

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$15,000,000

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
Variable Rate Demand Revenue Bonds
(Katherine Delmar Burke School)
Series 2007

Dated: Delivery Date

Price: 100%

CUSIP: 00037C LP3†

Due: October 1, 2037

Bond Terms and Authority for Issuance. The Bonds will initially bear interest at a Weekly Rate payable on the first Business Day of each month, commencing August 1, 2007. The Bonds may be converted to a Term Mode or a Fixed Rate Mode. If the interest rate is adjusted to one of a Term Mode or a Fixed Rate Mode, the Bonds will be subject to mandatory tender for purchase. The Bonds are being issued under an Indenture, dated as of June 1, 2007 (the "Indenture"), between the ABAG Finance Authority For Nonprofit Corporations (the "Authority") and The Bank of New York Trust Company, N.A., as trustee (the "Trustee").

Financing Purpose. The Authority will lend the proceeds of the Bonds to Katherine Delmar Burke School (the "Corporation"), under a Loan Agreement, dated as of June 1, 2007 (the "Loan Agreement"), between the Authority and the Corporation. The Bonds are limited obligations of the Authority payable solely from and secured by certain Revenues pledged under the Indenture, consisting primarily of Loan Payments made by the Corporation under the Loan Agreement and certain other funds as provided in the Indenture.

The Corporation and the Project. The Corporation owns and operates an elementary school for girls in San Francisco, California. The Bonds will finance the construction and acquisition of educational facilities, improvements and equipment at the Corporation's campus in San Francisco, California (the "Project"). See "THE PROJECT." The rating on the Bonds is based upon the Letter of Credit. Accordingly, detailed information on the Corporation or the Project is not provided in this Official Statement.

Book-Entry Form. The Bonds will be issued in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only. The Bonds will have denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 while in the Weekly Mode. Purchasers of the Bonds will not receive physical certificates representing their beneficial ownership interests in the Bonds purchased. Payments of principal of and interest on the Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "APPENDIX C - BOOK-ENTRY ONLY SYSTEM."

Redemption and Tender. The Bonds are subject to optional redemption and optional and mandatory tender, as described herein.

Letter of Credit. Payment of the principal of and interest on, and purchase price of, the Bonds will initially have the benefit of an irrevocable direct-pay letter of credit (the "Letter of Credit") to be issued by Allied Irish Banks, P.L.C., New York Branch (the "Bank") as the initial Credit Facility under the Indenture. The initial expiration date of the Letter of Credit is July 12, 2012, as extended or earlier terminated prior thereto as described herein. The Letter of Credit and any Alternate Credit Facility are defined under the Indenture as the "Credit Facility." See "THE BANK" and "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT."



THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE PERIOD THE BONDS BEAR INTEREST AT THE WEEKLY RATE OR A TERM RATE OF 270 DAYS OR LESS AND ARE SECURED BY THE LETTER OF CREDIT. INVESTORS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT IF THE INTEREST RATE ON THE BONDS IS ADJUSTED TO A TERM MODE OF MORE THAN 270 DAYS OR TO A FIXED RATE MODE.

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

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

The Bonds are offered by the Underwriter when, as and if issued by the Authority and accepted by the Underwriter, subject to the approval of legality and certain other legal matters by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority by Nixon Peabody LLP, San Francisco, California, for the Bank by Heller Ehrman LLP, New York, New York, and for the Corporation by Folger Levin & Kahn LLP, San Francisco, California. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about July 12, 2007.

STONE & YOUNGBERG LLC

The date of this Official Statement is: July 5, 2007.

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information relating to the Authority contained herein under the headings "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION – The Authority" has been furnished by the Authority. All other information contained herein has been obtained from the Corporation and other sources (other than the Authority) that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by and is not to be relied upon or construed as a promise or representation by the Authority.

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

Certain statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

No dealer, broker, salesperson, or any other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby, and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the Bank, the Corporation or the Underwriter. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the Bank, or the Corporation since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT.

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OFFICIAL STATEMENT

\$15,000,000
ABAG Finance Authority For Nonprofit Corporations
Variable Rate Demand Revenue Bonds
(Katherine Delmar Burke School)
Series 2007

INTRODUCTION

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

General

This Official Statement, including the cover page and the appendices hereto, is provided to furnish certain information in connection with the sale and issuance by the ABAG Finance Authority for Nonprofit Corporations (the "**Authority**") of \$15,000,000 aggregate principal amount of the Authority's Variable Rate Demand Revenue Bonds (Katherine Delmar Burke School) Series 2007 (the "**Bonds**").

The Project

The Katherine Delmar Burke School (the "**Corporation**") owns and operates an elementary school for girls in San Francisco, California. The Bonds will finance the construction and acquisition of educational facilities, improvements and equipment at the Corporation's school campus in San Francisco, California (the "**Project**"). See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS."

Authority for Issuance

The Bonds will be issued under an Indenture, dated as of June 1, 2007 (the "**Indenture**"), between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "**Trustee**"). The Authority will lend the proceeds of the Bonds to the Corporation under a Loan Agreement, dated as of June 1, 2007 (the "**Loan Agreement**"), between the Authority and the Corporation.

The Corporation

The Corporation is a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code that operates an independent school for girls serving grades K-8.

The rating on the Bonds is based upon an irrevocable direct-pay letter of credit (the "**Letter of Credit**") to be issued by Allied Irish Banks, P.L.C., New York Branch (the "**Bank**" or

“AIB”), for the benefit of the Trustee, as the initial Credit Facility under the Indenture. Accordingly, detailed information on the finances and operations of the Corporation is not provided in this Official Statement.

Variable Rate Bonds

Under the Indenture, the Bonds are multi-modal bonds that are authorized to be issued in the Weekly Mode, the Term Mode, and the Fixed Rate Mode (as those terms are defined in the Indenture.) Initially, the Bonds will be issued in the Weekly Mode. See “THE BONDS.”

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE PERIOD THE BONDS BEAR INTEREST AT THE WEEKLY RATE OR A TERM RATE OF 270 DAYS OR LESS AND ARE SECURED BY THE LETTER OF CREDIT. INVESTORS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT IF THE INTEREST RATE ON THE BONDS IS ADJUSTED TO A TERM MODE OF MORE THAN 270 DAYS OR TO A FIXED RATE MODE.

Security for the Bonds

The Bonds are limited obligations of the Authority payable solely from and secured by certain Revenues pledged under the Indenture, consisting primarily of Loan Payments made by the Corporation under the Loan Agreement and certain other funds as provided in the Indenture. The Corporation’s payment obligations under the Loan Agreement are unsecured, general obligations of the Corporation. The Loan Agreement contains certain covenants for the protection of the Authority and the Bondholders. See “SECURITY FOR THE BONDS” and “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Payment of the principal of and interest on, and purchase price of, the Bonds will initially be made from proceeds of draws on the Letter of Credit. The initial scheduled expiration date of the Letter of Credit is July 12, 2012, as extended or earlier terminated prior thereto as described herein. The Letter of Credit and any Alternate Credit Facility are defined under the Indenture as the “**Credit Facility**.” The Letter of Credit is being issued under the terms of a Letter of Credit and Reimbursement Agreement, dated as of June 1, 2007 (the “**Reimbursement Agreement**”) between the Bank and the Corporation. See “THE BANK” and “THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT.”

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

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

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

References to Documents

The brief descriptions of the Corporation, the Authority, the Project (defined below), the Bonds, the Indenture, the Loan Agreement, the Credit Facility, the Reimbursement Agreement and other documents, statutes, reports, and other instruments included in this Official Statement do not purport to be complete, comprehensive, or definitive. All references to the Indenture, the Loan Agreement and other documents, statutes, reports, and other instruments are qualified in their entirety by reference to such document, statute, report, or instrument, and all references to the Bonds are qualified in their entirety by reference to the forms of the Bonds set forth in the Indenture.

During the period of the offering of the Bonds, copies of the Indenture, the Loan Agreement, the Credit Facility and the Reimbursement Agreement may be obtained at the offices of Stone & Youngberg LLC, One Ferry Building, Suite 275, San Francisco, California 94111, and thereafter at the office of the Trustee, 550 Kearny Street, Suite 600, San Francisco, California 94108.

THE PROJECT

The Authority will lend the proceeds of the Bonds to the Corporation to finance the construction and acquisition of educational facilities, improvements and equipment at the Corporation's campus in San Francisco, California (the "Project"). The rating on the Bonds is based upon the Letter of Credit. Accordingly, detailed information on the Project is not provided in this Official Statement.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds:

Par Amount of the Bonds	\$ 15,000,000
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Uses of Funds:

Deposit to Project Fund	\$14,710,000
Costs of Issuance ⁽¹⁾	<u>290,000</u>
TOTAL USES	\$ 15,000,000

⁽¹⁾ Includes underwriter's discount, fees of the Bank, legal fees, printing costs, fees of the Authority, the Trustee and the rating agency, and other miscellaneous expenses.

THE BONDS

Book Entry Only System

The Bonds will be issued in fully registered form only and, when initially issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive physical certificates representing their beneficial ownership interests in the Bonds purchased. Payments of principal and interest on the Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See “APPENDIX C – BOOK-ENTRY ONLY SYSTEM” herein.

Variable Rate Bonds

General. Under the Indenture, the Bonds are multi-modal bonds that are authorized to be issued in the Weekly Mode, the Term Mode, and the Fixed Rate Mode (as those terms are defined in the Indenture.) Initially, the Bonds will be issued in the Weekly Mode.

Adjustment of the Interest Rate on the Bonds. At the option of the Corporation, the interest rate on the Outstanding Bonds may be adjusted to a Term Mode or a Fixed Rate Mode (the effective date of such adjustment is a “**Mode Change Date**”). The Bonds are subject to mandatory tender and purchase on each Mode Change Date, as set forth in the Indenture. See “Optional and Mandatory Tender – Mandatory Tender for Purchase of Bonds” below.

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE PERIOD THE BONDS BEAR INTEREST AT THE WEEKLY RATE OR A TERM RATE OF 270 DAYS OR LESS AND ARE SECURED BY THE LETTER OF CREDIT. INVESTORS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT IF THE INTEREST RATE ON THE BONDS IS ADJUSTED TO A TERM MODE OF MORE THAN 270 DAYS OR TO A FIXED RATE MODE.

General Bond Terms

Calculation and Payment of Interest. The Bonds will initially bear interest in the Weekly Mode, and interest will be calculated based on a 365 or 366 day year, as applicable, for the number of days actually elapsed during an Interest Period. Interest on the Bonds in a Term Mode will be calculated based on a 360-day year, consisting of twelve 30-day months.

While the Bonds bear interest in the Weekly Mode, interest on the Bonds will be payable on the first Business Day of each month, commencing August 1, 2007. The Bonds will continue to bear interest at a Weekly Rate until the conversion thereof to a different Term Mode or Fixed Rate Mode. See “Adjustment of the Interest Rate on the Bonds” below.

Authorized Denominations. Ownership interests in the Bonds while in the Weekly Mode or in any Term Mode of 270 days or less will be in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000.

Interest Rate Modes

Weekly Mode.

Determination of Weekly Rate. When the Bonds are in the Weekly Mode, the Bonds will bear interest at the Weekly Rate, which will be determined by the Remarketing Agent not later than 2:00 p.m. (California time) on each Wednesday, or if Wednesday is not a Business Day, the following Business Day at 9:00 a.m. (California time) (the “**Rate Determination Date**” with respect to Bonds in the Weekly Mode).

The Weekly Rate will be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds on such day at a price equal to the principal amount thereof plus accrued interest; provided, however, that if for any reason the Weekly Rate cannot be determined, the Weekly Rate for the next succeeding Weekly Rate Accrual Period is required to remain at the then-existing rate, and if the Weekly Rate cannot be determined for a second Weekly Rate Accrual Period then the Alternate Rate will be effective as provided in the Indenture. The Weekly Rate will in no event exceed the Maximum Rate (12%).

Adjustment to Weekly Mode. The Corporation, by written direction to the Trustee and the Remarketing Agent, and with the written consent of the Bank (which consent may not unreasonably be withheld), may elect to adjust the Mode for the Bonds from a Term Mode to a Weekly Mode.

Such direction will specify the effective date of such adjustment to a Weekly Mode, which will be

(a) the final Interest Payment Date of the then current Term Rate Period not less than 30 days following the date of receipt by the Trustee of such direction, or

(b) any date on which such Bonds may be optionally redeemed at a Purchase Price of 100% of the principal amount thereof, plus accrued interest, under the Indenture not less than 30 days following the date of receipt by the Trustee of such direction.

Notice of Adjustment to Weekly Mode. The Trustee is required to give notice by mail of an adjustment to the Bonds in a Weekly Mode to the Owners of such Bonds, with copies to the Bank and the Corporation, not less than 15 days prior to the effective date of such Weekly Mode. Such notice is required to state:

(1) that the interest rate on the Bonds will be adjusted to a Weekly Rate,

(2) the effective date of such Weekly Mode,

(3) the day by which the Weekly Rate will be determined and the manner by which such Weekly Rate may be obtained,

(4) the Interest Payment Dates after such effective date,

(5) that the Bonds is required to be purchased on such effective date under the Indenture,

(6) the procedures for such purchase as provided in (5) above,

(7) that, subsequent to such effective date, the DTC Participants or the Owners of Bonds will have the right to tender and demand purchase of Bonds upon not less than seven days notice,

(8) the procedures for a demand for tender and purchase as provided in (7) above,

(9) the redemption provisions that will pertain to the Bonds during such Weekly Mode,

(10) the ratings that are expected to be assigned to the Bonds on such date, and

(11) that such portion of Bonds not in Authorized Denominations on such Mode Change Date will be purchased as described below under "Mandatory Tender for Purchase of Bonds".

Term Mode.

Determination of Term Rate. When the Bonds are in the Term Mode, the Bonds will bear interest at the Term Rate, which is required to be determined by the Remarketing Agent not later than 2:00 p.m. (California time) at least one Business Day prior to the first day of a Term Rate Period.

