

NEW ISSUE – BOOK ENTRY ONLY

**Standard & Poor's "AA"
(See "RATING" herein)**

In the opinion of Quint & Thimmig LLP, 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 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" herein.

**\$3,570,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
Insured Health Facility Revenue Bonds
(Desert AIDS Project)
2001 Series A**

Dated: April 1, 2001

Due: April 1, as shown below

The Bonds will constitute limited obligations of the ABAG Finance Authority for Nonprofit Corporations (the "**Authority**") secured under the provisions of the Indenture and the Loan Agreement described herein, and will be equally and ratably payable from loan payments made by Desert AIDS Project (the "**Corporation**") to the Authority under the Loan Agreement described herein and certain funds held under the Indenture.

The Bonds are not secured by any property of the Authority other than the pledge of Revenues, as and to the extent specified in the Indenture. Revenues primarily consist of loan payments made by the Corporation. No form of taxation has been pledged or levied to provide for payment with respect to the Bonds. The Authority will assign to the Trustee its interests under the Loan Agreement and will grant to the Trustee a lien on and pledge of Revenues, monies and investments held in the funds and accounts created under the Indenture.

The Bonds are issuable in the form of fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"), New York, New York. DTC will act as securities depository for the Bonds. Purchases will be made in book-entry form only through DTC participants in the principal amount of \$5,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payment of principal of, premium (if any) and interest on the Bonds will be made directly to DTC or its nominee by U.S. Bank Trust National Association, San Francisco, California, as Trustee. See "THE BONDS – Book-Entry System" herein.

Interest on the Bonds is payable semi-annually on each April 1 and October 1, commencing October 1, 2001. **The Bonds are subject to redemption prior to maturity as described herein.**

The Bonds, pursuant to Article XVI, Section 4, of the California Health and Safety Code, will be insured by the Office of Statewide Health Planning and Development of the State of California (the "**Office**") and all debentures issued in payment of any claims under such insurance will be fully and unconditionally guaranteed by the State of California, all as more fully described herein. See "SECURITY FOR THE BONDS".

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE INDENTURE. NEITHER 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 HAVE ANY TAXING POWER.

Maturity Schedule

<u>Maturity Date</u> <u>(April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Maturity Date</u> <u>(April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2002	\$ 80,000	3.250%	3.350%	2007	95,000	3.900	4.000%
2003	85,000	3.350	3.450	2008	100,000	4.000	4.100
2004	85,000	3.550	3.650	2009	105,000	4.150	4.250
2005	90,000	3.700	3.800	2010	110,000	4.250	4.350
2006	95,000	3.800	3.900	2011	115,000	4.350	4.450

\$2,610,000 5.250% Term Bonds due April 1, 2026, Price: 98.290%

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to an approving legal opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Corporation by Lantson E. Eldred, Esq., Indian Wells, California. Certain legal matters will be passed upon by Jones Hall, A Professional Law Corporation, San Francisco, California, as Special Authority Counsel and Disclosure Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, on or about April 26, 2001.

**ALTURA, NELSON & CO.
Incorporated**

Dated: April 5, 2001

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Limited Assurance by Authority. The information relating to the Authority contained herein under the heading "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 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.

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Authority or the Corporation, in any press release and in any oral statement made with the approval of an authorized officer of the Authority or the Corporation, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Authority or the Corporation since the date hereof.

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

Involvement of Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Corporation since the date hereof. All summaries of the documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

TABLE OF CONTENTS

<p>INTRODUCTORY STATEMENT..... 1</p> <p>THE AUTHORITY..... 2</p> <p>THE 2000 SERIES A BONDS..... 3</p> <p style="padding-left: 20px;">General..... 3</p> <p style="padding-left: 20px;">Book-Entry System..... 5</p> <p>SECURITY FOR THE BONDS 7</p> <p style="padding-left: 20px;">California Health Facility Construction Loan Insurance Program 7</p> <p style="padding-left: 20px;">Pledge Under the Indenture; Gross Revenues12</p> <p style="padding-left: 20px;">Bond Reserve Account 13</p> <p style="padding-left: 20px;">Deed of Trust 13</p> <p style="padding-left: 20px;">Rate Covenant..... 13</p> <p style="padding-left: 20px;">Parity Debt and Other Indebtedness..... 14</p> <p>ESTIMATED USES AND SOURCES OF FUNDS15</p> <p>THE PROJECT..... 15</p> <p>THE CORPORATION..... 16</p> <p>THE TRUSTEE..... 16</p> <p>BONDHOLDERS' RISKS..... 17</p> <p style="padding-left: 20px;">General..... 17</p> <p style="padding-left: 20px;">Additional Debt..... 18</p> <p style="padding-left: 20px;">Dependence Upon Governmental Funding.. 18</p> <p style="padding-left: 20px;">Licensing, Surveys, Facility Inspections and Audits..... 19</p> <p style="padding-left: 20px;">Tax-Exempt Status of the Corporation..... 19</p>	<p>Conditional Use of Facilities..... 20</p> <p>Factors That Could Affect the Validity or Value of the Lien Against the Corporation's Revenues, and the Enforceability of the Loan Agreement 20</p> <p>Bankruptcy 21</p> <p>Affiliation, Merger, Acquisition and Divestiture 21</p> <p>Claims and Insurance Coverage 21</p> <p>Environmental Laws and Regulations..... 22</p> <p>Marketability of the 2000 Series A Bonds 23</p> <p>Other Factors..... 23</p> <p>ABSENCE OF MATERIAL LITIGATION 24</p> <p style="padding-left: 20px;">The Authority..... 24</p> <p style="padding-left: 20px;">The Corporation 24</p> <p>TAX MATTERS 24</p> <p>APPROVAL OF LEGALITY..... 25</p> <p>RATING 25</p> <p>UNDERWRITING..... 25</p> <p>FINANCIAL STATEMENTS..... 26</p> <p>FEASIBILITY STUDY 26</p> <p>CONTINUING DISCLOSURE..... 26</p> <p>MISCELLANEOUS..... 27</p>
--	--

<p>APPENDIX A - INFORMATION CONCERNING THE CORPORATION</p> <p>APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CORPORATION</p> <p>APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS</p> <p>APPENDIX D - FORM OF FINAL OPINION OF BOND COUNSEL</p> <p>APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE</p> <p>APPENDIX F - FINANCIAL FEASIBILITY STUDY</p>	
---	--

OFFICIAL STATEMENT

\$3,570,000
ABAG Finance Authority for Nonprofit Corporations
Insured Health Facility Revenue Bonds
(Desert AIDS Project)
2001 Series A

INTRODUCTORY STATEMENT

This Official Statement is furnished in connection with the offering of \$3,570,000 aggregate principal amount of Insured Health Facility Revenue Bonds (Desert AIDS Project), 2001 Series A (the “**Bonds**”) issued by the ABAG Finance Authority for Nonprofit Corporations (the “**Authority**”). All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in that certain Indenture, dated as of April 1, 2001 (the “**Indenture**”), by and between the Authority and U.S. Bank Trust National Association, San Francisco, California, as trustee (the “**Trustee**”), or as in that certain Regulatory Agreement, dated as of April 1, 2001 (the “**Regulatory Agreement**”), by and among the Authority, Desert AIDS Project, a California nonprofit public benefit corporation (the “**Corporation**”), and the Office of Statewide Health Planning and Development of the State of California (the “**Office**”). See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions.”

The Bonds will be issued under Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “**Act**”), and the Indenture. The proceeds of the sale of the Bonds will be loaned to the Corporation pursuant to a Loan Agreement, dated as of April 1, 2001, between the Authority and the Corporation (the “**Loan Agreement**”) and, together with certain funds provided by the Corporation, will be used to purchase and renovate an approximately 46,000 square foot building located at 1695 North Sunrise Way in Palm Springs, California, to be owned and operated by the Corporation in connection with its integrated services for persons with AIDS/HIV (the “**Project**”). Bond proceeds will also be used to fund the Bond Reserve Account in an amount equal to the Bond Reserve Account Requirement, to pay certain insurance premiums applicable to the Bonds, to fund the certification and inspection fee of the Office, and to pay a portion of the costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein. Pursuant to the Loan Agreement, the Corporation will be required to make payments to the Authority sufficient to pay all principal of, interest and premium, if any, on the Bonds. Such payments constitute revenues of the Authority (the “**Revenues**” as defined herein) pledged for payment of the Bonds.

