

OFFICIAL STATEMENT DATED APRIL 30, 2002

**Book-Entry
NEW ISSUE**

**Only Rating
S&P: AA-/
A-1+**

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

\$6,550,000

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
VARIABLE RATE DEMAND REFUNDING REVENUE BONDS, SERIES 2002A
(BLOOD CENTERS OF THE PACIFIC)**

Dated: Date of Initial Delivery

Due: April 1, 2022

The ABAG Finance Authority for Nonprofit Corporations (the "Authority") is offering its \$6,550,000 Variable Rate Demand Refunding Revenue Bonds, Series 2002A (Blood Centers of the Pacific) (the "Bonds"), which are being issued under and pursuant to a Loan and Trust Agreement, dated as of May 1, 2002 (the "Agreement"), among the Authority, Blood Centers of the Pacific (the "Borrower"), and U.S. Bank National Association, Seattle, Washington, as trustee (the "Trustee"). The Bonds are special limited obligations of the Authority, payable by the Authority solely from amounts received by the Trustee pursuant to the Agreement.

The Bonds are issuable as fully registered bonds without coupons and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. As long as the Bonds bear interest at Weekly Rates or Daily Rates, the Bonds will be available to purchasers in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof only under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Purchasers will not receive bond certificates. As long as any purchaser is the beneficial owner of a Bond, such purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal and interest on such Bond. See "THE BONDS—Book Entry Only System" herein.

The Bonds initially will bear interest from the date of issuance at a Daily Rate, payable on June 1, 2002, and on the first Business Day of each month thereafter. The Bonds will continue to bear interest at the Daily Rate until the conversion of all or a portion of the Bonds (in multiples of \$1,000,000) to a different Variable Rate or to a Term Rate Period through maturity, subject to certain conditions. Each interest rate for the Bonds will be determined by Wells Fargo Brokerage Services, LLC, as the Remarketing Agent.

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

**PAYMENT OF PRINCIPAL AND INTEREST ARE SECURED BY AN IRREVOCABLE
DIRECT-PAY LETTER OF CREDIT (THE "INITIAL CREDIT FACILITY") ISSUED BY**

Wells Fargo Bank, National Association

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE AGREEMENT. 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 Bonds are being offered on the basis of the financial strength of Wells Fargo Bank, National Association (the "Initial Credit Facility Issuer") and not on the financial strength of the Borrower or any other security. This Official Statement includes only limited financial and business information about Wells Fargo Bank, National Association. The Borrower has also provided for inclusion in the Official Statement a limited description of its business and operations for prospective investors who desire to consider such information. The Bonds are subject to mandatory tender for purchase upon the occurrence of certain events as described herein, including expiration of the Initial Credit Facility, unless renewed, and upon an event of default under the Reimbursement Agreement, dated as of May 1, 2002, among Wells Fargo Bank Arizona, National Association (the "Reimbursement Bank"), Blood Systems, Inc. ("BSI"), the sole member of the Borrower, and the Borrower, relating to the Initial Credit Facility.

This cover page contains certain information for quick reference only and is not intended to be a summary of the security for or the terms of the Bonds. Investors are instructed to read this entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to a legal opinion regarding the Bonds by Squire, Sanders & Dempsey L.L.P., Bond Counsel, San Francisco, California. Certain legal matters will be passed upon by the Authority by its counsel, Jones Hall, A Professional Law Corporation, San Francisco, California. Certain legal matters will be passed upon for the Borrower by its co-counsel, Lewis and Roca LLP, Phoenix, Arizona, and Foley & Lardner, San Francisco, California, and for the Underwriter by its counsel, Jennings, Strouss & Salmon, P.L.C., Phoenix, Arizona. It is expected that the Bonds will be available for delivery to DTC in New York, New York on about May 15, 2002.

WELLS FARGO BROKERAGE SERVICES, LLC

No dealer, broker, salesperson or other person has been authorized by the Authority, the Borrower or the Underwriter to give any information or to make any representations with respect to the Bonds, other than those in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information relating to the Authority contained herein under the heading "INTRODUCTORY STATEMENT - 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 Borrower and other sources (other than the Authority) that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by and is not to be relied upon or construed as a promise or representation by the Authority or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borrower, the Initial Credit Facility Issuer or DTC since the date hereof.

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.

In making an investment decision investors must rely on their own examination of the Credit Facility Issuer, the Borrower, DTC and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary may be a criminal offense.

SPECIAL DISCLOSURE STATEMENT: WELLS FARGO BROKERAGE SERVICES, LLC (THE "UNDERWRITER") IS A REGISTERED BROKER/DEALER AND A MEMBER OF THE NASD AND SIPC. THE UNDERWRITER IS NOT A BANK OR THRIFT AND IS SEPARATE FROM ANY WELLS FARGO BANK OR OTHER AFFILIATED BANK OR THRIFT. THE UNDERWRITER IS SOLELY RESPONSIBLE FOR ITS CONTRACTUAL OBLIGATIONS AND COMMITMENTS.

NONDEPOSIT INVESTMENT PRODUCTS OFFERED BY THE UNDERWRITER ARE NOT FIDC INSURED, ARE NOT DEPOSITS, ARE NOT OBLIGATIONS OF, OR GUARANTEED BY ANY BANK, AND ARE SUBJECT TO INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF THE PRINCIPAL INVESTED.

FROM TIME TO TIME WELLS FARGO BANK ARIZONA, NATIONAL ASSOCIATION AND OTHER BANKS AFFILIATED WITH THE UNDERWRITER MAY LEND MONEY TO AN ISSUER OF SECURITIES THAT ARE UNDERWRITTEN OR DEALT IN BY THE UNDERWRITER. WITHIN THE PROSPECTUS OR OTHER DOCUMENTATION PROVIDED WITH EACH SUCH UNDERWRITING OR DEALING THERE WILL BE A DISCLOSURE OF ANY MATERIAL LENDING RELATIONSHIP BY AN AFFILIATE OF THE UNDERWRITER WITH SUCH AN ISSUER AND WHETHER THE PROCEEDS OF SUCH AN ISSUANCE OF SUCH SECURITIES WILL BE USED BY THE ISSUER TO REPAY ANY OUTSTANDING INDEBTEDNESS IN ANY UNDERWRITER AFFILIATE.

FROM TIME TO TIME THE UNDERWRITER MAY PARTICIPATE IN A PRIMARY OR SECONDARY DISTRIBUTION OF SECURITIES BOUGHT OR SOLD BY A PURCHASER OF BONDS. THE UNDERWRITER AND ITS AFFILIATES MAY ALSO ACT AS AN INVESTMENT ADVISOR TO ISSUERS WHOSE SECURITIES MAY BE SOLD TO A PURCHASER OF THE BONDS.

This Official Statement contains certain forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995 and the rules promulgated pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended) that are based on the beliefs of the Borrower's management, as well as assumptions made by the Borrower's management and information currently available. When used in this document, the words "anticipate," "believe," "estimate," "expect," and similar expressions, as they relate to the Borrower, its management or its facilities, may identify such forward-

looking statements. Such statements reflect the current views of the Borrower and its management with respect to future events and are subject to certain risks, should uncertainties materialize, or should underlying assumptions prove incorrect, the Borrower's actual results, performance or achievements could differ materially from those expressed in, or implied by, any such forward-looking statements. Factors that could cause or contribute to such material differences include those discussed elsewhere in this Official Statement. There is no guaranty that the representations made by the Borrower or any other person regarding the future events, plans or expectations contemplated by the Borrower will be achieved. The Borrower undertakes no obligation to release publicly any updates or revisions to any such forward-looking statements that may reflect events or circumstances occurring after the date of this Official Statement.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY STATEMENT	1
Definitions	2
Amendments to the Agreement	2
The Authority	2
The Borrower	2
Continuing Disclosure	3
THE BONDS	3
Terms	3
Book-Entry Only System	3
Bond Registration	5
Interest Rates on the Bonds	5
Determination of Daily and Weekly Interest Rates and Rate Periods; Interest Period	5
Conversions Between Rate Periods	6
Optional Tenders	7
Mandatory Tenders	7
Purchase of Tendered Bonds and Remarketing	8
Method of Payment of Purchase Price	8
Redemption	8
Partial Redemption of Bonds	9
Redemption Notice	10
Effect of Calling for Redemption	10
REMARKETING AGENT	10
THE INITIAL CREDIT FACILITY AND REIMBURSEMENT AGREEMENT	11
Initial Credit Facility	11
Initial Reimbursement Agreement	11
ALTERNATE CREDIT FACILITY	13
PLAN OF FINANCE	14
General	14
Estimated Sources and Uses of Funds	14
BONDHOLDERS' RISKS RELATED TO THE BORROWER	14
General	14
Licensing, Regulations, Surveys, Investigations and Audits	15
Blood-Transmitted Diseases	15
Professional Liability Insurance	15
New Equipment and Services	15
Rate Setting	16
Competition	16
Corporate and Tax-Exempt Status	16
Environmental Laws and Regulations	17
BSI	17
Other Factors	17
TAX MATTERS	18
LEGAL MATTERS	19
ABSENCE OF MATERIAL LITIGATION	19
The Authority	19
The Borrower	19
UNDERWRITING	19
RATING	20
MISCELLANEOUS	20

APPENDIX A	Certain Information Regarding the Initial Credit Facility Issuer
APPENDIX B	Information Concerning The Borrower
APPENDIX C	Definitions of Certain Terms and Summary of Certain Provisions of the Agreement
APPENDIX D	Proposed Form of Opinion of Bond Counsel

OFFICIAL STATEMENT

\$6,550,000

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
VARIABLE RATE DEMAND REFUNDING REVENUE BONDS, SERIES 2002A
(BLOOD CENTERS OF THE PACIFIC)**

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and the Appendices attached hereto, is being provided by the ABAG Finance Authority For Nonprofit Corporations (the "Authority") in connection with the issuance, sale and delivery of the Authority's \$6,550,000 Variable Rate Demand Refunding Revenue Bonds, Series 2002A (Blood Centers of the Pacific) (the "Bonds"), being issued pursuant to a Loan and Trust Agreement, dated as of April 1, 2002 (the "Agreement"), among the Authority, Blood Centers of the Pacific, a California nonprofit public benefit corporation (the "Borrower"), and U.S. Bank National Association, Seattle, Washington, as trustee thereunder (the "Trustee").

Concurrently with the delivery of the Bonds, the Borrower will cause to be delivered to the Trustee the irrevocable direct-pay letter of credit (the "Initial Credit Facility") of Wells Fargo Bank, National Association (the "Initial Credit Facility Issuer") as the agent for Wells Fargo Bank Arizona, National Association (the "Reimbursement Bank"). The Initial Credit Facility will expire on the stated expiration date of May 15, 2005, unless the Reimbursement Bank and the Borrower agree to an extension thereof. Under the Initial Credit Facility, the Trustee is permitted to pay (i) the principal of the Bonds when due at maturity or upon redemption or acceleration, (ii) up to 45 days' interest on the Bonds when due, and (iii) the principal portion of the purchase price of and interest due thereon, if any, of any Bonds tendered for optional or mandatory purchase. See "THE INITIAL CREDIT FACILITY AND REIMBURSEMENT AGREEMENT" herein. The Borrower has no obligation to pay the purchase price of Bonds upon optional or mandatory purchase. For additional information concerning the Initial Credit Facility Issuer, see "CERTAIN INFORMATION REGARDING THE INITIAL CREDIT FACILITY ISSUER" in APPENDIX A hereto.