The Term Rate for each Term Rate Period will be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Bonds known to the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds at a price equal to the principal amount thereof; provided, however, that if for any reason the Term Rate cannot be determined for any Term Rate Period, the interest rate on the Bonds is required to convert to a Weekly Rate. In no event is the Term Rate allowed to exceed the Maximum Rate (12%).

Adjustment to and Continuation of a Term Rate Period. The Corporation, by written direction to the Trustee and the Remarketing Agent, and with the written consent of the Bank (which consent may not be unreasonably withheld), may elect to adjust the Mode for the Bonds from a Weekly Mode to a Term Mode or continue in the Term Mode and designate a new Term Rate Period. Such direction:

(1) will specify the effective date of such Term Rate Period, which is required to be (a) in the case of an adjustment from a Weekly Mode, an Interest Payment Date on which interest is payable for the Weekly Mode from which the adjustment is to be made, which Interest Payment Date will not be earlier than 30 days following the date of receipt by the Trustee of such direction and (b) in the case of a continuation of a Term Mode, the last Interest Payment Date of the then current Term Rate Period not less than 30 days following the date of receipt by the Trustee of such direction, and

(2) will specify the last day of such new Term Rate Period, which is required to be a Business Day.

At least 30 days prior to the last day of any Term Rate Period, the Corporation will elect whether the Bonds will bear interest at a Weekly Rate or a Term Rate after the then effective Term Rate Period.

Notice of Term Rate Periods. The Trustee is required to give notice by mail of each Term Rate Period to the Owners of the Bonds in such Term Mode, with copies to the Bank and the Corporation, not less than 15 days prior to the effective date of such Term Rate Period. Such notice is required to state

(1) that the interest rate on the Bonds will be adjusted to or continue to be a Term Rate,

(2) the effective date of such Term Rate Period,

(3) the day by which the Term Rate for such Term Rate Period will be determined,

(4) the manner by which such Term Rate may be obtained,

(5) the Interest Payment Dates after such effective date,

(6) the Bonds will be purchased on such effective date as described below under "Mandatory Tender for Purchase of Bonds",

(7) the procedures of such purchase,

(8) the redemption provisions that will pertain to the Bonds during such Term Rate Period,

(9) the ratings which are expected to be assigned to the Bonds on such date, and

(10) that if the Term Rate to apply to the Bonds during such Term Mode will be longer than 270 days, a new official statement or similar offering document will be required.

Alternate Rate for Interest Calculation. If (a) the Remarketing Agent fails or is unable to determine the interest rate(s) with respect to the Bonds for two consecutive Weekly Rate Accrual Periods as provided in the Indenture, or (b) the method of determining the interest rate(s) with respect to the Bonds is held to be unenforceable by a court of law of competent jurisdiction, the Bonds will thereupon bear interest at the Alternate Rate in a Weekly Mode from the last date on which such rate was determined.

The Bonds may resume to bear interest at a Weekly Rate or at a Term Rate of 270 days or less at such time as the Remarketing Agent is able to determine the interest rates with respect to the Bonds or an Opinion of Bond Counsel is delivered to the effect that the method of determining interest hereunder is legally enforceable, as applicable.

Interest Rate Conclusive. The determination of the interest rate on the Bonds by the Remarketing Agent will be conclusive and binding upon the Owners of the Bonds, the Authority, the Tender Agent, the Bank, and the Trustee.

Credit Facility Coverage. The Corporation may not convert the Bonds to a Term Mode or a Weekly Mode unless (a) the Credit Facility provides, or has been modified to provide, coverage sufficient to maintain the then-current rating on the Bonds and (b) in the case of conversion of the Bonds to a Term Mode, the remaining term of the Credit Facility is at least equal to the length of the initial Term Rate Period.

Interest Rate and Tender Summary. The following table summarizes certain information regarding interest rates and terms for the tender of Bonds while the Bonds are in a Weekly Mode or Term Mode.

**RATE AND TENDER SUMMARY TABLE
FOR THE BONDS***

	WEEKLY MODE	TERM MODE
Interest Payment Date	First Business Day of each month; any Mode Change Date; the maturity date	(i) If 12 months or less, the Business Day next succeeding the last day of the Term Rate Period; (ii) if greater than 12 months, March 1 and September 1; any Mode Change Date; the maturity date
Record Date	Business Day immediately preceding the applicable Interest Payment Date	Fifteenth day of the month prior to an Interest Payment Date
Date of Interest Rate Determination	Not later than 2:00 p.m. California time each Wednesday, or if Wednesday is not a Business Day, 9:00 a.m. California time the next Business Day	Not later than 2:00 p.m. California time at least one Business Day prior to the first day of a Term Rate Period
Weekly Rate Accrual Period	Thursday to following Wednesday	N/A
Commencement of Rate Period	Day of conversion to the Weekly Mode and each Thursday thereafter	Day of conversion to the Term Mode and first day of each Term Rate Period thereafter
Optional Tender Date	Any Business Day	N/A
Notice Period for Optional Tender	Written or telephonic notice not later than 9:00 a.m. on any Business Day not less than seven days prior to the Purchase Date	N/A

*The information in this table is subject to DTC settlement procedures and is provided for the convenience of the Bondholders and is not meant to be comprehensive.

Redemption of the Bonds

The Bonds are subject to redemption prior to maturity as set forth below.

Optional Redemption.

Optional Redemption During Weekly Mode and Upon Change of Mode. The Bonds are subject to redemption prior to maturity, as a whole or in part from any prepayments made by the Corporation to the Trustee,

(i) on any date while the Bonds are in a Weekly Mode,

(ii) on any Mode Change Date (provided that any such optional redemption shall not affect the requirement to have a mandatory tender and purchase of all Outstanding Bonds as described below under “Mandatory Tender for Purchase of Bonds”) and

(iii) on the last day of a Term Rate Period.

The redemption price shall equal the principal amount thereof, without premium, plus accrued interest, if any, to the date fixed for redemption, which date shall be the first date on which Bonds may be redeemed after defeasance.

Optional Redemption During Term Mode. During any Term Rate Period of 270 days or less, the Bonds are subject to redemption prior to their stated maturity, as a whole or in part, from any prepayments made by the Corporation to the Trustee, on the Interest Payment Date which is six months after the applicable Mode Change Date, at a redemption price equal to the principal amount to be redeemed, plus accrued interest, if any, to the date fixed for redemption, without premium.

Selection of Bonds for Redemption. Whenever less than all of the Outstanding Bonds are to be redeemed on any one date, the Trustee shall select the Bonds to be prepaid by lot in any manner that the Trustee deems fair and appropriate, which decision shall be final and binding upon the Authority, the Corporation and the Owners. Notwithstanding the foregoing, all Bank Bonds shall be redeemed prior to the redemption of any other Bonds. The Trustee will promptly notify the Authority in writing of the numbers of the Bonds so selected for redemption on such date. For purposes of such selection, any Bond may be redeemed in part in Authorized Denominations.

Notice of Redemption. Notice of redemption is required to be given by the Trustee as provided in the Indenture to (i) the respective Holders of any Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee (*i.e.*, Cede & Co., as nominee for DTC so long as the Bonds are subject to the DTC book-entry system), with a copy to the Bank, (ii) the Information Services and (iii) the Securities Depositories.

Each notice of redemption is required to state the date of such notice, the redemption date, the redemption price (including any premium), the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities (provided that the Corporation will supply the CUSIP numbers and to the extent a Bond is redeemed or not because the CUSIP number designations of redeemed bond was incorrect, such event will not, under any circumstances, result in any liability to the

Trustee in identifying a Bond by its CUSIP number) and, if less than all the Bonds of any maturity of a particular Bond are to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of the Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed.

Each such notice will also state that on said date there will become due and payable on each of said Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will to cease to accrue, and will require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Conditional notice of optional redemption may be given at the direction of the Corporation, provided however that prior to or contemporaneously with any withdrawal or rescission of any notice of redemption, the Trustee and the Tender Agent receive written confirmation from the Bank of the full reinstatement, if any, of the Credit Facility.

Any notice of redemption is required to be mailed by first-class mail, postage prepaid, to Bondholders and the Bank not less than 15 days nor more than 60 days prior to the date fixed for redemption. Notices to the Information Services is required to be mailed by the Trustee by certified, registered or overnight mail at the time of the mailing of notices to Bondholders. Notices to the Securities Depositories is required to be given by telecopy or by certified, registered or overnight mail at least one Business Day before the mailing of notices to Bondholders.

Failure by the Trustee to give notice under the Indenture, or the insufficiency of any such notice, will not affect the sufficiency of the proceedings for redemption.

Effect of Redemption. If moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption are held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date, interest on the Bonds so called for redemption will cease to accrue from and after the redemption date, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Holders of said Bonds will have no rights in respect thereof except to receive payment of the Redemption Price. All Bonds redeemed under the provisions of the Indenture will be cancelled upon surrender thereof.

Optional and Mandatory Tender

Demand Purchase of Bonds. While the Bonds are in the Weekly Mode, the Beneficial Owner (or if the Bonds are not Book-Entry Bonds, the Holder) of any Bond may elect to tender such Bonds, or portion thereof in an Authorized Denomination, for purchase at a purchase price equal to 100% of the principal amount of such Bond (or portion thereof to be tendered), plus accrued and unpaid interest thereon to but not including the date of purchase, on any Business Day (the “**Optional Tender Date**”), but only upon:

- (i) receipt by the Remarketing Agent by not later than 9:00 a.m. (California time) at least 7 calendar days, but not more than 30 days, prior to such Optional Tender Date of telephonic (followed by written or facsimile confirmation delivered to the Remarketing Agent no later than the close of business on the next succeeding Business Day) or

written notice from the DTC Participant through whom such Beneficial Owner holds such Bonds (or if the Bonds are not Book-Entry Bonds, the Holder) stating (1) the principal amount of the Bond (or portion thereof) to be tendered, (2) the Bond number or other identification satisfactory to the Remarketing Agent, and (3) the Optional Tender Date on which such Bond will be tendered; and

(ii) if the Bonds are not Book-Entry Bonds, delivery of such Bond (with an appropriate instrument of transfer duly executed in blank) to the Tender Agent by 9:30 a.m. (California time) on such Optional Tender Date. Upon receipt by the Remarketing Agent of a notice of optional tender for purchase, the Remarketing Agent shall give prompt telephonic notice thereof to the Trustee (and written notice to the Tender Agent if the Bonds are not Book-Entry Bonds).

Mandatory Tender Upon Failure to Renew Credit Facility. The Bonds shall be purchased under a mandatory tender as described below under “Mandatory Tender for Purchase of Bonds” if:

(a) a notice of renewal of the Credit Facility or a notice of expected delivery of an Alternate Credit Facility is not delivered by the Bank or the provider of the Alternate Credit Facility, as applicable, to the Trustee at least 15 days prior to the scheduled expiration of the Credit Facility, or

(b) the Credit Facility is not actually renewed or such Alternate Credit Facility is not actually delivered on a Business Day at least 7 days prior to such expiration date.

Upon the occurrence of an event described in (a) or (b) above, the Trustee will promptly mail a notice to all Holders of the Bonds stating that the Bonds will be subject to mandatory tender on a purchase date selected by the Trustee that is a Business Day at least 5 days preceding the expiration date of the Credit Facility. However, if the Bonds are converted to the Fixed Rate Mode and successfully remarketed on a Business Day at least 7 days prior to the expiration date of the Credit Facility, then no tender shall occur as described in this paragraph for non-renewal of the Credit Facility.

Mandatory Tender for Purchase of Bonds. The Bonds will be purchased under a mandatory tender on the following dates (each a “**Purchase Date**”):

(i) on each Mode Change Date,

(ii) on the Business Day next succeeding the last day of a Term Rate Period,

(iii) during a Weekly Mode or a Term Rate Period, on the effective date of an Alternate Credit Facility,

(iv) on any Business Day within five days after receipt by the Trustee of written notification from the Bank that an event of default under the Reimbursement Agreement has occurred and is continuing and instructing the Trustee to call for a mandatory tender of the Bonds, and

(v) on a Business Day at least 5 days preceding the expiration date of the Credit Facility under a failure to renew or replace the Credit Facility as described under “Mandatory Tender Upon Failure to Renew Credit Facility” above.

On each Purchase Date, the Owner or Direct Participant of such Bond is required to tender such Bond for purchase as provided below and such Bond will be purchased or deemed purchased at a Purchase Price equal to the principal amount thereof plus accrued interest thereon.

Payment of the Purchase Price of such Bond is required to be made by 1:30 p.m. (California time), in the same manner as payment of interest on the Bonds, to the Direct Participant with respect to Book-Entry Bonds (or the Owner of record if the Bonds are not Book-Entry Bonds), on the Record Date.

If the Bonds are Book-Entry Bonds, the tendering Direct Participant is required to transfer, on the registration books of DTC, the beneficial ownership interests in such Bonds tendered for purchase to the account of the Trustee or a Direct Participant acting on behalf of the Trustee. If the Bonds are not Book-Entry Bonds, the Owner is required to deliver such Bonds no later than 9:30 a.m. (California time) on the Purchase Date to the Tender Agent at its corporate trust office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, with the signature guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs.

Purchase and Remarketing of Bonds

Bonds Delivered for Purchase. Except as provided in the Indenture, the Trustee (or the Tender Agent if the Bonds are not Book-Entry Bonds) will purchase, but only from the sources listed below, Bonds required to be purchased by the Trustee (or the Tender Agent if the Bonds are not Book-Entry Bonds) not later than the close of business (California time) on the date such Bonds are required to be purchased at the Purchase Price. Funds for the payment of such Purchase Price by the Trustee (or the Tender Agent if the Bonds are not Book-Entry Bonds) will be derived from the following sources in the order of priority indicated:

- (1) the remarketing proceeds of the sale of the Bonds as are received from purchasers of the Bonds under the Indenture; and
- (2) moneys furnished to the Trustee representing the proceeds of a draw under the Credit Facility.

If moneys sufficient to pay the Purchase Price of Bonds to be purchased under the Indenture are held by the Trustee, the Tender Agent or the Remarketing Agent, as applicable, on the date such Bonds are to be purchased, any Bonds to be so purchased will be deemed to have been transferred on the registration books of DTC or delivered for purchase, as applicable, on such date and to have been purchased. The DTC Participants with respect to Book-Entry Bonds or former holders with respect to the Bonds that are not Book-Entry Bonds, will thereafter have no rights with respect to such Bonds except to receive payment of the Purchase Price therefor.

