are traded in the USA on the New York Stock Exchange in the form of American Depositary Shares ("ADS") and each ADS is evidenced by an American Depositary Receipt ("ADR"). AIB, as a foreign private issuer of securities in the United States, is required to file an annual report on Form 20-F with the U.S. Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act") within 6 months after the end of each fiscal year. Moreover, a foreign issuer, unlike domestic companies, is required to submit to the SEC under the Exchange Act on Form 6-K, only those interim reports and other materials that the issuer prepares in accordance with home country or home market requirements or delivers to its security holders. Exchange Act documents filed by AIB are publicly available at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549 and at its regional offices at 233 Broadway, New York, NY 10279 and 500 West Madison Street, Suite 1400, Chicago, IL 60661. Copies of documents filed by AIB with the SEC may also be accessed electronically by means of the SEC's home page on the Internet at "<http://www.sec.gov>".

Any of the documents referred to herein (other than exhibits to such documents) are available upon request, without charge, by writing to the Office of Investor Relations, Allied Irish Banks, p.l.c., Bankcentre, Ballsbridge, Dublin 4, Ireland. Additional information about AIB, including a copy of AIB Group's Annual Report and Form 20-F, is presently available on the Internet at "<http://www.aibgroup.com>".

Note: The rate at 12/31/04 - EUR1 = \$1.3621

The Initial Credit Facility

At the request and for the account of the Borrower, the Initial Credit Provider has established in favor of the Trustee, for the benefit of the owners of the Bonds, the Initial Credit Facility, which is an irrevocable direct-pay letter of credit obligation of the Initial Credit Provider to pay, in immediately available funds, within a specified period of time after presentation by the Trustee, of specified certificates, in the maximum amount of \$35,999,273 of which (a) up to the amount of \$35,440,000 shall support the payment of principal or the portion of the Purchase Price corresponding to principal of the Bonds, and (b) up to the amount of \$559,273 shall support the payment of up to 48 days' accrued interest computed at the maximum rate of twelve percent (12%) per annum on the basis of a 365-day year or a portion of the Purchase Price corresponding to accrued interest on the Bonds. Drawings on the Initial Credit Facility will be paid from funds of the Initial Credit Provider and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Initial Credit Provider by the Borrower.

The Initial Credit Agreement

Concurrently with the issuance of the Bonds, the Borrower and the Initial Credit Provider will execute and deliver the Initial Credit Agreement which, among other things, sets the terms and conditions whereby the Borrower is required to repay to the Initial Credit Provider any amounts drawn by the Trustee under the Initial Credit Facility. Capitalized terms used under this caption and not otherwise defined under this caption shall have the meanings assigned to such terms in the Initial Credit Agreement.

Events of Default and Remedies. The following is a summary of the circumstances set forth in the Initial Credit Agreement constituting an “Event of Default” thereunder and the remedies the Initial Credit Provider may seek in an Event of Default. This summary is qualified by reference to the complete text of the Initial Credit Agreement. Capitalized terms used in this section and not otherwise defined shall have the meanings given such terms as set forth in the Initial Credit Agreement. Each of the following events, acts or occurrences constitutes an “Event of Default” under the Initial Credit Agreement:

(a) failure by the Borrower to reimburse or pay the Bank for any Drawing under the Letter of Credit on the date when due, or to pay any other amount payable pursuant to this Agreement, any Collateral Document, any other agreement, undertaking or instrument benefiting the Bank or under any Bond Document on the date when due; or

(b) failure by the Borrower to observe or perform certain covenants; or

(c) failure by the Borrower to observe or perform any other term, condition, covenant or agreement set forth in the Initial Credit Agreement or the other Collateral Documents to be observed or performed by the Borrower (and not constituting an Event of Default under any of the preceding or following provisions) and such failure continues for a period of thirty (30) or more days after (i) written notice thereof to the Borrower from the Bank or (ii) the Bank is notified of such failure, or should have been notified of such failure by the Borrower, pursuant to the terms of the Initial Credit Agreement or any Collateral Document; or

(d) any representation, warranty or statement made or deemed made by or on behalf of the Borrower in the Initial Credit Agreement or the other Collateral Documents or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with the Initial Credit Agreement, any Collateral Document shall prove to have been materially misleading or incorrect in any material respect when made or deemed made; or

(e) any provision of the Initial Credit Agreement shall for any reason cease to be valid and binding on the Borrower or in full force and effect or the Borrower or any other Person shall so assert in writing; or

(f) the Borrower shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator or other similar official of itself or of all or a substantial part of its Property, (ii) admit in writing its inability, or be generally unable, to pay its debts as they become due, (iii) make a general assignment for the benefit of creditors, (iv) commence a voluntary case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign relating to bankruptcy, insolvency, reorganization or relief of debtors, seek to have an order of relief entered with respect to it or seek to adjudicate it a bankrupt or insolvent, or seek reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to its debts, or (vi) take any corporate action for the purpose of effecting any of the foregoing; or

(g) a case, proceeding or other action shall be commenced without the application or consent of the Borrower, in any court of competent jurisdiction, seeking the liquidation or readjustment of debts, the appointment of a trustee, receiver, custodian, liquidator or the like of the Borrower, or of all or any substantial part of its assets, or any similar action with respect to the Borrower, under any existing or future law of any jurisdiction, domestic or foreign relating to bankruptcy, insolvency, reorganization or relief of debtors and such case, proceeding or other action shall continue undismissed, or unstayed and in effect, for a period of sixty (60) days, or an order for relief against the Borrower, shall be entered in any such involuntary case, proceeding or other action or the Borrower, shall take any action in furtherance of, or indicating its consent to, approval of or acquiescence in any of the actions described above; or

(h) unless waived by the Bank, in writing, (i) any Event of Default, however defined, shall have occurred and be continuing under any Collateral Document or with respect to any obligation of the Borrower under any Bond Document, or (ii) Borrower fails to comply with any covenant or financial obligation set forth in the Collateral Documents or the Bond Documents, or (iii) any representation or warranty made or deemed made by the Borrower in the Collateral Documents or the Bond Documents or which is contained in any exhibit, schedule or any other document or other statement furnished at any time under or in connection with the Collateral Documents, the

Bond Documents or any of the other documents, instruments or certificates furnished by the Borrower in connection therewith shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(i) a final judgment for an amount not otherwise covered by insurance, in excess of \$100,000.00 (which the Bank determines to not be covered by insurance or as to which the insurer has given notice of a denial of coverage) is rendered against the Borrower and, within ten (10) days after entry thereof, such judgment has not been discharged or execution thereof stayed pending appeal or if, within ten (10) days after the expiration of any such stay, such judgment has not been discharged; or

(j) at any time any Liabilities, other than the Liabilities created under the Initial Credit Agreement, of the Borrower are not paid when due (whether at original maturity or as a result of acceleration by reason of the happening of an event of default, howsoever described, unless such event of default has been unconditionally waived for no consideration) and any originally stated applicable period of grace in respect thereof shall have expired; or

(k) any of the following events occurs or exists with respect to either the Borrower or any ERISA Affiliate: (i) any Prohibited Transaction involving any Plan; (ii) any Reportable Event with respect to any Plan; (iii) the filing under Section 4041 of ERISA of a notice of intent to terminate any Plan or the termination of any Plan; (iv) any event or circumstance that might constitute grounds entitling the PBGC to institute proceedings under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan, or the institution by the PBGC of any such proceedings; (v) complete or partial withdrawal under Section 4201 or 4202 of ERISA from a Multi-employer Plan or the reorganization, insolvency, or termination of any Multi-employer Plan; and in each case above, such event or condition, together with all other events or conditions, if any, could in the opinion of the Bank subject the Borrower to any tax, penalty, or other liability to a Plan, a Multi-employer Plan, the PBGC or otherwise (or any combination thereof) which in the aggregate would have a Material Adverse Effect; or

(l) the Borrower ceases or threatens to cease to carry on the business it carries on at the date hereof or any substantial part thereof; or

(m) any event occurs which has a Material Adverse Effect; or

(n) any Liens created by any of the Collateral Documents shall for any reason cease to be valid, perfected, security interests or deed of trust Liens of the required priority in favor of the Bank (except with respect to Financing Statements that have lapsed because the Bank has failed to file a continuation statement on time); or

(o) An "Event of Default" occurs under the Indenture (as such term is defined in the Indenture) or a default or event of default otherwise occurs under any other Bond Documents (subject to any applicable notice and cure provisions contained in the Bond Documents) or the Guaranty.

Upon the occurrence of (A) any event specified in subsection (f) or (g) above: (i) automatically all amounts due hereunder in respect of Drawings made or available to be made under the Letter of Credit or otherwise shall immediately become due and payable, without the giving of notice of any kind, and (ii) the Bank shall proceed to enforce all other remedies available to it under applicable law, and (B) any Event of Default (other than any event specified in subsection (f) or (g) above), the Bank, at its election, may: (i) declare all amounts due hereunder in respect of Drawings made under the Letter of Credit or otherwise to be immediately due and payable, whereupon the same shall immediately become due and payable, (ii) request in writing that the Trustee in accordance with the Indenture cause a mandatory tender of the Bonds or declare the principal of and interest on the Bonds to be due and payable, (iii) require the Borrower to deposit cash and/or securities with the Bank in an amount satisfactory to the Bank, and/or (iv) proceed to enforce all other remedies available to it under the Collateral Documents, Bond Documents and under applicable law.