The Borrower, Blood Systems, Inc. ("BSI"), the sole member of the Borrower, and the Reimbursement Bank will enter into a Reimbursement Agreement, dated as of May 1, 2002 (the "Reimbursement Agreement"), pursuant to which the Borrower and BSI will be obligated to reimburse the Reimbursement Bank for all drawings made under the Initial Credit Facility.

The Bonds are being offered on the basis of the Initial Credit Facility and the financial strength of the Initial Credit Facility Issuer and are not being offered on the basis of the financial strength of the Borrower or any other security. The Borrower, however, has provided for inclusion herein a limited description of its financial condition and business operations as well as a description of certain risks associated with its business. This Official Statement should not be relied upon in determining whether to purchase Bonds that do not bear interest at a Daily or Weekly Rate.

The Bonds are subject to mandatory tender for purchase or acceleration upon the occurrence of certain events as described herein, including expiration of the Initial Credit Facility and a default by the Borrower or BSI under the Reimbursement Agreement. Because the Reimbursement Agreement contains financial and other covenants affecting the Borrower and BSI not summarized in this Official Statement, prospective investors will not be able to evaluate the likelihood of the occurrence of an event of default under the Reimbursement Agreement and the corresponding likelihood that the Bonds may be subject to mandatory tender for purchase or acceleration.

Under certain circumstances the Initial Credit Facility may be replaced by an Alternate Credit Facility (collectively, a "Credit Facility"). See "ALTERNATE CREDIT FACILITY" herein.

The Bonds are being issued to provide funds which will be used to refund the Prior Bonds (defined herein) and to pay certain fees and expenses in connection with the issuance of the Bonds, including the initial annual fee for the Credit Facility.

The Bonds are special limited obligations of the Authority, payable solely from amounts received by the Trustee pursuant to the Agreement.

Definitions

Certain words and terms used herein and not otherwise defined herein shall have the meanings ascribed to such words and terms in “DEFINITIONS OF CERTAIN TERMS” in APPENDIX C hereto.

Amendments to the Agreement

The Agreement may be modified or amended from time to time with the consent of the Reimbursement Bank and without the necessity of providing notice to, or obtaining the consent of, any Holder of the Bonds so long as the Reimbursement Bank has not lost its right to consent under the Agreement. Such amendments could be substantial and result in the modification, waiver or removal of existing covenants or restrictions contained in the Agreement.

The Authority

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

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE AGREEMENT. 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 Borrower

The Borrower is a California nonprofit public benefit corporation and is exempt from federal income taxes as a charitable organization described in Section 501(c)(3) of the Internal Revenue Code. Its purpose is to collect, process and distribute blood products for health care needs. For additional information about the Borrower, see APPENDIX B – “CERTAIN INFORMATION CONCERNING THE BORROWER” and “BONDHOLDERS’ RISKS RELATED TO THE BORROWER” herein.

The Borrower's sole member is BSI, an Arizona nonprofit, tax-exempt organization, which has been required by the Reimbursement Bank to enter into the Reimbursement Agreement along with the Borrower. No description of BSI's business and financial condition is contained in this Official Statement.

Continuing Disclosure

While the Bonds bear interest at a Daily Rate or a Weekly Rate, they are exempt from the provisions of Securities and Exchange Commission Rule 15c2-12 requiring continuing disclosure, and no continuing disclosure is required to be provided by the Bank or the Borrower, nor will be provided, with respect to such Bonds. In the event that any Bonds are converted to a Term Rate or a Commercial Paper Rate, such Bonds may, at the time of such conversion, become subject to the provisions of Rule 15c2-12 requiring continuing disclosure.

THE BONDS

Terms

The Bonds will mature, subject to the redemption provisions described below, on April 1, 2022. The Bonds will be dated as of the Closing Date. The Bonds will initially bear interest at a Daily Rate as described below and interest for each Interest Period will be payable on the first Business Day of each month, commencing on June 1, 2002 (each an "Interest Payment Date"). The Bonds will be available to purchasers in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.

Book-Entry Only System

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are

expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

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

Bond Registration

The Authority, the Borrower, the Initial Credit Facility Issuer, the Reimbursement Bank and the Trustee may deem and treat the person in whose name any Bond shall be registered upon the books of the Trustee (which shall be DTC so long as the book-entry-only system is in effect) as the absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, the premium, if any, and the interest on the Bonds and for all other purposes. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sums so paid and neither the Authority, the Borrower, the Initial Credit Facility Issuer, the Reimbursement Bank nor the Trustee shall be affected by any notice to the contrary.

In the event that such book-entry only system is discontinued, the following provisions will apply. Principal of the Bonds and redemption premium, if any, thereon, when due, will be payable in lawful money of the United States of America at the designated corporate trust office of the Trustee. Interest on the Bonds will be payable on the first Business Day of each month by check mailed to the respective addresses of the registered owners thereof as shown on the registration books maintained by the Trustee as of the close of business on the Record Date, or, at the option of any registered owner of \$1,000,000 or more in principal amount of the Bonds, by wire transfer to a domestic bank account designated in writing by such registered owner prior to the Record Date applicable to such interest payment date. As long as the Bonds bear interest at the Daily Rate or the Weekly Rate, the Bonds will be issued only as fully registered certificates in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The transfer of the Bonds will be registrable and the Bonds may be exchanged at the designated corporate trust office of the Trustee upon the payment of any taxes or other governmental charges required to be paid with respect to such transfer or exchange.

Interest Rates on the Bonds

Upon their initial issuance, the Bonds will bear interest at the Daily Rate, payable on the first Business Day of each month, commencing on June 1, 2002. The Bonds may be converted from the Daily Rate to the Weekly Rate, the Commercial Paper Rate and Term Rates, including a Term Rate Period through the final maturity date of the Bonds in which case no further conversions are permitted. In the event that the Bonds are converted from any Rate Period to any other Rate Period (other than between Weekly Rate Periods and Daily Rate Periods), the Bonds are subject to mandatory tender for purchase on the Conversion Date fixed for such conversion.

The sections which follow discuss only the Daily Rate Periods and the Weekly Rate Periods because, if the Borrower elects to convert the Bonds to another Rate Period, the Bonds must be tendered for mandatory purchase with no option for Holders of Bonds to retain such Bonds.

Determination of Daily and Weekly Interest Rates and Rate Periods; Interest Period

Each interest rate to be determined by the Remarketing Agent will be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value on the commencement date of such Rate Period equal to the principal amount thereof plus accrued and unpaid interest, if any, under prevailing market conditions as of the date of determination but not in excess of the Maximum Rate (currently, 10%). All determinations of Variable Rates, including Commercial Paper Rate Periods and Term Rate Periods, pursuant to the Agreement will be conclusive and binding upon the Authority, the Borrower, the Trustee, the Paying Agent, the Credit Facility Issuer and the Holders of the Bonds.

Daily Rate and Daily Rate Periods. Daily Rate Periods will commence on a Business Day and extend to, but not include, the next succeeding Business Day. Each Daily Rate will be determined by the Remarketing Agent no later than 10:30 A.M., New York City time, on the Business Day which is the commencement date of the Daily Rate Period to which it relates. If the Remarketing Agent determines that the Daily Rate for a Daily Rate Period is the same as the Daily Rate in effect on the Business Day immediately preceding the commencement of that Daily Rate Period, the Remarketing Agent is not required to notify the Trustee or the Paying Agent of that determination.

Weekly Rate and Weekly Rate Period. Weekly Rate Periods will commence on Thursday of each week and end on Wednesday of the following week, except that (i) in the case of a conversion from a Daily Rate Period to a Weekly Rate Period, the initial Weekly Rate Period for Bonds will commence on the Conversion Date and end on Wednesday of the following week; and (ii) in the case of a conversion from a Weekly Rate Period to a Daily Rate Period, the last Weekly Rate Period prior to conversion will end on the last day immediately preceding the Conversion Date. The Weekly Rate for each Weekly Rate Period will be effective from and including the commencement date of such period and will remain in effect through and including the last day thereof. Each such Weekly Rate will be determined by the Remarketing Agent no later than 2:00 p.m., New York City time, on the commencement date of the Weekly Rate Period to which it relates.

Interest Period. Interest accrued at the Daily Rate or Weekly Rate is payable on each Interest Payment Date for the preceding Interest Period.

Communication of Variable Rates. The Variable Rate in effect for the Bonds during any Rate Period will be available to Holders on the date such Variable Rate is determined between 2:00 P.M. and 5:00 P.M., New York City time, from the Remarketing Agent at its principal office.

Failure of Remarketing Agent to Set Rate. If the Remarketing Agent fails for any reason to determine the rate for any Rate Period, then the Bonds will bear interest at the interest rate last established for the Bonds by the Remarketing Agent.

Conversions Between Rate Periods

General. At the option of the Borrower and with any consent of the Reimbursement Bank required under the Reimbursement Agreement, all or a portion of the Bonds in multiples of \$1,000,000 (unless all Outstanding Bonds are being converted) may be converted from one Rate Period to another on any Business Day. Not fewer than 15 days prior to the Conversion Date for conversions from Daily Rate Periods and Weekly Rate Periods, the Trustee will mail by first class mail a written notice of the conversion to each Holder stating the type of Rate Period to which the conversion will be made and the Conversion Date and if the Bonds are no longer in book-entry form and are therefore in certificate form, information with respect to any required delivery of bond certificates for mandatory purchase (except for conversions between Daily Rate Periods and Weekly Rate Periods) and payment of the purchase price, as provided in the Agreement.

Conditions Precedent to Conversions. Any conversion from a Daily Rate Period or Weekly Rate Period to a Term Rate Period of a duration of more than one year will be subject to the condition that on or before the Conversion Date, the Borrower will have delivered to the Authority, the Trustee, the Paying Agent, the Reimbursement Bank and the Remarketing Agent an Opinion of Bond Counsel to the effect that the conversion is authorized under the Agreement and the Act and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Credit Facility, if any, to be held by the Trustee after the Conversion Date must be sufficient to cover the principal of and accrued interest on the Outstanding Bonds for the maximum Interest Period permitted for that particular Rate Period. In the event the Borrower intends to convert all or a portion of the Bonds to a Term Rate Period through the maturity date of the Bonds but does not intend to support the Bonds with a Credit Facility, either the Authority must consent to such action in advance in writing or the Bonds to be outstanding after conversion must receive a rating of "A" or better (without regard to any ratings modifier).

Failure of Conversions. If for any reason a condition precedent to a conversion of the Bonds is not met, the conversion will not be effective (although any mandatory tender pursuant to the Agreement will be made on such

date if the notice required under the Agreement has been sent to Holders stating that the Bonds would be subject to mandatory purchase on that date), and the Bonds will continue in the Rate Period in effect before the proposed Conversion Date.

Optional Tenders

Purchase Price and Purchase Dates. The Holders of Bonds bearing interest for a Daily Rate Period or a Weekly Rate Period may elect to have their Bonds (or any portion thereof in the principal amount of \$100,000 or multiples of \$5,000 in excess thereof, and providing that the remaining portion to be held by the Holder or Beneficial Owner is \$100,000 or more) purchased at a purchase price (payable in immediately available funds) equal to 100% of the principal amount of such Bonds (or such portions thereof), plus any interest accrued from the immediately preceding Interest Payment Date and unpaid.

Daily Rate. Bonds bearing interest at Daily Rates may be tendered for purchase on any Business Day, upon telephonic or Electronic notice of tender given not later than 10:00 A.M., New York City time, on the purchase date to the Paying Agent. Any telephonic notice is required to be promptly confirmed in writing Electronically.

Weekly Rate. Bonds bearing interest at Weekly Rates may be tendered for purchase on any Business Day, upon delivery of written or Electronic notice of tender to the Paying Agent not later than 5:00 p.m., New York City time, on a Business Day not fewer than seven days prior to the purchase date.