Remarketing of Bonds; Notice of Interest Rates

- (1) Bonds shall be remarketed at par value plus accrued interest, if any.
- (2) The Remarketing Agent shall not remarket any Bonds to the Authority or the Corporation.

(3) The Remarketing Agent shall not remarket any Bonds that have been defeased under the Indenture.

(4) The Remarketing Agent shall determine the rate of interest to be borne by the Bonds as provided in the Indenture and shall furnish to the Trustee, the Bank and the Tender Agent in a timely manner all information necessary for the Trustee, the Bank and the Tender Agent to carry out their respective duties under the Indenture.

(5) The Remarketing Agent shall periodically inform the Trustee, the Bank and DTC pursuant to the Letter of Representations, if so requested, of the rate of interest borne by the Bonds from time to time.

(6) The Remarketing Agent shall use its best efforts to sell any Bonds tendered for purchase to new purchasers. By 4:00 p.m. (California time) on the Business Day prior to the Purchase Date, the Remarketing Agent shall notify the Tender Agent, the Trustee and the Bank by telephone of the actual amount of remarketing proceeds on hand.

Delivery of Remarketed Bonds and Bank Bonds. The Trustee and the Tender Agent, as applicable, are required to each hold all Bonds delivered to it in trust for the benefit of the DTC Participants who have transferred their interests in the Book-Entry Bonds or the respective Owners which will have so delivered such Bonds until moneys representing the Purchase Price of such Bonds will have been delivered to or for the account of or to the order of such DTC Participants or Owners.

The Trustee and the Tender Agent are required to each hold all moneys for the purchase of Bonds uninvested in trust for the benefit of the person or entity which has so delivered such moneys until Bonds purchased with such moneys have been delivered to or for the account of such person or entity. Neither the Authority nor the Corporation will have any right, title, or interest in or to any remarketing proceeds held by the Trustee, the Tender Agent or the Remarketing Agent.

Book-Entry Bonds purchased with remarketing proceeds under an optional tender or mandatory tender are required to be transferred on the registration books of DTC on the date of such purchase or the date the ownership interest will be transferred to the new DTC Participants on the books of DTC, against payment to the Remarketing Agent in immediately available funds or evidence of immediately available funds in the form of a federal reserve wire number.

Bonds purchased with moneys obtained by a drawing on the Credit Facility ("**Bank Bonds**") are required to be registered in the name of the Bank or its nominee on the registration books of DTC, with respect to Book-Entry Bonds, or held by the Tender Agent as directed in writing by the Bank. The Remarketing Agent is required to seek to remarket any Bank Bonds prior to remarketing any other Bonds tendered for purchase. The proceeds of any remarketing of Bank Bonds are required to be delivered to the Trustee and transferred to the Bank. Upon receipt by the Trustee of funds representing the proceeds of the remarketing of Bank Bonds, Bonds in place of such Bank Bonds so purchased will be made available for pick-up by the Remarketing Agent for subsequent delivery to the purchasers thereof, or the ownership interest will be transferred to the new DTC Participants on the books of DTC. Prior to or contemporaneously with such delivery, the proceeds of such remarketing will have been or will

be delivered to the Trustee and transferred to the Bank, and the Trustee and the Tender Agent will have received written confirmation from the Bank of the reinstatement of the Credit Facility.

If any Bond is tendered after a notice of redemption for such Bond has been given, the Remarketing Agent will give the redemption notice to any purchaser of such Bond or to DTC if a Book-Entry Bond.

Draws Upon the Credit Facility. The Trustee is required to draw on the Credit Facility prior to 8:30 a.m. (California time) on the Purchase Date in the amount necessary to provide to the Trustee or the Tender Agent the balance of the funds needed to purchase tendered Bonds on the Purchase Date, such balance will be determined based upon notification provided to the Trustee by the Remarketing Agent. Such moneys will be used only to pay the Purchase Price as provided in the Indenture, and if not so used are required to be promptly returned to the Bank. If the Bonds are not Book-Entry Bonds, all amounts received from a draw under the Credit Facility will be transferred immediately by the Trustee to the Tender Agent to purchase tendered Bonds on the Purchase Date.

Delivery of Proceeds of Sale Held by Remarketing Agent. So long as the Bonds are Book-Entry Bonds, if the Remarketing Agent has received from the purchasers thereof remarketing proceeds for the remarketing of all Bonds to be remarketed under an optional tender on an Optional Tender Date, the Remarketing Agent will promptly forward by not later than the close of business (California time) on the Purchase Date such remarketing proceeds by wire transfer (or in such other manner as is acceptable to the Remarketing Agent) to the Beneficial Owners tendering such Bonds for purchase. Until such transfer, all such remarketing proceeds is required to be deposited in a separate, segregated account of the Remarketing Agent and until so applied will be held uninvested in trust for the benefit of the Beneficial Owners tendering such Bonds for purchase.

If the Remarketing Agent has not received remarketing proceeds with respect to all of the Bonds to be remarketed on a Purchase Date or the Bonds are not Book-Entry Bonds or the Bonds are Bank Bonds, the proceeds of the remarketing of such Bonds received by the Remarketing Agent will be transferred by the Remarketing Agent to the Tender Agent or the Trustee, as applicable, no later than 9:00 a.m. (California time) on the Purchase Date and, upon receipt thereof, the Tender Agent or the Trustee, as applicable, is required to immediately apply such proceeds to the payment of the Purchase Price of Bonds to the Beneficial Owners or Owners or, in the case of the remarketing of Bonds which constitute Bank Bonds, to the Bank. In making payments to the Bank, the Trustee may conclusively assume that the Bank has not been repaid from any other sources.

Notices Upon Delivery of Alternate Credit Facility. Whenever the Corporation has delivered to the Trustee notice of delivery of an Alternate Credit Facility under the Loan Agreement, the Trustee will mail a notice to all Holders of the Bonds stating: (i) the name of the issuer of the Alternate Credit Facility, (ii) the date on which the Alternate Credit Facility will become effective, (iii) the rating expected to apply to the Bonds after the Alternate Credit Facility is delivered, and (iv) notice that such Bonds will be subject to mandatory tender for purchase on the effective date of the Alternate Credit Facility. Such notice will be mailed at least fifteen (15) days prior to the effective date of the Alternate Credit Facility.

REMARKETING AGREEMENT

The Corporation has entered into a Remarketing Agreement for the Bonds, dated as of June 1, 2007 (the “**Remarketing Agreement**”), with Stone & Youngberg LLC as the Remarketing Agent (the “**Remarketing Agent**”). Under the Remarketing Agreement, the Remarketing Agent has agreed to use its best efforts to offer for sale all Bonds tendered in accordance with the provisions of the Indenture.

SECURITY FOR THE BONDS

Pledge of Revenues and Funds

The Bonds are limited obligations of the Authority payable solely from and secured by certain Revenues pledged under the Indenture, consisting primarily of Loan Payments made by the Corporation under the Loan Agreement and certain other funds as provided by the Indenture.

Under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of such Indenture, all of the Revenues and other amounts (including proceeds of the sale of Bonds) held in certain funds or accounts established under such Indenture (other than the Rebate Fund under the Indenture).

“**Revenues**” is defined under the Indenture to include all payments received by the Authority or the Trustee from the Corporation with respect to the Bonds (except Additional Payments paid by the Corporation under the Loan Agreement and any amounts paid by the Corporation under the indemnification provisions of the Loan Agreement), including, without limiting the generality of the foregoing, Loan Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments of all or any part of the Loan Payments and all interest, profits or other income derived from the investment of any money in any fund or account established under the Indenture (except with respect to the Bonds to the extent such interest, profits or other income is required to be transferred to or retained in the Rebate Fund under the Indenture or the Tax Certificate).

See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Indenture – Pledge and Assignment of Revenues and Rights under the Loan Agreement; Revenue Fund.”

Limited Obligation

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES UNDER THE INDENTURE. NONE OF THE AUTHORITY, ABAG OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE AUTHORITY, ABAG OR ANY OF ITS MEMBERS TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON AND ANY REDEMPTION PREMIUM WITH RESPECT THERETO DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE AUTHORITY OR ABAG, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF

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

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

Assignment

Under the Indenture, the Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, and to the Bank, all of the Revenues and other amounts pledged under such Indenture and all of the right, title and interest of the Authority in the Loan Agreement (except with respect to the Bonds for any deposits to the Rebate Fund, and except for the right to receive any Administrative Fees and Expenses payable to the Authority, the right of the Authority to receive any indemnification and the right to receive any notices and reports).

Under the Indenture, the Trustee is entitled to and is required to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and is required to forthwith be paid by the Authority to the Trustee without any set-off whatsoever.

Enforceability of Remedies

The remedies available to the Trustee or the Bondholders upon an Event of Default under the Indenture or the Loan Agreement are in many respects dependent upon judicial actions that are often subject to discretion and delay, and such remedies may not be readily available or may be limited.

In particular, under the United States Bankruptcy Code, a bankruptcy case may be filed with respect to the Authority or the Corporation. In general, the filing of any such petition operates as a stay against enforcement of the terms of the agreements to which the bankrupt entity is a party, and, in the bankruptcy process, executory contracts such as the Loan Agreement or the Indenture may be subject to assumption or rejection by the bankrupt party. In the event of any such rejection, the non-rejecting party or its assigns may become an unsecured claimant of the rejecting party.

The various legal opinions to be delivered concurrently with the Bonds (including Bond Counsel’s approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion.

Amendment of Indenture and Loan Agreement

So long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any draws thereunder, the Indenture and the Loan Agreement may be amended with Bank consent and without Bondholder consent.

Alternate Credit Facility

Under the terms of the Indenture, the Corporation may elect to replace any Credit Facility with an Alternate Credit Facility conforming to the requirements of the Indenture. The Corporation will promptly notify the Trustee of its intention to deliver an Alternate Credit Facility. Upon receipt of such notice, the Trustee will deliver a notice of mandatory tender of the Bonds in accordance with the terms of the Indenture.

THE BANK

THE FOLLOWING 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 THE BANK OR OTHERWISE DESCRIBE ANY RISKS ASSOCIATED WITH THE BANK. EACH BONDHOLDER MUST RELY ON THAT HOLDER'S OWN KNOWLEDGE, INVESTIGATION AND EXAMINATION OF THE BANK AND THE BANK'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, 2006, AIB's total assets were EUR159 billion.¹ Profit before taxation from continuing operations for the year ending December 31, 2006 amounted to EUR 2,615 million. Profit attributable to equity holders of the parent was EUR 2,185 million. Return on average ordinary shareholders' equity was 29% and return on average total assets was 1.63%.

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 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

¹ The exchange rate as of December 30, 2006 was EUR1 = \$1.317.

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 100 F Street, NE, Washington, D.C. 20549 and at its regional offices at 233 Broadway, New York, NY 10279 and 175 West Jackson Street, Suite 900, Chicago, IL 60604. 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>".

THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The Letter of Credit

The Letter of Credit will be issued pursuant to the Letter of Credit Reimbursement Agreement (the “**Reimbursement Agreement**”). Although certain provisions of the Letter of Credit are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Letter of Credit.

The Letter of Credit is an irrevocable direct pay letter of credit issued by the Bank in an amount not exceeding \$15,167,671.23, of which, subject to the terms and conditions of the Letter of Credit, (a) up to \$15,000,000 may be drawn on to pay principal or the portion of the redemption price or the purchase price corresponding to principal of the Bonds, and (b) up to the amount of \$167,671.23 may be drawn to pay interest on or the portion of the purchase of the purchase price of Bonds corresponding to thirty-four (34) days of interest on the Bonds computed at a maximum rate of twelve percent (12%) per annum.

The Letter of Credit will permit the Trustee to draw thereunder (a) to pay accrued interest on the Bonds as provided for under the Indenture, (b) to pay principal and interest upon an optional or a mandatory sinking fund redemption of all or a portion of the Bonds as provided for under the Indenture, (c) to pay the principal and interest component of the Purchase Price (as defined in the Letter of Credit) upon mandatory or optional tender of all or a portion of the Bonds as provided for under the Indenture, or (d) to pay the maturing principal amount of Bonds, whether by acceleration, defeasance or stated maturity.

The Available Amount (as defined in the Letter of Credit) of the Letter of Credit will be reduced automatically by the amount of any interest component drawn thereunder; provided, however, that the amount of any interest component drawn thereunder shall be immediately and automatically reinstated effective after the Bank’s honoring of such draw, or under some circumstances, such earlier time when and to the extent the Bank is reimbursed by or on behalf of the Corporation for such interest component drawn. The Available Amount of the Letter of Credit will also be reduced automatically by the amount of the principal component drawn pursuant to a mandatory or optional tender of all or a portion of the Bonds; provided, however, that such amount shall be automatically reinstated, when and to the extent the Bank is reimbursed by or on behalf of the Corporation for such principal component drawn. Notwithstanding the foregoing, upon a drawing pursuant to a mandatory or optional tender in connection with a conversion of the interest rate on all or a portion of the Bonds Outstanding (as defined in the Indenture) to the Term or the Fixed Interest Rate (each as defined in the Indenture), the principal component and interest component of the Available Amount under the Letter of Credit shall be automatically and permanently reduced to the amount set forth in the certificate delivered by the Trustee in connection with such drawing.

The termination date of the Letter of Credit will be the earliest of (i) 4:00 P.M. (New York City time) on July 12, 2012; (ii) the date on which the Bank receives from the Trustee a certificate confirming that (a) no Bonds (as defined in the Letter of Credit) remain Outstanding within the meaning of the Indenture, (b) all drawings required to be made under the Bond Indenture and available under the Letter of Credit have been made and honored, or (c) an Alternate Credit Facility (as defined in the Indenture) has been issued to replace the Letter of Credit pursuant to the Indenture; (iii) the date on which the Bank honors a drawing in connection with an optional or a mandatory sinking fund redemption of all of the Bonds; and (iv) ten (10)

Business Days after the date on which the Bond Trustee receives notice of the occurrence of an event of default under the Reimbursement Agreement.