THE BORROWER

Hebrew Home for Aged Disabled dba Jewish Home of San Francisco (the "Borrower") is a California non-profit public benefit corporation, which provides skilled nursing, acute psychiatric and care services. For nearly 135

years, the Borrower has served San Francisco. Today, with 426 skilled nursing beds and 12 acute care geropsychiatric hospital beds in service, the Home is one of the largest non-profit providers of skilled nursing care in the State of California. Services provided include:

- Long-term skilled nursing care
- Acute psychiatric services
- Alzheimer's and related disorders care
- Short-term rehabilitation for post-hospital and respite care for primary caregivers
- Medical clinics
- Acupuncture and massage therapy
- Pharmacy
- Recreation and residential art programs
- Research programs to improve the care of older, frailer adults

AS INDICATED ABOVE, PAYMENT OF THE PRINCIPAL, PURCHASE PRICE AND INTEREST ON THE BONDS WILL BE SUPPORTED BY THE INITIAL CREDIT FACILITY. AN INVESTMENT DECISION TO PURCHASE THE BONDS SHOULD BE MADE SOLELY ON THE BASIS OF THE CREDITWORTHINESS OF THE INITIAL CREDIT PROVIDER. THIS OFFICIAL STATEMENT DOES NOT CONTAIN ANY FINANCIAL OR OPERATING INFORMATION RELATING TO THE BORROWER OR ITS ABILITY TO MAKE PAYMENTS SUFFICIENT TO PAY THE PRINCIPAL, PURCHASE PRICE OR INTEREST ON THE BONDS AND PROSPECTIVE INVESTORS SHOULD NOT EXPECT THAT THE BORROWER WOULD BE ABLE TO MAKE PAYMENTS SUFFICIENT TO PAY THE PRINCIPAL, PURCHASE PRICE OR INTEREST ON THE BONDS.

THE PROJECT

The Bonds are being issued to finance costs of the acquisition, renovation and equipping of a facility to be used by the Borrower in connection with its provision of senior residential and care services. A portion of the proceeds of the Bonds will also be applied to pay certain costs of issuance and to fund capitalized interest on the Bonds.

The Project includes the demolition of the Home's former east wing, built in 1923, and construction of a new facility of approximately 43,000 square feet on that site that will house state-of-the-art medical clinics with spacious waiting areas to accommodate wheelchairs; a geriatric research center; and a new modern kitchen. Existing areas of approximately 11,000 square feet will be modernized to provide new centers for wellness and fitness and creative arts, a garden-side bistro and gift boutique for residents.

THE AUTHORITY

The Authority is a joint powers agency duly organized and existing under the laws of the State of California. The Authority was formed pursuant to the terms of a Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992, and the Joint Exercise of Powers Act of the State (constituting Chapter 5, commencing with Section 6500, of Division 7 of Title 1 of the California Government Code), in order to assist nonprofit corporations and other entities to obtain financing for projects located within the several jurisdictions of Authority members with purposes serving the public interest.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND THE PRINCIPAL THEREOF, AND PREMIUM, IF ANY, AND INTEREST THEREON, ARE PAYABLE SOLELY FROM, AND SECURED IN ACCORDANCE WITH THEIR TERMS AND THE PROVISIONS OF THE INDENTURE SOLELY BY, THE REVENUES AND THE OTHER AMOUNTS PLEDGED THEREFOR THEREUNDER, AND THE PURCHASE PRICE THEREOF IS PAYABLE SOLELY FROM, AND SECURED IN ACCORDANCE WITH THEIR TERMS AND THE PROVISIONS OF THE INDENTURE SOLELY BY, THE PROCEEDS OF

THE REMARKETING OF THE BONDS, AMOUNTS MADE AVAILABLE UNDER THE CREDIT FACILITY AND AMOUNTS PROVIDED BY THE BORROWER, AT ITS SOLE OPTION, PURSUANT TO THE LOAN AGREEMENT. NEITHER THE AUTHORITY, ABAG, ANY OF THE MEMBERS OF THE AUTHORITY OR ABAG, THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER, AND NONE OF THE BONDS OR ANY OF THE AUTHORITY'S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF THE AUTHORITY, ABAG, OR THE MEMBERS OF THE AUTHORITY OR ABAG, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WITHIN THE MEANING OF ANY CONSTITUTIONAL, OR STATUTORY PROVISION WHATSOEVER. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

INVESTMENT RISKS

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

Limitations of the Initial Credit Facility

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

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

Tax-Exempt Status of the Borrower

The tax-exempt status of the Bonds presently depends upon maintenance by the Borrower of its status as an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and other permissible purposes and their avoidance of transactions that may cause their earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities that do not conduct technical operations and business activities, they often do not adequately address the operations and transactions entered into by providers of health care services, including providers of home health and hospice services, such as the Borrower. Many activities or categories of activities have not been addressed in any official opinion, interpretation or policy of the Internal Revenue Service (the "IRS").

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

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

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

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

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

ABSENCE OF MATERIAL LITIGATION

The Authority

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

The Borrower

Management of the Borrower has advised that there is no litigation or proceedings pending or, to the best knowledge of the Borrower, threatened against it which in any manner question the right of the Borrower to enter into the transactions described herein, which seek to restrain or enjoin the issuance of the Bonds or in any way contesting or affecting the validity of the Bonds, or any proceedings of the Borrower taken concerning the issuance or sale of the Bonds.

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 any 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 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 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 the Rate Period will adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. The Indenture requires an opinion of Bond Counsel with regard to a change in Rate Period 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 C 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.

LEGAL MATTERS

Certain legal matters incident to the issuance of the Bonds are subject to the approving opinion of Holland & Knight LLP, Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C. Certain legal matters will be passed upon for the Borrower by its counsel, Steefel Levitt & Weiss, San Francisco, California, for the Authority by Jones Hall, San Francisco, California, for the Underwriter by its counsel, Foley & Lardner LLP, San Francisco, California and for the Initial Credit Provider by its counsel, Heller Ehrman LLP, New York, New York.

CONTINUING DISCLOSURE

The Borrower has agreed to provide continuing disclosure to the extent required by Rule 15c2-12 as promulgated by the Securities and Exchange Commission and under certain other circumstances. However, it is not expected that the Borrower will provide any continuing disclosure while the Bonds are in either a Weekly Rate or Daily Rate Period.

RATING

Moody's Investors Service ("Moody's") is expected to assign a rating of "Aa3/VMIG 1" to the Bonds based upon the delivery of the Initial Credit Facility. Any explanation of the significance of such rating may only be obtained from Moody's. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that the rating mentioned above will remain in effect for any given period of time or that it might not be lowered or withdrawn entirely by the rating agency, if in its judgment circumstances so warrant. The Borrower and the Underwriter have undertaken no responsibility either to bring to the attention of the Holders of the Bonds any proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of any rating might have an adverse effect on the market price or marketability of the Bonds.

UNDERWRITING

Cain Brothers & Company, LLC (the "Underwriter") will purchase the Bonds pursuant to a purchase contract (the "Purchase Contract") to be entered into with the Authority and the Borrower. Pursuant to the Purchase Contract, the Underwriter will receive an underwriting fee of \$318,960. The Purchase Contract provides that the Underwriter will purchase all of the Bonds, if any are purchased, and contains the agreements of the Borrower to indemnify the Underwriter and the Authority against certain liabilities.

MISCELLANEOUS

The foregoing and subsequent summaries and descriptions of provisions of the Bonds, the Indenture, the Loan Agreement and the Initial Credit Agreement, and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof, and reference is made to said documents for full and complete statements of their provisions. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Indenture, the Loan Agreement and the Initial Credit Agreement may be obtained during the offering period upon request directed to Cain Brothers & Company, LLC, 601 California Street, Suite 1505, San Francisco, California 94108.

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APPENDIX A

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS

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APPENDIX A

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS

The following is a summary of certain provisions of the Indenture, dated as of December 1, 2005, including the Multi-Mode Annex attached as Exhibit D thereto (hereinafter collectively referred to as the “Indenture”), between the ABAG Finance Authority for Nonprofit Corporations (the “Authority”) and Wells Fargo Bank, National Association, as trustee (the “Trustee”), and the Loan Agreement, dated as of December 1, 2005 (the “Loan Agreement”), between the Authority and Hebrew Home for Aged Disabled (the “Borrower”). Such summary does not purport to be complete or definitive, is supplemental to the summary of other provisions of the Indenture and the Loan Agreement contained elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture and the Loan Agreement. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Indenture.

DEFINITIONS OF CERTAIN TERMS

“Accountant” means any firm of independent certified public accountants selected by the Borrower and reasonably acceptable to the Trustee, including the Borrower’s current auditors, Seiler & Company, LLP.

“Act” means the Joint Exercise of Powers Act, constituting Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State.

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

“Additional Bonds” means any Bonds issued pursuant to the Indenture subsequent to the Series 2005 Bonds.

“Additional Payments” means the payments so designated and required to be made by the Borrower pursuant to the Loan Agreement described below under the caption “The Loan Agreement – Loan of Bond Proceeds – Additional Payments.”

“Agreement” or “Loan Agreement” means that certain loan agreement, dated as of December 1, 2005, between the Authority and the Borrower, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture.

“Alternate Credit Facility” means any substitute for any Credit Facility theretofore in effect, delivered to the Trustee pursuant to the provisions of the Loan Agreement.

“Approving Opinion” means an opinion of Bond Counsel addressed to the Trustee to the effect that an action being taken (i) is authorized by the Indenture and (ii) will not result, in and of itself, in interest on the Bonds being included in gross income for federal income tax purposes.

“Auction Bond” means any Bond bearing interest at an Auction Rate.

“Auction Period” means a period within an Auction Rate Period during which an Auction Rate is in effect with respect to the Series 2005 Bonds.

“Auction Rate” means the rate of interest to be borne by the Series 2005 Bonds during each Auction Period within an Auction Rate Period determined in accordance with the provisions set forth in Exhibit D to the Indenture; provided, however, in no event may the Auction Rate exceed the Maximum Interest Rate.

“Auction Rate Period” means each period during which an Auction Rate is in effect with respect to the Series 2005 Bonds.