In accordance with the California Health Facility Construction Loan Insurance Law, Chapter 1 of Part 6 of Division 107 of the California Health and Safety Code (the “**Insurance Law**”), the Authority and the Corporation will enter into a Contract of Insurance (the “**Contract of Insurance**”), dated as of April 1, 2001, and a Regulatory Agreement, dated as of April 1, 2001 (the “**Regulatory Agreement**”), with the Office of Statewide Health Planning and Development of the State of California (the “**Office**”), pursuant to which the Office will insure the payment of the principal of and interest on the Bonds. If moneys are not available to pay the principal of or interest on the Bonds, the Office shall continue to make payments on the Bonds or shall instruct the Trustee to declare the principal of all Bonds then Outstanding and

interest accrued thereon to be due and payable immediately and make payment of such principal and interest, and, upon the occurrence of certain events, shall notify the Treasurer of the State of California and the Treasurer shall issue debentures to the holders of the Bonds fully and unconditionally guaranteed by the State in an amount equal to the principal of and accrued interest on the Bonds. For a more detailed description of the obligation of the Office to insure the payment of the principal of and interest on the Bonds, including the circumstances under which the insurance may be canceled and the procedures with respect to insurance default, and the obligations of the Corporation pursuant to the Regulatory Agreement, see "CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM" herein and APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Contract of Insurance" and - "Regulatory Agreement".

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE INDENTURE. NEITHER 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 HAVE ANY TAXING POWER.

THE AUTHORITY

The Authority is a joint powers agency duly organized and existing under the laws of the State of California. The Authority was formed pursuant to the terms of a Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992, and the 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

General

The Bonds will be dated as of April 1, 2001, and will bear interest at the rates set forth on the cover page of this Official Statement, payable semi-annually on each October 1 and April 1, commencing October 1, 2001. Subject to the redemption provisions set forth below, the Bonds will be payable at the principal corporate trust office of the Trustee, in Seattle, Washington. Interest on the Bonds will be payable by check mailed by the Trustee on each interest payment date to the registered owners thereof as of the 15th day of the calendar month preceding the interest payment date (a “**Record Date**”) at the address shown on the registration books maintained by the Trustee. Upon written request of any owner of at least \$1,000,000 aggregate principal amount of Bonds received by the Trustee before the Record Date, interest will be paid by wire transfer to an account within the United States. The Bonds are issuable only in fully registered form in denominations of \$5,000 or any integral multiple thereof. So long as the book-entry system is in effect with respect to the Bonds, payments of the principal of and premium (if any) and interest on the Bonds will be made by the Trustee to The Depository Trust Company (“**DTC**”) or its nominee. See “**Book-Entry System**” below.

Redemption

Optional Redemption. The Bonds maturing on April 1, 2010 are subject to redemption prior to their respective stated maturity, at the option of the Authority (which option shall be exercised as directed by the Corporation), in whole or in part by lot (in such maturities as are designated by the Corporation, or if the Corporation fails to so designate, in inverse order of maturity, and by lot within a maturity) on any date, upon forty-five (45) days prior written notice to the Trustee from the Corporation, from any source of available moneys, on or after April 1, 2009, at the following redemption prices (expressed as a percentage of the principal amount of Bonds called for redemption), together with accrued interest to the date fixed for redemption:

<u>Redemption Period</u> <u>(Both dates inclusive)</u>	<u>Redemption</u> <u>Price</u>
April 1, 2009 through March 31, 2010	102%
April 1, 2010 through March 31, 2011	101
April 1, 2011 and thereafter	100

Special Redemption. The Bonds are also subject to redemption prior to their respective stated maturities at the option of the Authority (which option shall be exercised as directed by the Corporation) in whole on any date, or in any part (in such amounts and of such maturities as may be specified by the Corporation, or if the Corporation fails to designate such maturities, in inverse order of maturity and by lot) on any interest payment date, upon forty-five (45) days prior written notice to the Trustee from the Corporation, from moneys required to be deposited in the Special Redemption Account, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption. The Bonds maturing April 1, 2026, are subject to mandatory redemption prior to their stated maturity in part by lot on each April 1 on and after April 1, 2012, from mandatory sinking account payments required to be deposited under the Indenture at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium. The mandatory sinking account payments to be made are shown below under the caption “**Debt Service Requirements.**”

General Redemption Provisions. Notice of redemption shall be mailed by first class mail to the Owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, not less than 30 days nor more than 60 days prior to the redemption date. Failure of the Trustee to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any of the Bonds for which notice of redemption was given in accordance with the Indenture.

Each notice of redemption shall state the redemption date, the place or places of redemption, the maturities, the date of issue of the Bonds, the CUSIP number (if any) of the maturity or maturities and, if less than all of any such maturity, the distinctive numbers (or inclusive ranges of distinctive numbers) of the Bonds of such maturity, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a fully registered Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers.

From and after the redemption date, the Bonds so called for redemption shall cease to accrue interest or be entitled to any benefit or security under the Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price plus accrued interest to the redemption date.

So long as the book-entry system is in effect with respect to the Bonds, all notices of redemption will be mailed to DTC (or its nominee), as the holder of the Bonds. See "Book-Entry System" below.

Debt Service Requirements

The following table sets forth for the annual debt service requirements for the Bonds. The principal payments due in 2012 through 2026 represent mandatory sinking account redemption payments.

<u>Year Ending (April 1)</u>	<u>Principal Payments</u>	<u>Interest</u>	<u>Total Debt Service</u>
2002	\$ 80,000.00	\$174,170.00	\$254,170.00
2003	85,000.00	171,570.00	256,570.00
2004	85,000.00	168,722.50	253,722.50
2005	90,000.00	165,705.00	255,705.00
2006	95,000.00	162,375.00	257,375.00
2007	95,000.00	158,765.00	253,765.00
2008	100,000.00	155,060.00	255,060.00
2009	105,000.00	151,060.00	256,060.00
2010	110,000.00	146,702.50	256,702.50
2011	115,000.00	142,027.50	257,027.50
2012	120,000.00	137,025.00	257,025.00
2013	125,000.00	130,725.00	255,725.00
2014	130,000.00	124,162.50	254,162.50
2015	140,000.00	117,337.50	257,337.50
2016	145,000.00	109,987.50	254,987.50
2017	155,000.00	102,375.00	257,375.00
2018	160,000.00	94,237.50	254,237.50
2019	170,000.00	85,837.50	255,837.50
2020	180,000.00	76,912.50	256,912.50
2021	190,000.00	67,462.50	257,462.50
2022	195,000.00	57,487.50	252,487.50
2023	210,000.00	47,250.00	257,250.00
2024	220,000.00	36,225.00	256,225.00
2025	230,000.00	24,675.00	254,675.00
2026	240,000.00	12,600.00	252,600.00

Book-Entry System

The Depository Trust Company, New York, New York (“DTC”), will serve as securities depository under a book-entry system for the Bonds with no physical distribution of Bonds made to the public. The ownership of one fully registered Bond in the aggregate principal amount of the Bonds will be registered in the name of Cede & Co., as nominee for DTC. EXCEPT AS PROVIDED BELOW, SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES HEREIN TO THE BONDHOLDERS OR HOLDERS, OWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

DTC is a limited purpose company organized under the laws of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the “DTC Participants”) and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the “Indirect DTC Participants”).

Beneficial ownership interests in the Bonds may be purchased by or through DTC Participants. The holders of these beneficial ownership interests are referred to herein as the “**Beneficial Owners**”. Such DTC Participants and the persons for whom they acquire interests in the Bonds, as nominees, will not receive a Bond certificate, but each DTC Participant will receive a credit balance in the records of DTC in the amount of such DTC Participant’s interest in the Bonds, which will be confirmed in accordance with DTC’s standard procedures. Beneficial Owners of Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, unless use of the book-entry system is discontinued, as described below.