The Letter of Credit Reimbursement Agreement

The Bank has certain rights and the Corporation has certain obligations under the Reimbursement Agreement. These rights of the Bank do not extend to the Bondholders. In addition, the Corporation's compliance with its obligations under the Reimbursement Agreement can be waived solely at the behest of the Bank. The Reimbursement Agreement provides for, among other things, repayment by the Corporation of amounts drawn under the Letter of Credit. Although certain aspects of the Reimbursement Agreement are summarized herein, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Reimbursement Agreement.

The occurrence of any of the following events is an Event of Default under the Reimbursement Agreement:

(a) failure by the Corporation 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 the Reimbursement 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 Corporation to observe or perform certain affirmative and negative covenants in the Reimbursement Agreement; or

(c) failure by the Corporation to observe or perform any other term, condition, covenant or agreement set forth herein or the other Collateral Documents to be observed or performed by the Corporation (and not constituting an Event of Default under any of the preceding or following provisions of this Section VII) and such failure continues for a period of thirty (30) or more days after (i) written notice thereof to the Corporation from the Bank or (ii) the Bank is notified of such failure, or should have been notified of such failure by the Corporation, pursuant to the terms of the Reimbursement Agreement or any Collateral Document, unless such failure cannot reasonably be cured within such thirty (30) day period, in which event such failure shall not be considered a default if Corporation commences to cure such failure within the thirty (30) day period and diligently prosecutes such cure to completion; provided, however, in no event shall any cure period exceed a total of sixty (60) days; or

(d) any representation, warranty or statement made or deemed made by or on behalf of the Corporation in the Reimbursement 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 Reimbursement 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 Reimbursement Agreement shall for any reason cease to be valid and binding on the Corporation, or the Corporation or any other Person shall so assert in writing; or

(f) the Corporation 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 Corporation, 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 Corporation, or of all or any substantial part of its assets, or any similar action with respect to the Corporation, 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 Corporation, shall be entered in any such involuntary case, proceeding or other action or the Corporation, 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 Corporation under any Bond Document, or (ii) Corporation 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 Corporation 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 Corporation 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 \$500,000.00 (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 Corporation 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 Reimbursement Agreement, of the Corporation 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, except in the event that the event of default has been objected to by the Corporation before a court with jurisdiction to hear or determine the

validity of such dispute, and Corporation shall present a bond in an amount reasonably satisfactory to the Bank to cover any such liabilities; or

(k) any of the following events occurs or exists with respect to either the Corporation 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 Corporation 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 Corporation ceases or threatens to cease to carry on the business it carries on at the date hereof or any substantial part thereof; or

(m) a Material Adverse Effect occurs, and the Corporation fails to cure such condition within three months after receipt by the Corporation of written notice thereof from the Bank; 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

(p) A default or event of default occurs under any line of credit or capital lease permitted under the Reimbursement Agreement that is caused by a failure of Corporation to make any payments due under such line of credit or capital lease (excluding, however, defaults or events of default under any line of credit or capital lease permitted under the Reimbursement Agreement that is or are caused by a failure or failures to make any payments due under such line of credit or capital lease that do not in the aggregate at any one time exceed \$25,000), and such default or event of default is not cured within one (1) month of such default or event of default ;

then, 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 accelerate the Bonds or declare the principal of and interest on the Bonds to be due and payable, (iii) require the Corporation 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. Except as expressly provided above in this section, presentment, demand, protest and all other notices of any kind are hereby expressly waived by the Corporation. In the event that any amount is deposited with the Bank pursuant to the clause B (iii) above, the yield on such amount shall not exceed the yield on the Bonds, computed in accordance with Treasury Regulation 1.148, unless the Corporation and the Bank receive an opinion of nationally recognized bond counsel selected by the Corporation and satisfactory to the Bank that the investment of such amount at a higher yield will not affect adversely the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

For purposes of this Section, the following terms shall have the following meanings:

“Bond Documents” means the Resolution adopted by the Authority on June 22, 2007 authorizing the issuance of the Bonds, the Bonds, Indenture, the Bond Purchase Agreement, Remarketing Agreement, the Official Statement, and any and all documents, instruments and agreements relating to the foregoing, and any amendment, modification or supplement from time to time, to any of the foregoing.

“Bond Obligations” means and includes all of Corporation’s obligations under or with respect to the Bonds or any of the Bond Documents.

“Bond Purchase Agreement” means the Bond Purchase Agreement dated June 1, 2007, executed by the Underwriter, the Corporation and the Authority.

“Business Day” means any day other than (a) a Saturday or Sunday, or (b) a day on which the Principal Corporate Trust Office (as defined in the Indenture) of the Trustee or the offices of the Tender Agent (as defined in the Indenture) at which the duties under the Indenture are to be performed or the office of the Bank at which draws under the Letter of Credit are presented are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

“Collateral Documents” means the Pledge Agreement, Financing Statements and all documents, instruments and agreements relating to the foregoing, and any amendment, restatement, modification or supplement, from time to time, to any of the foregoing.

“Debt” of any Person means any (i) indebtedness for borrowed money and (ii) installment sales or conditional sales agreements for the deferred purchase price of property or services and obligations as lessee under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases; provided that the term “Debt” shall exclude trade payables and other expenses normally incurred in the ordinary course of business.

“Drawing” means depending on the context, (a) the presentation by the Trustee to the Bank of a completed certificate and demand for payment in the form annexed to the Letter of Credit, purportedly signed on behalf of the Trustee, or (b) the amount paid by the Bank upon its honor of such a certificate and demand.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any trade or business, whether or not incorporated, which together with the Corporation would be treated as a single employer under Section 4001 of ERISA.

“Financing Statements” means any UCC financing statements executed or authorized by the Corporation and filed on the closing date or thereafter.

“GAAP” means generally accepted accounting principles in the United States of America in effect from time to time.

“Guaranteed Debt” means, without duplication, all obligations of the Person in question to guarantee, directly or indirectly, in any manner, Debt of any other Person.

“ISDA Contracts” means any and all International Swap Dealers Association Master Agreements entered into from time to time between the Corporation and the Bank and any amendments, modifications, supplements or confirmations thereto. For purposes of calculating any income, assets, expenses, liabilities or indebtedness with respect to an ISDA Contract or other swap contract, all amounts to be paid and received under such contracts shall be netted against each other.

“Liabilities” means any and all obligations and indebtedness of every kind and description of the Corporation, including, without limitation, any and all Debt and Guaranteed Debt, whether under the Reimbursement Agreement, the Letter of Credit, the Bond Documents, the Collateral Documents, and any other loan documents, promissory notes, guaranties or other agreements, including any payment obligations under swap agreements (as defined in 11 U.S.C. §101) or ISDA Contracts, whether such debts or obligations are primary or secondary, direct or indirect, absolute or contingent, sole, joint or several, secured or unsecured, due or to become due, contractual or tortious, arising by operation of law or otherwise, or now or hereafter existing, including, without limitation, principal, interest, fees, late fees, expenses, attorneys’ fees and costs and/or allocated fees and costs of Bank’s counsel, that have been or may hereafter be contracted or incurred. “Liabilities” shall exclude trade payables or accrued liabilities normally incurred in the ordinary course of business.

“Lien” means any mortgage, pledge, charge, encumbrance, security interest, collateral assignment or other lien or restriction of any kind, whether based on common law, constitutional provision, statute or contract, and shall include recorded reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions.

“Material Adverse Effect” means the effect of any event or set of circumstances which, individually or collectively, would reasonably be expected to have a materially adverse effect on (i) the business, Property, liabilities, operations, prospects or condition (financial or otherwise) of the Corporation, (ii) the validity or enforceability of, or the authority or ability of the Corporation to perform its obligations under, the Reimbursement Agreement or any of the Collateral Documents or any of the Bond Documents or any other related documents to which the Corporation is a party or to consummate any of the transactions contemplated hereby or thereby, (iii) the acquisition, construction or use of the Site or the Project, (iv) the development or operation of the Site or the Project, including any adverse change in the physical condition of

the Site or the Project, the income generated by the Site or the Project or the value of the Site or the Project, (v) the tax-exempt status of interest on the Bonds or (vi) the rights of Bank hereunder or under any of the Collateral Documents or any of the Bond Documents or any other related documents to which the Corporation is a party.

“Multi-employer Plan” means a “multi-employer plan” as defined in Section 4001(a)(3) of ERISA.

“PBGC” means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA, and any successor to PBGC.

“Person” means any individual, partnership, firm, corporation, limited liability company, association, joint venture, trust or other entity, or any government or political subdivision or agency, department or instrumentality thereof.

“Plan” means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained for employees of Corporation, (ii) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Corporation is a part of or has within the preceding five plan years made contributions, or (iii) under which the Corporation is a part of or has any liability, including any liability by reason of having been a substantial employer within the meaning of Section 4063 of ERISA at any time during the preceding five years or by reason of being deemed a contributing sponsor under Section 4069 of ERISA.

“Pledge Agreement” means that Pledge Agreement dated as of June 1, 2007 by the Corporation in favor of the Bank.

“Prohibited Transaction” means any transaction set forth in Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

“Project” means, collectively, (i) construction of a 7,400 sq. ft. Arts and Science Center on the Site; (ii) renovations of the existing Kindergarten on the Site; and (iii) expansion of the existing library on the Site.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

“Reportable Event” means any of the events set forth in Section 4043 of ERISA.

“Site” has the meaning set forth in paragraph (3) of the Preliminary Statements.

Alternate Credit Facility

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

THE CORPORATION

The Corporation is a nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code that operates an independent girls' school for grades kindergarten through eight. The Corporation's school campus and administrative facilities are located at 7070 California Street in San Francisco, California

The rating on the Bonds is based upon the Letter of Credit. Accordingly, detailed information on the Corporation is not provided in this Official Statement.

INVESTMENT CONSIDERATIONS

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

Security for the Bonds

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

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

Expiration of the Letter of Credit

The initial scheduled expiration date of the Letter of Credit is July 12, 2012, subject to extension or earlier termination in certain circumstances as described therein. If the Letter of Credit is not extended or an Alternate Credit Facility is not obtained by the Corporation, the Bonds will be subject to mandatory redemption. There can be no assurance that the Corporation will be able to obtain an extension of the Letter of Credit or an Alternate Credit Facility. The Bank is under no obligation to extend the Letter of Credit beyond the scheduled expiration thereof.

Bank's Obligations Unsecured

The ability of the Bank to honor draws upon the Letter of Credit is based solely upon the Bank's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. No provision has been made for replacement of or substitution for the Letter of Credit in the event of any deterioration in the financial condition of the Bank. Neither the Authority, the Corporation or the Bank assumes any liability to any purchaser of the Bonds as a result of any deterioration of the financial condition of the Bank. Upon any insolvency of the Bank, any claim by the Trustee against the Bank would be subject to bank receivership proceedings.

General Factors Affecting the Bank

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

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

Tax-Exempt Status

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

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

Tax-exempt organizations such as the Corporation are subject to scrutiny from ongoing IRS audit programs. The primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in unlawful, private benefit is the revocation of tax-exempt status. Although the IRS has not frequently revoked the tax-exempt status of nonprofit Corporations or trusts, it could do so in the future. Loss of tax-exempt status by the Corporation would most likely result in loss of tax exemption of interest on the Bonds and of future tax-exempt debt of the Corporation, if any, and defaults in covenants regarding the Bonds and existing and future tax-exempt debt, if any, would likely be triggered. Loss of tax-exempt status of the Corporation would also have material adverse consequences on the financial condition of the Corporation.

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

The Corporation has not sought to obtain a private letter ruling from the IRS with respect to the Bonds, and the opinion of Jones Hall, A Professional Law Corporation, San Francisco, Bond Counsel, is not binding on the IRS. There is no assurance that an IRS examination of the Bonds will not adversely affect the market value of the Bonds. See the section entitled “TAX MATTERS” herein.

Unrelated Business Income. In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income (“UBTI”). The Corporation has not historically generated any UBTI. The Corporation may participate in activities which generate UBTI in the future. Management believes it has properly accounted for and reported UBTI; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of the Corporation as well as the exclusion from gross income for federal income tax purposes of the interest on the Bonds and other future tax-exempt debt of the Corporation, if any.

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

Exemption from Property Taxes. In recent years, State, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt Corporations with respect to their real property tax exemptions. The management of the Corporation believes that its real property and the planned improvements thereon are and will continue to be exempt from California real property taxation.

THE AUTHORITY

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

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

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "**Code**"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in Appendix B hereto.

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

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

The interest rate mode and certain requirements and procedures contained in or referred to in the Indenture, the Loan Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Jones Hall, A Professional Law Corporation.

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

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

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

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

APPROVAL OF LEGALITY

The validity of the issuance of the Bonds under California law is subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, acting as Bond Counsel. The proposed form of the legal opinion of Bond Counsel is attached hereto as Appendix B. Certain legal matters will be passed upon for the Authority by Nixon Peabody LLP, San Francisco, California, for the Bank by Heller Ehrman LLP, New York, New York, and for the Corporation by Folger Levin & Kahn LLP, San Francisco, California.

ABSENCE OF MATERIAL LITIGATION

The Authority

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

The Corporation

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

UNDERWRITING

The Bonds will be purchased from the Authority by Stone & Youngberg LLC, as the Underwriter. The Underwriter has agreed to purchase the Bonds from the Authority at a purchase price equal to the principal amount of the Bonds, less an Underwriter's discount of \$105,000.

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

RATINGS

Standard & Poor's Credit Markets Services (the "**Rating Agency**") has assigned ratings of "A+/A-1" to the Bonds. Such ratings are based on the Letter of Credit issued for the benefit of the Bonds. See "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" herein. Such ratings reflect only the view of the agency assigning such rating, and any explanation of the significance of such ratings should be obtained from the Rating Agency. The Corporation furnished the Rating Agency with certain information and material relating to the Bonds and the Corporation that have not been included in this Official Statement. Generally, rating agencies base their ratings on information and materials furnished and on investigation, studies, and assumptions by the rating agencies. There is no assurance that the rating mentioned above will remain in effect for any given period of time, or that such rating might not be lowered or withdrawn entirely by the Rating Agency, if in the judgment of the rating agency circumstances so warrant. The Authority, the Corporation, and the Underwriter have not

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture and the Loan Agreement. These summaries do not purport to be complete or definitive and reference should be made to such documents for a full and complete statement of their provisions.