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

“Authorized Denomination” means: (a) with respect to Series 2005 Bonds during any Term Rate Period, \$5,000 or any integral multiple thereof; (b) with respect to Series 2005 Bonds during any Daily Rate Period, any Weekly Rate Period or any Variable Term Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000; and (c) with respect to Series 2005 Bonds during any Auction Rate Period, \$25,000 or any integral multiple of \$5,000 in excess of \$25,000.

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

“Available Moneys” means with respect to any Series of Bonds (a) during any period in which Outstanding Bonds of such Series are secured by a Credit Facility: (i) funds received by the Trustee pursuant to such Credit Facility; (ii) moneys which have been continuously on deposit with the Trustee (A) held in any separate and segregated fund, account or subaccount established under the Indenture in which no other moneys which are not Available Moneys are held, and (B) which have so been on deposit with the Trustee for at least one hundred twenty-three (123) consecutive days from their receipt by the Trustee and not commingled with any moneys so held for less than said period and during and prior to which period, and as of the date of the application thereof to the payment of Bonds, no Act of Bankruptcy of the Borrower or the Authority has occurred; (iii) proceeds from the issuance and sale or remarketing of bonds, notes or other evidences of indebtedness of the Authority or other issuer of Tax-Exempt obligations received by the Trustee directly and contemporaneously with the issuance and sale or remarketing of such bonds, notes or other evidences of indebtedness, if there is delivered to the Trustee at the time such moneys are deposited with the Trustee an opinion of counsel (which may assume that no Holder of Bonds is an “insider” within the meaning of the Bankruptcy Code) from a firm experienced in bankruptcy matters to the effect that the use of such moneys to pay amounts due on the Bonds would not be recoverable from the Bondholders pursuant to Section 550 of the Bankruptcy Code as avoidable preferential payments under Section 547 of the Bankruptcy Code in the event of the occurrence of an Act of Bankruptcy of the Borrower or the Authority; (iv) any other moneys if there is delivered to the Trustee at the time such moneys are deposited with the Trustee an opinion of counsel as described in (iii) above; or (v) proceeds of the investment of funds qualifying as Available Moneys under the foregoing clauses; and (b) during any period in which Outstanding Bonds are not secured by a Credit Facility, any moneys deposited with the Trustee.

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

“Beneficial Owners” means those individuals, partnerships, corporations or other entities for whom the Direct Participants have caused DTC to hold Book-Entry Bonds.

“Bond” or “Bonds” means the Series 2005 Bonds and any Additional Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

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

“Bond Counsel” means any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America, but shall not include counsel for the Borrower.

“Bond Payment Date” means each Interest Payment Date, Principal Payment Date, redemption date or other date on which amounts are required to be paid on the Bonds, whether upon maturity, redemption, acceleration or otherwise.

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

“Borrower” means Hebrew Home for Aged Disabled, a nonprofit public benefit corporation duly organized and existing under the laws of the State or any entity which is the surviving, resulting or transferee entity in any merger, consolidation or transfer of assets permitted under the Loan Agreement.

“Borrower Documents” means the Loan Agreement, the Tax Certificate and all other documents and instruments executed by the Borrower in connection with the Bonds and the transactions relating to the Bonds.

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

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

“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 in the Indenture or required by the context thereof, 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.

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

“Construction Fund” means the fund by that name established pursuant to the Indenture.

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

“Costs of Issuance” 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 Issuer or the Institution; (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; and (x) 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.

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

“Costs of the Project” or “Costs of any Project” and similar terms mean the costs of any Project authorized to be paid with the proceeds of a Series of Bonds, including the reimbursement to the Borrower of amounts expended for such costs to the extent permitted by the Tax Certificate delivered in connection with such Series of Bonds, but shall not include any Costs of Issuance.

“Credit Agreement” means any agreement pursuant to which a Credit Facility is provided, as the same may be amended or supplemented from time to time, or any other similar agreement entered into in connection with the provision of any Alternate Credit Facility.

“Credit Facility” means, as applicable, (i) any letter of credit, bond insurance policy, line of credit, standby bond purchase agreement or other facility provided in connection with any Series of Bonds, and (ii) in the event of delivery of an Alternate Credit Facility, such Alternate Credit Facility.

“Credit Facility Account” means the account by that name in the Revenue Fund established pursuant to the Indenture.

“Credit Provider” means the provider of any Credit Facility.

“Credit Provider Bonds” means any Bonds pledged or assigned to or otherwise held for the benefit of a Credit Provider as a result of a payment under its Credit Facility.

“Daily Rate” means the variable interest rate on the Series 2005 Bonds established in accordance with the provisions set forth in Exhibit D to the Indenture.

“Daily Rate Adjustment Date” means a date on which the Series 2005 Bonds begin to bear interest at a Daily Rate.

“Daily Rate Period” means each period during which a Daily Rate is in effect.

“Date of Delivery” means the date of initial issuance and delivery of any Series of Bonds.

“Direct Participants” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds the Bonds as securities depository.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, or any successor securities depository for the Bonds.

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

“Event of Default” means any of the events specified as such in the Indenture and described below under the caption “The Indenture – Events of Default and Remedies of Bondholders.”

“Facilities” means any facilities of the Borrower financed with Bonds issued under the Indenture, including, without limitation, the Series 2005 Facilities.

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

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

“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.

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

“Indenture” means the Indenture, dated as of December 1, 2005, between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services “Called Bond Service,” 65 Broadway, 16th Floor, New York, New York 10006; Mergent Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28271, Attention: Called Bonds Department; and Standard and Poor’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds, or no such services, as the Borrower may indicate in a Certificate of the Borrower delivered to the Trustee.

“Interest Payment Date” means: (a) with respect to any Daily Rate Period, the fifth Business Day of each calendar month, (b) with respect to any Weekly Rate Period, the first Business Day of each calendar month, (c) with respect to any Term Rate Period, the fifteenth day of the sixth month following the commencement of the Term Rate Period and the fifteenth day of each sixth month period thereafter, (d) with respect to any Variable Term Segment, the Business Day succeeding the last day of such Variable Term Segment, and (e) with respect to Auction Bonds, (i) when used with respect to any Auction Period other than a daily Auction Period or a Special Auction Period, the

Business Day immediately following such Auction Period, (ii) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (iii) when used with respect to a Special Auction Period of (i) seven (7) or more but fewer than one hundred eighty-three (183) days, the Business Day immediately following such Special Auction Period, or (ii) more than one hundred eighty-two (182) days, each December 1 and June 1 and on the Business Day immediately following such Special Auction Period. The first Interest Payment Date shall be January 9, 2006.

“Investment Securities” means any of the following:

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

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

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

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

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

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

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

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

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

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

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

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

"Loan Agreement" or "Agreement" means that certain loan agreement, dated as of December 1, 2005, between the Authority and the Borrower, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture.

"Loan Default Event" means any one or more of the events specified as such in the Loan Agreement and described below under the caption "The Loan Agreement – Loan Default Events and Remedies."

"Loan Repayments" means the payments so designated and required to be made by the Borrower pursuant to the Loan Agreement and described below under the caption "The Loan Agreement – Loan of Bond Proceeds – Repayment Provisions."

"Marketing Party" means any Tender Agent, Remarketing Agent, auction agent, market agent, broker-dealer or other agent participating in the pricing and marketing of a Series of Bonds after the Date of Delivery thereof.

"Maximum Interest Rate" means twelve percent (12%) or such lesser annual rate of interest that is specified in the Credit Facility that supports a Series of Bonds, if any, that is used to determine the amount of interest that may be drawn under such Credit Facility; provided, however, that the Maximum Interest Rate shall not exceed the maximum interest rate permitted by law from time to time.

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

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Authority) acceptable to the Authority and the Borrower. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture.

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

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

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

“Principal Payment Date” means October 1 of each year in which principal is payable, and with respect to any Series of Additional Bonds, the dates specified in the Series Indenture for such Series of Bonds.

“Principal Office” means, for any Marketing Party, the office so designated in writing by each such Marketing Party to the Authority, the Trustee, the Borrower, and the other Marketing Parties.

“Project” means the acquisition, construction, improvement and equipping of any facilities by the Borrower with the proceeds of Bonds issued under the Indenture, together with costs of the Credit Facility and the payment of interest on the Series 2005 Bonds for a period not to exceed the period of construction of improvements included in this definition.

“Purchase Date” means any date on which any Series 2005 Bond is required to be purchased pursuant to the provisions of the Indenture described in the front portion of this Official Statement and with respect to any other Series of Bonds shall have the meaning specified in the Series Indenture for such Series of Bonds.

“Purchase Price” means the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided, however, that if the Purchase Date is an Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Series 2005 Bond shall be paid to the Holder of such Series 2005 Bond pursuant to the Indenture; and provided further that in the case of any mandatory tender of Series 2005 Bonds due to the termination of a Term Rate Period prior to the day originally established as the last day of such Term Rate Period, the Purchase Price shall be equal to the principal amount thereof, plus an amount equal to any premium which would have been payable on such day had the Borrower directed redemption of such Series 2005 Bonds pursuant to the provisions of the Indenture, plus, if applicable, accrued interest to such date.

“Qualified Newspaper” means *The Wall Street Journal* or *The Bond Buyer* or any other newspaper or journal containing financial news, printed in the English language and customarily published on each Business Day, of general circulation in New York, New York, and selected by the Trustee, whose decision shall be final and conclusive.

“Rate Period” means any Auction Rate Period, Daily Rate Period, Weekly Rate Period, Variable Term Rate Period or Term Rate Period.

“Rating Agency” means at any time any rating agency then rating any Series of Bonds at the request of the Borrower. Moody’s shall serve as the initial Rating Agency for the Series 2005 Bonds.

“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 created pursuant to the Indenture.

“Record Date” means: (a) with respect to any Interest Payment Date in respect of any Daily Rate Period, the last day of the month, whether a Business Day or not, preceding such Interest Payment Date, (b) with respect to any Interest Payment Date in respect of any Weekly Rate Period, Auction Rate Period or Variable Term Segment, the Business Day preceding such Interest Payment Date; and (c) with respect to any Interest Payment Date in respect of any Term Rate Period, the fifteenth day of the month preceding such Interest Payment Date.