Notice of Tender. When a book-entry-only system is in effect, a Beneficial Owner through its Direct Participant in that book-entry-only system may tender its beneficial interest in a Bond (or portion of Bond in multiples of \$100,000) by delivering notice, in the manner and by the time set forth above, to the Paying Agent stating the principal amount of the Bond (or such portion of Bond being tendered), payment instructions for the purchase price and the purchase date. The Beneficial Owner will effect delivery of such Bonds by causing such Direct Participant to transfer its interest in such Bonds equal to such Beneficial Owner's interest on the records of DTC to the participant account of the Remarketing Agent with DTC. When a book-entry-only system is not in effect, a Holder of a Bond may tender the Bond (or such portion of Bond) by delivering a notice, in the manner and by the time set forth above, to the Paying Agent which states (A) the principal amount of the Bond or Bonds to which the notice relates, (B) that the Holder irrevocably demands purchase of such Bond or Bonds or a specified portion thereof in an amount equal to the lowest denomination then authorized or an integral multiple of such lowest denomination, (C) the date on which such Bond or portion is to be purchased, and (D) payment instructions with respect to the purchase price.

Mandatory Tenders

Conversions to Certain Rate Periods. On any Conversion Date (other than conversions between Daily Rate Periods and Weekly Rate Periods), the Bonds will be subject to mandatory tender for purchase on such Conversion Date at a purchase price equal to 100% of the principal amount thereof plus interest accrued from the immediately preceding Interest Payment Date to which interest has been paid.

Expiration of Credit Facility, Direction of Reimbursement Bank, Nonreinstatement of Credit Facility Amount or Replacement of Credit Facility. The Bonds will be subject to mandatory tender for purchase at a purchase price equal to 100% of the principal amount thereof, plus interest accrued from the immediately preceding Interest Payment Date and unpaid on:

- (1) the 15th day immediately preceding the date of the expiration of the term of the then current Credit Facility,
- (2) the earliest day for which the Trustee can give the notice described below under the heading “- Notices of Mandatory Tender” following receipt by the Trustee of a written direction from the Reimbursement Bank stating that an event of default has occurred and is continuing under the Reimbursement Agreement and as a result the Reimbursement Agreement permits the Reimbursement Bank to direct a mandatory purchase of the Bonds,

(3) the 10th calendar day following the day on which a drawing for interest has been made on the Credit Facility if, within seven calendar days after such drawing (or the following Business Day if such 7th day is not a Business Day), the Trustee has received written notice from the Credit Facility Issuer that the amount of such drawing will not be reinstated, and

(4) the 15th day immediately preceding the date on which the current Credit Facility is replaced with an Alternate Credit Facility with respect to which Alternate Credit Facility the Trustee has not received confirmation from the Rating Agency, that such Alternate Credit Facility will not result in a reduction or withdrawal of the short term rating on the Bonds then in effect.

Notices of Mandatory Tender. Not later than 15 days prior to the Mandatory Tender Date (or fewer days if necessary to assure interest may be paid from a draw under the Credit Facility), the Trustee will mail by first class mail a written notice of the mandatory tender to each Holder, setting forth those matters required by the Agreement, including a statement that the Bonds will be subject to mandatory purchase on the date specified in such notice, which in all events shall be a date through which interest may be paid with a draw under the Credit Facility.

Purchase of Tendered Bonds and Remarketing

The purchase price of Bonds tendered for purchase will be paid by the Paying Agent only from the following funds in the priority indicated: (i) proceeds of the remarketing of such Bonds by the Remarketing Agent to persons other than the Authority, the Borrower or an affiliate of the Authority or the Borrower, (ii) funds provided by the Initial Credit Facility Issuer pursuant to the Initial Credit Facility or by the provider of an Alternate Credit Facility pursuant thereto, and (iii) funds that may (but are not required to) be provided by the Borrower.

The Borrower has no obligation to provide funds to pay the purchase price of Bonds tendered and not remarketed should the Credit Facility Issuer fail to provide funds to purchase such Bonds pursuant to the Credit Facility.

If insufficient funds have been deposited with the Paying Agent to purchase all tendered Bonds, then no Bond will be purchased and such Bonds will be returned to their Holders.

The Agreement provides that, unless otherwise instructed by the Borrower, the Remarketing Agent will offer for sale and use its best efforts to find purchasers for Bonds for which notice of optional tender has been received or which are subject to mandatory tender for purchase. The Remarketing Agent will not remarket any Bond as to which a notice of (i) conversion from one type of Rate Period to another or (ii) redemption has been given by the Trustee, unless the Remarketing Agent has advised the person to whom the sale is made of the conversion. In addition, the Remarketing Agent will not remarket any Bonds (1) if the Remarketing Agent has been notified by the Trustee that there has occurred and is continuing an Event of Default under the Agreement, or (2) after a mandatory tender described in (1), (2) or (3) under the heading “THE BONDS – Mandatory Tenders – Expiration of Credit Facility, Direction of Reimbursement Bank, Nonreinstatement of Credit Facility Amount or Replacement of Credit Facility” unless an Alternate Credit Facility has been delivered to the Trustee.

Method of Payment of Purchase Price

When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Remarketing Agent. When a book-entry only system is not in effect, all Bonds to be purchased on any date must be delivered to the designated corporate trust office of the Paying Agent at or before 12:00 noon, New York City time, on the purchase date.

Redemption

Optional Redemption. The Bonds, while bearing interest at either the Daily Rate or the Weekly Rate, will be subject to optional redemption by the Authority at the direction of the Borrower, in whole or in part, on any Business Day, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

Under the terms of the initial Reimbursement Agreement, the Borrower is required to optionally redeem a specified principal amount of the Bonds on June 1 of each year, beginning June 1, 2002. Such redemption provisions may be modified if the initial Reimbursement Agreement is modified or if an Alternate Credit Facility is delivered.

Extraordinary Optional Redemption. If proceeds derived from insurance or condemnation awards for damage, destruction or taking of any property of the Borrower exceeds \$1,000,000, then the Borrower may apply such proceeds to the redemption of Bonds Outstanding in whole or in part, at any time on the earliest practicable date after receipt by the Trustee of such request of the Borrower for which notice of redemption can practicably be given, at a redemption price equal to 100% of the principal amount of the Bonds redeemed, plus accrued interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on April 1, 2022 are subject to mandatory sinking fund redemption in part on October 1 and April 1 in the years and in the principal amounts listed below at a price of 100% of the principal amount thereof, without premium, plus accrued and unpaid interest to the redemption date.

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
October 1, 2002	\$165,000	October 1, 2012	\$165,000
April 1, 2003	165,000	April 1, 2013	165,000
October 1, 2003	165,000	October 1, 2013	165,000
April 1, 2004	165,000	April 1, 2014	165,000
October 1, 2004	165,000	October 1, 2014	165,000
April 1, 2005	165,000	April 1, 2015	165,000
October 1, 2005	165,000	October 1, 2015	165,000
April 1, 2006	165,000	April 1, 2016	165,000
October 1, 2006	165,000	October 1, 2016	160,000
April 1, 2007	165,000	April 1, 2017	160,000
October 1, 2007	165,000	October 1, 2017	160,000
April 1, 2008	165,000	April 1, 2018	160,000
October 1, 2008	165,000	October 1, 2018	160,000
April 1, 2009	165,000	April 1, 2019	160,000
October 1, 2009	165,000	October 1, 2019	160,000
April 1, 2010	165,000	April 1, 2020	160,000
October 1, 2010	165,000	October 1, 2020	160,000
April 1, 2011	165,000	April 1, 2021	160,000
October 1, 2011	165,000	October 1, 2021	160,000
April 1, 2012	165,000	April 1, 2022*	160,000

*Final Maturity

Partial Redemption of Bonds

If fewer than all of the Bonds are to be redeemed, the selection of Bonds to be redeemed, or portions thereof in amounts equal to the lowest authorized denomination or any integral multiple thereof, shall be made by the Trustee in any manner which the Trustee may determine, provided, however, that in connection with any such redemption the Trustee shall first select for redemption any Bank Bonds. In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than the lowest authorized denomination are then outstanding, each unit of face value of principal thereof equal to the lowest authorized denomination shall be treated as though it were a separate Bond of such lowest authorized denomination.

If it is determined that one or more, but not all of the units of face value represented by a Bond are to be called for redemption, then upon notice of redemption of a unit or units, the Holder of that Bond shall surrender the Bond to the Trustee (a) for payment of the redemption price of the unit or units of face value called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium), and (b) for

issuance, without charge to the Holder thereof, of a new Bond or Bonds of any authorized denomination or denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of the Bond surrendered.

Redemption Notice

At least 15 days but not more than 45 days before the redemption date of any Bonds, whether such redemption be in whole or in part, the Trustee shall cause a notice of any such redemption to be mailed, postage prepaid, to all Holders owning Bonds to be redeemed in whole or in part. Such notice shall (i) identify the Bonds to be redeemed (specifying the CUSIP numbers therefor), (ii) specify the maturity date of the Bonds to be redeemed, the redemption date and the redemption price, (iii) set forth the name, address and telephone number of the person from whom information pertaining to the redemption may be obtained and (iv) state that on the redemption date the Bonds called for redemption will be payable at the designated corporate trust office of the Trustee and that from the redemption date interest on the Bonds will cease to accrue.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, all notices of redemption will be sent by the Trustee only to Cede & Co., and delivery of notice of redemption to the Direct Participants, if any, will be solely the responsibility of DTC.

The Trustee shall provide notice, return receipt requested, of the redemption at least 30 days before the redemption date to DTC and to one or more national information services such as Financial Information, Inc.'s Financial Daily Called Bond Service, Kenny Information Service's Called Bond Service and Moody's Investors Service Municipal and Government.

Failure by the Trustee to give notice pursuant to the preceding paragraph above to any one or more of the securities depositories or information services named therein shall not affect the sufficiency of the proceedings for redemption. Failure of the Trustee to give notice to a Holder of Bonds or any defect in such notice shall not affect the validity of the proceedings for redemption of any other Bonds.

Effect of Calling for Redemption

On or before the date fixed for redemption, money or Governmental Obligations shall be deposited with the Trustee to pay the principal of and the interest accruing thereon to the redemption date of the Bonds called for redemption. On the date fixed for redemption, notice having been given in the manner and under the conditions hereinabove provided, the Bonds or portions thereof called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date. If money or Governmental Obligations, or a combination of both, sufficient to pay the redemption price of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Trustee in trust for the Holders of Bonds to be redeemed, interest on the Bonds called for redemption shall cease to accrue; such Bonds shall cease to be entitled to any benefits or security under the Agreement or to be deemed Outstanding; and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to the date fixed for redemption.

REMARKETING AGENT

Wells Fargo Brokerage Services, LLC, has been appointed by the Borrower pursuant to the Remarketing Agreement to act as remarketing agent (the "Remarketing Agent") for the purposes described in the Agreement. The Remarketing Agent's principal office is located in 608 Second Avenue South, 9th Floor, Minneapolis, Minnesota 55479, Attention: Remarketing Desk. The Remarketing Agent will, under certain circumstances, determine the interest rates on the Bonds, will use its best efforts to remarket the tendered Bonds and may from time to time effect purchases of Bonds. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created under the Agreement upon the earlier to occur of (i) the 30th day following receipt by the Borrower, the Authority, the Credit Facility Issuer, the Trustee and the Paying Agent of written notice of resignation and (ii) the date of appointment by the Borrower of a successor Remarketing Agent. The Remarketing Agent may be removed at any time by the Borrower or, if any Bank Bonds are Outstanding, the Credit Facility Issuer upon five days written notice to the Remarketing Agent, the Authority, the Borrower or the Credit Facility Issuer, as

applicable, the Authority, the Trustee and the Paying Agent. In the event the Remarketing Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency or for any other reason, and the Borrower shall not have made a timely appointment of a successor as Remarketing Agent, the Trustee shall be deemed to be the Remarketing Agent for all purposes of the Agreement until the appointment by the Borrower of a successor Remarketing Agent.