DEFINITIONS

“Act” means Chapter 5 of Division 7 of Title I (commencing with Section 6500) of the Government Code of the State of California.

“Additional Payments” means the payments to be made by the Corporation to the Trustee or the Authority in accordance with the Loan Agreement.

“Alternate Credit Facility” means an alternate irrevocable letter of credit or similar credit facility issued by a commercial bank or savings institution, the terms of which shall be to the extent dictated by the terms of the Bonds, the same as or similar to those of the initial Credit Facilities, delivered to the Trustee under the Loan Agreement, and meeting the requirements of the Loan Agreement. The Alternate Credit Facility may include a bond insurance policy and a liquidity facility combined.

“Alternate Rate” means the lesser of the Maximum Rate or The Bond Market Association Municipal Swap Index rate as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc. or its successor, or as otherwise determined by The Bond Market Association; provided, however, that if such index is no longer produced by Municipal Market Data, Inc. or its successor, then the rate of a reasonably comparable index selected by the Corporation.

“Authority” means ABAG Finance Authority for Nonprofit Corporations, a joint exercise of powers agency organized and existing under the laws of the State.

“Available Moneys” means:

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

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

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

(3) moneys drawn under the Credit Facility;

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

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

(6) moneys derived from refunding bonds; and

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

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

“Bank” means Allied Irish Banks, p.l.c., New York Branch, and any other commercial bank, savings association or financial institution issuing a Credit Facility then in effect.

“Bank Bonds” means Bonds purchased with moneys obtained by a drawing on the Credit Facility.

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

“Business Day” means any day other than (i) a Saturday or Sunday, (ii) a day on which the Principal Corporate Trust Office of the Trustee or the offices of the Tender Agent at which the duties under the Indenture are to be performed or the office of the Bank at which draws under the Credit Facility are presented are authorized or required by law to close or (iii) a day on which the New York Stock Exchange is closed.

“Corporation” means the Katherine Delmar Burke School, a nonprofit public benefit corporation organized and existing under the laws of the State of California, and its successors or assigns permitted under the Loan Agreement.

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

“Eligible Account” means an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a S&P’s short-term debt rating of at least A-2 (or, if no short-term debt rating, a long-term debt rating of BBB+); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title

12 of the U.S. Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity. In the event that an account required to be an "Eligible Account" no longer complies with the requirement, the Trustee shall promptly (and, in any case, within not more than 30 calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

"Event of Default" means any of the events specified in the Indenture.

"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 Corporation.

"Fixed Rate" means the interest rate on the Bonds determined under the Indenture after conversion to a Fixed Rate Mode.

"Fixed Rate Bonds" means the Bonds during the Fixed Rate Mode.

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

"Information Services" means:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558

Financial Information Inc.
Daily Called Bonds
30 Montgomery St.
Jersey City, NJ 07302;

FIS/Mergent
Call Notification
5250 77 Center Dr.
Charlotte, NC 28217;

FT Interactive Data
100 William Street
15th Floor
New York, New York 10038

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041

Xcitek
5 Hanover Square
New York, NY 10004;

or at such other addresses or such other services providing information with respect to called bonds as the Authority may designate to the Trustee in writing.

“Interest Payment Date” means (1) with respect to Bonds in a Term Mode with a Term Rate Period of 12 months or less, the Business Day next succeeding the last day of the Term Rate Period; (2) with respect to Bonds in a Term Mode with an Interest Rate Period of greater than 12 months each March 1 and September 1 and the last day of the Term Rate Period; (3) with respect to Bonds in a Weekly Mode, the first Business Day of each month; (4) with respect to Bonds in the Fixed Rate Mode, each March 1 and September 1; (5) any Mode Change Date; (6) the respective maturity dates of the Bonds; and (7) with respect to Bank Bonds, the dates set forth in the Reimbursement Agreement.

“Interest Period” means the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date, except that the first Interest Period shall be the period from and including the Date of Delivery of the Bonds to and including the day immediately preceding the first Interest Payment Date.

“Loan” means the loan from the Authority to the Corporation of the proceeds of the Bonds under the Loan Agreement.

“Loan Default Events” means any of the events of default specified in the Loan Agreement.

“Loan Payments” means the repayment of the Loan in installments by the Corporation under the Loan Agreement.

“Maximum Rate” shall mean with respect to Bonds other than Bank Bonds, 12% per annum, and with respect to Bank Bonds, the maximum interest rate permitted by law.

“Mode” means, as the context may require, the Term Mode, the Weekly Mode or the Fixed Rate Mode.

“Mode Change Date” means with respect to any Bond, the day on which a Mode begins following the last day of a different Mode.

“Moody’s” means Moody’s Investors Service, Inc. a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation is dissolved or liquidated or no longer performs 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 Authority, with the approval of the Corporation and the Bank.

“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 (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority has been discharged in accordance with the related Indenture; and (c) Bonds for the transfer or exchange of which, or in lieu of or in substitution for which, other Bonds have been authenticated and delivered by the Trustee under the related Indenture.

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

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

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

(3) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities shall constitute Permitted Investments only if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (“FHLMC”), Federal National Mortgage Association (“FNMA”), Student Loan Marketing Association, Resolution Funding Corporation or Farm Credit System;

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

(5) repurchase agreements with either a primary dealer on the reporting dealer list of the Federal Reserve or any bank, which, in either case, is rated “A” or better by S&P and Moody’s, provided that (a) the term of such repurchase agreement is not greater than thirty days, (b) the Trustee or third party acting solely as agent for the Trustee has possession of the collateral, (c) the collateral is valued weekly and the market value of the collateral is maintained at an amount equal to at least 104% (or, if the collateral consists of obligations of FHLMC or FNMA, 105%) of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus interest, (d) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately, (e) the repurchase securities are either obligations of, or fully guaranteed as to principal and interest by, the United States or any federal agency backed by the full faith and credit of the United States; (f) the repurchase securities are free and clear of any third-party lien or claim; and (g) there shall have been delivered to the Trustee and the Authority an Opinion of Counsel to the effect that such repurchase agreement meets all guidelines under State law for legal investment of such funds;

(6) investment agreements, including guaranteed investment contracts (“GICs”) with financial institutions, the debt obligations of which, or insurance companies the claims paying ability of which, are rated in one of the highest two rating categories of the

Rating Agency then rating the Bonds, or investment agreements or investment contracts which are guaranteed by financial institutions, the debt obligations of which, or insurance companies, the claims paying ability of which, are rated in one of the highest two rating categories of the Rating Agency then rating the Bonds, provided, that, at all times, the investment agreement or investment contracts, as appropriate, shall allow the Corporation to instruct the Trustee to replace such financial institution or insurance company if such rating falls below the highest rating category or two highest rating categories, as appropriate, described in the Indenture or investment agreements which are secured at all times, in the manner and to the extent provided by law, by collateral security (described in clause (1) of this definition) with a market value (valued at least quarterly) of no less than the amount of moneys so invested, in each case, the securities in such investment agreements shall be payable at the times and in the amounts as the funds and accounts held under the Indenture by the Trustee are required to be available for its use;

(7) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAM-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2;

(8) certificates of deposit secured at all times by collateral described in (1) and/or (2) above, issued by commercial banks, savings and loan associations or mutual savings banks relating to collateral held by a third party, and in which collateral the Bondholders have a perfected first security interest;

(9) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

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

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

(12) obligations of a bank or other financial institution rated at least "Aa3" by the Rating Agency.

"Principal Corporate Trust Office" means with respect to the Trustee, the office of the Trustee at: 550 Kearny Street, Suite 600, San Francisco, CA 94108, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Project Fund" means the fund by that name established under the Indenture.

"Property" means, as of any date, all land, improvements, facilities, fixtures and equipment then owned by the Corporation.

“Purchase Date” means the date on which any Bond is required to be purchased under the Indenture.

“Purchase Price” means that amount equal to 100% of the principal amount of any Bond purchased under the Indenture, plus accrued and unpaid interest thereon to but not including the Purchase Date or the date on which such Bond is deemed purchased in accordance with the Indenture.

“Rate Determination Date” means the date on which the interest rate(s) with respect to the Bonds shall be determined, which (i) in the case of the Weekly Mode, shall be each Wednesday or, if Wednesday is not a Business Day, the next following Business Day, or in the case of a conversion to the Weekly Mode shall be at least one Business Day prior to the Mode Change Date; (ii) in the case of the Term Mode, shall be at least one Business Day prior to the first day of a Term Rate Period; and (iii) in the case of the Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be at least one Business Day prior to the Mode Change Date.

“Rating Agency” means Standard & Poor’s Credit Markets Services, so long as such rating agency maintains a rating on the Bonds, and any other nationally recognized securities rating agency designated in writing by the Corporation with the written approval of the Authority and the Bank.

“Rebate Fund” means the fund by that name established under the Indenture.

“Rebate Requirement” shall have the meaning assigned to that term in the Tax Certificate.

“Record Date” shall mean (i) the Business Day immediately preceding the applicable Interest Payment Date during the Weekly Mode and (ii) the fifteenth day of the month prior to an Interest Payment Date during a Term Mode or the Fixed Rate Mode.

“Redemption Fund” means the fund by that name established under the Indenture.

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

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

“Revenues” means all payments received by the Authority or the Trustee from the Corporation (except Additional Payments paid by the Corporation pursuant the Loan Agreement and any amounts paid by the Corporation pursuant the Loan Agreement), including, without limiting the generality of the foregoing, Loan Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments of all or any part of the Loan Payments and all interest, profits or other income derived from the investment of any money in any fund or account established under the Indenture (except to the extent such interest, profits or other income is required to be transferred to or retained in the Rebate Fund under the Indenture or the Tax Certificate).

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York, Attn: Call Notification Department, Fax: (212) 855-7232, or, in

accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other security depositories, or no such depositories, as the Authority may indicate in a Certificate of the Authority delivered to the Trustee.

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

“State” means the State of California.

“Supplemental Indenture” or “Indenture Supplemental Hereto” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee in accordance with the provisions of the Indenture.

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

“Tax Certificate” means the Certificate as to Arbitrage executed by the Authority and the Corporation dated the date of issuance of the Bonds, as the same may be amended or supplemented in accordance with its terms.

“Tender Agent” means the Trustee, or any successor tender agent appointed under the Indenture.

“Term Mode” means the period during which a Term Rate is in effect.

“Term Rate” means a non-variable interest rate on the Bonds established in accordance with the Indenture.

“Term Rate Period” means a period of one month or more during which a particular Term Rate is in effect as provided in the Indenture.

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

“Weekly Mode” means the period during which Weekly Rates are in effect.

“Weekly Rate” means a variable interest rate on the Bonds established weekly in accordance with the Indenture.

“Weekly Rate Accrual Period” means each period a Weekly Rate is in effect for the Bonds commencing on Thursday and ending on the next Wednesday; provided that the first Weekly Rate Accrual Period shall begin on the Date of Delivery and the first Weekly Rate Accrual Period after any change from a Term Interest Mode to a Weekly Mode shall begin on the Mode Change Date to the Weekly Mode.

INDENTURE

The Indenture sets forth the terms of the Bonds, the nature and extent of the security, various rights of the Bondholders, rights duties and immunities of the Trustee and the rights and obligations of the Authority. Although certain provisions of the Indenture are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Establishment and Application of Project Fund.

The Indenture provides that the Trustee will establish, maintain and hold in trust a separate fund designated as the "Project Fund." The moneys in such Project Fund will be used and withdrawn by the Trustee, as directed by Requisition of the Corporation, submitted by the Authorized Representative of the Corporation, to pay or reimburse the Corporation for Project Costs.

Conversion of Bonds to a Fixed Rate.

The Corporation, by written direction to the Trustee and the Remarketing Agent, and with the written consent of the Bank and the Authority (which consents in each case may not be unreasonably withheld), may adjust the Mode for the Bonds to a Fixed Rate. Such direction will specify the effective date of such Fixed Rate Mode, which will be

(a) in the case of an adjustment from a Weekly Mode, an Interest Payment Date on which interest is payable for the Weekly Mode from which the adjustment is to be made, which Interest Payment Date will not be earlier than 30 days following the date of receipt by the Trustee of such direction, and

(b) in the case of an adjustment from a Term Rate Mode, the last Interest Payment Date of the then current Term Rate Period not less than 30 days following the date of receipt by the Trustee of such direction.

When the Bonds are to be converted to the Fixed Rate Mode, the Bonds will bear interest at the Fixed Rate, which will be determined by the Remarketing Agent not later than 2:00 p.m. (California time) on a Rate Determination Date. The Fixed Rate will be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Bonds known to the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds at a price equal to the principal amount thereof; provided, however, that if for any reason the Fixed Rate cannot be determined, the interest rate on the Bonds shall convert to a Weekly Rate. In no event may the Fixed Rate exceed the Maximum Rate.

The Trustee will give notice by mail of the conversion to the Fixed Rate Mode to the Owners of the Bonds, with copies to the Bank and the Corporation, not less than 15 days prior to the effective date of such Fixed Rate Mode. Such notice will state:

- (1) that the interest rate on the Bonds will be adjusted to a Fixed Rate,
- (2) the effective date of such Fixed Rate Mode,

- (3) the day by which the Fixed Rate shall be determined,
- (4) the manner by which such Fixed Rate may be obtained,
- (5) the Interest Payment Dates after such effective date,
- (6) the Bonds shall be purchased on such effective date pursuant to Section 4.06,
- (7) the procedures of such purchase,
- (8) the redemption provisions that will pertain to the Bonds during such Fixed Rate Mode,
- (9) the ratings which are expected to be assigned to the Bonds on such date, and
- (10) that prior to the conversion of the Bonds to the Fixed Rate Mode, a new official statement or similar offering document will be required.

Optional Redemption During any Term Rate Period and During Fixed Rate Mode.