“Remarketing Agent” means each remarketing agent appointed in accordance with Exhibit D to the Indenture. Cain Brothers & Company, LLC shall serve as initial Remarketing Agent for the Series 2005 Bonds.

“Reserve Fund” means any fund by that name created with respect to one or more Series of Bonds pursuant to a Supplemental Indenture.

“Reserve Fund Requirement” with respect to a Series of Bonds for which a Reserve Fund shall have been established shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Reserve Fund.

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

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

“Revenues” means all amounts received by the Authority or the Trustee for the account of the Authority pursuant or with respect to the Loan Agreement or a Credit Facility (other than payments of the Purchase Price of any Bonds), including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, any late charges, and paid from whatever source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in the funds and accounts established pursuant to the Indenture, but not including Additional Payments, or any moneys paid for deposit into the Rebate Fund or for the purchase of Bonds.

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

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

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

“Series” means any series of Bonds issued under the Indenture.

“Series 2005 Bonds” means the ABAG Finance Authority for Nonprofit Corporations Revenue Bonds (Hebrew Home for Aged Disabled), Series 2005 authorized by, and at any time Outstanding pursuant to, the Indenture.

“Series Indenture” means any Supplemental Indenture providing for the issuance of any Additional Bonds.

“Series 2005 Facilities” means the Borrower’s facilities located at 302 Silver Avenue, San Francisco, California, as more fully described in Exhibit A to the Loan Agreement.

“Series 2005 Project” means the acquisition, construction, improvement and equipping of the Series 2005 Facilities.

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

“State” means the State of California.

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

“Tax Certificate” means either (a) the Certificate as to Tax, Arbitrage, and Other Matters signed by the Borrower 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.

“Tax-Exempt” means, with respect to interest on any obligations, including the Bonds, that such interest is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“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 the tender agent appointed in accordance with the provisions set forth in Exhibit D to the Indenture. The initial Tender Agent with respect to the Series 2005 Bonds is Wells Fargo Bank, National Association.

“Term Rate” means a non-variable interest rate borne by the Series 2005 Bonds for a Term Rate Period in accordance with the provisions set forth in Exhibit D to the Indenture.

“Term Rate Period” means each period during which a Term Rate is in effect.

“Trustee” means Wells Fargo Bank, National Association, or its successor as Trustee thereunder as provided in the Indenture.

“Variable Term Rate” means a non-variable rate borne by any Series 2005 Bond for a Variable Term Segment in accordance with the provisions set forth in Exhibit D to the Indenture.

“Variable Term Rate Adjustment Date” means the date on which Series 2005 Bonds begin to bear interest at a Variable Term Rate.

“Variable Term Rate Period” means each period comprised of Variable Term Segments during which Variable Term Rates are in effect.

“Variable Term Segment” means, with respect to each Series 2005 Bond bearing interest at a Variable Term Rate, the period established in accordance with the provisions set forth in Exhibit D to the Indenture.

“Weekly Rate” means a variable interest rate on any Series 2005 Bonds established in accordance with the provisions set forth in Exhibit D to the Indenture.

“Weekly Rate Adjustment Date” means the date on which Series 2005 Bonds begin to bear interest at a Weekly Rate.

“Weekly Rate Period” means each period during which a Weekly Rate is in effect.

THE INDENTURE

The Indenture sets forth the terms of the Bonds, including the Series 2005 Bonds, the nature and extent of security, various rights of the Bondholders, rights, duties and immunities of the Trustee and the rights and obligations of the Authority. The summary of the provisions of the Indenture set forth below does not purport to be complete or definitive, is supplemental to the summary of other provisions of the Indenture set forth elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture.

Pledge and Assignment; Revenue Fund; Allocation of Revenues

Pledge and Assignment. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund and funds held to pay the Purchase Price of any Bonds) are pledged to secure the full payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture and thereafter to secure full payment of amounts owed under any Credit Agreement. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Trustee of the initial Series of Bonds under the Indenture, without any physical delivery thereof or further act.

Pursuant to the provisions of the Indenture, the Authority transfers in trust, and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds and the Credit Providers, to the extent of its interest therein, all of the Revenues and other assets pledged pursuant to the provisions of the Indenture described in the paragraph above and all of the right, title and interest of the Authority in the Loan Agreement (except for its Reserved Rights). Such assignment to the Trustee is solely in its capacity as Trustee under the Indenture, subject to the protections, immunities and limitations from liability afforded the Trustee under the Indenture. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and, subject to the provisions of the Indenture, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the Borrower under the Loan Agreement.

Revenue Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the Revenue Fund which the Trustee shall establish, maintain and hold in trust as provided in the Indenture. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Allocation of Revenues. Subject to the provisions of the Indenture described below under the caption “Order of Priority of Payment,” on or before each Interest Payment Date and Principal Payment Date, the Trustee shall apply funds in the Revenue Fund for the following purposes, in the following amounts and in the following order of priority:

First: for the payment of the aggregate amount of interest becoming due and payable on such Interest Payment Date or date of redemption of all Bonds then Outstanding, or for the reimbursement of any Credit Provider for any amount received from such Credit Provider and applied to the payment of such interest;

Second: for the payment of the aggregate amount of principal, including the aggregate amount of Sinking Fund Installment payments, required to be paid on such Principal Payment Date, or for the reimbursement of any Credit Provider for any amount received from such Credit Provider and applied to the payment of such principal; and

Third: for the payment of the redemption price payable upon any redemption of Bonds permitted under the Indenture, or for the reimbursement of any Credit Provider for any amount received from such Credit Provider and applied to the payment of such redemption price.

Credit Facility; Credit Facilities; Credit Facility Account; Order of Priority of Payment

Credit Facility. The Borrower shall provide a Credit Facility meeting the requirements specified in the provisions of the Loan Agreement described below under the caption “The Loan Agreement - Particular Covenants of the Borrower - Credit Facilities” at any time the Series 2005 Bonds bear interest at a rate other than a Term Rate and may provide a Credit Facility for the Bonds at any time, including, without limitation, during a Term Rate Period. The Trustee acknowledges the right of the Borrower to terminate any Credit Facility provided by the Borrower with respect to the Series 2005 Bonds and to substitute an Alternate Credit Facility for any Credit Facility then in effect with respect to the Series 2005 Bonds; provided that no such termination and substitution may be made with respect to any Bond during any Variable Term Segment with respect to such Bond and if the Borrower shall have provided a Credit Facility to enhance the Bonds during any Term Rate Period, no such termination and substitution may be made during any Term Rate Period.

The Trustee shall hold and maintain each Credit Facility for the benefit of the Bondholders to which such Credit Facility relates until such Credit Facility expires in accordance with its terms. Subject to the provisions of the Indenture, the Trustee shall enforce all terms, covenants and conditions of each Credit Facility, including payment when due of all requests for payment under the Indenture, and will not consent to, agree to or permit any amendment or modification of any Credit Facility which would materially adversely affect the rights or security of the Holders of the Bonds to which such Credit Facility relates.

The Trustee shall request payments under each Credit Facility in accordance with the terms thereof in an amount necessary to make timely payments of principal of, premium, if any, and interest on the Bonds to which such Credit Facility relates, other than Bonds owned by or for the account of the Borrower or any Credit Provider, when due whether at maturity, interest payment date, redemption, acceleration or otherwise. In addition, the Trustee or the Tender Agent, as applicable, shall request payments under each Credit Facility in accordance with the terms thereof to the extent necessary to make timely payments required to purchase any Bonds to which such Credit Facility relates, other than Bonds owned by or for the account of the Borrower or any Credit Provider, in accordance with the provisions of such Credit Facility.

Immediately after a payment is received under a Credit Facility, the Trustee shall reimburse the applicable Credit Provider for the amount of such payment from moneys then on deposit in the Revenue Fund.

If at any time during the term of any Credit Facility any successor Trustee shall be appointed and qualified under the Indenture, the resigning or removed Trustee shall request that each Credit Provider transfer its Credit Facility and any funds held hereunder to the successor Trustee. If the resigning or removed Trustee fails to make this request, the successor Trustee shall do so before accepting appointment.

When a Credit Facility expires in accordance with its terms or is replaced by an Alternate Credit Facility, the Trustee shall immediately surrender such Credit Facility to the applicable Credit Provider. All provisions in the Indenture relating to the rights of any Credit Provider shall be of no force and effect if there is no Credit Facility or Alternate Credit Facility in effect and there are no Credit Provider Bonds and all amounts owing to such Credit Provider under the Indenture and under the Credit Agreement have been paid.

Credit Facility Account. The Trustee shall create within the Revenue Fund a separate account called the “Credit Facility Account” (with such subaccounts as may be required to segregate amounts related to different Credit Facilities) into which all moneys received by the Trustee under any Credit Facility to pay principal, interest, or redemption price of the Bonds shall be deposited and disbursed. Neither the Borrower nor the Authority shall have any rights to or interest in the Credit Facility Account nor any subaccounts established therein. The Credit Facility Account and each subaccount therein shall be established and maintained by the Trustee and held in trust apart from all other moneys and securities held under the Indenture or otherwise, and over which the Trustee shall have the exclusive and sole right of withdrawal for the exclusive benefit of the Holders of the Bonds with respect to which such drawing on a Credit Facility was made. No moneys from any Credit Facility Account nor any subaccount therein may in any circumstance be used to pay principal or interest on any Credit Provider Bonds or any Bonds owned by or for the account of the Borrower. The Trustee may establish with the Revenue Fund one or more accounts to facilitate the calculations of the aging of moneys deposited with the Trustee until they become Available Moneys.