Transfers of beneficial ownership interests in the Bonds which are registered in the name of Cede & Co., as nominee of DTC, will be accomplished by book entries made by DTC and in turn by the DTC Participants and Indirect DTC Participants who act on behalf of the Beneficial Owners of the Bonds. For every transfer and exchange of beneficial ownership in the Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the Authority, the Corporation and the Trustee will recognize only DTC or its nominee, Cede & Co., as the owner of the Bonds for all purposes, including receipt of all payments, notices (except as set forth in the Indenture), voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Indenture. Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect DTC Participants and by DTC Participants and Indirect DTC Participants to Beneficial Owners of the Bonds will be governed by arrangements among DTC, DTC Participants, Indirect DTC Participants and Beneficial Owners, subject to any statutory and regulatory requirements as may be in effect from time to time.

Principal, sinking fund, redemption price and interest payments on the Bonds will be made by the Trustee to DTC or to its nominee, Cede & Co., as registered owner of the Bonds. Disbursement of such payments to the Beneficial Owners will be solely the responsibility of the DTC Participants and, when appropriate, Indirect DTC Participants. Upon receipt of moneys, DTC’s current practice is to credit immediately the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect DTC Participants to Beneficial Owners will be governed by standing instructions of the Beneficial Owners and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in “street name.” Such payments will be the sole responsibility of such DTC Participant or Indirect DTC Participant and not of the Corporation, the Trustee or the Authority, subject to any statutory and regulatory requirements as may be in effect from time to time.

The Authority, the Corporation, the underwriter, and the trustee cannot and do not give any assurances that the DTC participants or the indirect DTC participants will distribute to the beneficial owners of the bonds (i) payments of principal or redemption or purchase price of, premium, if any, or interest on the bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interests in the bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., as nominee for DTC and as the registered owner of the bonds, or that they will do so on a timely basis or that DTC, DTC Participants or Indirect DTC Participants will serve and act in the manner described in this official statement. 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.

THE AUTHORITY, THE CORPORATION, THE UNDERWRITER AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (I) THE BONDS; (II) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT; (III) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION OR PURCHASE PRICE OF AND PREMIUM, IF ANY, AND INTEREST ON THE BONDS; (IV) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC, ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BENEFICIAL OWNERS; (V) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (VI) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE BONDS.

In the event of an insolvency of DTC, if DTC has insufficient securities in its custody (e.g., due to theft or loss) to satisfy the claims of its DTC Participants or Indirect DTC Participants with respect to deposited securities and is unable by application of (i) cash deposits and securities pledged to DTC to protect DTC against losses and liabilities, (ii) the proceeds of insurance maintained by DTC and/or its DTC Participants or Indirect DTC Participants or (iii) other resources, to obtain securities necessary to eliminate the insufficiency, no assurances can be given that DTC Participants or Indirect DTC Participants will be able to obtain all of their deposited securities.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the Authority and the Corporation take no responsibility for the accuracy thereof.

SECURITY FOR THE BONDS

California Health Facility Construction Loan Insurance Program

Description. The Corporation has received a conditional commitment for insurance from the Office of the Authority's payment of the principal of and the interest on the Bonds. The California Health Facility Construction Loan Insurance Program (the "**Program**") is authorized by Article XVI, Section 4 of the California Constitution and is provided for in the Insurance Law. The Program is operated by the Office, which has adopted regulations implementing the Program. Under the Insurance Law, the Office is currently authorized to insure health facility construction, improvement and expansion loans, as specified in the Insurance Law, to a total of not more than \$3,000,000,000. The insurance of payment of the principal of and interest on the Bonds is evidenced by the Contract of Insurance and the Regulatory Agreement, both of which will be entered into by the Office, the Authority and the Corporation, concurrently with the execution and delivery of the Bonds. The Regulatory Agreement sets out many of the financial covenants of the Corporation relating to, among other things, the maintenance of specified debt service coverage levels and the limitations on incurrence of additional indebtedness or disposition of assets by the Corporation. Prospective holders of the Bonds should note that the provisions of the Regulatory Agreement may be amended with the consent of the Office without the necessity of obtaining the consent of the holders of the Bonds or the holders of Parity Debt. See "Rights of the Office Under the Regulatory Agreement" herein and APPENDIX C - "SUMMARY OF PRINCIPAL DOCUMENTS—Regulatory Agreement" hereto.

The full amount of the principal of and interest, but no redemption premium, if any, on the Bonds is insured under the Program and is backed by the full faith and credit of the State. Reference is made to the official statement relating to the general obligation bonds most recently issued by the State (at www.treasurer.ca.gov, under the heading “Bond Information), annual reports filed by the State with nationally recognized municipal securities information repositories and relating to the State’s general obligation bonds for financial information relating to the general fund of the State and the biennial Actuarial and Asset Allocation Study for the Program, available upon request from the Office.

Insurance Law section 129050, subsection (a) requires that a loan must be secured by a first mortgage, first deed of trust, or first priority lien on a fee interest of the borrower and any other security agreement as the Office may require. For this purpose, the Corporation will grant a security interest in the Gross Revenues under the Loan Agreement and the Corporation will enter into a first Deed of Trust. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Pledge Under the Indenture; Pledge of Gross Revenues” and “—Deed of Trust” herein and APPENDIX C - “SUMMARY OF PRINCIPAL DOCUMENTS—Deed of Trust” hereto.

The Program is financed by an application fee of 0.5 percent of the loan applied for, but not to exceed \$500 (Insurance Law section 129090), an inspection fee not in excess of 0.4 percent of the Corporation loan that is insured (Insurance Law section 129035), and an insurance premium due in full at closing not in excess of 3.0 percent of the total amount of principal and interest payable over the term of the loan. (Insurance Law section 129040). The fees and premiums charged are deposited in the Health Facility Construction Loan Insurance Fund (the “HFCLIF”) that is established by the Insurance Law (sections 129010, subsection (g) and 129200) and used to defray administrative expenses of the Program, to cure defaults on loans and to pay principal of and interest on debentures issued by the Treasurer of the State in payment of insurance claims.

Contestability. Under Insurance Law section 129110, the Contract of Insurance is incontestable from the date of execution thereof, except in case of fraud or misrepresentation on the part of the lender.

Cancellation. The Insurance Law and the Contract of Insurance impose certain continuing obligations on the Corporation as a condition of insuring the Bonds but specify that the remedies for breach of these obligations shall not include withdrawal or cancellation of the insurance. The insurance provided by the Contract of Insurance will terminate in the event that the Bonds are defeased pursuant to the Indenture.

Benefits Upon Default. If there is an event of default as specified under the Indenture (“Event of Default”), the Trustee must notify the Office. The Trustee also must notify the Office if thirty days prior to an interest or principal payment date there are not sufficient available moneys held by the Trustee in the Revenue Fund (other than in the Bond Reserve Account) to make the next payment of principal or interest on the Bonds.

Pursuant to the Regulatory Agreement, if there is an Event of Default and the Trustee has notified the Office that available moneys in the Principal and Interest Accounts will be insufficient to pay in full the next succeeding payment of interest and/or principal when due, the Office shall cause a sufficient amount to be deposited in the Principal Account and/or Interest Account at least three Business Days prior to the date on which such payment is due. The money will come from the Bond Reserve Account held under the Indenture or from the HFCLIF. The obligation of the Corporation to repay any money advanced from the HFCLIF is secured by the Deed of Trust.

Following an Event of Default, the Office may either (i) continue to approve such transfers or make such payments described in the preceding paragraph as are necessary to provide for the timely payment of the principal of and interest on the Bonds, (ii) accept title to the Facilities from the Trustee upon foreclosure pursuant to the Deed of Trust or otherwise, (iii) accept an assignment of the security interest created under the Deed of Trust and of all claims under the Loan Agreement, or (iv) instruct the Trustee to declare the principal of all Bonds then outstanding and the interest due thereon to be immediately due and payable and make such payment from the HFCLIF. The Regulatory Agreement provides that, upon receipt by the Office of title to the Facilities or assignment of the security interest in the Deed of Trust and upon surrender of the Bonds to the Office, the Office shall notify the Treasurer of the State and the Treasurer shall issue debentures to the Trustee for the benefit of the holders of the Bonds so surrendered in an amount equal to the total face value of the outstanding principal of and accrued but unpaid interest on the Bonds, for the term and at the interest rate payable on the Bonds.