THE INITIAL CREDIT FACILITY AND REIMBURSEMENT AGREEMENT

The Initial Credit Facility will be issued pursuant to the Reimbursement Agreement. The following is a summary of certain provisions of the Initial Credit Facility, to which document, in its entirety, reference is made for the complete provisions thereof, a copy of which is available as described under "MISCELLANEOUS" herein.

Initial Credit Facility

The Initial Credit Facility is an irrevocable obligation of the Initial Credit Facility Issuer, binding and enforceable against it in accordance with its terms. Additional information regarding the Initial Credit Facility Issuer is contained in APPENDIX A hereto.

The Initial Credit Facility will be issued in favor of the Trustee in an amount equal to \$6,630,754, which comprises a principal component of \$6,550,000, which is equal to the original principal amount of the Bonds, plus an interest component of \$80,754, which is equal to 45 days' interest thereon at a rate per annum equal to 10% calculated on the basis of a 365-day year. The amount which may be drawn under the Initial Credit Facility is subject to reduction and reinstatement on the terms set forth in the Initial Credit Facility.

The Initial Credit Facility will expire on May 15, 2005 (the "*Expiration Date*"). If the Expiration Date falls on a day which is not a day of the year on which the Initial Credit Facility Issuer's San Francisco Letter of Credit Operations Office is open for business, then such Expiration Date shall be automatically extended to the next succeeding business day.

Initial Reimbursement Agreement

The following, in addition to information provided elsewhere in this Official Statement, summarizes certain provisions of the Reimbursement Agreement, to which document, in its entirety, reference is made for the complete provisions thereof.

General. The Borrower and BSI will enter into the Reimbursement Agreement with the Reimbursement Bank. The Reimbursement Agreement provides for the issuance of the Initial Credit Facility and the reimbursement of the Initial Credit Facility Issuer and the Reimbursement Bank for draws upon the Initial Credit Facility. The Reimbursement Agreement also sets forth the various other conditions, obligations, representations, covenants, events of default and miscellaneous provisions applicable to the Reimbursement Bank, the Borrower and BSI.

Events of Default and Remedies. If an "Event of Default" under the Reimbursement Agreement occurs and is continuing, the Reimbursement Bank may (a) give notice of the occurrence of an Event of Default to the Trustee and direct the Trustee to cause a mandatory tender of the Bonds or to declare an event of default and acceleration under the Agreement, (b) declare all amounts due under the Reimbursement Agreement by the Borrower and BSI immediately due and payable, provided, however, that in the event of an order for relief with respect to the Borrower and BSI under the Federal Bankruptcy Code, such acceleration shall automatically occur (unless such automatic acceleration is waived by the Reimbursement Bank in writing), (c) pursue any rights and remedies the Reimbursement Bank may have under the Reimbursement Agreement or (d) pursue any other action available at law or in equity.

"Events of Default" under the Reimbursement Agreement include the following:

(i) Any failure to pay any sum due under the Reimbursement Agreement or any Loan Document when the same shall become due and payable and such failure continues for ten (10) days after notice thereof to the Borrower;

(ii) The failure of the Borrower or BSI to observe or perform any negative covenant in the Agreement;

(iii) The failure of the Borrower or BSI to observe or perform any of its other covenants, conditions or provisions of the Reimbursement Agreement or any of the Loan Documents and such failure either (i) cannot be remedied, (ii) can be remedied within thirty (30) days by prompt and diligent action, but it continues unremedied for a period of thirty (30) days after notice thereof to the Borrower, or (iii) can be remedied, although not within thirty (30) days even by prompt and diligent action, but such remedy is not commenced within thirty (30) days after notice thereof to the Borrower or is not diligently prosecuted to completion within a total of sixty (60) days from the date of such notice;

(iv) Any material representation or warranty made by the Borrower or BSI in the Reimbursement Agreement or in any certificate, financial or other statement furnished by the Borrower or BSI or any of the Related Documents shall prove to have been untrue or incomplete in any material respect when made;

(v) The occurrence and continuation of an event of default under the Agreement, the other Loan Documents or any of the other Related Documents or under any document or instrument given by the Borrower or BSI in connection with any other indebtedness of the Borrower or BSI to the Reimbursement Bank or an affiliate of the Reimbursement Bank;

(vi) The Borrower or BSI shall (i) fail to pay any debt in excess of \$1,000,000 when due and payable, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) or within any applicable grace period, or (ii) allow the occurrence of any material event of default with respect to such debt;

(vii) Admission by the Borrower or BSI of insolvency or bankruptcy or its inability or failure generally to pay its debts as they become due, or the Borrower or BSI makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for the Borrower or BSI, or for a major part of its property;

(viii) Appointment of a trustee in bankruptcy, custodian or receiver for the Borrower or BSI or for a major part of its property and failure to obtain discharge of such within ninety (90) days after such appointment;

(ix) Institution of bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, by or against the Borrower or BSI, and, if instituted against the Borrower or BSI, allowance against the Borrower or BSI or consent by the Borrower or BSI to such proceedings or failure to obtain dismissal, stay or other nullification within ninety (90) days after such institution;

(x) The Reimbursement Agreement or any of the Related Documents ceases to be valid and binding on the Borrower or BSI, or is declared null and void, or the validity or enforceability thereof is contested by the Borrower or BSI or the Borrower or BSI denies it has any or further liability under the Reimbursement Agreement or any of the Related Documents;

(xi) The liquidation, termination or dissolution of the Borrower or BSI;

(xii) A change in the business or financial condition of the Borrower or BSI that materially adversely affects the Borrower's or BSI's ability to carry out its obligations under the Reimbursement Agreement;

(xii) The loss of the Borrower's ability to operate its business properties which materially adversely affects the Borrower or BSI;

(xiv) Any levy or execution upon, or judicial seizure of any portion of any collateral or security subject to the Loan Documents which is not removed or released within thirty days of its creation; or

(xv) Any attachment or the existence or filing of any lien or encumbrance, other than those permitted under the Loan Documents, against any portion of any collateral or security subject to the Loan Documents, or the institution of legal action to enforce any such lien or encumbrance, that is not bonded over, removed or released within thirty days of its creation, or institution.

Covenants. The various terms, covenants or agreements in the Reimbursement Agreement include, among others, covenants that the Borrower and BSI will deliver certain financial and other information to the Reimbursement Bank, permit the Reimbursement Bank to inspect certain of their books and records, pay any taxes (subject to the right to contest payment), comply with certain laws, obtain the Reimbursement Bank's consent prior to amending the Agreement or the Borrower's or BSI's investment policy, comply with certain other financial ratios, and do nothing to cause or permit any revocation or limitation of the Borrower's or BSI's tax-exempt status. Additional covenants restrict the Borrower's or BSI's ability to incur additional indebtedness, to create liens on any of the Borrower's or BSI's property, to make capital expenditures and to be a party to any merger or consolidation.

All of the foregoing covenants are for the benefit of the Initial Reimbursement Bank and may be waived or modified by it in its discretion without notice to or consent of Holders of the Bonds.

ALTERNATE CREDIT FACILITY

The Borrower may, at its option, provide for the delivery at any time to the Paying Agent of an Alternate Credit Facility in replacement of the Initial Credit Facility or any other Credit Facility then in effect. An Alternate Credit Facility will be an irrevocable direct pay letter of credit, a bond insurance policy or other credit enhancement or support facility. Any such Alternate Credit Facility (i) shall have a term of not less than 364 days, (ii) shall be in an amount sufficient to cover the principal of and accrued interest on the Bonds at the Maximum Rate for 45 days or such shorter period as the Rating Agency shall confirm in writing to the Trustee will not result in the Rating Agency withdrawing or terminating its then short term rating on the Bonds, and (iii) shall set forth a maximum interest rate on the Bonds with respect to which drawings may be made. At least 25 days prior to the date of delivery of an Alternate Credit Facility to the Trustee, the Borrower must give notice of such replacement to the Trustee and the Credit Facility Issuer and the effective date of such Alternate Credit Facility. At least 15 days prior to the effective date of the Alternate Credit Facility, the Trustee must send to each Holder notice of such Alternate Credit Facility, the issuer thereof and whether the Bonds will be subject to mandatory tender, as described under "THE BONDS – Mandatory Tenders – *Expiration of Credit Facility, Direction of Reimbursement Bank, Nonreinstatement of Credit Facility Amount or Replacement of Credit Facility*" above. The Trustee shall accept such Alternate Credit Facility in substitution for the then existing Credit Facility only if it also receives (i) an Opinion of Bond Counsel addressed to and in form and substance satisfactory to the Authority, the Trustee and the Credit Facility Issuer, that the delivery of such Alternate Credit Facility to the Trustee for delivery to the Paying Agent is permitted under and complies with the terms of the Agreement and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any of the Bonds, (ii) if, following the issuance of the Bonds, the Borrower or any Person grants a security interest to the Credit Facility Issuer providing an Alternate Credit Facility in any cash, securities or other investment-type property (as defined in the Code) (other than the Bonds), an Opinion of Bond Counsel stating that such grant will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, (iii) Opinions of Counsel addressed to and in form and substance satisfactory to the Trustee (A) to the effect that the Alternate Credit Facility is a valid, binding and enforceable obligation of the Credit

Facility Issuer and (B) as to such other legal matters as the Trustee may reasonably require, and (iv) a certificate of the Credit Facility Issuer being replaced to the effect that no amounts are owed to the Credit Facility Issuer under the Credit Facility being replaced.

PLAN OF FINANCE

General

The net proceeds of the Bonds will be loaned to the Borrower pursuant to the Agreement to be used, together with other available funds, to provide funds to refund all of the Prior Bonds currently Outstanding in aggregate principal amount of \$7,230,000, to pay the redemption premium and accrued interest thereon and to pay certain fees and expenses in connection with the issuance of the Bonds.

Estimated Sources and Uses of Funds

The sources and uses of funds to refund the Prior Bonds and pay expenses incurred in connection with the issuance of the Bonds are estimated to be as follows:

Sources of Funds:

Bond Proceeds	\$6,550,000
Other Available Funds	<u>1,384,835</u>
Total Sources	<u>\$7,934,835</u>

Uses of Funds:

Refund Prior Bonds.....	\$7,628,050
Costs of Issuance (1).....	<u>306,785</u>
Total Uses	<u>\$7,934,835</u>

(1) Includes Underwriter’s discount, financial advisory and legal fees and the initial annual fee for the Credit Facility, among other costs.

BONDHOLDERS’ RISKS RELATED TO THE BORROWER

General

While the Bonds are offered on the basis of the Initial Credit Facility and the financial strength of the Initial Credit Facility Issuer (See APPENDIX A – “CERTAIN INFORMATION REGARDING THE INITIAL CREDIT FACILITY ISSUER”), certain investors may wish to consider the Borrower’s activities and risks that affect its business. This section sets forth some of the risks that affect the Borrower’s business and operations and, therefore, its ability to fulfill its obligations under the Agreement and the Reimbursement Agreement, including required repayments. Those investors evaluating the Borrower should review also APPENDIX B – “CERTAIN INFORMATION CONCERNING THE BORROWER.” There can be no assurance that the revenues of the Borrower will be adequate to meet its debt service obligations with respect to the Bonds or its obligations under the Reimbursement Agreement.