Order of Priority of Payment. Funds for the payment of the principal or redemption price of and interest on the Bonds shall be derived from the following sources in the order of priority specified in the Indenture and described below; provided however, that amounts in the Revenue Fund shall be used to pay when due (whether upon Interest Payment Date, maturity, redemption, acceleration or otherwise) the principal or redemption price of and interest on the Bonds held by Holders other than any Credit Provider or the Borrower prior to the payment of the principal and interest on the Bonds held by any Credit Provider or the Borrower:

- (i) moneys paid into the Credit Facility Account or any subaccount established therein from a payment under the applicable Credit Facility;
- (ii) moneys paid into the Revenue Fund pursuant to the provisions of the Indenture described below under the caption “The Indenture – Defeasance – Discharge of Indenture” and proceeds from the investment thereof, which constitute Available Moneys;
- (iii) any other moneys (other than from draws on a Credit Facility enhancing the Bonds) paid into the Revenue Fund and deposited in the Revenue Fund and proceeds from the investment thereof, which constitute Available Moneys; and
- (iv) any other moneys paid into the Revenue Fund and deposited in the Revenue Fund and proceeds from the investment thereof, which are not Available Moneys.

Other Funds and Accounts

Construction Fund. If so specified in the Request of the Authority delivered in connection with the issuance of a Series of Bonds, the Trustee shall establish a Construction Fund (each a “Construction Fund”). The moneys in each Construction Fund shall be held by the Trustee in trust and applied to the payment of the Costs of the Project financed with the proceeds of the Series of Bonds to which such Construction Fund relates.

Before each payment is made from a Construction Fund by the Trustee, there shall be filed with the Trustee a requisition conforming with the requirements of the Indenture, such requisition to be substantially in the form attached as a exhibit to the Indenture. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon receipt of each such requisition complying with the provisions under the Indenture, the Trustee shall pay the amount set forth therein as directed by the terms thereof. The Trustee may conclusively rely on such requisition received as complete authorization to disburse funds in accordance with the Indenture.

Upon the receipt by the Trustee of a certificate conforming with the requirements set forth in the Loan Agreement, and after payment of costs payable from such Construction Fund or provision having been made for payment of such costs not yet due by retaining such costs in such Construction Fund or otherwise as directed in such certificate, the Trustee shall transfer any remaining balance in such Construction Fund into the Revenue Fund.

Costs of Issuance Fund. If so specified in the Request of the Authority delivered in connection with the issuance of a Series of Bonds, the Trustee shall establish a Costs of Issuance Fund. The moneys in each Costs of Issuance Fund shall be held by the Trustee in trust and applied to the payment of Costs of Issuance for the Series of Bonds to which such Costs of Issuance Fund relates, upon a requisition filed with the Trustee, in the form attached as an exhibit to the Indenture, signed by an Authorized Representative of the Borrower. Any amounts remaining in any Costs of Issuance Fund one hundred eighty (180) days following the Date of Delivery of a Series of Bonds shall be transferred to the Construction Fund, if any, established in connection with such Series of Bonds or, to the Revenue Fund if no Construction Fund shall have been established in connection with such Series of Bonds. Thereafter, such Costs of Issuance Fund shall be closed.

Reserve Funds. The Authority and the Borrower may at the time of issuance of any Series of Bonds or at any time thereafter by Supplemental Indenture provide for the establishment of a Reserve Fund to secure one or more Series of Bonds as the Authority and the Borrower shall determine and shall specify in the Supplemental Indenture establishing such Reserve Fund. In the event that the Authority and the Borrower shall determine to establish a Reserve Fund as additional security for the Series 2005 Bonds or any other Series of Bonds, such Reserve Fund shall comply with the provisions of the Supplemental Indenture establishing such Reserve Fund.

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 Borrower shall timely make or have made all necessary calculations of the Rebate Amount as required to comply with the requirements of this Bond Indenture and the Rebate Provisions and shall deposit or cause the Trustee to deposit into the Rebate Fund from investment earnings on moneys deposited in the other Funds and Accounts created under the Indenture (other than moneys representing the proceeds of a draw on a Credit Facility or held in the Credit Facility Account, including any subaccount established therein, remarketing proceeds, Available Moneys, moneys being aged to become Available Moneys, or moneys held for the payment of particular Bonds (including moneys held for non-presented Bonds or for the purchase of Bonds or held pursuant to the provisions of the Indenture described below under the caption “Deposit of Money or Securities with Trustee”)), or from any other funds held by the Trustee and available for such purpose, or from other moneys paid by the Borrower to the Trustee for such purpose, the amount necessary to increase the balance in the Rebate Fund to the Rebate Amount. The Borrower 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 Trustee in writing to make from the Rebate Fund (or to the extent necessary, from other funds of the Borrower delivered to the 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 Trustee in the Rebate Fund are not sufficient to make payments of such Rebate Amount, the Borrower shall pay to the Trustee an amount necessary to make up such deficiency. In complying with the foregoing, the Borrower 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 Borrower and the 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 Borrower.

The Authority and the Trustee shall cooperate with the Borrower in complying with these requirements and shall promptly provide to the Borrower, upon its request, any information in the possession of the Authority or the Trustee concerning the investment of Gross Proceeds (as hereinafter defined) of any Series of Bonds and all other information in the possession of the Authority or the Trustee, of benefit to the Borrower in complying with the requirements of this Section. “Gross Proceeds” for this purpose include (a) proceeds of the Bonds, (b) amounts received from the Borrower pursuant to the Loan Agreement with respect to the Bonds, (c) all funds and accounts subject to the lien of the Indenture allocable to the Bonds, and (d) other amounts that the Borrower may advise the 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 Indenture, the Trustee shall determine, from written calculations provided under the Indenture by the Borrower, whether funds remaining therein subject to the terms of the Indenture shall be sufficient to pay the Rebate Amount when due and shall advise the Borrower of the deficiency, if any, which the Borrower shall promptly pay to the Trustee. Payments to be made to the United States of America as required under the Indenture may be made directly by the Trustee from the Rebate Fund, or any other fund or account held under the Indenture, or from funds provided by the Borrower upon, and in such amounts as provided in written instructions from the Borrower to the Trustee, notwithstanding any other provisions under the Indenture 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 of the Indenture, the Trustee shall, upon the written request of the Borrower, distribute such amount to the Borrower.

Notwithstanding any other provisions of the Indenture, the obligation to pay the Rebate Amount to the United States and to comply with all the above described requirements shall survive the defeasance or payment in full of the Bonds.

Under no circumstances whatsoever shall the Trustee be liable to the Authority, the Borrower 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 Trustee has, pursuant to the terms of the Indenture, acted in accordance with the written directions of the Borrower, as authorized in the Indenture.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds or accounts established pursuant to the Indenture (other than moneys in the Credit Facility Account, remarketing proceeds, and moneys held for the purchase of Bonds or for non-presented Bonds which shall be held uninvested) shall be invested by the Trustee as directed in writing by the Borrower solely in Investment Securities. Notwithstanding any other provision in the Indenture, in the absence of written investment instructions from the Borrower, the Trustee is directed to invest available funds in Investment Securities described in clause (9) of the definition thereof. The Trustee shall not be liable for any losses resulting from any investments made pursuant to the preceding sentence. The Trustee shall be entitled to rely conclusively upon the Borrower's investment directions as to the fact that each such investment meets the criteria of the Indenture.

Moneys in all funds and accounts shall be invested in Investment Securities maturing not later than the date on which such moneys will be required for the purposes specified in the Indenture.

Unless otherwise provided in the Series Indenture establishing the terms and provisions of a Series of Bonds, all interest, profits and other income received from the investment of moneys in each Construction Fund, each Costs of Issuance Fund and any Reserve Fund shall be deposited when received in the Construction Fund or, if the Construction Fund shall have been closed, the Revenue Fund; and all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to the Indenture shall be deposited in the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund from which such accrued interest was paid. To the extent that any Investment Securities are registrable, such Investment Securities shall be registered in the name of the Trustee or its nominee for the benefit of the Holders.

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

Subject to the provisions of the Indenture, investments in any and all funds and accounts (other than moneys on deposit in the Rebate Fund, moneys representing the proceeds of a draw on a Credit Facility or held in the Credit Facility Account, remarketing proceeds, Available Moneys, moneys being aged to become Available Moneys, or moneys held for the payment of particular Bonds, including moneys held for non-presented Bonds or for the purchase of Bonds or held under provisions of the Indenture described below under the caption “Deposit of Money or Securities with Trustee,” may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions of the Indenture for transfer to or holding in particular funds and accounts, the amounts received or held by the Trustee under the Indenture, provided that the Trustee shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Indenture. Subject to the provisions of the Indenture, any moneys invested as set forth herein may be invested in a pooled investment account consisting solely of funds held by the Trustee as a fiduciary. The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may sell or present for redemption any Investment Securities whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment or early liquidation thereof.

Particular Covenants

Tax Covenants. The Authority and the Borrower shall at all times do and perform all acts and things permitted by law and the Indenture which are necessary or desirable in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Authority and the Borrower agree to comply with the provisions of each Tax Certificate. The Authority and the Trustee agree to comply with Section 148(f) of the Code, relating to rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

Continuing Disclosure. Pursuant to the provisions of the Loan Agreement described below under the caption “The Loan Agreement – Particular Covenants – Continuing Disclosure,” the Borrower has agreed to undertake any continuing disclosure requirements promulgated under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, and the Authority shall have no liability to the Holders of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of the Indenture, failure of the Borrower to comply with the requirements of Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, shall not be considered an Event of Default; however, the Trustee at the written request of any Marketing Party or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent indemnified to its satisfaction from and against any cost, liability or expense related thereto, including, without limitation, reasonable fees and expenses of its attorneys and advisors and additional fees and expenses of the Trustee, or any Bondholder or beneficial owner of any Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations pursuant to the provisions of the Loan Agreement described below under the caption “The Loan Agreement – Particular Covenants – Continuing Disclosure.”