While the Office has not requested the issuance of and the Treasurer of the State has not issued any such debentures and while definitive procedures for their issuance have not been established, including procedures covering matters such as compliance with the provisions of the Code and the Treasury Regulations promulgated thereunder, the Office has all necessary power to establish such procedures, and it is expected that such procedures would be established and that interest on such debentures would not be includable in the gross income of the holders of the Bonds for purposes of federal income taxation and would be exempt under the law as in effect on the date hereof from State personal income taxes. Upon the occurrence of certain Events of Default under the Indenture, there is the possibility that the interest on the Bonds could become subject to federal income taxation. The Indenture provides that there shall be no acceleration of the principal of and interest on the Bonds in the Event of Default under the Indenture without the consent of the Office. If the Bonds were declared taxable by the Internal Revenue Service (the "IRS") or another appropriate authority, thereby resulting in an Event of Default under the Indenture, and if the Office did not consent to an acceleration, the Bondholders would continue to receive interest payments, but those interest payments would not be excludable from gross income for federal income tax purposes. See APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS—The Indenture—Events of Default and Acceleration of Maturities."

Under the Insurance Law, payments of principal of and interest on the Bonds or payments on the debentures would be made by the Office from the HFCLIF.

At the request of the Office, Ernst & Young LLP ("E&Y") prepared a study in December of 1998 (the "1998 Actuarial Study") to evaluate, among other matters, (1) the reserve sufficiency of the HFCLIF as of June 30, 1998; and (2) the risk to the State General Fund from the California Health Facility Construction Loan Insurance Program. In the 1998 Actuarial Study, E&Y concluded that the HFCLIF, as of June 30, 1998, which at that time had approximately \$130.4 million, appeared to be sufficient, assuming "normal and expected" conditions, and that the HFCLIF should maintain a positive balance over the next eighteen years. Even assuming abnormal and unexpected events, E&Y found that HFCLIF reserves would protect against any General Fund losses for ten years. As of January 31, 2001, the principal amount of loans insured under the Program was approximately \$967,586,029 and the cash balance of the HFCLIF was approximately \$150,963,160. A copy of the 1998 Actuarial Study is available upon request to: Cal-Mortgage Loan Insurance Division, Office of Statewide Health Planning and Development, 300 Capitol Mall, Suite 1500, Sacramento, CA 95814, Telephone: (916) 324-9957.

The moneys in the HFCLIF are continuously appropriated to pay obligations insured by the Office under the Insurance Law. Insurance Law section 129215 states: "The Health Facility Construction Loan Insurance Fund, established pursuant to Section 129200, shall be a trust fund and neither the fund nor the interest or other earnings generated by the fund shall be used for any purpose other than those purposes authorized by this chapter."

In the event that the Office fails to make any payments when due, the State Treasurer will be obligated to pay such amounts authorized to be appropriated to the holders of the debentures. As stated in Insurance Law section 129160, subsection (b), "In the event of a default, any debenture issued under this article shall be paid on a par with general obligation bonds issued by the state."

See "RATING" herein for a discussion of the rating the Bonds are expected to receive due to the insurance by the Office of the Bonds.

FOR A FURTHER DESCRIPTION OF THE PROVISIONS OF THE REGULATORY AGREEMENT AND THE CONTRACT OF INSURANCE, SEE APPENDIX C - "SUMMARY OF PRINCIPAL DOCUMENTS."

Bankruptcy. In the event of bankruptcy of the Corporation, the rights and remedies of the Holders of the Bonds are subject to various provisions of the federal Bankruptcy Code. If the Corporation was to file a petition in bankruptcy, payments made by the Corporation during the 90-day (or perhaps one-year) period immediately preceding the filing of such petition may be avoidable as preferential transfers to the extent such payments allow the recipients thereof to receive more than they would have received in the event of the Corporation's liquidation. Security interests and other liens granted to a Trustee and perfected during such preference period also may be avoided as preferential transfers to the extent such security interest or other lien secures obligations that arose prior to the date of such perfection. Such a bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Corporation and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property as well as various other actions to enforce, maintain or enhance the rights of a Trustee. If the bankruptcy court so ordered, the property of the Corporation, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of the Corporation despite any security interest of a Trustee therein. The rights of the Trustee to enforce its security interests and other liens it may have could be delayed during the pendency of the rehabilitation proceeding.

The Corporation could file a plan for the adjustment of its debts in any such proceeding, which plan could include provisions modifying or altering the rights of creditors generally or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are conditions that the plan be feasible and that it shall have been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Pursuant to the Indenture, the Office shall have the right to vote in the place and stead of all Holders of Bonds with respect to any plan of reorganization on any agreement for composition of creditors and on any assignment for the benefit of creditors.

In the event of bankruptcy of the Corporation, there is no assurance that certain covenants, including tax covenants, contained in the Loan Agreement or other documents would survive. Accordingly, a bankruptcy trustee could take action that would adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Rights of the Office Under the Regulatory Agreement. The Regulatory Agreement grants the Office extensive rights, including the right to attend and participate in all meetings of the Corporation's Boards of Directors. Additionally, the Regulatory Agreement prohibits the Corporations, without first obtaining the consent of the Office, from:

1. affiliating with, merging into, or consolidating with any individual, company, organization, partnership or other legal entity;
2. transferring cash or cash equivalents to any entity, including but not limited to a subsidiary or an affiliate of the Corporation, without first satisfying certain financial covenants;
3. selling, leasing, subleasing or otherwise disposing of all or portions of the real property subject to the Deed of Trust and, except in the ordinary course of business (which the Office in its sole discretion may define and, from time to time, redefine), buildings, improvements and tangible personal property located on such property;
4. acquiring by gift, purchase, construction, merger or consolidation any property or equipment, except in the ordinary course of business; and
5. entering into or terminating a contract to manage or operate all or substantially all of the Facilities with any individual, company, organization, partnership or other legal entity, including the Corporation's chief executive officers, chief financial officers and chief operations officers or all of those people who otherwise manage or operate all or substantially all of the Facilities, (the "**Management Agent**").

Additionally, upon the occurrence of an event of default under the Regulatory Agreement, the Deed of Trust, the Indenture or the Loan Agreement, the Office may assume or direct managerial or financial control over the Corporation. Under such circumstances, the Office may terminate and replace the existing Management Agent with a new Management Agent selected by the Office and may remove and replace a majority of the Corporation's Boards of Directors. See APPENDIX C - "SUMMARY OF PRINCIPAL DOCUMENTS - The Regulatory Agreement."

Pledge Under the Indenture; Gross Revenues

Subject to and for the purposes and on the terms and conditions set forth in the Indenture, there are pledged to secure the payment of the principal of, and interest on, the Bonds, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund). Subject to the terms of the Loan Agreement, the Gross Revenues of the Corporation are pledged to the payment of Loan Repayments and to secure the payments of the principal of, and interest on the Bonds and Parity Debt. “**Gross Revenues**” means, in general, all revenues, income, receipts and money received in any period by or on behalf of the Corporation related to the Facilities (other than donor-restricted gifts, grants, bequests, donations and contributions). See APPENDIX A – “INFORMATION CONCERNING THE CORPORATION – Sources of Revenues” and APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Definitions.” The pledge constitutes a lien on, and security interest in, such assets. The Authority assigns to the Trustee, for the benefit of the Bondholders, all of the right, title and interest of the Authority in the Loan Agreement, the Contract of Insurance and Regulatory Agreement. The Trustee shall be entitled to and shall be required to take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority under the Loan Agreement, the Contract of Insurance and the Regulatory Agreement.