Licensing, Regulations, Surveys, Investigations and Audits

On a regular basis, blood banking operations, including those of the Borrower, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements relating to the federal Food and Drug Administration (the “FDA”), Medi-Cal participation and payment and State of California licensing agencies. Renewal and continuance of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative action or response by the Borrower. These activities generally are

conducted in the normal course of business of blood banking operations. Nevertheless, an adverse decision could result in a loss or reduction in the Borrower's scope of licensure, certification or accreditation, or could reduce the payments received or require repayment of amounts previously remitted.

The most significant regulation of the Borrower's business is by the FDA and failure of the Borrower or BSI to comply with the requirements of an existing consent decree with the FDA could result in the shutdown of certain aspects of the Borrower's business or make it unable to offer its blood products in a cost-effective way. See APPENDIX B – "THE BORROWER – Licenses and Accreditation; Regulation."

Management of the Borrower currently anticipates no difficulty renewing or continuing currently held licenses, certifications or accreditations of the Borrower, nor does it anticipate any compliance problems with the FDA consent decree which would materially adversely affect the operations or financial condition of the Borrower. Nevertheless, unfavorable actions in any of these areas could result in the loss of utilization or revenues, or the Borrower's ability to operate all or a portion of its facilities, and consequently, could adversely affect the Borrower's ability to meet its payment obligations with respect to the Bonds.

Blood-Transmitted Diseases

Traditionally, the courts have held that blood banks provide a service, and as providers of a service have not been subject to product liability suits. There is no guarantee, however, that blood banks in the future may not become subject to product liability suits because of the increasing number of AIDS cases or other blood-transmitted diseases developing throughout the United States. In addition, hepatitis and other related blood-transmitted diseases continue to be a problem because of the lack of conclusive screening tests.

The high cost of new tests to screen blood for presently known blood-transmitted diseases as well as other diseases newly discovered to be transmittable in blood products may also significantly affect the Borrower's finances.

Professional Liability Insurance

The number of general liability suits and the dollar amounts of damage recoveries have increased nationwide, resulting in substantial increases in insurance premiums. Such insurance does not provide coverage for judgments for punitive damages.

The Borrower carries medical malpractice and liability insurance with policy limits that are comparable to the insurance coverage that other blood banks carry. These insurance policies also cover the Borrower's legal expenses. See APPENDIX B – "THE BORROWER – Insurance and Litigation" herein.

New Equipment and Services

Technological advances in recent years have accelerated the trend toward the use of sophisticated, and sometimes costly, diagnostic services and equipment in blood banks. The acquisition and operation of certain equipment and services may be a significant factor in the utilization of the Borrower's services by hospitals, but the acquisition of such equipment or services may be subject to the availability of equipment or specialists, governmental approval and to the ability of the Borrower to finance such purchases.

Rate Setting

Future legislation granting full or partial rate fixing authority to a state or federal agency could prevent the Borrower from increasing rates adequately to cover increases in its operating costs or other expenses. The hospitals served by the Borrower are subject to regulatory and competitive pressures aimed at reducing the total cost of medical services. In recent years with the increase in managed care, additional pressure has been placed on hospitals to hold down their costs. The Borrower has, in turn, been pressured by its hospital clients to hold down its price increases. Such pressures may continue to affect the ability of the Borrower to raise the prices charged for its blood products and services in the future.

Competition

See APPENDIX B – “THE BORROWER – Competition” herein.

Corporate and Tax-Exempt Status

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

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

In recent years, the IRS has increased the frequency and scope of its audit and other enforcement activity regarding tax-exempt organizations. As a result, tax-exempt organizations are increasingly subject to a greater degree of scrutiny, and an increased likelihood of sanction and monetary penalties imposed by the IRS. The primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in inurement or unlawful private benefit is the revocation of tax-exempt status. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit corporations such as the Borrower, it could do so in the future. Loss of tax-exempt status by the Borrower could potentially result in loss of tax exemption of the Bonds and defaults in covenants regarding the Bonds and other obligations would likely be triggered. Loss of tax-exempt status could also result in substantial tax liabilities on income of the Borrower. For this reason, loss of tax-exempt status of the Borrower could have material adverse consequences on the financial condition of the Borrower.

Less onerous sanctions have been enacted which focus enforcement on private persons who transact business with an exempt organization, rather than the exempt organization, but these sanctions do not replace the other remedies available to the IRS as mentioned above.

State Income Tax Exemption and Local Property Tax Exemption. The State of California has not been as active as the IRS in scrutinizing the income tax exemption of tax-exempt organizations. However, it is likely that the loss by the Borrower of federal tax exemption would also trigger a challenge to its State of California tax exemption. 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 organizations with respect to their real property tax exemptions. Although the real property tax exemption of the Borrower is not, to the knowledge of management of the Borrower, under challenge by such authorities, an investigation or audit could lead to a challenge that could ultimately affect the real property tax exemption of the Borrower.

Unrelated Business Income. In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income (“UBTI”). Management believes it has properly accounted for and reported UBTI; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the

tax-exempt status of the Borrower as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds.

Environmental Laws and Regulations

Facilities such as those operated by the Borrower are subject to a wide variety of 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 Borrower. Among the types of regulatory requirements are: 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 Borrower may be subject to liability for investigating and remedying any hazardous substances which have come to be 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 Borrower 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 Borrower.

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

BSI

BSI, the Borrower's sole member, has been made a party to the Reimbursement Agreement as a requirement of the Reimbursement Bank. No financial or operating information about BSI is included in the Official Statement. Defaults under the Reimbursement Agreement occasioned by BSI could result in the mandatory purchase or redemption of the Bonds.

Other Factors

Additional factors which may affect future operations of the Borrower include the following, among others:

- (a) Cost and availability of any insurance, such as fire, automobile, and general comprehensive and professional liability, that blood banks generally carry.
- (b) Cost increases without corresponding increases in revenue which could result from among other factors: increases in the salaries, wages, and fringe benefits of employees, increases in costs associated with advances in medical technology or with inflation and future legislation which would prevent or limit the ability of the Borrower to increase revenues derived from operations.
- (c) Cost increases resulting from the Borrower's compliance with regulatory controls of the FDA or standards of the Borrower's accrediting associations.
- (d) Lessened demand for the Borrower's services and products because of changes in organ transplant practices.
- (e) Strikes or other adverse labor action.

- (f) Natural disasters, including floods and earthquakes, which could damage the Borrower's facilities or otherwise impair the operations of the Borrower and the generation of revenues from the Borrower's facilities.
- (g) Acts of terrorism.

TAX MATTERS

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from the State of California personal income taxes. An opinion to those effects will be included in the legal opinion of Bond Counsel. See "LEGAL MATTERS." Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Authority and the Borrower to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will also rely on the opinion of Foley & Lardner as to all matters concerning the status of the Borrower as an organization described in Section 501(c)(3) of the Code and exempt from federal income tax under Section 501(a) of the Code. Bond Counsel will not independently verify the accuracy of those certifications and representations or that opinion.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the Authority or the Borrower may cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to their date of issuance. The Borrower and, subject to certain limitations, the Authority have each covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Under Code provisions applicable only to certain corporations (as defined for federal income tax purposes), a portion of the excess of adjusted current earnings (which includes interest on all tax-exempt obligations, including the Bonds) over other alternative minimum taxable income is included in alternative minimum taxable income that may be subject to a corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Purchasers of the Bonds at other than their original issuance at the respective prices indicated on the cover should consult their own tax advisers regarding other tax considerations such as the consequences of market discount.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt status of the interest on the Bonds (see “TAX MATTERS”) are subject to the legal opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel. The signed legal opinion, dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds will be delivered to the Underwriter at the time of original delivery of the Bonds.

The proposed form of the legal opinion is set forth as APPENDIX D. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distributions of it by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. In rendering its opinion, Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings which Bond Counsel will not have independently verified. In its capacity as Bond Counsel, the firm has participated in the preparation of, and has reviewed those portions of, this Official Statement pertaining to the Bonds, the Agreement and the tax exempt status of interest on the Bonds discussed under the captions “THE BONDS,” “TAX MATTERS” and in APPENDICES C and D. Bond Counsel has not verified, is not passing on, and does not assume any responsibility for the accuracy, completeness or fairness of any other information in this Official Statement or any other information pertaining to the Bonds, the Authority, the Borrower or the Credit Facility Issuer that may be made available to the prospective purchasers of the Bonds or to others.

Certain legal matters will be passed upon for the Authority by its counsel, Jones Hall, A Professional Law Corporation, San Francisco, California, for the Borrower by its co-counsel, Lewis and Roca LLP, Phoenix, Arizona, and Foley & Lardner, San Francisco, California, and for the Initial Credit Facility Issuer by its in-house counsel.

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 Agreement or the Bonds.

The Borrower

There is no pending or, to the best knowledge of the Borrower, 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 Borrower 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 Borrower, or the authority of the Borrower to enter into any document relating to the Agreement or the Bonds.

UNDERWRITING

The Bonds are to be purchased by Wells Fargo Brokerage Services, LLC (the “*Underwriter*”). The Underwriter has agreed to purchase the Bonds at a price equal to \$6,533,625 (representing the aggregate principal amount of the Bonds), for an underwriting fee of \$16,375 plus reimbursement of expenses. The contract of purchase pursuant to which the Bonds are to be purchased provides that the Underwriter will not be obligated to purchase any Bond if all of such Bonds are not available for purchase, and require the Borrower to indemnify the Underwriter against losses, claims, damages and liabilities arising out of any incorrect or incomplete statements or information contained in this Official Statement pertaining to the Authority, the Borrower and certain other matters.

RATING

Application was submitted and certain information was provided to Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies ("S&P"), for a rating on the Bonds based upon issuance of the Initial Credit Facility by the Initial Credit Facility Issuer. S&P has assigned the rating shown on the cover page of this Official State for the Bonds. The Borrower furnished S&P certain information and materials which have not been included in this Official Statement. The rating reflects only the view of S&P, and any explanation of the significance of such rating may be obtained only from S&P. The rating is dependent upon the rating of the Credit Facility Issuer and, accordingly, such rating may be lowered or withdrawn in the event that the rating of the Credit Facility Issuer is lowered or withdrawn. Such rating for the Bonds is subject to revision, suspension or withdrawal at any time by S&P and any such revision, suspension or withdrawal may affect the market price or marketability of the Bonds. A rating is not a recommendation to buy, sell or hold the Bonds.

MISCELLANEOUS

Information concerning the Borrower contained in this Official Statement has been furnished by the Borrower. Other than with respect to information concerning the Authority contained under the captions "INTRODUCTORY STATEMENT – The Authority" and "ABSENCE OF MATERIAL LITIGATION – The Authority" (as it relates to the Authority), none of the information in this Official Statement has been supplied or verified by the Authority, and the Authority makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Bonds or (iii) the tax status of the interest on the Bonds.

The summaries or descriptions of provisions in the Agreement and the Reimbursement Agreement contained herein and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all the pertinent provisions of such documents.

For further information, reference should be made to the complete documents, copies of which will be on file at the offices of the Underwriter prior to the delivery of the Bonds and thereafter at the designated corporate trust office of the Trustee for examination.

All projections, forecasts and other information in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the Borrower and the purchasers or holders of any of the Bonds.

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

The Borrower has reviewed the information contained herein which relates to the Borrower and has approved all such information for use within this Official Statement.

The agreement of the Authority with the holders of the Bonds is fully set forth in the Agreement, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting any agreement with the purchasers of the Bonds.

The use and distribution by this Official Statement has been duly authorized by the Authority and the Borrower.

ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS

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

APPROVED:

BLOOD CENTERS OF THE PACIFIC

By: /s/ Nora V. Hirschler, M.D.
President and Chief Executive Officer

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APPENDIX A

CERTAIN INFORMATION REGARDING THE INITIAL CREDIT FACILITY ISSUER

Wells Fargo Bank, National Association

Wells Fargo Bank, National Association (the “Bank”) is a national banking association organized under the laws of the United States of America and engages in retail, commercial and corporate banking, real estate lending and trust and investment services. At December 31, 2001, the Bank had total consolidated assets of \$140.7 billion, total deposits of \$70.6 billion and total shareholders’ equity of \$13.7 billion. The Bank is an indirect, wholly-owned subsidiary of Wells Fargo & Company, a diversified financial services company, a financial holding company and a bank holding company registered under the Bank Holding Company of 1956.

The principal banking office of the Bank is located at 420 Montgomery Street, San Francisco, CA 94104 (telephone number: 1-800-411-4932). Each quarter, the Bank files with the FDIC financial reports entitled “Consolidated Reports of Condition and Income for Insured Commercial Banks with Domestic and Foreign Offices,” commonly referred to as the “Call Reports.” The Bank’s Call Reports are prepared in accordance with regulatory accounting principles, which may differ from generally accepted accounting principles. The publicly available portions of the Call Reports may be obtained from the FDIC, Disclosure Group, Room F518, 550 17th Street, N.W., Washington, D.C. 20429 at prescribed rates, or from the FDIC on its Internet site at <http://www.fdic.gov>. The Bank’s Call Reports for the period ending December 31, 2001 are incorporated into this Official Statement by reference. Copies of the Bank’s Call Reports may also be obtained by writing to: Corporate Secretary’s Office, Wells Fargo Center, Sixth and Marquette, MAC N9305-173, Minneapolis, MN 55479.

Wells Fargo & Company files an annual and other reports containing audited and consolidated financial statements and other information with the Securities and Exchange Commission (the “SEC”), 500 North Capital Street N.W., Washington, D.C. 20549. Copies of these reports may be obtained from the SEC upon payment of copying charges and reports may be examined at SEC offices without charge.

The Bank will provide without charge to each person to whom this Official Statement is delivered, on the written request of any such person, a copy of the most recent Consolidated Report of Income and the consolidated Reports of Condition (all of which are incorporated herein by reference). Written requests should be directed to Wells Fargo & Company MAC 0163-029,343 Sansome Street, San Francisco, California 94163, Attention: Investor/Public Relations. These documents may also be obtained from the Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C., 20429, Attention: Disclosure Assistant.

The Letter of Credit is solely an obligation of Bank and will not be an obligation of, or otherwise guaranteed by, Wells Fargo & Company, and no assets of Wells Fargo & Company or any affiliate of the Bank or Wells Fargo & Company will be pledged to the payment thereof. Payment of the Letter of Credit will not be insured by the FDIC.

The foregoing information relates to and has been obtained from the Bank. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of the Bank since the date thereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

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APPENDIX B
INFORMATION CONCERNING
THE BORROWER

The information contained in this APPENDIX B has been obtained from Blood Centers of the Pacific.

TABLE OF CONTENTS

	<u>Page</u>
THE BORROWER.....	3
History and Background.....	3
Service Area and Services.....	4
Licenses and Accreditations; Regulation.....	4
Description of Facilities	4
Community Support	5
Governing Body	5
Management	6
Employees	6
Sources of Revenues.....	7
Competition.....	7
Other Indebtedness.....	7
Insurance and Litigation.....	7
Pension Plan	8
Summary Financial Information.....	8
Management’s Discussion and Analysis of Financial Information	9
Debt Service Coverage.....	10

BLOOD CENTERS OF THE PACIFIC

THE BORROWER

History and Background

Blood Centers of the Pacific, formerly known as Irwin Memorial Blood Centers, is a California nonprofit public benefit corporation (the “Borrower”) that is exempt from federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Borrower began operation as the first self-supporting community blood bank in the United States on June 12, 1941. The Borrower’s principal purposes and activities consist of the collection, processing and distribution of human blood to supply the blood and plasma needs of the communities served by the Borrower.

The Borrower’s primary facility is located in San Francisco, California. First constructed in 1954, this facility was expanded and refurbished in the late 1960’s and then again in the 1990’s. The original land acquisition and building construction were in large part the result of community fund raising efforts. The 1990’s expansion and renovation were largely funded with the proceeds of the Prior Bonds. The Borrower also operates eight satellite blood collection centers in rented facilities in San Francisco and other communities it serves.

In addition, to its blood banking activities, the Borrower conducts an active and internationally recognized research program. First started in 1959 by Dr. Herbert Perkins, the program is now under the leadership of Dr. Michael Busch. This program is dedicated to research that helps assure a safe and adequate blood supply. Program scientists are among the leaders in the field, adding vital knowledge to the areas of infectious disease monitoring and molecular surveillance of viruses (primarily HIV, HCV and HTLV). Research is conducted in the areas of using and approving molecular technology to detect and quantify minute quantities of infectious agents (or donor cells in recipients), developing and/or evaluating new genetic testing strategies, and developing new testing strategies to identify very recent viral infections.

In 1998, the Borrower merged with Peninsula Blood Bank, also a tax-exempt, nonprofit community blood center, primarily serving San Mateo County, to the immediate south of San Francisco. It was in connection with this merger that the Borrower changed its name from Irwin Memorial Blood Centers to Blood Centers of the Pacific.

In 1999, the Borrower affiliated with Blood Systems, Inc. (“BSI”), an Arizona nonprofit corporation and, at that time, the second largest blood banking organization in the nation, with revenues of approximately \$200 million annually. BSI conducts its blood banking activities through 18 regional operations in a number of states and at two centralized testing facilities in Tempe, Arizona and Bedford, Texas. Pursuant to the affiliation, BSI became the sole member of the Borrower under California law, with a variety of rights, including the right to appoint two members of the Borrower’s Board of Directors (the “Board”), to approve the nomination of all other Board members, to remove any Board member, to hire and terminate the President and Chief Executive Officer of the Borrower, to approve amendments to the Borrower’s Articles of Incorporation and Bylaws, to approve the Borrower’s auditors and to approve any major financing or corporate restructuring. The Borrower obtains various types of support and assistance from BSI, including the purchase of operating supplies, the use of blood testing services through BSI’s lab in Tempe, Arizona, and the acquisition of blood products to fill any shortfalls between the Borrower’s blood collections and the requirements of its hospital clients.

The Borrower’s operations can best be visualized as a process that begins with the recruitment of volunteer donors and ends with the distribution of blood products to hospital clients. The Borrower collects the blood it provides for patient use through eight fixed procurement sites located throughout its service area, and also through mobile units that are able to capture areas not within easy access to its fixed procurement centers and so as to encourage institutional, business and community support in the donation of blood. The Borrower currently obtains approximately 47 percent of its blood supply from its mobile operations. After blood is collected at the fixed and mobile procurement sites, it is processed at laboratories in the Borrower’s main San Francisco facility and is tested at the BSI laboratory in Tempe, Arizona. The Borrower’s operations are divided into thirty-five departments that provide both general and special blood products, procedures and services.

Over the past several years, however, the Borrower's blood collection efforts have failed to yield a sufficient volume of blood to satisfy the demands of its hospital clients, necessitating the Borrower's acquisition of blood from other blood banks. Since the affiliation with BSI, the Borrower has been able to satisfy its requirements for additional blood through purchases from BSI. The Borrower has engaged in various efforts to improve its collection volume, but so far has not been able to erase the shortfall between collections and demand.

Service Area and Services

The Borrower serves a wide range of communities in the California counties of San Francisco, Santa Clara, San Mateo, Contra Costa, Marin, Napa, Solano, Shasta, Trinity, Siskiyou and Modoc, and approximately 37 hospitals and other medical facilities (including hospitals within the Sutter Health, Catholic Healthcare West, Kaiser, University of California, San Francisco, and Adventist Health systems).

The Borrower serves the blood, blood component and blood product needs of its service area. In addition, the Borrower provides specialized products and services such as autologous donations (self-donation) and products drawn by Apheresis (separating blood into its components by machine at the time of drawing and returning unneeded components immediately to the donor). The Borrower also recruits bone marrow donors in support of the National Bone Marrow Donor Program, and maintains a bone marrow data bank.

Licenses and Accreditations; Regulation

Due to the nature of its activities, the Borrower is subject to the scrutiny of a variety of governmental and private regulatory bodies. The Borrower is, and is required to be, licensed or certified by, among others, the federal Food and Drug Administration and Centers for Medicare & Medicaid Services (formerly the Health Care Finance Administration), and the State of California Department of Health Services. The Borrower also is a charter member of, and is accredited by, the American Association of Blood Banks and a member of the Blood Centers of California, Inc. and the California Blood Bank Society.

The Food and Drug Administration ("FDA") is the regulatory agency with primary responsibility for the regulatory oversight of blood banks. Through the licensing and inspection of blood banks, the FDA enforces comprehensive regulations of the collection, processing, and disposition of blood and blood components.

In April 1996, BSI agreed to the terms of a Consent Decree of Permanent Injunction (the "Consent Decree") with the FDA which identified a series of measures aimed at assuring the safety of the nation's blood supply and BSI's blood centers. In the Consent Decree, BSI agreed to a timetable to improve its quality assurance programs, strengthen its formal training programs, and to assess management controls and structure. In addition, BSI agreed to make improvements in its computer system, its record management system, and its method for investigating suspected transfusion associated infections, and its method for deferring unsuitable donors.

Following the affiliation between BSI and the Borrower in March 1999, FDA notified the Borrower and BSI in March 2000 that the Borrower was subject to the requirements of the Consent Decree. The FDA now conducts periodic inspections of the Borrower's and BSI's blood centers to monitor compliance with the Consent Decree.

BSI and the Corporation are in compliance with the Consent Decree and have satisfied the requirements of the Consent Decree. The term of the Consent Decree is 4 years and it allows BSI to petition for relief from the decree. While the Borrower and BSI are devoting substantial resources to FDA regulatory compliance and believe that substantial progress has been made in this regard, no assurances can be provided when or under what circumstances the Borrower and BSI will be released from the Consent Decree.

Description of Facilities

The Borrower's principal facility in San Francisco, California, consists of an approximately 50,000 square-foot building which houses all corporate administrative functions, the principal blood drawing site, an Apheresis section, full processing laboratory, tissue-typing and reference laboratories, blood distribution facilities, a mobile staging area and a parking area. The building is situated on an approximately 64,000 square-foot parcel at the

intersection of Masonic Avenue and Turk Street. Although the building is considered a lawfully established non-conforming use pursuant to the City’s Planning Code, and although the City’s Planning Code provides that the non-conforming status eventually expires on May 2, 2005, the City’s Planning Code was amended in 1978 to include a provision creating an exemption to the termination of non-conforming status for uses of a limited commercial character such as the Borrower’s principal facility. It is the interpretation of the City’s zoning administrator that the Borrower can continue using its facility at Masonic Avenue and Turk through the year 2022 and beyond.

The Borrower also operates blood drawing centers in leased facilities in San Francisco, Burlingame, Redwood City, Novato, Fairfield, San Rafael, Vallejo and Redding, California.

Community Support

The Borrower is a community-based nonprofit organization. Historically, the Borrower did not actively seek financial support from the local community. However, in the past few years, the Borrower has sought and obtained gifts and grants from private foundations and other community institutions, and the Borrower intends to increase community funding of its activities through gift-giving programs in the future. In this regard, the Borrower recently has added a professional fund-raiser to its staff.