Events of Default and Remedies of Bondholders

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

- (a) default in the due and punctual payment of the principal of, or premium (if any) on, any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;
- (b) default in the due and punctual payment of any installment of interest on, any Bond, when and as the same shall become due and payable;
- (c) failure of the Credit Provider to honor any proper drawing under the Credit Facility; or

(d) failure by the Authority to perform or observe any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and the continuation of such failure for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority, each Credit Provider and the Borrower by the Trustee, or to the Authority, each Credit Provider, the Borrower and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding.

No default specified in (d) above shall constitute an Event of Default unless the Authority and the Borrower shall have failed to correct such default within the applicable period; provided, however, that if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority or the Borrower (or any Credit Provider on its behalf) within the applicable period and diligently pursued. With regard to any alleged default concerning which notice is given to the Borrower under the provisions of the Indenture described herein, the Authority grants the Borrower (or any Credit Provider on its behalf) full authority for the account of the Authority to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a default in the name and stead of the Authority with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts and with power of substitution.

During the continuance of an Event of Default, subject to the provisions of the Indenture described below under the caption “The Indenture – Events of Default and Remedies of Bondholders – Consent Regarding Defaults and Remedies,” unless the principal of all the Bonds shall have already become due and payable, upon the written request of the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds at the time Outstanding, the Trustee shall, by notice in writing to the Authority, the Borrower and each Credit Provider, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. Upon any such declaration the Trustee shall promptly request payment under each then existing Credit Facility in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the applicable Bonds so declared to be due and payable. Interest on the Bonds shall cease to accrue as of the date of declaration. The Trustee shall promptly notify the Bondholders of the date of acceleration and the cessation of accrual of interest on the Bonds in the same manner as for a notice of redemption.

The provisions of the Indenture described in the preceding paragraph, however, are subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as in the Indenture provided, and before any Credit Facility has been drawn upon in accordance with its terms and honored, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds and the reasonable fees and expenses of the Trustee, including reasonable fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee and each Credit Provider or provision deemed by the Trustee and each Credit Provider to be adequate shall have been made therefor, then, and in every such case, the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon. Except as otherwise provided pursuant to the provisions of the Indenture described in the following sentence and notwithstanding any other provision of the Indenture to the contrary, the Trustee may not exercise any remedy in the event of a default under the Indenture without the written consent of each Credit Provider then providing a Credit Facility, so long as any Credit Facility is in effect and the Credit Provider providing such Credit Facility has not wrongfully failed to make a payment under the Indenture. The Trustee may exercise any and all remedies under the Indenture and the Loan Agreement (except acceleration) to collect any fees, expenses and indemnification due from the Borrower to the Trustee or the Authority without obtaining the consent of any Credit Provider.

Institution of Legal Proceedings by Trustee. Subject to the provisions of the Indenture described under above under the caption “The Indenture – Events of Default and Remedies of Bondholders – Events of Default;

Acceleration; Waiver of Default” and described below under the caption “The Indenture - Consent Regarding Defaults and Remedies,” if one or more of the Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Holders of two-thirds (2/3) in principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction therefor pursuant to the provisions of the Indenture, shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds or under the Indenture and the Loan Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture or in the Loan Agreement, or in aid of the execution of any power in the Indenture or in the Loan Agreement granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Indenture.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (subject to the provisions of the Indenture and except for proceeds of remarketing and the Credit Facility) shall be promptly applied by the Trustee as follows and in the following order:

(1) To the payment of the fees and reasonable charges and expenses of the Trustee and each Marketing Party (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

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

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

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

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

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference; and

(3) To the payment of amounts owed to any Credit Provider pursuant to its Credit Agreement;

provided, however, that in no event shall moneys derived from drawings under a Credit Facility, moneys set aside to pay principal or interest on any particular Bonds (including moneys held for non-presented Bonds or for the purchase of Bonds or held for defeased Bonds) or the proceeds from remarketing of the Bonds be used to pay any of the items listed in clause (1) or clause (3) above, and Available Moneys and moneys being aged to become Available Moneys shall not be used to pay any of the items listed in clause (1) above until all amounts have been paid under clause (2) above; provided further that proceeds of a draw on a Credit Facility and remarketing proceeds

shall be used solely to pay principal, interest, premium, or Purchase Price of the Bonds as otherwise provided in the Indenture.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture and the Loan Agreement and applicable provisions of any other law. Subject to the provisions of the Indenture described above under the caption “The Indenture – Events of Default and Remedies of Bondholder – Events of Default; Acceleration; Waiver of Default,” upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture and the Loan Agreement, or any other law arising under the Indenture; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

Bondholders’ Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, but subject to the provisions of the Indenture described below under the caption “The Indenture – Events of Default and Remedies of Bondholders – Consent Regarding Defaults and Remedies” and the fact that the Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, the Holders of two-thirds (2/3) in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction or for which it has not been provided adequate indemnity satisfactory to it.

Limitation on Bondholders’ Right to Sue. Subject to the provisions of the Indenture described above under the captions “The Indenture – Events of Default and Remedies of Bondholders – Events of Default; Acceleration; Waiver of Default” and described below under the caption “Consent Regarding Defaults and Remedies,” no Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture and the Loan Agreement, or any other applicable law with respect to such Bond, unless: (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers in the Indenture granted or to institute such suit, action or proceeding in its own name; (3) subject to the fact that the Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by such Holders’ action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders

of Bonds, or to enforce any right under the Indenture and the Loan Agreement, or other applicable law with respect to the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

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

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

Notwithstanding any other provision of the Loan Agreement to the contrary, so long as any Credit Provider is not then continuing wrongfully to dishonor request for payment under its Credit Facility, the Trustee shall not without the prior written consent or direction of such Credit Provider exercise any remedies under the Loan Agreement in the case of any Loan Default Event; provided, however, that no consent of any Credit Provider will be required with respect to the enforcement of the sections of the Loan Agreement relating to indemnification or additional fees of the Trustee or the Authority. The Trustee may exercise any and all remedies under the Indenture and the Loan Agreement (except acceleration) to collect any fees, expenses and indemnification from the Borrower without obtaining the consent of any Credit Provider.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee, to the Credit Providers or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient. A-20

Consent Regarding Defaults and Remedies. Notwithstanding any other provisions of the Indenture and subject to the fact that the Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, so long as any Credit Provider is not continuing wrongfully to dishonor request for payment under its Credit Facility, no Event of Default shall be declared pursuant to the provisions of the Indenture described above under the caption “The Indenture – Events of Default and Remedies of Bondholders – Events of Default; Acceleration; Waiver of Default,” nor any remedies exercised with respect to any Event of Default other than an Event of Default declared by the Bondholders, and no Event of Default under the Indenture shall be waived by the Trustee or the Bondholders to the extent they may otherwise be permitted under the Indenture, without, in each case, the prior written consent of such Credit Provider. No Event of Default shall be waived, in any circumstance, unless the Trustee has received written notice from each Credit Provider that its Credit Facility has been fully reinstated and is in full force and effect.

Modification or Amendment of the Indenture

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

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

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

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

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(4) to conform to the terms and provisions of any Alternate Credit Facility;

(5) to modify, amend or supplement the Indenture in such a manner to permit the Authority, the Trustee, the Borrower or any other responsible party to comply with the requirements of Rule 15c2-12, as it may from time to time be amended or supplemented, with respect to the Bonds;

(6) to make any modification or amendment to the Indenture, even if consent of Bondholders would otherwise be required, (i) if such amendment will be effective upon the remarketing of Bonds following the mandatory tender thereof, or (ii) if notice of such proposed modification or amendment is given to Bondholders (in the same manner as notices of redemption are given) at least fifteen (15) days before the effective date thereof and on or before such effective date the Bondholders have the right to demand purchase of their Bonds;

(7) to provide for the issuance of Additional Bonds;

(8) to modify the Auction Procedures applicable to the Bonds in accordance with the provisions set forth in Exhibit D to the Indenture or to modify the auction procedures applicable to any other Series of Bonds in accordance with the provisions set forth in the Series Indenture pursuant to which such Series of Bonds is issued; or

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

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

The Trustee shall be entitled to rely upon an Opinion of Counsel or an Approving Opinion of Bond Counsel, as applicable, with respect to the effect of any amendment to the Indenture.

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

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

Defeasance

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

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

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided pursuant to the provisions of the Indenture described below under the caption "Deposit of Money or Securities with Trustee") to pay or redeem with Available Moneys all Bonds; or

(c) by delivering to the Trustee, for cancellation by it, the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied except only as provided pursuant to the provisions of the Indenture described below under the caption "Discharge of Liability on Bonds." In such event, upon Request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture (other than the Rebate Fund) which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption and any amounts owed to the Trustee under the Indenture in the following order (1) first, to each Credit Provider to the extent of any amounts due to such Credit

Provider pursuant to its Credit Agreement, and (2) second, to the Borrower, provided, however, that notwithstanding any provision of the Indenture or the Loan Agreement, under no circumstances may the Authority or the Borrower receive any funds derived from a draw on any Credit Facility, remarketing proceeds, or moneys held for the payment of particular Bonds (including moneys held for non-presented Bonds).

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

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

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

(a) Available Moneys in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Investment Securities of the type described in clause (1) of the definition of Investment Securities which are purchased with Available Moneys, the principal of and interest on which when due and without reinvestment will provide money sufficient to pay the principal of, premium, if any, all unpaid interest to maturity, or to the redemption date, on the Bonds to be paid or redeemed, as such principal and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

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

Notwithstanding any other provision of the Indenture, no Bond which is subject to optional or mandatory tender in accordance with the provisions of the Indenture pursuant to which such Bonds were issued, shall be deemed to be paid within the meaning of the Indenture, unless arrangements shall have been made to assure that such Bond, if tendered for purchase in accordance with the provisions of the Indenture could be paid and redeemed from such moneys or Investment Securities as are provided pursuant to the provisions of the Indenture.