During any Term Rate Period and after a conversion to the Fixed Rate Mode, the Bonds are subject to redemption prior to the stated maturity, as a whole or in part from any prepayments made by the Corporation to the Trustee, at the following times (measured from the applicable Mode Change Date to the next Mode Change Date or the final maturity of Fixed Rate Bonds (the "Applicable Period")), and at the following redemption prices (expressed as a percentage of the principal amount to be redeemed) plus accrued interest, if any, to the date fixed for redemption (the maturity or mandatory sinking fund payment date and amount of Bonds to be redeemed from the amount so prepaid and the redemption date will be as specified in the Request of the Corporation given under the Loan Agreement):

<u>Length of Term of Applicable Period</u>	<u>Redemption Dates and Prices</u>
Greater than 10 years	At any time on or after the 5th anniversary of the applicable Mode Change Date at 102% declining 1/2% annually to 100%
Greater than 6 and less than or equal to 10 years	At any time on or after the 3rd anniversary of the applicable Mode Change Date at 101-1/2 % declining 1/2 % annually to 100%
Greater than 4 and less than or equal to 6 years	At any time on or after the 2nd anniversary of the applicable Mode Change Date at 101% declining 1/2% annually to 100%
Greater than 3 and less than or equal to 4 years	At any time on or after the 2nd anniversary of the applicable Mode Change Date at 100-1/2 % declining 1/2 annually to 100%
Greater than 2 and less than or equal to 3 years	At any time on or after the 1st anniversary of the applicable Mode Change Date at 100-1/2% declining 1/2% annually to 100%

<u>Length of Term of Applicable Period</u>	<u>Redemption Dates and Prices</u>
Greater than 1 and less than or equal to 2 years	At any time on or after the 1st anniversary of the applicable Mode Change Date at 100%
Less than or equal to 1 year	On the Interest Payment Date which is six months after the applicable Mode Change Date at 100%

Mandatory Redemption from Sinking Fund Payments.

Prior to conversion to a Term Rate or a Fixed Rate, the Bonds are not subject to mandatory sinking fund redemption.

After conversion to a Term Rate or a Fixed Rate, the Bonds will be subject to mandatory sinking fund redemption on September 1 in each year, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, without premium, in accordance with a mandatory sinking fund schedule to be submitted by the Corporation to the Trustee.

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

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in such Indenture, the Authority pledges to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture and the payments of amounts owing to the Bank under the Reimbursement Agreement, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established under the Indenture (other than the Rebate Fund or Credit Facility Account or remarketing proceeds).

The Authority under the Indenture transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, and to the Bank, all of the Revenues and other amounts pledged as described in the paragraph above and all of the right, title and interest of the Authority in the Loan Agreement (except for any deposits to the Rebate Fund, the right to receive any Additional Payments payable to the Authority, the right of the Authority to receive any indemnification, and the right to receive any notices and reports).

Allocation of Revenues.

The Indenture provides that on or before the Business Day immediately preceding each Interest Payment Date and each day on which payments of principal are due on the Bonds (whether at maturity or because of redemption or acceleration), the Trustee shall transfer from the Revenue Fund, and deposit or transfer into the following respective accounts within the Revenue Fund which are established under the Indenture, the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such fund or account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

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

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

Funds in the Principal Fund shall be transferred to the Redemption Fund to be applied to the mandatory sinking fund redemption of the Bonds at a redemption price equal to the principal amount thereof to be redeemed, plus interest accrued to the date of redemption, without premium, as set forth in the schedule submitted by the Issuer at the direction of the Corporation to the Trustee under the Indenture.

Notwithstanding anything to the contrary described above, so long as a series of the Bonds are in the Weekly Mode or the Term Mode, the principal of, interest on, and Redemption Price of, such Bonds shall be paid solely first from draws on the Credit Facility and second from other Available Moneys.

Application of Redemption Fund.

The Indenture provides that the Trustee will establish, maintain and hold in trust a separate fund designated as the Redemption Fund and within such Fund shall establish separate accounts as directed by the Corporation. All amounts deposited in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds in the manner and upon the terms and conditions specified in the Indenture or to reimburse the Bank for draws on the Credit Facility used to pay the Redemption Price of such Bonds redeemed; provided that, at any time prior to giving such notice of redemption, the Trustee may upon the Request of the Corporation apply such amounts to the purchase of such Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may in its discretion determine, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds.

Credit Facility Account.

The Indenture provides that the Trustee will create within the Revenue Fund a separate account called the "Credit Facility Account," into which all moneys drawn under the related Credit Facility shall be deposited and disbursed. Neither the Corporation nor the Authority will have any right title or interest in the Credit Facility Account.

Investment of Moneys in Funds and Accounts.

The Indenture provides that all moneys in any of the funds and accounts (other than the Rebate Fund or Credit Facility Account or remarketing proceeds) established under such Indenture shall be invested by the Trustee solely in such Permitted Investments as are specified in a Request of the Corporation received by the Trustee at least 2 Business Days before the investment date, which Request of the Corporation shall state that such investment is a

Permitted Investment as required by the Indenture. However, if the Corporation does not file such a Request with the Trustee, the Trustee shall invest to the extent practicable in investments described in clause (7) of the definition of the term “Permitted Investments.”

All interest, profits and other income received from the investment of moneys within the Project Fund shall be credited to the Project Fund. Except as otherwise provided in a Request of the Corporation, all interest, profits and other income received from the investment of moneys in any other fund or account established under the Indenture (other than the Rebate Fund or Credit Facility Account or remarketing proceeds) shall be credited to the related Revenue Fund.

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

Rebate Fund.

Under the Indenture, the Trustee shall establish, maintain and hold in trust a separate fund designated as the Rebate Fund. All amounts at any time on deposit in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the requirements to make rebate payments to the United States (the “Rebate Requirement”) under Section 148 of the Code and the Treasury Regulations promulgated thereunder (the “Rebate Regulations”). Such amounts will be free and clear of any lien under the Indenture and will be governed by the Indenture and by the Tax Certificate.

Tax Covenants.

Under the Indenture, the Authority covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would result in the interest on the Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority covenants that it will comply with the requirements of the Tax Certificate, which is incorporated in the Indenture as if fully set forth therein. This covenant shall survive the payment in full or the defeasance of the Bonds.

Amendment of the Loan Agreement.

The Indenture provides that the Authority shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Bank (so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under a Credit Facility remain owing to the Bank) and the Trustee. The Trustee shall give such written consent if but only if one of the following conditions is met: (1) it has received a written representation from the Authority or Opinion of Bond Counsel to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds of the related series, provided that, if an Event of Default has occurred and is continuing, the Trustee rather than the Authority shall make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of such Bonds (provided that, in making such determination, the Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel), or (2) the Holders of a majority in aggregate principal amount of such Bonds then Outstanding consent in writing to such

amendment, modification or termination or (3) the Bank consents in writing to such amendment, modification or termination (Bank consent to amendment, modification or termination of the Loan Agreement without Bondholder consent shall be permitted only so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any draws thereunder), provided that no such amendment, modification or termination may reduce the amount of Loan Payments to be made to the Authority or the Trustee by the Corporation under the Loan Agreement, or extend the time for making such payments, without the written consent of all of the Holders of such Bonds then Outstanding.

Events of Default; Acceleration.

The Indenture provides that if one or more of the following events (“Events of Default”) happen:

(1) if default is made in the due and punctual payment of the principal of, or premium (if any) on, any Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(2) if default is made in the due and punctual payment of any installment of interest on any Bond of the related series when and as such interest installment becomes due and payable;

(3) if default is made in the due and punctual payment of the Purchase Price of any Bond of the related series subject to tender under the Indenture;

(4) if default is made by the Authority in the performance or observance of any other of the material covenants, agreements or conditions on its part in the Indenture or in the Bonds, and such default continues for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, has been given to the Authority and the Corporation by the Trustee, or to the Authority, the Corporation and the Trustee by the Holders of not less than a majority in aggregate principal amount of such Bonds at the time Outstanding;

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

(6) if the Bank gives notice that an event of default has occurred and is continuing under the related Reimbursement Agreement and instructing the Trustee to accelerate the Bonds of the related series,

then and in each and every such case during the continuance of such Event of Default, unless the principal of all the Bonds of the related series has already become due and payable, the Trustee, by notice in writing to the Authority and the Corporation, may and, upon the written request of the Holders of not less than a majority in aggregate principal amount of such Bonds at the time Outstanding, or at the direction of the Bank or upon the occurrence of (6) above, shall declare the principal of all such Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration, the principal of all the Bonds then Outstanding, and the interest accrued thereon, shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding and interest shall accrue until paid. Upon any such declaration the Trustee shall immediately draw upon any then existing Credit Facility in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds so

declared to be due and payable. In the case of an Event of Default under (6) above, payment shall be made within 7 Business Days of receipt of the notice of default from the Bank.

This provision, however, is subject to the condition that if, at any time while the Bonds are in the Fixed Rate Mode after the principal of the Bonds has 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 hereinafter provided, there has been deposited with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal at the rate borne by the respective Bonds, and the reasonable fees and expenses by the Trustee (including but not limited to those 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) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Holders of at least a majority in aggregate principal amount of such series of the Bonds then Outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Holders of all of such 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. No such rescission and annulment may occur while the Bonds are in the Weekly Mode.

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

Modification without Consent of Bondholders.

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

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

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

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

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

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

(f) for any other purpose.

Modification with Consent of Bondholders.

The Indenture provides that with the written consent of the Bank (so long as the Credit Facility is outstanding and the Bank has not wrongfully dishonored any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under such Credit Facility remain owing to the Bank), the Corporation and the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding (the consent of the Holders shall not be necessary so long as a Credit Facility is outstanding and the Bank is not wrongfully dishonoring any drawings thereunder), the Authority and the Trustee may from time to time, with an Opinion of Bond Counsel to the effect that such amendment or modification will not cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes, enter into an indenture or Indenture supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture may (1) extend the fixed maturity of any Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof or (2) reduce the aforesaid percentage of Holders of Bonds whose consent is required for the execution of such supplemental indenture or extend the time of payment or permit the creation of any lien on the Revenues or the funds pledged in the Indenture prior to or on a parity with the lien of the Indenture or deprive the Holders of the Bonds of the lien created by the Indenture upon the Revenues or the funds pledged in the Indenture, in each case without the consent of the Holders of all the Bonds then Outstanding. Upon receipt by the Trustee of a Certificate of the Authority authorizing the execution of any such supplemental indenture, and upon the filing with

the Trustee of evidence of the consent of the Corporation and the Bondholders, as aforesaid, the Trustee shall join with the Authority in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

Discharge of Indenture.

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

- (1) by paying or causing to be paid the principal of and premium, if any, and interest on the Bonds Outstanding, as and when the same become due and payable;
- (2) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem Bonds Outstanding; or
- (3) by delivering to the Trustee, for cancellation by it, all Bonds Outstanding.

If the Authority pays all Bonds then Outstanding as provided above and also pays or causes to be paid all other sums payable under the Indenture by the Authority, and any balance remaining in the funds and accounts established under the Indenture has been paid to the Bank to the extent any amounts are owing to the Bank, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), which election shall be made on the Request of the Corporation, and notwithstanding that any such Bonds have not been surrendered for payment, the Indenture and the pledge of Revenues made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Indenture.

Deposit of Money or Securities with Trustee.

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

- (1) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given or provision satisfactory to the Trustee has been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds and all unpaid interest thereon to the redemption date, together with the redemption premium, if any; or
- (2) (a) noncallable direct obligations of the United States of America (including, without limitation, obligations issued or held in book-entry form on the books of the Department of Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States (including without limitation the interest component of Resolution Funding

Corporation strips for which the separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form) of America or (b) securities the interest on which is excludable from gross income for federal tax purposes which have been advance refunded under the Code for which a nationally recognized rating service is maintaining a rating within the highest rating category of such rating service and the principal of and interest on which, in the written opinion of an Accountant, when due will provide money sufficient to pay the principal of, and premium, if any, and all unpaid interest to maturity, or to the redemption date provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given under the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice,

provided, in each case, that the Trustee has been irrevocably instructed (by the terms of the Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, and premium, if any, and interest with respect to such Bonds and certain requirements have been fulfilled under the Indenture.

Liability of Authority Limited to Revenues.

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

LOAN AGREEMENT

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

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

The Corporation covenants and agrees that, so long as any of the Bonds are Outstanding, it will maintain its existence as a nonprofit public benefit corporation qualified to do business in the State and an organization described in Section 501(c)(3) of the Code and will not dissolve, sell or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it or acquire all or substantially all of the assets of any person or entity. Notwithstanding the foregoing, the Corporation may consolidate with or merge into another corporation, or acquire or permit one or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, if:

- (1) The surviving, resulting or transferee corporation, as the case may be:

(a) assumes in writing, if such corporation is not the Corporation, all of the obligations of the Corporation under the Loan Agreement;

(b) is not, after such transaction, otherwise in default under any provisions of the Loan Agreement; and

(c) is an organization described in Section 501(c)(3) of the Code, or a corresponding provision of the federal income tax laws then in effect.

(2) The Authority, the Trustee and the Bank receive a Certificate of the Corporation to the effect that the covenants under the Loan Agreement will be met after such consolidation, merger, sale or transfer.

(3) The Trustee and the Authority receive an Opinion of Bond Counsel to the effect that under existing law, such merger, consolidation, sale, acquisition or other transfer will not cause interest on the Bonds to be included in gross income for federal income tax purposes under Section 103 of the Code.

(4) The written consent of the Bank has been received by the Trustee, together with an acknowledgement that the Credit Facility will remain in effect.

Events of Default.