Governing Body

Except for the rights reserved to BSI (see “History and Background”), the business and affairs of the Borrower are managed, and all corporate powers are exercised by or under the direction of the Board. The Board, which has an authorized membership of not less than nine nor more than thirteen, meets with senior management staff bi-monthly. Board members serve for three-year terms and are elected on a staggered-term basis by a majority vote of the Board at its annual meeting or by written consent of the Board, with the exception of two Board members who are appointed by BSI. All other Board members are nominated by a Nominating Committee and, upon the acceptance of the nominees by BSI, are voted on by the full Board. Currently, the Board has sixteen members and intends to reduce the number of Board members by natural attrition to thirteen in accordance with the Borrower’s Bylaws. Current members of the Board, their titles, occupations and the term expiration dates are shown in the following table:

<u>Name and Title</u>	<u>Occupation</u>	<u>Term Expires</u>
Thomas Jackson, M.D., Chairman	Pathologist	2003
Lage Anderson, Vice Chairman	Attorney	2004
William Green, Secretary	General Counsel, Chiron Corporation	2003
Nora V. Hirschler, M.D. Treasurer	President/CEO of the Borrower	(2)
J. Daniel Connor (1)	President/CEO of BSI	2003
C.E. Cooney (1)	Retired Broadcast Executive	2003
Mark Oscherwitz, M.D.	Physician	2003
Lawrence L. Bohannon, M.D.	Nephrologist, Transplant Specialist	2003
Diane Gerard	Retired	2004
Frank M. Jordan	Former Mayor of San Francisco	2005
W. Noel McNabola	Certified Public Accountant	2004
Mark Patterson, M.D.	Physician	2004
Mark T. Schieble	Attorney	2004
Garret Schalz	President/CEO of Private Company	2004
Daniel P. Stites, M.D.	Physician	2005
Phyllis Weber	Executive Director, California Transplant Donor Network	2004

(1) Appointed to Borrower’s Board of Directors by BSI.

(2) Serves *ex officio* by virtue of serving as the Borrower’s President/CEO.

The Borrower also has a Scientific Advisory Committee composed of physicians in practice in the Borrower's service area, which keeps the Board and management abreast of new scientific developments in blood banking. Except for the selection of the President and Chief Executive Officer by BSI, the Board has responsibility for the selection and removal of all officers of the Borrower.

Management

The day-to-day operations of the Borrower are handled by the following key administrative staff of the Borrower:

NORA V. HIRSCHLER, M.D., Chief Executive Officer/President. Dr. Hirschler, age 56, became the Borrower's President and Chief Operating Officer in 1999. She was made President and Chief Executive Officer of the Borrower in 2000. From 1995 until 1999, she served as Vice President Medical Affairs and Medical Director for the Borrower. Dr. Hirschler received an M.D. degree from Rosario University in Argentina in 1970. Dr. Hirschler is certified by the American Board of Pathology in both Clinical Pathology and Blood Banking and Transfusion. She also received certification from England's Medical Royal College of Pathology. She is a member of several clinical societies and associations, including the American Association of Blood Banks, the American Society of Apheresis, the California Blood Bank Society and the American Society of Clinical Pathologists, among others. Dr. Hirschler is the current Chair of the Scientific Committee of the California Blood Bank Society.

ROGER K. SVOBODA, Chief Operating Officer. Mr. Svoboda, age 55, first served the Borrower as its Administrator from 1988 to 1992. Recently, in January of 2002, Mr. Svoboda was rehired by the Borrower to serve as its Chief Operating Officer. Previously, Mr. Svoboda was Administrator at the Stanford Medical School Blood Center in Palo Alto, California. Mr. Svoboda received a Bachelor of Arts degree in Biology from Western Washington State University (1969), a Masters degree in Clinical Science from San Francisco State University (1978), and a Masters degree in Business Administration from San Jose State University (1982). He is a licensed Medical Technologist, certified as a specialist in Blood Banking and is a member of the American Association of Blood Banks and the California Blood Bank Society. Mr. Svoboda is a past president of the California Blood Banks Society and has been a board member of several blood bank societies and associations. Mr. Svoboda has also authored several papers and articles on blood banking related topics.

JACK FISCHER, Chief Financial Officer. Mr. Fischer, age 61, became the Borrower's Chief Financial Officer in 1998. Previously, he had served as Vice President, Finance and MIS at Goodwill Industries of the Greater East Bay, Inc., Oakland, California, since 1989. Before that, he held positions in accounting and finance with other commercial and accounting firms. Mr. Fischer graduated from Loyola College, Baltimore, Maryland, with a Bachelor of Science degree in Mathematics in 1962. He received a Masters of Business Administration degree in Accounting from Seattle University in 1980. Mr. Fischer is also a Certified Public Accountant.

MICHAEL BUSCH, M.D., PhD, Vice President Research and Scientific Services. Dr. Busch, age 44, joined the Borrower in 1986 as its Assistant Scientific Director. Since that time Dr. Busch has continued to hold positions of increasing responsibility with the Borrower and has been its Vice President Research and Scientific Services since 1994. Dr. Busch graduated from the University of California, Santa Barbara with a Bachelor of Arts degree in Pharmacology in 1977. In 1982 he received a Master of Science degree in Experimental Pathology and an M.D. degree from the University of Southern California. He was awarded his Ph.D. in Experimental Pathology in 1985, also from the University of Southern California. Dr. Busch is certified in Clinical Pathology and Blood Banking and Transfusion Medicine. He is currently with the Department of Laboratory Medicine at the University of California, San Francisco. Dr. Busch is a member of several clinical societies and associations including the American Society of Clinical Pathology, the American Association of Blood Banks, the California Blood Bank Society and the International Society of Blood Transfusion, among others. In addition to his responsibilities at the Borrower and with the University of California, San Francisco, Dr. Busch holds various professional appointments in his field.

Employees

As of December 31, 2001, the Borrower employed approximately 400 full-time equivalent employees (approximately 300 full-time and 120 part-time). Included in this group are physicians, medical technologists,

technical assistants, registered nurses, licensed vocational nurses, medical assistants, administrative and management personnel. The Borrower has two collective bargaining agreements with the Service Employees International Union covering approximately 25% of its employees. The Borrower's two collective bargaining agreements expire on May 31, 2003, and on January 31, 2005. Management believes that its employee relations are good.

Sources of Revenues

The hospitals that the Borrower serves pay for a majority of the services and products the Borrower provides. The Borrower's three largest hospital customers for 2001 were the University of California Medical Center of San Francisco, Sutter Health and Kaiser, which, in the aggregate, accounted for approximately 67 percent of hospital revenues received by the Borrower during 2001. The Borrower has historically received the vast majority of its revenues (approximately 80 percent) from the hospitals which it serves. A percentage breakdown of the Borrower's gross revenues derived from its operations for the three-year period ended December 31, 2001, is as follows:

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Hospital Paid Fees for Services	80%	78%	81%
Grants/Contracts ⁽¹⁾	14	12	12
Miscellaneous ⁽²⁾	<u>6</u>	<u>10</u>	<u>7</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Source: Borrower records.

⁽¹⁾ Grants and contracts generally fund research programs conducted by the Borrower.

⁽²⁾ Consists of interest income and other operational income.

Competition

The Borrower has been subject to increased competition over the past several years, both in the collection of blood from donors and in the sale of blood and blood products to hospitals. Increased competition has come from at least one large national blood bank organization as well as community-based blood banks. Such competition has limited the Borrower's ability to impose price increases for its products commensurate with increases in its costs of collection and processing and, at times, has required the Borrower to offer discounts to hospital clients to maintain their business. Management intends to continue to monitor competitive developments and to price its products with a view to striking a reasonable balance between sufficient profitability to enable the Borrower to satisfy its debts and fund capital replacement and maintenance of its current market share.

Other Indebtedness

The Borrower's only indebtedness, other than the Prior Bonds, consists of several capital lease obligations which had an aggregate principal balance of approximately \$116,000 as of December 31, 2001.

Insurance and Litigation

The Borrower carries general liability insurance in the amount of \$1 million for each claim and \$3 million annual aggregate limit with Lexington Ins. Co. and professional liability insurance in the amount of \$2,000,000 for each claim and \$4,000,000 annual aggregate limit with Medical Insurance Exchange of California. The Borrower also carries all standard business insurances, including worker's compensation, fire, auto, blanket bond, fiduciary responsibility, and directors and officers liability insurance covering the Facilities, including leased facilities. The Borrower's insurance advisor, Willis, reviews these coverages, other than the professional liability insurance coverages, annually for adequacy and makes recommendations to the Board if changes in coverage are warranted.

Earthquake insurance is not carried by the Borrower, nor does it anticipate carrying earthquake insurance in the near future due to the fact that such coverage is not financially feasible. However, there was virtually no damage to the Borrower's facilities during 1989 Loma Prieta earthquake.

The Borrower is sued from time by individuals who claim to have been injured in connection with transfusions of blood collected and processed by the Borrower or otherwise in connection with the Borrower's activities. The Borrower has never paid any claims in excess of applicable insurance coverage. The Borrower does not have any pending claims in excess of allowable insurance coverage limits.

Pension Plan

The Borrower maintains a cash balance defined benefit plan formed to provide eligible employees with retirement benefits in accordance with Section 401(a) of the Internal Revenue Code. The plan was established on January 1, 1998, with the merger of the Income Plan for Employees of Peninsula Blood Bank into the Pension Plan of Irwin Memorial Blood Centers. Under the merged plan, all employees are eligible to participate in the plan after completing one year of eligible service and reaching age 21. Benefits are fully vested after five years of service. The Borrower generally pays for all costs of administering the plan and any expense that the trustee incurs for the plan. Any expenses and fees not paid by the Borrower will be paid from the trust fund. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974.

The plan currently invests in two funds managed by its investment manager, Miller Anderson & Sherrerd, LLP. Plan assets consist of investments in common stocks, U.S. Treasury notes and bonds, obligations of other U.S. government agencies, common investment funds and corporate bonds.

The Borrower's funding policy is to make contributions annually to the plan that are not less than the minimum funding requirements under law. Contributions are based on calculations performed by an independent actuary which are expected to be enough to provide present and future benefits. The contributions and their investment earnings are maintained in a trust established pursuant to a trust agreement between the Borrower and Wells Fargo Bank. For the year ended December 31, 2000, the Borrower made a contribution of \$650,449 as determined by the actuary to meet the minimum funding requirement. In addition, as a result of two assumption changes for salary progression and discount rate percentages and an actuarial undervaluation of the Borrower's benefit obligations during 1999, a minimum liability was required to be recorded in the amount of \$1,618,000.

The Borrower also offers its employees the opportunity to participate in a tax-deferred annuity program described in Section 403(b), which is administered by an insurance company. There is no expense to the Borrower in connection with this program.

Summary Financial Information

The following summary financial information of the Borrower for the years ended December 31, 1999, 2000 and 2001, has been derived from the supplemental schedules of combining statements attached to BSI's financial statements. As of December 31, 1999, 2000 and 2001, the total assets of the Borrower stood at \$24,087,082, \$24,980,059 and \$24,709,837, respectively (including current assets of \$9,096,767, \$10,848,916 and \$10,737,507, respectively). Total liabilities of the Borrower as of the same times were \$12,000,721, \$13,460,627 and \$12,060,929, respectively (including current liabilities of \$5,191,721, \$4,703,205 and \$4,206,268, respectively).

The following summary financial information for the two-month periods ended February 28, 2001 and 2002 include, in the opinion of management, all adjustments necessary for a fair presentation of the activities of such periods. Results for an interim period should not be considered indicative of the results for a full year.