Payment of Bonds After Discharge of Indenture Obligation. Notwithstanding any provisions of the Indenture to the contrary, and subject to applicable laws of the State, any moneys deposited with the Trustee, in trust for the payment of the principal of, or interest or premium on, any Bond remaining unclaimed for two (2) years after such payment has become due and payable (whether on an Interest Payment Date, at maturity, upon call for redemption, upon tender for purchase or by declaration as provided in the Indenture), then such moneys shall be repaid to the Borrower upon its written request, and the Holder of such Bond shall thereafter be entitled to look only to the Borrower for payment thereof, and all liability of the Authority and the Trustee with respect to such moneys shall thereupon cease; provided, that before the disposition of such moneys as aforesaid, the Trustee may (at the cost of the Borrower) first publish a notice at least once in a Qualified Newspaper, such notice to be in such form as may be deemed appropriate by the Trustee, in respect of the Bonds so payable and not presented and in respect of the provisions relating to the disposition of the moneys held for the payment thereof.

THE LOAN AGREEMENT

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

Loan of Bond Proceeds

Loan Repayments. Pursuant to the Indenture, the Authority will issue the Series 2005 Bonds. Pursuant to the Loan Agreement, the Authority will loan and advance to the Borrower, and the Borrower will borrow and accept from the Authority (solely from the proceeds of the sale of the Series 2005 Bonds), the proceeds of the Series 2005 Bonds, such proceeds to be applied under the terms and conditions of the Loan Agreement and the Indenture. In consideration of the loan to the Borrower of such proceeds and the proceeds of any Additional Bonds, the Borrower agrees that, on or before each Bond Payment Date and as long as any of the Bonds remain Outstanding, it shall pay to the Trustee for deposit in the Revenue Fund the amount of interest on and principal of the Bonds becoming due and payable on such dates. Notwithstanding the foregoing, if on any Bond Payment Date the aggregate amount in the Revenue Fund is for any reason insufficient or unavailable to make the required payments of principal (or redemption price) of or interest on the Bonds then becoming due (whether by maturity, redemption, acceleration or otherwise), the Borrower shall forthwith pay the amount of any such deficiency to the Trustee. Each payment by the Borrower to the Trustee under the Loan Agreement (the "Loan Repayments") shall be in lawful money of the United States of America and paid to the Trustee at its Principal Corporate Trust Office and held, invested, disbursed and applied as provided in the Indenture.

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

The Borrower shall receive a credit against its payments required to be made under the provisions of the Loan Agreement described herein, in addition to any credits resulting from payment or repayment from other sources, to the extent of any corresponding payment made by any Credit Provider to the Trustee under a Credit Facility.

Reserve Fund Replenishment. In the event that a Reserve Fund shall be established in connection with one or more Series of Bonds, the Borrower further agrees to pay, or cause to be paid on or before the first day each month (i) one-twelfth of the aggregate amount of each prior withdrawal from such Reserve Fund for the purpose of making up a deficiency in the Revenue Fund (until deposits on account of such withdrawal are sufficient to fully restore the amount withdrawn) and (ii) one-fourth of the amount of any deficiency in any Reserve Fund resulting from the valuation of such Reserve Fund, if, upon such valuation, the amount on deposit in such Reserve Fund is less than 90% of the applicable Reserve Fund Requirement.

Additional Payments. In addition to the Loan Repayments and other payments made pursuant to the provisions of the Loan Agreement described herein, the Borrower shall also pay to the Authority, to the Trustee or to the other applicable party, as the case may be, “Additional Payments,” as follows:

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

(b) All reasonable fees, charges and expenses of the Trustee and any Marketing Party for services rendered under the Indenture or otherwise in connection with the Bonds, including compensation and indemnification pursuant to the terms of the Indenture, as and when the same become due and payable;

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

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

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

(f) All amounts required to be paid pursuant to the provisions of the Loan Agreement described below under the captions “The Loan Agreement – Loan Default Events and Remedies- Remedies Not Exclusive; No Waiver of Rights” and “Expenses on Default.”

Option to Pay Purchase Price. If (i) sufficient remarketing proceeds are not available to pay the Purchase Price of any Bond tendered pursuant to the provisions of the Indenture and (ii) if the Credit Provider with respect to such Series of Bonds has not paid the full amount required by the Indenture to pay the Purchase Price of any Bond of such Series at the times required under the Indenture, the Borrower may, at its sole option, but shall not be required to, pay to the Tender Agent the amounts necessary for the purchase of Bonds of such Series pursuant to the provisions of the Indenture applicable to such Series of Bonds. Any such payment by the Borrower to the Tender Agent shall be made in immediately available funds and shall be paid to the Tender Agent at its Principal Office by 2:00 p.m. New York City time, on each date upon which a payment is to be made pursuant to the applicable provisions of the Indenture.

Obligations of the Borrower Unconditional; Net Contract. The obligations of the Borrower to make the Loan Repayments and Additional Payments required under the Loan Agreement and to perform and observe the other agreements on its part contained in the Loan Agreement shall be absolute and unconditional, and shall not be abated, rebated, setoff, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any Bonds remain Outstanding or any Additional Payments remain unpaid, regardless of any contingency, event or cause whatsoever, including, without limiting the generality of the

foregoing, any natural disaster, acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Facilities, commercial frustration of purpose, any changes in the laws of the United States of America or of the State of California or any political subdivision of either or in the rules or regulations of any governmental authority, or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement or the Indenture. The Loan Agreement shall be deemed and construed to be a “net contract,” and the Borrower shall pay absolutely net the Loan Repayments, Additional Payments and all other payments required under the Loan Agreement, regardless of any rights of setoff, recoupment, abatement or counterclaim that the Borrower might otherwise have against the Authority or the Trustee or any other party or parties.

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

Amounts Remaining in Funds. After payment in full of (i) the Bonds, or after provision for such payment shall have been made as provided in the Indenture, (ii) the fees, charges and expenses of the Authority and the Trustee in accordance with the Indenture, (iii) all other amounts required to be paid under the Loan Agreement and the Indenture, and (iv) payment to any Credit Provider of any amounts owed by the Borrower to such Credit Provider under its Credit Agreement, any amounts remaining in any fund held by the Trustee under the Indenture shall be paid as provided in the provisions of the Indenture described under the caption “The Indenture – Defeasance – Discharge of Indenture.”

Particular Covenants of the Borrower

Maintenance of Existence. (a) To the extent permitted by law and its articles of incorporation and bylaws, the Borrower covenants and agrees that during the term of the Loan Agreement it will maintain its existence as a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code, will continue to maintain its status as a corporation in good standing in the State of California, will not dissolve, sell or otherwise dispose of all or substantially all of its assets and will not combine or consolidate with or merge into another entity so that the Borrower is not the resulting or surviving entity (any such sale, disposition, combination or merger shall be referred to hereafter as a “transaction”); provided, however, that the Borrower may enter into any such transaction at any time if it has obtained the prior written consent of the Authority and an Approving Opinion. The consent of the Authority (which shall not be unreasonably withheld) shall be given within thirty (30) days after the Authority receives satisfactory evidence that:

(i) the surviving or resulting transferee, person or entity, as the case may be, assumes and agrees in writing to pay and perform all of the obligations of the Borrower under the Loan Agreement,

(ii) the surviving or resulting transferee, person or entity, as the case may be, is an organization described in Section 501(c)(3) of the Code and qualifies to do business in the State of California,

(iii) each existing Credit Facility will remain in full force and effect, and

(iv) the credit rating on the Bonds, as determined by each Rating Agency, shall be no lower than the rating level of the Bonds immediately prior to the transaction.

(b) Within ten (10) days after the consummation of the transaction, the Borrower shall provide the Authority and the Trustee with counterpart copies of the merger instruments, or other documents constituting the transaction, including: (A) copies of the instruments of assumption referred to in (i) above; (B) evidence of

qualification as referred to in (ii) above; (C) evidence demonstrating compliance with the requirement of clauses (iii) and (iv) above; and (D) a Certificate of the Borrower stating that the requirements of the Loan Agreement described in clause (a) above have been met. The Borrower shall give the Authority at least thirty (30) days' written notice prior to the effective date of any transaction described above, together with drafts of the documents of assumption and the Certificate of the Borrower as required in the Loan Agreement. The Borrower agrees to provide such other information as the Authority may reasonably request in order to assure compliance with the requirements of the Loan Agreement described herein.

(c) If a merger, consolidation, sale or other transfer is effected, as provided in the Loan Agreement described herein, all provisions of the Loan Agreement described herein shall continue in full force and effect and no further merger, consolidation, sale or transfer shall be effected except in accordance with the provisions of the Loan Agreement as described herein.

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

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

Maintenance and Repairs; Taxes; Utility and Other Charges. The Borrower agrees to maintain the Facilities, or cause the Facilities to be maintained, during the term of the Loan Agreement (i) in as reasonably safe condition as its operations shall permit and (ii) in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

The Borrower agrees to pay or cause to be paid during the term of the Loan Agreement all taxes, governmental charges of any kind lawfully assessed or levied upon the Facilities or any part thereof, including any taxes levied against any portion of the Facilities which, if not paid, will become a charge on the receipts from the Facilities prior to or on a parity with the charge thereon and the pledge or assignment thereof to be created therefrom or under the Loan Agreement, all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of any portion of the Facilities and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Facilities, provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Borrower shall be obligated to pay only such installments as are required to be paid during the term of the Loan Agreement. The Borrower may, at the Borrower's expense and in the Borrower's name, in good faith, contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during that period of such contest and any appeal therefrom unless by such nonpayment the Facilities or any part thereof will be subject to loss or forfeiture.

Insurance. The Borrower agrees to insure the Facilities or cause the Facilities to be insured during the term of the Loan Agreement for such amounts and for such occurrences as are customary for similar facilities within the State of California, or as may be required by any Credit Provider pursuant to its Credit Agreement, by means of policies issued by reputable insurance companies qualified to do business in the State of California.