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

(A) the Corporation fails to make any Loan Payment by its due date; or

(B) the Corporation fails to observe and perform any material covenant, condition or agreement on its part to be observed or performed under the Loan Agreement other than as referred to in paragraph (A) above for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the Corporation by the Authority, the Bank or the Trustee, with a copy to the Bank; provided, however, if the failure stated in the notice is correctable but cannot be corrected within the applicable period, the Trustee, upon the prior written consent of the Bank, will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Corporation within the applicable period and diligently pursued until the default is corrected; or

(C) any of the representations or warranties of the Corporation made in the Loan Agreement or in any other document, certificate or writing furnished by the Corporation to the Authority in connection with the application for or the negotiation of the Loan Agreement or the issuance of the Bonds was false or incorrect in any material respect when made; or

(D) the Corporation applies for or consents to the appointment of any receiver, trustee, or similar officer for it or for all or any substantial part of its property or admits in writing its inability to pay its debts as they mature; or such a receiver, trustee or similar officer is appointed without the application or consent of the Corporation and such appointment continues undischarged for a period of 60 days; or the Corporation institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of

any jurisdiction; or any such proceeding is instituted (by petition, application or otherwise) against the Corporation and remains undischarged for a period of sixty (60) days; or the Corporation makes a general assignment for the benefit of creditors.

Remedies on Default.

The Loan Agreement provides that in the event any of the Bonds are at the time Outstanding and unpaid (and provision for the payment thereof shall not have been made as provided in the Indenture) and any event of default referred to in the Loan Agreement has happened and is continuing the Authority or the Trustee may, with the consent of the Bank, and shall, at the direction of the Bank, take any one or more of the following remedial steps:

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

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

Amendment of the Loan Agreement.

The Agreement may only be amended, modified or terminated in accordance with the Indenture. See "Indenture - Amendment of the Loan Agreement" above.

APPENDIX B

PROPOSED FORM OF BOND COUNSEL OPINION

[Dated the date of issuance of the Bonds]

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

Re: *\$15,000,000 ABAG Finance Authority for Nonprofit Corporations
Variable Rate Demand Revenue Bonds (Katherine Delmar Burke School)
Series 2007*

Ladies and Gentlemen:

We have acted as bond counsel to ABAG Finance Authority for Nonprofit Corporations (the "Issuer") in connection with issuance by the Authority of \$15,000,000 aggregate principal amount of its Variable Rate Demand Revenue Bonds (Katherine Delmar Burke School) Series 2007 (the "Bonds"), issued under the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law"), and an Indenture, dated as of June 1, 2007 (the "Indenture"), between the Issuer and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). The Bonds have been issued by the Authority to provide funds for the purpose of making a loan of the proceeds thereof to the Katherine Delmar Burke School, a California nonprofit public benefit corporation (the "Corporation") to finance the renovation and remodeling of the Corporation's school facilities located in San Francisco, California (the "Project"). Proceeds of the Bonds will be loaned to the Corporation pursuant to a Loan Agreement dated as of June 1, 2007 (the "Loan Agreement") between the Authority and the Corporation. Initial credit support and liquidity for the Bonds will be provided by a Letter of Credit dated July 12, 2007, to be issued by Allied Irish Banks, P.L.C., New York Branch.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture and in the certified proceedings and certifications of public officials, the Corporation and others furnished to us, without undertaking to verify the same by independent investigation. In addition, in rendering the following opinion we have relied upon the opinion of Folger, Levin & Kahn, LLP, that, among other things, the Corporation is as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and the operation of the Project will not result in unrelated trades or businesses within the meaning of section 513(a) of the Code and will not adversely affect the status of the Corporation as an organization described in Section 501(c)(3) of the Code.

Based upon the foregoing we are of the opinion, under existing law, as follows:

1. The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California with the full power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Indenture has been duly approved by the Authority and constitutes a valid and binding obligation of the Authority enforceable against the Authority. The Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds in accordance with the terms of the Indenture, subject to no prior lien granted under the Bond Law.

3. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the Corporation comply with all requirements of the Code which 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 Authority and the Corporation have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 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.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (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. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. 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.

4. 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 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.

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

6. 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.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s

Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, 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 Issuer or Agent, 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.

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

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

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

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APPENDIX D
FORM OF LETTER OF CREDIT

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IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. C-774

July __, 2007

The Bank of New York Trust Company, N.A.
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Corporate Trust Department

Dear Sirs and Madams:

We hereby establish, at the request and for the account of Katherine Delmar Burke School, a California nonprofit corporation (the "**Borrower**"), pursuant to the terms of the Letter of Credit Reimbursement Agreement dated as of June 1, 2007 by and between Borrower and us (the "**Reimbursement Agreement**") and the Indenture of Trust dated as of June 1, 2007 by and between you, as trustee (the "Trustee") and ABAG Finance Authority for Nonprofit Corporations (the "Issuer") (the "**Indenture**") and in your favor as Trustee for the benefit of the holders of the Bonds (as defined below), our Irrevocable Direct Pay Letter of Credit No. C-774 (the "**Letter of Credit**"), whereby we hereby irrevocably authorize you to draw on us from time to time from and after the date hereof to and including the earliest to occur of (i) 4:00 P.M. (New York City time) at our Letter of Credit Department, 405 Park Avenue, New York, New York 10022 on July 12, 2012, (the "**Stated Termination Date**"); (ii) the date on which we receive from you a certificate in the form set forth as Exhibit A hereto; (iii) the date on which we honor a draft pursuant to a certificate in the form set forth as Exhibit C hereto in connection with a mandatory or optional redemption of all of the Bonds (other than for a Drawing presented to us pursuant to clause (iv) below); and (iv) the date which is ten (10) Business Days following receipt by you of a certificate in the form set forth as Exhibit K hereto (the earlier of such dates, the "**Expiry Date**"), a maximum aggregate amount not exceeding U.S. \$15,167,671.23 (the "**Original Stated Amount**"), of which the sum of \$15,000,000 may be drawn on by you to pay principal or the portion of the redemption price or Purchase Price (as hereinafter defined) corresponding to principal of the tax exempt variable rate demand revenue bonds (the "**Bonds**"), issued by the Issuer, and of which the sum of \$167,671.23 may be drawn to pay interest or the portion of the Purchase Price (as hereinafter defined) corresponding to thirty four (34) days of interest on the Bonds computed at a maximum rate of twelve percent (12%) per annum (with interest computed on the basis of a 365 day year) in accordance with the terms hereof. "Purchase Price" means an amount equal to 100% of the principal amount of, plus accrued interest on, any Bond purchased or deemed purchased in accordance with the Indenture. The Purchase Price does not include any premiums on the Bonds.

This credit is available to you against presentation of the following documents (the "**Payment Documents**") presented to Allied Irish Banks, p.l.c., acting by and through its New York Branch (the "**Bank**") at our office at 405 Park Avenue, New York, New York 10022 (or such other place as we may from time to time specify by written notice given in accordance with the Reimbursement Agreement), Attention: Letter of Credit Department (or such other

person as we may from time to time specify by written notice given in accordance with the Reimbursement Agreement):

A certificate (with all blanks appropriately completed) (i) in the form attached as Exhibit B hereto to pay accrued interest on the Bonds as provided for under the Indenture (an “**Interest Drawing**”), (ii) in the form attached as Exhibit C hereto to pay principal and interest upon a mandatory or optional redemption of the Bonds as provided for under the Indenture (a “**Redemption Drawing**”); provided that in the event the date of such Redemption Drawing coincides with an Interest Payment Date (as defined in the Indenture), such drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iii) in the form attached as Exhibit D hereto to pay the principal and interest upon payment of the Purchase Price upon tender as provided for under the Indenture (a “**Payment of the Purchase Price Upon Tender Drawing**”); provided that in the event the date of such Payment of the Purchase Price Upon Tender Drawing coincides with an Interest Payment Date (as defined in the Indenture), the such drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), or (iv) in the form attached as Exhibit E hereto to pay the maturing principal amount of Bonds, whether by acceleration, defeasance or stated maturity (a “**Stated Maturity Drawing**”), each certificate to state therein that it is given by your duly authorized officer and dated the date such certificate is presented hereunder.

All drawings shall be made by presentation of each Payment Document at our office at 405 Park Avenue, New York, New York 10022 as aforesaid, by telex (at telex number 177744 Answerback: AIBUT) or by telecopier (at telecopier number (212) 339-8019), Attention: Letter of Credit Department, without further need of documentation, including the original of this Letter of Credit, it being understood that each Payment Document so submitted is to be the sole operative instrument of drawing. You shall use your best efforts to give telephonic notice of a drawing to the Bank at its Letter of Credit Department, (1-866-432-5018) on the Business Day preceding the day of such drawing (but such notice shall not be a condition to drawing hereunder and you shall have no liability for not doing so).

We agree to honor and pay the amount of any Interest, Redemption, Payment of Purchase Price Upon Tender or Stated Maturity Drawing if presented in compliance with all of the terms of this Letter of Credit. If we receive any Drafts in the form of Exhibit B, Exhibit C, or Exhibit E all in strict conformity with the terms and conditions of this Letter of Credit, not later than 4:00 P.M. (New York City time) on a Business Day, we will honor the same by 12:00 Noon (New York City time) on the immediately following Business Day in accordance with your payment instructions. If we receive any Drafts in the form of Exhibit B or Exhibit C, or Exhibit E all in strict conformity with the terms and conditions of this Letter of Credit, after 4:00 P.M. (New York City time) on a Business Day, we will honor the same by 12:00 Noon on the Business Day immediately following the next Business Day in accordance with your payment

instructions. If we receive any Drafts in the form of Exhibit D, all in strict conformity with the terms and conditions of this Letter of Credit, not later than 12:00 Noon (New York City time) on a Business Day, we will honor the same by 2:00 P.M. (New York City time) on the same Business Day in accordance with your payment instructions. If we receive any Drafts in the form of Exhibit D, all in strict conformity with the terms and conditions of this Letter of Credit, later than 12:00 Noon (New York City time) on a Business Day, we will honor the same by 12:00 Noon (New York City time) on the immediately following Business Day in accordance with your payment instructions. Payments made hereunder shall be made by wire transfer of same day funds to you or by deposit of same day funds into your account with us in accordance with the instructions specified by the Trustee in the drawing certificate relating to a particular drawing hereunder. “**Business Day**” means any day other than (a) a Saturday or Sunday, or (b) a day on which the Principal Corporate Trust Office of the Trustee or the offices of the Tender Agent (as defined in the Indenture) at which the duties under the Indenture are to be performed or the office of the Bank at which draws under the Letter of Credit are presented are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

The Available Amount (as hereinafter defined) of this Letter of Credit will be reduced automatically by the amount of any drawing hereunder; provided, however, that the amount of any Interest Drawing hereunder or interest as specified in a Payment of the Purchase Price Upon Tender Drawing, less the amount of the reduction in the Available Amount of this Letter of Credit attributable to interest as specified in a certificate in the form of Exhibit C, Exhibit D or Exhibit F hereto, shall be immediately and automatically reinstated effective after the Bank’s honoring of such draw.

If you shall draw on us by a draft in the form of Exhibit D attached hereto, the amount of the principal component and the interest component relating thereto shall be reinstated when and to the extent, but only when and to the extent, the Bank is reimbursed by or on behalf of the Borrower for the full amount drawn hereunder by any such draft.

Upon receipt by us of a certificate of the Trustee in the form of Exhibit C, Exhibit E or Exhibit F hereto, the Letter of Credit will automatically and permanently reduce the amount available to be drawn hereunder by the amount specified in such certificate. Such reduction shall be effective as of the next Business Day following the date of delivery of such certificate.

Upon any permanent reduction of the amounts available to be drawn under this Letter of Credit, as provided herein, we may deliver to you a substitute Letter of Credit in exchange for this Letter of Credit or an amendment to this Letter of Credit substantially in the form of Exhibit G hereto to reflect any such reduction. If we deliver to you such a substitute Letter of Credit you shall simultaneously surrender to us for cancellation the Letter of Credit then in your possession. The “**Available Amount**” shall mean the Original Stated Amount (i) less the amount of all prior reductions pursuant to Interest, Redemption, Payment of the Purchase Price Upon Tender or Stated Maturity Drawings, (ii) less the amount of any reduction thereof pursuant to a reduction certificate in the form of Exhibit F hereto to the extent such reduction is not already accounted for by a reduction in the Available Amount pursuant to (i) above, (iii) plus the amount of all reinstatements as above provided.

Prior to the Expiry Date, we may extend the Stated Termination Date from time to time at the request of the Borrower by delivering to you an amendment to this Letter of Credit in the form of Exhibit I hereto designating the date to which the Stated Termination Date is being extended. Each such extension of the Stated Termination Date shall become effective on the Business Day following delivery of such notice to you and thereafter all references in this Letter of Credit to the Stated Termination Date shall be deemed to be references to the date designated as such in such notice. Any date to which the Stated Termination Date has been extended as herein provided may be extended in a like manner.

Upon the Expiry Date this Letter of Credit shall automatically terminate and be delivered to the Bank for cancellation.

If a drawing by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice that the purported drawing was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefor and that we are holding the documents at your disposal or are returning the same to you, as we may elect. Upon being notified that the purported drawing was not effected in accordance with this Letter of Credit, you may attempt to correct any such nonconforming drawing if and to the extent that you are entitled (without regard to the provisions of this sentence) and able to do so in accordance with the terms hereof

This Letter of Credit is transferable in whole only to your successor as Trustee. Any such transfer (including any successive transfer) shall be effective upon receipt by us (which receipt shall be subsequently confirmed in writing to the transferor and the transferee by the Bank) of a signed copy of the instrument effecting each such transfer signed by the transferor and by the transferee in the form of Exhibit H hereto (which shall be conclusive evidence of such transfer) and, in such case, the transferee instead of the transferor shall, without the necessity of further action, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place; provided that, in such case, any certificates of the Trustee to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer or agent of the transferee.

Communications with respect to this Letter of Credit shall be addressed to us at Allied Irish Banks, p.l.c., 405 Park Avenue, New York, New York 10022, Attention: Letter of Credit Department, specifically referring to the number of this Letter of Credit.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not be in any way modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds), except only the certificates and the Drafts referred to herein which are hereby incorporated by reference; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates and such Drafts.

We agree that this Letter of Credit shall not be amended in a manner that adversely affects your rights hereunder without your written consent, provided in any event that your written consent shall not be required to any extension of the stated Termination Date agreed to by us.