The Corporation agrees that, so long as any Bonds remain outstanding under the Indenture, all of the Gross Revenues shall be deposited as soon as practicable upon receipt in a fund designated as the “**Gross Revenue Fund**” which the Corporation shall establish and maintain at such banking or financial institution or institutions located in the State of California as the Corporation shall designate for such purpose (the “**Depository Bank(s)**”). Subject only to the provisions of the Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Corporation pledges and, to the extent permitted by law, grants a security interest to the Trustee in the Gross Revenue Fund to secure the payment of the principal of and interest on the Bonds and Parity Debt of the Corporation.

The pledge of Gross Revenues will be perfected to the extent that such security interest may be perfected by filing or notice under the Uniform Commercial Code of the State of California and may be subordinated to the interest and claims of others. Some examples of cases of subordination or prior claims are (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any Federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any State or Federal court in the exercise of its equitable jurisdiction, (v) Federal or State of California bankruptcy laws that may affect the enforceability of the Indenture or pledge of Gross Revenues, (vi) rights of third parties in Gross Revenues converted to cash and not in the possession of the Trustee or the Depository Bank(s), (vii) provisions prohibiting the direct payment of amounts due to providers from Medi-Cal and other governmental programs to persons other than such providers; (viii) certain judicial decisions that cast doubt upon the right of the Trustee, in the event of the bankruptcy of the Corporation, to collect and retain accounts receivable from Medi-Cal and other governmental programs; (ix) commingling of proceeds of Gross Revenues with other moneys of the Corporation not subject to the security interest in the Gross Revenues; and (x) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the California Uniform Commercial Code, as from time to time in effect. In addition, it may not be possible to perfect a security interest in any manner whatsoever in certain types of Gross Revenues (e.g., gifts, donations, certain insurance proceeds and grants) prior to actual receipt by the Corporation for deposit in the Gross Revenue Fund. Further, it is uncertain whether a security interest may be granted in Medi-Cal and other governmental payments. While

providers are currently prohibited from assigning such receivables, it is unclear whether this prohibition will be interpreted so as to preclude the granting of security interests. See “Parity Debt and Other Indebtedness” herein and APPENDIX A—“INFORMATION CONCERNING THE CORPORATION—Summary Financial Information—Outstanding Debt.”

Bond Reserve Account

An amount equal to the Maximum Annual Bond Service requirement on the Bonds will be deposited in the Bond Reserve Account on the date of delivery of the Bonds. “**Maximum Annual Bond Service**” is defined in the Indenture as, as of any date of calculation, the sum of (a) the interest falling due on the Outstanding Bonds (assuming that all then Outstanding Serial Bonds are retired on their respective maturity dates and that all then Outstanding Term Bonds are retired at the times and in the amounts provided for by Mandatory Sinking Account Payments), (b) the principal amount of then Outstanding Serial Bonds falling due by their terms, and (c) the aggregate amount of all Mandatory Sinking Account Payments required; all as computed for the Bond Year in which sum shall be largest. The Bond Reserve Account is required to be maintained in an amount equal to the Bond Reserve Account Requirement and the Loan Agreement requires the Corporation to make up any deficiencies therein within one year. The Bond Reserve Account Requirement is defined in the Indenture to be, as of any date of calculation, an amount equal to the Maximum Annual Bond Service on all Bonds Outstanding as of such date or such larger amount as may be established as the Bond Reserve Account Requirement by any Supplemental Indenture. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Indenture.”

Deed of Trust

The Corporation will execute the Deed of Trust pursuant to which the Corporation will grant to the trustee thereunder, as trustee for the benefit of the Office and the Trustee, as trustee for the holders of the Bonds, a first lien on and security interest in the Facilities, subject to Permitted Encumbrances and subject to the right of the Corporation (with the prior consent of the Office) to remove property from the lien on and security interest in the Deed of Trust, as security for the performance of the Corporation’s obligations under the Loan Agreement, the Deed of Trust, the Regulatory Agreement and the Contract of Insurance and with respect to the Bonds and any Parity Debt. For as long as the Office is obligated under the Contract of Insurance, all rights under the Deed of Trust shall be exercised solely by the Office. With the consent of the Office, the Deed of Trust may be amended, subordinated or terminated at any time without the necessity of obtaining the consent of the Trustee, the Authority, the holders of the Bonds or the holders of Parity Debt. An ALTA title insurance policy on the Facilities in an amount not less than the principal amount of the Bonds will be delivered at the time of issuance of the Bonds. See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS—Deed of Trust.”

FOR A FURTHER DESCRIPTION OF THE PROVISIONS OF THE LOAN AGREEMENT, THE INDENTURE AND THE DEED OF TRUST, SEE APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS.”

Rate Covenant

Under the Loan Agreement and the Regulatory Agreement, the Corporation is required to fix, charge and collect rates, fees and charges which are reasonably projected to be sufficient in each year to produce a debt service coverage of at least 1.25 times. For information relating to the rate covenant, See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Loan Agreement - Rates and Charges; Debt Coverage” and “ - Events of Default; Remedies

Upon Default” and “ - Regulatory Agreement - Rates and Charges; Debt Coverage” and - “Loan Default Events; Remedies on Default.” The Bonds will continue to be insured by the Office in the manner described above even if an Event of Default were to occur.

Parity Debt and Other Indebtedness

As of March 1, 2001, the Corporation had no outstanding long-term debt. See APPENDIX A – “INFORMATION CONCERNING THE CORPORATION.”

The Corporation may incur other obligations or indebtedness, in some cases on a parity basis with the obligations of the Corporation under the Loan Agreement, subject to the conditions set forth in the Regulatory Agreement with respect to the Bonds. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Regulatory Agreement - Limitation on Indebtedness - Parity Debt.”

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF CALIFORNIA OR OF ANY SUCH POLITICAL SUBDIVISION, OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT PROVIDED IN THE INDENTURE. NEITHER THE STATE OF CALIFORNIA NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, OR PREMIUM, IF ANY, WITH RESPECT TO, OR THE INTEREST ON THE BONDS, EXCEPT FROM THE FUNDS PROVIDED UNDER THE LOAN AGREEMENT AND THE INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR PREMIUM, IF ANY, WITH RESPECT TO, OR THE INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTIGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR PAYMENT THEREFOR. THE AUTHORITY HAS NO TAXING POWER.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds:

Principal Amount of Bonds	\$3,570,000.00
Less Original Issue Discount	(49,387.55)
Equity Contribution	578,636.00
Accrued Interest	<u>12,095.14</u>
Total Sources of Funds	\$4,111,343.59

Uses of Funds:

Deposit to Project Fund	\$3,451,000.00
Deposit to Bond Reserve Account ⁽¹⁾	257,462.50
Deposit to Costs of Issuance Fund ⁽²⁾	349,730.95
Underwriter's Discount	41,055.00
Accrued Interest	<u>12,095.14</u>
Total Uses of Funds	\$4,111,343.59

(1) Represents an amount equal to the Maximum Annual Bond Service on the Bonds.

(2) Includes legal costs, accounting costs, third-party consultant costs, printing costs, insurance premium and fees, rating agency fees, Trustee fees, Authority fees, underwriting discount, and other miscellaneous costs of issuance of the Bonds.

THE PROJECT

The Bonds are being issued to provide funds which will be used to purchase and remodel a single story, Class III, 46,050 square foot building and 234 space parking lot located on 3.75 acres (the "Project"). The Project is located at 1695 North Sunrise Way, Palms Springs, California. The building is currently leased by the Corporation and occupied by the Corporation and two sub-tenants. The Corporation has been leasing approximately 61% of the facility since May 1999 to house its health care clinic and administrative operations, and has determined that it would be both financially and operationally advantageous to purchase and renovate the facility. Upon completion of the renovation the Corporation will occupy approximately 70% of the building, with the remaining space occupied by a medical research firm under a lease which expires in 2003. The Project is a community clinic that meets the requirements of Health and Safety Code Sections 129050, 129055 and 129075. See Appendix A herein.

The purchase price of the facility is \$2,900,000. An appraisal was prepared by David Gribin, MAI, CPM, State Certified General Appraiser. The appraisal determined an "as is" value as of October 26, 1999 of \$3,450,000. The Corporation has obtained a survey of comparable values from a local real estate broker, and believes that the current property value has remained at or exceeded the level at which it was appraised in October 1999.