Credit Facilities. (a) Except as may otherwise be permitted under the Indenture, the Borrower agrees that throughout the term of the Loan Agreement it will maintain or cause to be maintained a Credit Facility for the Series 2005 Bonds and will maintain or cause to be maintained a Credit Facility for any other Series of Bonds if required pursuant to the terms of the Series Indenture setting forth the terms and provisions of such Series of Bonds. At any time the Borrower may, at its option, provide for the delivery to the Trustee of an Alternate Credit Facility and the Borrower shall, in any event, cause to be delivered an Alternate Credit Facility at least twenty (20) days before the expiration date of any existing Credit Facility, unless otherwise permitted by the Indenture. As and to the extent applicable, taking into account the Rate Period to be applicable to the Series of Bonds for which an Alternate Credit Facility is being provided, such Alternate Credit Facility shall be in all material respects the same as the Credit Facility it replaces; provided, that the expiration date of such Alternate Credit Facility shall be a date not earlier than three hundred sixty-four (364) days from its date of issuance, subject to earlier termination upon payment of the Bonds in full or provision for such payment in accordance with the Indenture. On or prior to the date of the delivery of an Alternate Credit Facility to the Trustee, the Borrower shall cause to be furnished to the Trustee (i) an opinion of counsel to the Credit Provider providing such Alternate Credit Facility to the effect that such Alternate Credit Facility is enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable remedies) and (ii) written evidence from the Rating Agency then rating such Series of Bonds that such Series of Bonds shall have a long-term rating of "A" (or equivalent) or higher or, if such Series of Bonds shall have only been assigned a short-term rating, such short-term rating shall be in one of the two highest short-term rating categories (without regard to "+"s or "-"s).

(b) Not later than twenty-five (25) days prior to the stated termination date of each Credit Facility, the Borrower shall provide a written statement to the Trustee indicating the status of the extension of the term of such Credit Facility.

Special Services Covenant. The Borrower shall provide services substantially of the kind provided on the date of issuance of the Series 2005 Bonds within the territorial limits of the County of Santa Clara or one or more other Members or Associate Members of the Authority, as long as any Bonds remain Outstanding; provided, however, that the Authority may, upon review of such facts as it deems relevant, from time to time allow the Borrower to provide alternative services which serve the public interest and provide public benefit, or deem this special services covenant to be satisfied in whole or in part.

Loan Default Events and Remedies

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

(a) Failure by the Borrower to pay in full any Loan Repayment required under the Loan Agreement when due, whether at maturity, upon a date fixed for prepayment, by declaration or otherwise, pursuant to the terms of the Loan Agreement;

(b) If any representation or warranty made by the Borrower in the Loan Agreement or in any document, instrument or certificate furnished to the Trustee or the Authority in connection with the issuance of the Bonds shall at any time prove to have been incorrect in any material respect as of the time made;

(c) If the Borrower shall fail to observe or perform any covenant, condition, agreement or provision in the Loan Agreement on its part to be observed or performed, other than as referred to in paragraph (a) or (b) above, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Borrower by the Authority, any Credit Provider or the Trustee; except that, if such failure or breach can be remedied but not within such sixty-day period and if the Borrower has taken all action reasonably possible to remedy such failure or breach within such sixty-day period, such failure or breach shall not become a Loan Default Event for so long as the Borrower shall diligently proceed to remedy same in accordance with and subject to any directions or limitations of time established by the Trustee;

(d) If the Borrower shall abandon the Facilities, or any substantial part thereof and such abandonment shall continue for a period of thirty (30) days after written notice thereof shall have been given to the Borrower by the Authority, any Credit Provider or the Trustee;

(e) If the Borrower files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the Facilities;

(f) If a court of competent jurisdiction shall enter an order, judgment or decree declaring the Borrower an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Borrower or of the whole or any substantial part of the Facilities, or approving a petition filed against the Borrower seeking reorganization of the Borrower under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(g) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Borrower or of the whole or any substantial part of the Facilities, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control; and

(h) If any Event of Default under the Indenture shall occur.

Upon having actual notice of the existence of a Loan Default Event, the Trustee shall give written notice thereof to the Borrower unless the Borrower has expressly acknowledged the existence of such Loan Default Event in a writing delivered by the Borrower to the Trustee or filed by the Borrower in any court.

Remedies on Default. If a Loan Default Event shall occur, then, and in each and every such case during the continuance of such Loan Default Event, the Authority or the Trustee, to the extent the Trustee has actual knowledge or notice of such Loan Default Event, may take any one or more of the following remedial steps:

(a) The Authority or the Trustee may, upon notice in writing to the Borrower and each Credit Provider, declare all installments of Loan Repayments and Additional Payments payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall be immediately due and payable, anything in the Loan Agreement to the contrary notwithstanding; “all installments” as used in this paragraph shall mean an amount equal to the entire principal amount of the then Outstanding Bonds, together with all interest accrued or to accrue on and prior to the next succeeding redemption date or dates on which the Bonds can be redeemed after giving notice to the Holders thereof as required by the Indenture.

(b) The Authority or the Trustee may take whatever action, at law or in equity, as may appear necessary or desirable to collect the Loan Repayments, Additional Payments and any other payments then due and thereafter to become due under the Loan Agreement or to enforce the performance and observance of any obligation, covenant, agreement or provision contained in the Loan Agreement to be observed or performed by the Borrower.

(c) The Trustee shall immediately draw upon each Credit Facility, if permitted by its terms and required by the terms of the Indenture, and apply the amount so drawn in accordance with the Indenture and may exercise any remedy available to it under the Loan Agreement.

Remedies Not Exclusive; No Waiver of Rights. No remedy in the Loan Agreement conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy, to the extent permitted by law, shall be cumulative and shall be in addition to every other remedy given under the Loan Agreement or now or hereafter existing at law or in equity or otherwise. In order to entitle the Authority or the Trustee to exercise any remedy, to the extent permitted by law, reserved to it contained in the Loan Agreement, it shall not be necessary to give any notice, other than such notice as may be in

the Loan Agreement expressly required. Such rights and remedies as are given to the Authority under the Loan Agreement shall also extend to the Trustee, and the Trustee may exercise any rights of the Authority under the Loan Agreement, and the Trustee and the Holders of the Bonds shall be deemed third-party beneficiaries of all covenants and conditions in the Loan Agreement contained.

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

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

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

Rights of Credit Providers Regarding Defaults and Remedies. Notwithstanding any other provision of the Loan Agreement to the contrary, so long as any Credit Provider is not then continuing wrongfully to dishonor request for payment under its Credit Facility, the Trustee shall not without the prior written consent or direction of such Credit Provider exercise any remedies under the Loan Agreement in the case of any Loan Default Event; provided, however, that no consent of any Credit Provider shall be required with respect to the exercise any and all remedies under the Indenture and the Loan Agreement (except acceleration) to collect any fees, expenses and indemnification from the Borrower without obtaining the consent of any Credit Provider.

APPENDIX B

BOOK-ENTRY SYSTEM

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

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

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

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

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

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APPENDIX C
PROPOSED FORM OF BOND COUNSEL OPINION

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December [1], 2005

Hebrew Home for Aged Disabled
Db a Jewish Home of San Francisco
302 Silver Avenue
San Francisco, California 94112

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

Wells Fargo Bank, National Association
Corporate Trust Services
MAC #A0119-181
333 Market Street, 18th Floor
San Francisco, California 94105

Re: ABAG Finance Authority for Nonprofit Corporations \$ _____
Revenue Bonds (Jewish Home of San Francisco Project), Series 2005

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 \$ _____ Revenue Bonds (Jewish Home of San Francisco Project), Series 2005 (the “Bonds”).

All capitalized terms used herein and not otherwise defined shall have the same meanings as ascribed to them under the Indenture (the “Indenture”) between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”), dated as of December 1, 2005.

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 the Borrower to the Issuer under the a Loan Agreement (the “Agreement”) between the Issuer and Hebrew Home for Aged Disabled, db a Jewish Home of San Francisco (the

“Borrower”), dated as of December 1, 2005, 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) finance the acquisition and construction of certain capital improvements to properties of the Borrower and (iii) pay certain other 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 December 6, 2005, authorizing the issuance of bonds in support of the Borrower (the “Issuer Resolution”), certified copies of the resolutions adopted by the Board of Directors of the Borrower and executed copies of the Indenture, the Agreement, the Tax Certificate dated the date hereof, executed by the Borrower, and various certificates and opinions delivered in connection therewith, and are relying on the covenants and agreements of the Borrower, the Issuer and the Trustee contained therein, including, without limitation, the covenant of the Borrower to comply with the applicable requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of the Internal Revenue Code of 1986, as amended (the “Code”), and applicable regulations thereunder, to the extent necessary to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes.

We have also examined certified notices and resolutions relative to approval of the issuance of the Bonds by the City and County of San Francisco and other proofs submitted to us relative to the issuance and sale by the Issuer of the Bonds.

In addition to the foregoing, we have examined and relied upon the opinion dated the date hereof of Steefel Levitt & Weiss as to the status of the Borrower 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 Resolutions, the Indenture, the Agreement and the Bonds.

(3) Under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes. Moreover, such interest will not be treated as an item of tax preference for purposes of the federal alternative minimum tax; 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 this paragraph (3) are conditioned upon compliance with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer, the Borrower and the Trustee have covenanted to comply with such requirements. Failure of the Issuer, the Borrower or the Trustee to comply with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Other provisions of the Code may give rise to adverse federal income tax consequences to particular holders. 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.

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

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. Notwithstanding the opinion rendered in paragraph (3) above, we express no opinion as to whether a change in the Rate Period will adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Indenture requires

an opinion of nationally recognized Bond Counsel with regard to such matters before any such change may be made.

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

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