This Letter of Credit shall be governed by the laws of the State of New York, without regard to conflict of laws rules, including the Uniform Commercial Code as in effect in the State of New York, except that (a) Article 11(a) of the Uniform Customs and Practice for Documentary Credits (1993 Revision) (“UCP”), International Chamber of Commerce Publication No. 500, shall govern solely with respect to the presentation of Drafts by telecopy transmission; (b) notwithstanding the provisions of Article 17 of the UCP, if this Letter of Credit expires during an interruption of business (as described in Article 17 of the UCP), we specifically agree to effect payment under this Letter of Credit if a drawing which strictly conforms to the terms and conditions of this Letter of Credit is made within 15 days after the resumption of business; (c) this Letter of Credit will not terminate because of a failure to make any permitted drawings hereunder as provided in Article 41 of the UCP; (d) notwithstanding the provisions of Sub-Article 48(d) of the UCP, the consent of a prior Trustee will not be required in connection with the amendment of this Letter of Credit following a transfer of said Letter of Credit to any successor Trustee and (e) notwithstanding the provisions of Article 48(g) of the UCP, this Letter of Credit may be transferred more than once. By your acceptance of this Letter of Credit, you and any transferee who has succeeded you as Trustee under the Indenture, agree to waive, to the fullest extent permitted by applicable law, any right you may have to a trial by jury in respect of any litigation arising directly or indirectly under or in connection with this Letter of Credit.

All payments made by us hereunder shall be made from our funds and not from the funds of any other Person.

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SIGNATURE PAGE FOLLOWS**

Any defined terms which are not expressly defined herein shall have the same meaning herein as in the Reimbursement Agreement or the Indenture.

ALLIED IRISH BANKS, p.l.c.,
New York Branch

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT A TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-774

NOTICE OF TERMINATION

Allied Irish Banks, p.l.c.
405 Park Avenue
New York, New York 10022
Attention: Letter of Credit Department

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Direct Pay Letter of Credit No. C-774 dated July __, 2007 (the "Letter of Credit"), which has been established by you for the account of Katherine Delmar Burke School, a California nonprofit corporation (the "Borrower") in favor of the Trustee.

The undersigned hereby certifies and confirms that [(i) no Bonds (as defined in the Letter of Credit) remain Outstanding within the meaning of the Indenture, (ii) all drawings required to be made under the Indenture and available under the Letter of Credit have been made and honored, or (iii) a [Alternate Credit Facility] has been issued to replace the Letter of Credit pursuant to the Indenture and [List other documents, if any] and, accordingly, the Letter of Credit shall be terminated in accordance with its terms.

All defined terms used herein which are not otherwise defined shall have the same meaning as in the Letter of Credit.

_____,
as Trustee

By: _____
Name:
Title:

EXHIBIT B TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-774

INTEREST DRAWING CERTIFICATE

Allied Irish Banks, p.l.c.
405 Park Avenue
New York, New York 10022
Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Trust Company, N.A. (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. C-774 dated July __, 2007 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., acting by and through its New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.
2. The Beneficiary is entitled to make this drawing in the amount of \$ _____ under the Letter of Credit pursuant to the Indenture with respect to the payment of interest due on all Bonds Outstanding (other than [Institution Bonds, Bonds owned or held by the Borrower or Pledged Bonds] as defined in the Indenture) on the Interest Payment Date (as defined in the Letter of Credit) occurring on [insert applicable date].
3. The amount of the drawing is equal to the amount required to be drawn by the Trustee pursuant to Section _____ of the Indenture.
4. The amount of the drawing made by this Certificate was computed in compliance with the terms of the Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).
5. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, 20__.

_____,
as Trustee

By: _____
Name:
Title:

EXHIBIT C TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-774

**PAYMENT OF PRINCIPAL AND INTEREST ON THE BONDS, UPON
MANDATORY OR OPTIONAL REDEMPTION OF THE BONDS DRAWING**

Allied Irish Banks, p.l.c.
405 Park Avenue
New York, New York 10022
Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Trust Company, N.A. (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. C-774 dated July ____, 2007 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., acting by and through its New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.

2. The Beneficiary is entitled to make this drawing in the amount of \$_____ under the Letter of Credit pursuant to Section __ of the Indenture with respect to payment, upon mandatory or optional redemption of the Bonds other than a draw with respect to any [Institution Bonds, Bonds owned or held by the Borrower or Pledged Bonds] (as defined in the Indenture)¹.

3. (a) The amount of this drawing is equal to (i) the principal amount of Bonds to be paid upon optional or mandatory redemption by the Issuer (as defined in the Letter of Credit) (other any [Institution Bonds, Bonds owned or held by the Borrower or Pledged Bonds]) pursuant to Section ____ of the Indenture on [insert applicable date] (the "Draw Date"), plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Letter of Credit) to the Draw Date, provided that in the event the Draw Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.

(b) Of the amount stated in paragraph 2 above:

(i) \$_____ is demanded in respect of the principal portion of the Bonds referred to in subparagraph 3(a) above; and

¹ Insert appropriate section or paragraph

(ii) \$_____ is demanded in respect of accrued interest on the Bonds referred to in subparagraph 3(a) above.

4. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____ Re: _____

5. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount of the Letter of Credit.

6. Upon payment of the amount drawn hereunder, the Bank is hereby directed to permanently reduce the Available Amount (as defined in the Letter of Credit) of the Letter of Credit by \$[insert amount of reduction] and the Available Amount shall thereupon equal \$[insert new Available Amount].

7. Of the amount of the reduction stated in paragraph 6 above:

(a) \$_____ is attributable to the principal amount of Bonds redeemed; and

(b) \$_____ is attributable to interest on such Bonds (i.e., ____ (____) days' interest thereon).

8. The amount of the reduction in the Available Amount of the Letter of Credit has been computed in accordance with the provisions of the Letter of Credit.

9. Following the reduction, the Available Amount of the Letter of Credit shall be at least equal to the aggregate principal amount of the Bonds outstanding plus ____ (____) days' interest thereon.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, 20__.

_____,
as Trustee

By: _____
Name:
Title:

EXHIBIT D TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-774

**PAYMENT OF PRINCIPAL AND INTEREST ON THE BONDS, UPON
PAYMENT OF THE PURCHASE PRICE UPON TENDER DRAWING**

Allied Irish Banks, p.l.c.
405 Park Avenue
New York, New York 10022
Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Trust Company, N.A. (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. C-774 dated July __, 2007 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., acting by and through its New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.

2. The Beneficiary is entitled to make this drawing in the amount of \$_____ under the Letter of Credit pursuant to Section __ of the Indenture with respect to a payment, of the Purchase Price upon tender of all or a portion of the Bonds (other than any [Institution Bonds, Bonds owned or held by the Borrower or Pledged Bonds]) (as defined in the Indenture)².

3. (a) The amount of this drawing is equal to (i) the principal amount of the Purchase Price upon tender of all or a portion of the Bonds by the Issuer (as defined in the Letter of Credit) (other than Institution Bonds or Pledged Bonds] pursuant to Section ____ of the Indenture on [insert applicable date] (the "Draw Date"), plus (ii) the interest amount of the Purchase Price upon tender of all or a portion of the Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Letter of Credit) to the Draw Date, provided that in the event the Draw Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.

(b) Of the amount stated in paragraph 2 above:

(i) \$_____ is demanded in respect of the principal portion of the Purchase Price on the Bonds referred to in subparagraph 3(a) above; and

² Insert appropriate section or paragraph

(ii) \$_____ is demanded in respect of accrued interest on the portion of the Purchase Price on the Bonds referred to in subparagraph 3(a) above.

4. Payment by the Bank pursuant to this drawing shall be made to_____, ABA Number _____, Account Number _____, Attention:_____ Re:_____

5. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount of the Letter of Credit.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, 20__.

_____,
as Trustee

By:_____
Name:
Title:

EXHIBIT E TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-774

STATED MATURITY DRAWING CERTIFICATE

Allied Irish Banks, p.l.c.
405 Park Avenue
New York, New York 10022
Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Trust Company, N.A. (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. C-774 dated July __, 2007 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., acting by and through its New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.
2. The Beneficiary is entitled to make this drawing in the amount of \$ _____ under the Letter of Credit pursuant to Section ___ of the Indenture with respect to (i) a payment, upon acceleration or defeasance of all or a portion of the Bonds (other than Institution Bonds, Bonds owned or held by the Borrower or Pledged Bonds) or (ii) the maturing principal amount of and accrued interest on the Bonds.
3. (a) The amount of this drawing is equal to (i) the principal amount of Bonds to be paid upon acceleration or defeasance by the Issuer (as defined in the Letter of Credit) (other than Institution Bonds, Bonds owned or held by the Borrower or Pledged Bonds) or the maturing principal amount of the Bonds pursuant to Section ___ of the Indenture on [insert applicable date] (the "Draw Date"), plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Letter of Credit) to the Draw Date, provided that in the event the Draw Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.
 - (b) Of the amount stated in paragraph 2 above:
 - (i) \$ _____ is demanded in respect of the principal portion of the Bonds referred to in subparagraph 3(a) above; and
 - (ii) \$ _____ is demanded in respect of accrued interest on the Bonds referred to in subparagraph 3(a) above.

4. The amount of this drawing made by this Certificate was computed in compliance with the terms and conditions of the Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount of the Letter of Credit.

5. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

6. Upon payment of the amount drawn hereunder, the Bank is hereby directed to permanently reduce the Available Amount (as defined in the Letter of Credit) of the Letter of Credit by \$[insert amount of reduction] and the Available Amount shall thereupon equal \$[insert new Available Amount].

7. Of the amount of the reduction stated in paragraph 6 above:

(a) \$_____ is attributable to the principal amount of Bonds accelerated, defeased or matured; and

(b) \$_____ is attributable to interest on such Bonds (i.e., ____ (____) days' interest thereon).

8. The amount of the reduction in the Available Amount of the Letter of Credit has been computed in accordance with the provisions of the Letter of Credit.

9. Following the reduction, the Available Amount of the Letter of Credit shall be at least equal to the aggregate principal amount of the Bonds outstanding plus ____ (____) days' interest thereon.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, 20__.

_____,
as Trustee

By: _____
Name:
Title:

EXHIBIT F TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-774

REDUCTION CERTIFICATE

Allied Irish Banks, p.l.c.
405 Park Avenue
New York, New York 10022
Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Trust Company, N.A. (the "Beneficiary"), hereby CERTIFIES with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. C-774 dated July __, 2007 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., acting by and through its New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.
2. Upon receipt by the Bank of this Certificate, the Available Amount (as defined in the Letter of Credit) shall be reduced by \$_____ and the Available Amount shall thereupon equal \$_____. \$_____ of the new Available Amount is attributable to interest.
3. The amount of the reduction in the Available Amount of the Letter of Credit has been computed in accordance with the provisions of the Letter of Credit.
4. Following the reduction, the Available Amount of the Letter of Credit shall be at least equal to the aggregate principal amount of the Bonds outstanding plus _____ (____) days' interest thereon.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, 20__.

_____,
as Trustee

By: _____
Name:
Title:

EXHIBIT G TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-774

NOTICE OF AMENDMENT

The Bank of New York Trust Company, N.A.
Attention: Corporate Trust Department

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Direct Pay Letter of Credit No. C-774 dated July __, 2007 (the "Letter of Credit"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Letter of Credit Reimbursement Agreement dated as of June 1, 2007, by and between Katherine Delmar Burke School, a California nonprofit public benefit coporation and us, the Available Amount of the Letter of Credit has been reduced to \$_____.

This letter should be attached to the Letter of Credit and made a part thereof.

ALLIED IRISH BANKS, p.l.c.,
New York Branch

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT H TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-774

TRANSFER CERTIFICATE

Allied Irish Banks, p.l.c.
405 Park Avenue
New York, New York 10022
Attention: Letter of Credit Department

Ladies and Gentlemen:

Reference is made to that certain Irrevocable Direct Pay Letter of Credit No. C-774 dated July __, 2007 (the "Letter of Credit") which has been established by Allied Irish Banks, p.l.c., acting by and through its New York Branch (the "Bank"), in favor of The Bank of New York Trust Company, N.A. ("Trustee").

The undersigned, a duly authorized officer or agent of [Name of Transferor], has transferred and assigned (and hereby confirms to you said transfer and assignment) all of its rights in and under said Letter of Credit to [Name of Transferee] and confirms that [Name of Transferor] no longer has any rights under or interest in said Letter of Credit.

Transferor and Transferee have indicated on the face of said Letter of Credit that it has been transferred and assigned to Transferee.

The undersigned, a duly authorized officer or agent of the Transferee, hereby certifies that the Transferee is a duly authorized Transferee under the terms of said Letter of Credit and is accordingly entitled, upon presentation of the documents called for therein, to receive payment thereunder.

[_____]
Name of Transferor

By: _____
Name:
Title:

[_____]
Name of Transferee

By: _____
Name:
Title:

EXHIBIT I TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-774

NOTICE OF EXTENSION

The Bank of New York Trust Company, N.A.
Attention: Corporate Trust Department

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Direct Pay Letter of Credit No. C-774 dated July __, 2007 (the "Letter of Credit"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Letter of Credit Reimbursement Agreement, dated as of June 1, 2007, by and between Katherine Delmar Burke School, a California nonprofit public benefit corporation and us, the Stated Termination Date of the Letter of Credit has been extended to _____.

This letter should be attached to the Letter of Credit and made a part thereof

ALLIED IRISH BANKS, p.l.c.,
New York Branch

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT J TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-774

INTENTIONALLY OMITTED

EXHIBIT K TO ALLIED IRISH BANKS, p.l.c. LETTER OF CREDIT No. C-774

NOTICE OF EVENT OF DEFAULT

The Bank of New York Trust Company, N.A.
Attention: Corporate Trust Department

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Direct Pay Letter of Credit No. C-774 dated July __, 2007 (the "Letter of Credit"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit, (i) an Event of Default has occurred under the Reimbursement Agreement and (ii) the Letter of Credit shall expire on the date that is ten (10) Business Days after the date on which you have received this notice. You are hereby instructed to draw on the Letter of Credit within such time period pursuant to Section ___ of the Indenture to cause either an [acceleration or tender] of the Bonds.

ALLIED IRISH BANKS, p.l.c.,
New York Branch

By: _____
Name:
Title:

By: _____
Name:
Title:

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