The building is currently undergoing a two-phase remodeling. Phase I, which is complete, consisted of reconstructing the main entrance, and creating office space and a medical clinic off the main hallway. The costs of the Phase I were approximately \$307,900, and have been paid in full from grant money and from a portion of the Corporation's operating income. Phase II consists of remodeling the area known as Social Services. Offices will be redesigned to better accommodate the staff of the department, and further improvements include a staff

lounge, group meeting room , kitchen and a patio area for staff, clients and volunteers. Phase II remodeling costs are estimated at \$235,000. The architectural plans were approved by the City of Palm Springs in December 2000.

The Project meets current zoning requirements for the intended use as a medical clinic. A California Environmental Protection Agency inspection in 1999 indicated no environmental concerns, with no further action required. The schematic design and design development are complete. The necessary building permits were obtained in March 1999. The purchase of the building is expected to close escrow in April 2001. The total Project cost is estimated to be approximately \$2,900,000 for the purchase of the facilities and \$235,000 for the Phase II renovations. See APPENDIX A - "INFORMATION CONCERNING THE CORPORATION" for a more complete description the Corporation and its operations.

Proceeds of the Bonds will also be used to fund the Bond Reserve Account in an amount equal to the Bond Reserve Account Requirement; pay certain insurance premiums applicable to the Bonds, fund the certification and inspection fee of the Office and fund an annual insurance premium reserve for the Bonds; and to pay a portion of the costs of issuing the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" above.

THE CORPORATION

Desert AIDS Project, is a California nonprofit public benefit corporation as described in Section 501(c)(3) of the Code and is exempt from income taxation pursuant to Section 501(a) of the Code. The Corporation was incorporated in 1984 to meet the health care needs of the residents of southeastern San Bernardino County and northern Imperial and Riverside Counties who are diagnosed with AIDS/HIV. The Corporation has a staff of 65 full-time professionals including three physicians, and contracted medical and mental health specialists.

For more detailed information concerning the history, governance, organization, facilities, operations, and financial performance of the Corporation, see APPENDIX A - "INFORMATION CONCERNING THE CORPORATION" and APPENDIX B - "AUDITED FINANCIAL STATEMENTS OF THE CORPORATION."

THE TRUSTEE

The Authority has appointed U.S. Bank Trust National Association, a national banking association organized under the laws of the United States, to serve as Trustee for the Bonds. The Trustee is to carry out those duties assignable to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and does not assume any responsibility for the nature, completeness, contents or accuracy of the Official Statement.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Issuer of any of the Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such Bonds by the Issuer or the Borrower. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets pledged or assigned as security for the Bonds, the technical or financial feasibility of the Project, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Trustee and its services may be found at U.S. Bank's website at <http://www.usbank.com/corporatetrust>.

On October 4, 2000 Milwaukee based Firststar Corporation announced that it had signed a definitive agreement to merge with U.S. Bancorp (the parent organization of the Trustee) through an exchange of shares valued at approximately \$21.2 billion. The combined companies will have a powerful presence in consumer and corporate financial services, wealth management, capital markets and payment systems. The Firststar/U.S. Bancorp combination would become the 8th largest bank holding company in the United States. The transaction is expected to close in the first quarter of 2001 and is subject to normal shareholder and regulatory approvals. After the closing, the combined companies will operate under the U.S. Bancorp name, and locate their corporate headquarters in Minneapolis. For more information and copies of related news releases please visit U.S. Bank's website at http://www.usbank.com/corp_relations/index.

The U.S. Bank website is not incorporated into this Official Statement by such reference and is not a part hereof.

BONDHOLDERS' RISKS

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

General

Except as noted herein under "SECURITY FOR THE BONDS - Health Facility Construction Loan Insurance Program," the Bonds are payable solely from Revenues, which consist primarily of Loan Repayments to be made by the Corporation pursuant to the Loan Agreement. No representation or assurance can be made that revenues will be realized by the Corporation in amounts sufficient to make Loan Repayments and thus to pay principal and interest payments on the Bonds. The Authority's obligation to make principal and interest payments on the Bonds is solely from Revenues provided by the Corporation under the Loan Agreement and from certain interest earnings available under the Indenture.

Payment of the principal and interest payments on the Bonds will be insured by the Office. The Authority has no control, financial or otherwise, over the Office. If the Corporation were to default in making Loan Repayments under the Loan Agreement and the Office were to default on its insurance obligations under the Contract of Insurance, there could be insufficient moneys available to pay the holders of the Bonds.

The Corporation has few assets beyond the Project (if and when purchased and renovated with Bond proceeds) and certain equipment and personal property located at such facility and at its other leased facility in Indio, California. The Corporation will be significantly dependent upon the successful operation of the Project to meet its obligations with respect to the Bonds. Future economic and other conditions, including demand for health care services, the ability of the Corporation to provide the services required by clients, economic

developments in the Corporation's service area, technological developments, competition, methods of payments, rates, costs, third-party reimbursement, demographic changes, legislation, governmental regulations, malpractice claims and other litigation may adversely affect revenues, and consequently, payment of principal, premium, if any, and interest on the Bonds. There can be no assurance given that revenues of the Corporation and/or utilization of its facilities will not decrease.

For information concerning the Corporation, its operations and management, see APPENDIX A – "INFORMATION CONCERNING THE CORPORATION." See also APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE CORPORATION" and APPENDIX F – "FINANCIAL FEASIBILITY STUDY."

Additional Debt

The Regulatory Agreement permits the issuance of additional indebtedness secured equally and ratably with the Bonds. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Regulatory Agreement – Limitations on Indebtedness" and " – Parity Debt." While the Regulatory Agreement permits the Corporation to incur such parity debt only if certain financial and other requirements are met, such indebtedness would increase debt service requirements, reduce Bondholders' interest in the collateral securing the Bonds and could adversely affect debt service coverage on the Bonds. See APPENDIX A – "INFORMATION CONCERNING THE CORPORATION – Capital Plans" for further discussion concerning the Corporation's plans for additional capital expansion.

Dependence Upon Governmental Funding

A portion of the Corporation's services are provided to persons eligible for certain benefits that are funded under Federal, State, and various county health programs, and a portion of the Corporation's revenues are derived from the health programs under Medi-Cal, Medicare, CHDP and other programs which are funded through county, State and Federal resources. As a result, the Corporation's operations is somewhat dependent upon continued funding of these programs by various counties, the State, and Federal governments, and upon the continued existence of provider contracts for such programs with counties or other governmental entities.

The State of California from time to time has experienced deficits in its operations and the future funding of all state-funded health services programs is subject to change. It is also possible that such programs may be the subject of cost reduction and payment experimentation, including potential changes involving managed care. As the Corporation's ability to make Loan Repayments is significantly dependent upon the continued funding of its programs by the State, any reduction in funding for various health programs currently funded by the State could have a negative impact on the ability of the Corporation to meet its obligations on the Bonds.

The Corporation receives a significant portion of its revenues from cost-based reimbursement and fee-for-service-based contracts with various departments of social services in three California counties. The level of fiscal strength of county governments in California varies widely and from time to time counties experience significant reductions in funding, including funding for the provision of health services. Any reduction in funding from county social service departments may have a negative effect on the Corporation's ability to successfully negotiate provider contracts to gain such funding. The absence of such contracts may have a negative impact on the Corporation's operating and financial performance.

For a historical percentage breakdown of the Corporation's dependence upon various governmental funding sources see APPENDIX A – "INFORMATION CONCERNING THE CORPORATION – Sources of Revenue."

Licensing, Surveys, Facility Inspections and Audits

Health care centers, including those of the Corporation, are subject to numerous legal, regulatory, professional and private licensing and certification requirements. Renewal and continuance of certain of these licenses and certifications are based on inspections, surveys, audits, or other reviews, some of which may require or include affirmative action or response by the Corporation. These activities generally are conducted in the normal course of business of health care treatment centers. Nevertheless, an adverse decision could result in a loss or reduction in the Corporation's scope of licensure or certification, or could reduce the payment received or require repayment by the Corporation of amounts previously remitted.

Management of the Corporation currently anticipates no difficulty renewing or continuing currently held licenses or certifications of the Corporation, nor does it anticipate a reduction in revenues resulting from such events that would materially adversely affect the operations or financial condition of the Corporation. Nevertheless, actions in any of these areas could result in the loss in utilization or revenues, or the Corporation's ability to operate all or a portion of its treatment facilities, and, consequently, could adversely affect the Corporation's ability to make Loan Repayments in connection with the Bonds.

Tax-Exempt Status of the Corporation

Covenants to Maintain Exclusion from Federal Gross Income of Interest on the Bonds. The Code imposes a number of requirements that must be satisfied for interest with respect to 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 of bond proceeds prior to expenditure, a requirement that certain arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that an information report be filed with the Internal Revenue Service. The Authority and the Corporation have covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure to comply with any of these covenants may result in the treatment of the interest paid to holders of the Bonds as included in Federal gross income, retroactive to the date of delivery of the Bonds.

Maintenance of the Tax-Exempt Status of the Corporation. The tax-exempt status of the Bonds presently depends upon the Corporation's maintenance of its status as an organization described in section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including its operation for charitable and educational purposes and its avoidance of transactions which may cause its assets to inure to the benefit of private individuals.

The IRS has recently reorganized its activities relating to tax exempt bonds with the stated aim of increasing the level of audit coverage. In addition, the Federal government has unveiled several proposals designed to increase compliance with the tax laws by tax-exempt organizations including new rules for information reporting and an excise tax that would apply to excess benefits provided to officers and other insiders. Currently, the only penalty available to the IRS under the Code is the revocation of tax-exempt status. Although the United States Treasury has suggested to Congress that Congress adopt less onerous sanctions, Congress has not done so. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of

nonprofit healthcare corporations, it could do so more frequently in the future. It is possible that loss of tax-exempt status by the Corporation could result in loss of tax exemption with respect to the Bonds and of other tax-exempt debt of the Corporation, and defaults in covenants with respect to the Bonds and other related tax-exempt debt would likely be triggered. Such an event would have material adverse consequences on the financial condition of the Corporation and the value of the Bonds.

State Income Tax Exemption. The State of California has not been as active as the IRS in scrutinizing the income tax exemption of public benefit corporations. However, the loss by the Corporation of Federal tax exemption might trigger a challenge to the State tax exemption of the Corporation. Depending on the circumstances, such event could be adverse and material.

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. In some cases, particularly where such authorities are dissatisfied with the amount of services provided to the indigent, the real property tax-exempt status of the tax-exempt corporation has been questioned. Although the real property tax exemption of the Corporation has not, to the knowledge of the management of the Corporation, been investigated by such authorities, an investigation or audit could lead to a challenge that could ultimately affect the real property tax exemption of the Corporation.

Conditional Use of Facilities

The Corporation currently operates certain of its programs in facilities that may be subject to revocation of conditional use permits or zoning specifications. Loss of any number of its use permits, changes in local land use regulations, or future legislative changes affecting land use policy could cause significant detriment to the Corporation's ability to operate its programs.

Factors That Could Affect the Validity or Value of the Lien Against the Corporation's Revenues, and the Enforceability of the Loan Agreement

The ability of the Trustee to enforce the agreements set forth in the Loan Agreement may be limited by laws relating to bankruptcy (see "Bankruptcy" directly following), insolvency, reorganization or moratorium and by other similar laws affecting creditors rights. In addition, the Trustee's ability to enforce such agreements will depend upon the exercise of various remedies specified by such documents which may in many instances require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or be limited.

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

Bankruptcy

The rights and remedies of the Holders of the Bonds are subject to various provisions of the Federal Bankruptcy Code. If the Corporation were to file a petition for relief under Chapter 11 of the Bankruptcy Code, its revenues and certain of its accounts receivable and other property created or otherwise acquired after the filing of such petition and for up to 90 days prior to the filing of such petition may not be subject to the security interest created under the Deed of Trust for the benefit of the Trustee and the Authority. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Corporation and its property, and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property. If the bankruptcy court so ordered, the property of the Corporation, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of the Corporation despite the security interest of the Trustee therein. While the Bankruptcy Code requires that the interest of the Trustee as lien holder be adequately protected before the collateral may be used by the Corporation, such protection could take the form of a replacement lien on assets of the Corporation acquired or created after the bankruptcy petition is instituted. The rights of the Trustee to enforce liens and security interests against the Corporation's assets, including the Corporation Revenues, could be delayed during the pendency of the rehabilitation proceedings.

The Corporation could file a plan for the adjustment of its debts in any such proceeding which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Affiliation, Merger, Acquisition and Divestiture

The Corporation may from time to time evaluate and pursue potential merger, affiliation and acquisition candidates as part of its overall strategic planning and development process. In addition, as part of its ongoing planning and property management functions, the Corporation reviews the use, compatibility and business viability of the Corporation's operations and may, from time to time, pursue changes in the uses of such facilities and operations. Discussion with respect to affiliation, merger, acquisition, disposition or change in use are held on an intermittent and confidential basis with other parties. As a result, it is possible that the organization and assets and other facilities which currently comprise the Corporation may change from time to time, subject to the restrictions imposed in the Loan Agreement and by the Office in the Regulatory Agreement.

Claims and Insurance Coverage

In recent years, the number of malpractice and general liability suits and the dollar amounts of damage recoveries have increased nationwide, resulting in substantial increases in malpractice insurance premiums. Malpractice and other actions alleging wrongful conduct and seeking punitive damages are often filed against providers such as the Corporation. Insurance does not provide coverage for judgments for punitive damages. While the Corporation currently carries malpractice and general liability insurance, which the Corporation's

management considers adequate, the Corporation is unable to predict the availability or cost of such insurance in the future.

Litigation may also arise from the corporate and business activities of the Corporation including from its status as an employer. Many of these risks would be covered by insurance, but some might not be. For example, certain antitrust claims, claims arising from wrongful termination, claims arising from physical harm or assault, including sexual molestation, business disputes and workers' compensation claims may not be covered by insurance or other sources and may, in whole or in part, be a liability of the Corporation if determined or settled adversely.

The Corporation currently has comprehensive general liability insurance coverage through commercial insurers with a maximum policy amount (inclusive of excess coverage) of up to \$1 million per occurrence with an annual aggregate limitation of \$3 million. Additionally, the Corporation has professional liability insurance coverage through commercial insurers with a maximum policy amount of up to \$1 million per occurrence with an annual aggregate limitation of \$3 million. While the Corporation's management considers such insurance coverage to be adequate, no assurances can be given that the maintenance of such coverage will continue to be financially feasible for the Corporation in the future. The Corporation's insurance does not cover punitive damages. The Corporation has never had to pay any punitive damage claim.

According to the Seismic Safety Commission of the State of California, the State is mapped into seismic hazard zones 3 and 4. Seismic hazard zones account for geographical variations in the expected levels of earthquake ground shaking and are based on the historical records of earthquakes and the location of known earthquake faults. The San Andreas fault and the State's most active fault, the San Jacinto fault, both run through the County. According to the Southern California Earthquake Center, the 30 year probability for magnitude 7.3 earthquakes on the San Jacinto and San Andreas faults has been estimated at 37 percent and 28 percent, respectively. Local building codes take into account the likelihood of ground shaking and are intended to provide safety to the building occupants. In the event of an earthquake, buildings five stories or more are expected to suffer the greatest damage in the location area. The Corporation's facilities are generally at no greater risk from earthquakes than other properties within the Inland Empire region; however, there can be no assurance that the occurrence of a significant seismic event in any area in which the Corporation operates would not have a material adverse effect on the facilities or the operations of the Corporation.

Environmental Laws and Regulations

Facilities such as those operated by the Corporation are subject to certain Federal, State and local environmental and occupational health and safety laws and regulations which address, among other things, operations of facilities and properties owned or operated by organizations similar to the Corporation. These regulatory requirements include: air and water quality control requirements, waste management requirements, specific regulatory requirements applicable to asbestos, polychlorinated biphenyls, and radioactive substances, requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the facilities, requirements for training employees in the proper handling and management of hazardous materials and wastes, and other requirements.

In their role as owners and/or operators of properties or facilities, organizations similar to the Corporation may be subject to liability for investigating and remedying any hazardous substances which are located on the property, including any such substances that may have migrated off of the property. Typical operations include, but are not limited to, in various

combinations, the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants, or contaminants. As such, operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property or the environment, may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines, and may result in investigations, administrative proceedings, penalties or other governmental agency actions. There can be no assurance that the Corporation will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Corporation.

At the present time, management of the Corporation is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues which, if determined adversely to the Corporation, would have material adverse consequences.

Marketability of the Bonds

The Underwriter does not intend to make a secondary market for investments in the Bonds and there can be no assurance that there will be a secondary market for the Bonds. The absence of such a market for the Bonds could result in investors not being able to resell the Bonds should they need to or wish to do so.

Other Factors

Additional factors which may affect future operations, and therefore revenues, of the Corporation include, but are not limited to, the following:

- (i) Shortages of physicians, nurses or other health care professionals;
- (ii) A change in the Federal income tax or other Federal, State or local laws to require the Corporation to render substantially greater services without charge or at a reduced charge;
- (iii) Employee strikes, other adverse labor actions or disputes with members of the professional staff;
- (iv) Reinstatement or establishment of mandatory wage or price controls;
- (v) Natural disasters, including floods and earthquakes, which could damage the Corporation's facilities or otherwise impair the operations of the Corporation and the generation of revenues from the Corporation's facilities; and,
- (vi) Unfavorable trends in the national, State or local economy or political climate which in turn may adversely affect the health care programs funded by the Federal, State and local governments; unfavorable changes in current Federal and State legislation and local ordinances which currently mandate or provide for health programs; increased governmental regulations which could adversely affect the Corporation's ability to provide the level of services forecasted; demographic changes which may affect the Corporation's ability to deliver services to clients; governmental changes or reductions in rates and other methods of reimbursement of the Corporation for services delivered; loss of confidence in the Corporation's ability to deliver quality services by State or County officials, health care professionals and the public which would adversely affect the level of revenue forecasted; increased malpractice and other claims; competition by other for-profit or nonprofit entities which desire to contract with local government for the provision of health care services (see also APPENDIX A – "INFORMATION

CONCERNING THE CORPORATION – Competition”); and unforeseen major repairs of the Corporation’s properties or increases in insurance or other operating costs without the Corporation obtaining corresponding increases in revenues.

ABSENCE OF MATERIAL LITIGATION

The Authority

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

The Corporation

There is no pending or threatened litigation against the Corporation 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, the existence or powers of the Corporation, or the authority of the Corporation to enter into any document relating to the Loan Agreement, or any documents executed by the Corporation in connection with the issuance of the Bonds.

TAX MATTERS

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, 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, provided, however, that, for the purpose of comparing the alternative minimum imposed on corporations (as defined for Federal income tax purposes), such interest is taken into account in determining certain income and earnings.

APPROVAL OF LEGALITY

Legal matters incident to the delivery of the Bonds are subject to the approving opinion of Quint & Thimmig, LLP, San Francisco, California, as Bond Counsel. Certain legal matters will be passed upon for the Authority by Jones Hall, A Professional Law Corporation, San Francisco, California as Disclosure Counsel. Certain legal matters will be passed upon for the Corporation by Lantson E. Eldred, Esq., Indian Wells, California, Counsel to the Corporation. Certain legal matters will be passed upon for the Office by the Attorney General of the State of California. Certain fees payable to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

RATING

Standard & Poor’s Credit Market Services, a division of The McGraw-Hill Companies, Inc. (“S&P”), has assigned its municipal bond rating of “AA” to the Bonds with the understanding that, upon delivery of the Bonds, payment of the principal of and interest on the Bonds will be insured by the Office. The rating reflects S&P’s current assessment of the

creditworthiness of the Office and its ability to pay claims under the Program. Any explanation of the significance of such rating may only be obtained from S&P. The Corporations furnished to the rating agency certain information and material concerning the Bonds and itself. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that the rating mentioned above will remain in effect for any given period of time or that it might not be lowered or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. The Corporation and the Underwriter have undertaken no responsibility either to bring to the attention of the Holders of the Bonds any proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of any rating might have an adverse effect on the market price or marketability of the Bonds.

UNDERWRITING

The Bonds are being purchased by Altura, Nelson & Co., Incorporated (the “Underwriter”) at a purchase price of \$3,479,557.45 (representing the aggregate principal amount of the Bonds, less an original issue discount in the amount of \$49,387.55, less an Underwriter’s discount in the amount of \$41,055.00), plus accrued interest in the amount of \$12,095.14. The Bond Purchase Contract provides that the Underwriter will purchase all of the Bonds, if any are purchased, and contains the agreement of the Corporation to indemnify the Underwriter against certain liabilities to the extent permitted by law. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Contract.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices or yields different from the prices or yields stated on the cover page to this Official Statement. The offering prices or yields may be changed from time to time without notice by the Underwriter.

The Underwriter is neither involved with the investment of funds for the Authority or the Corporation nor is the Underwriter receiving any fees in connection therewith.

FINANCIAL STATEMENTS

The audited financial statements of the Corporation for fiscal years ending June 30, 2000 and 1999 are included in "APPENDIX B" have been audited by Brabo, Carlsen & Cahill, Palm Springs, California. Such financial statements are included herein in reliance upon the authority of such firm as experts in giving such reports. Investors should review these financial statements prior to purchasing the Bonds.

FEASIBILITY STUDY

As part of the Corporation's application to the Office for insurance, a financial feasibility study, dated March 31, 1999 (the "Feasibility Study") was prepared by the CAGSI International, Inc., Fresno, California (the "Feasibility Study Consultant"). The Feasibility Study was based on certain assumptions, as outlined therein. The purpose of the Feasibility Study was to analyze the Corporation's ability to make the Loan Repayments. The Authority has not reviewed the Feasibility Study or financial information provided by the Corporation. There can be no assurance that as a result of the Feasibility Study or issuance of insurance by the Office that the Corporation will be able to meet its Loan Repayments.

A copy of the Feasibility Study is included herein as "APPENDIX F". Investors should review the Feasibility Study prior to purchasing the Bonds.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information. The Corporation has undertaken all responsibilities for any continuing disclosure to Holders of the Bonds as described below, and the Authority shall have no liability to the Holders of the Bonds or any other person with respect to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule").

The Corporation has covenanted for the benefit of Holders of the Bonds to provide upon request certain financial information and operating data relating to the Corporation and publicly available at the time of the request (an "Annual Report"), and to file notices of the occurrence of certain enumerated events, if material. An Annual Report, consisting of the most recently available documents of the type to be included in the Annual Report at the time the request is received, will be provided to any person who requests it. The notices of material events will be filed by the Corporation with the Municipal Securities Rulemaking Board and with the appropriate State information depository, if any. Requests for copies of an Annual Report and notices of material events should be addressed to:

Desert AIDS Project
1695 North Sunrise Way
P.O. Box 2890
Palm Springs, CA 92263-2890
Attention: Executive Director

The specific nature of the information to be contained in an Annual Report or the notices of material events is set forth in APPENDIX E - "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in

complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Corporation has had no previous undertaking with regard to the Rule to provide annual reports or notices of material events.

MISCELLANEOUS

The foregoing and subsequent summaries, descriptions or provisions of the Bonds, the Indenture, Loan Agreement, the Contract of Insurance, the Regulatory Agreement and the Deed of Trust and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof.

This Official Statement is not to be construed as a contract or agreement between the Authority or the Corporation and the Holders of any of the Bonds.

**ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS**

By: /s/ Joseph K. Chan
Finance Director

APPROVED:

DESERT AIDS PROJECT

By: /s/ John L. Brown
Executive Director

APPENDIX A
CERTAIN INFORMATION CONCERNING THE CORPORATION

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CORPORATION

Audited financial statements of the Corporation for the Fiscal Years ended June 30, 2000 and 1999 are attached hereto.

APPENDIX C
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D
FORM OF FINAL OPINION OF BOND COUNSEL

APPENDIX E
FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX F
FINANCIAL FEASIBILITY STUDY