	Year Ended December 31			Two Months Ended February 28	
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2001</u>	<u>2002</u>
Operating Revenues and Support:					
Blood and component service fees	\$ 16,954,561	\$ 19,349,554	\$ 20,816,984	\$ 3,462,759	\$ 4,048,384
Apheresis service fees	6,779,220	7,595,231	7,771,632	1,162,215	1,421,366
Recovered plasma revenue	593,984	959,961	1,112,853	160,692	146,541
Pharmaceutical products revenue	735,993	1,876,109	0	0	0
Laboratory services	1,467,537	1,142,429	1,015,073	165,083	266,011
Other revenue	4,446,724	4,394,229	4,595,425	747,427	814,002
Investment income	<u>94,167</u>	<u>65,491</u>	<u>79,639</u>	<u>0</u>	<u>21</u>
Total operating revenues and support	<u>31,072,186</u>	<u>35,383,004</u>	<u>35,391,606</u>	<u>5,698,176</u>	<u>6,696,325</u>
Operating Expenses:					
Cost of services	24,516,021	20,660,856	21,966,746	4,044,572	4,287,907
Distribution	1,757,954	1,430,996	1,397,109	229,015	227,830
Pharmaceutical products purchases	492,685	1,748,946	0	0	0
General and administrative	5,363,606	9,958,801	10,668,542	1,202,200	1,448,690
Interest	<u>524,208</u>	<u>532,334</u>	<u>453,733</u>	<u>84,337</u>	<u>84,447</u>
Total operating expenses	<u>32,654,474</u>	<u>34,331,933</u>	<u>34,486,130</u>	<u>5,560,124</u>	<u>6,048,874</u>
Increase/Decrease in Unrestricted Net Assets	(1,582,288)	1,051,071	905,476	138,052	647,451
Minimum Pension Liability Adjustment	0	(1,618,000)	224,000	0	0
Unrestricted Net Assets, Beginning of Year	<u>13,668,649</u>	<u>12,086,361</u>	<u>11,519,432</u>	<u>11,519,432</u>	<u>12,648,908</u>
Unrestricted Net Assets, End of Year	<u>\$ 12,086,361</u>	<u>\$ 11,519,432</u>	<u>\$ 12,648,908</u>	<u>\$ 11,657,484</u>	<u>\$ 13,296,359</u>

Source: Supplemental Schedule of Combining Statements attached to BSI's financial statements as of December 31, 1999, 2000 and 2001.

Management's Discussion and Analysis of Financial Information

Revenues for the Borrower in the year 2001 were \$35,391,606. The majority of the Borrower's revenues originated from contracts with hospitals to provide human blood and blood products for transfusion medicine. Additional revenue was received from research grants in the amount of \$4,304,759 in 2001, an increase of approximately \$400,000 over 2000. Management of the Borrower expects to increase research grants by over \$1,000,000 in 2002 relative to 2001.

The challenge in blood banking has always been the balance of attracting voluntary, unpaid donors to give blood with the ever increasing regulations that result in deferring or eliminating the number of qualified donors. In 2001, the Borrower collected 106,507 units of blood, an increase of 7.1% over the previous year. The above-referenced increase in revenue and net profits was attributable, at least in part, to the ability to secure price increases for the first time after several years of price decreases due to competitive pressures. However, the Borrower continues to need to purchase blood from other blood banks, as it is unable to collect all blood required by its hospital clients. In 2001, the Borrower imported 18,568 units of blood, or approximately 15.5% of the total units of blood distributed by the Borrower in 2001. While the events of September 11th have significantly increased the number of donors willing to give blood and the Borrower will be placing efforts on encouraging these donors to continue to donate in the future, recent collections indicate that collection volume has decreased to pre-September 11th levels.

Payroll constitutes some 48% of the Borrower's expenses. With increased profitability, the Borrower determined to increase wages in order to reduce employee turnover and offer more competitive wages in order to attract and retain qualified employees. This has had a profound affect on its efficiency. In 2002, the Borrower anticipates a 5% pay increase for all personnel and larger increases for nurses and other critical employees.

For the first two months of the calendar year 2002, the Borrower had net income of \$647,451, significantly over budgeted expectations. With the combination of price increases and continued efficiencies in its operations this

year the Borrower anticipates continued profitability. The continued profitability has also enhanced the Borrower's cash position and improved its debt to equity position.

Debt Service Coverage

The following table sets forth, for each of the three calendar years ended December 31, 2001, the total funds available to pay the Borrower's debt service and the extent to which such revenues covered debt service requirements on the Prior Bonds during the period.

	Year Ended December 31		
	(In Thousands)		
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Increase (Decrease) in Unrestricted Net Assets	(\$1,582)	\$1,051	\$ 905
Add: Depreciation and Amortization	941	945	1,088
Interest Expense	<u>524</u>	<u>532</u>	<u>454</u>
Total Available for Debt Service	(\$117)	\$2,528	\$2,447
Maximum Annual Bond Debt Service	<u>\$673</u>	<u>\$673</u>	<u>\$673</u>
Historical Debt Service Coverage ⁽¹⁾	(0.17x)	3.76x	3.64x

Source: Borrower records.

⁽¹⁾ Calculated as the quotient obtained by dividing total available for debt service by actual debt service on the Prior Bonds for the years indicated.

APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

The following are definitions of certain words and terms used in this Official Statement. All capitalized terms not defined in this Official Statement have the meanings set forth in the Agreement.

“*Act*” means California Government Code Section 6500 and following, as amended from time to time.

“*Additional Bonds*” means any series of bonds issued by the Authority pursuant to the Agreement and secured on a parity basis with the Bonds.

“*Alternate Credit Facility*” means an irrevocable direct-pay letter of credit, a bond insurance policy or other credit enhancement or support facility (other than the Initial Credit Facility) issued, entered into or delivered by a Credit Facility Issuer to the Trustee for the benefit of the Holders.

“*Authenticating Agent*” means the Trustee or any successor appointed pursuant to the Agreement.

“*Authorized Officer*” means (i) in the case of the Authority, the President, Public Finance Director, Chief Financial Officer or Secretary of the Authority, and when used with reference to an act or document of the Authority also means any other Person authorized to perform the act or execute the document, and (ii) in the case of the Borrower, the Chief Financial Officer of Blood Systems, Inc., the parent of the Borrower or authorized designees as may be appointed by such Chief Financial Officer and when used with reference to an act or document of the Borrower, also means any other Person or Persons authorized to perform the act or execute the document.

“*Bank Bonds*” means Bonds tendered for purchase by the Holders thereof pursuant to the Agreement that are purchased with moneys received by the Paying Agent from a demand for payment under the Credit Facility then in effect and held by the Registrar (or other custodian) for the Credit Facility Issuer pursuant to the Agreement.

“*Bondholder*,” “*Holder*,” “*Owner*” or “*Registered Owner*” means (a) with respect to the Bonds, the registered owner of any of the Bonds from time to time as shown in the books kept by the Registrar and (b) with respect to Additional Bonds, the persons or entities identified in accordance with the provisions of the Supplemental Agreement pursuant to which such Additional Bonds shall be issued.

“*Bond Purchase Contract*” means, for the Bonds, the Bond Purchase Contract among the Authority, the Borrower and Wells Fargo Brokerage Services, LLC relating to the purchase of the Bonds.

“*Business Day*” means a day of the year other than (a) a Saturday or a Sunday, (b) a day on which banks located in the State of California or New York or any other state in which is located the principal office of the Remarketing Agent or the Credit Facility Issuer, or the Drawing Office of the Credit Facility Issuer or the Principal Office of the Trustee or of the Paying Agent, are required or authorized by law or other governmental action to be closed or (c) a day on which the New York Stock Exchange or the Depository is closed.

“*Closing Date*” means the date of issuance and delivery of the Bonds.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, or where pertinent, its statutory predecessor, the Internal Revenue Code of 1954, as amended (the “1954 Code”). References to the Code and Sections of the Code include relevant applicable regulations and proposed regulations thereunder and under the 1954 Code, as amended from time to time, and any successor provisions to those Sections, regulations or proposed regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Bonds.

“*Commercial Paper Rate*” means, when used with respect to any particular Bond, the interest rate determined for each Commercial Paper Rate Period applicable thereto pursuant to the Agreement.

“*Commercial Paper Rate Period*” means a period during which a Bond bears interest at a Commercial Paper Rate.

“*Computation Date*” means, for the Bonds, each date (including the date on which the Bonds are paid in full) on which the Rebate Amount for the Bonds is computed or is required to be computed in accordance with Section 148(f) of the Code.

“*Conversion Date*” means a day on which all or a portion of the Bonds are converted to bear interest from one Variable Rate to a different Variable Rate in accordance with the terms of the Agreement.

“*Credit Facility*” means (a) the Initial Credit Facility, (b) upon the issuance and effectiveness thereof, any Alternate Credit Facility; and (c) any extension of (a) or (b).

“*Credit Facility Account*” means the Credit Facility Account created within the Bond Fund pursuant to the Agreement.

“*Credit Facility Issuer*” means the Initial Credit Facility Issuer, with respect to the Initial Credit Facility, or the issuer of any Alternate Credit Facility then in effect.

“*Daily Rate*” means the interest rate to be determined for the Bonds on each Business Day pursuant to the Agreement.

“*Daily Rate Period*” means a period during which the Bonds bear interest at a Daily Rate.

“*Defeasance Account*” means the Defeasance Account created within the Bond Fund pursuant to the Agreement.

“*Defeasance Obligations*” means the noncallable Permitted Investments defined in clauses (a) and (i) of such definition.

“*Drawing Office of the Credit Facility Issuer*” means the office specified in the Credit Facility as the office at which certificates for drawings on the Credit Facility are to be presented.

“*Electronically*” or “*Electronic*” notice means notice transmitted through a time-sharing terminal or facsimile machine, if operative as between any two parties, or if not operative, by telephone (promptly confirmed in writing).

“*Eligible Funds*” means (i) the proceeds of drawings under the Credit Facility deposited into the Credit Facility Account, (ii) proceeds deposited into the Defeasance Account from the sale of refunding obligations other than, directly or indirectly, to the Authority, the Borrower or any other obligor, or any “insider” of any of them (as that term is defined in Section 101(3) of the U.S. Bankruptcy Code), (iii) money on deposit in the Borrower Account for a period of 123 days (or 365 days if the source of such deposit was an “insider” within the meaning of the U.S. Bankruptcy Code) during which there shall not have occurred the filing of a voluntary or involuntary petition in bankruptcy under the U.S. Bankruptcy Code, or the commencement of a proceeding under any other applicable laws concerning insolvency, reorganization or bankruptcy, by or against the Borrower or the Authority, and (iv) other moneys in the Bond Fund for which the Borrower delivers to the Trustee an opinion of Bankruptcy Counsel to the effect that payments on the Bonds from such moneys will not constitute voidable preferences under Section 547 of the U.S. Bankruptcy Code in the event a petition in bankruptcy is subsequently filed by or against the Borrower or the Issuer.

“*Event of Default*” shall have the meaning given such term under the heading “Default by the Borrower” in this Appendix C.

“*Fitch*” means Fitch Ratings, and its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Fitch” shall be deemed to refer to any

other nationally recognized security rating organization designated by an Officer's Certificate, by notice of the Trustee.

"Funds" shall mean the Bond Fund, the Expense Fund and the Project Fund, including the accounts therein, established pursuant to the Agreement.

"Government Obligations" means (i) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (ii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (iv) stripped securities where the principal-only and interest-only strips of noncallable obligations are issued by the United States Treasury Department or interest portions of REFCORP securities stripped by the Federal Reserve Bank of New York.

"Independent" means an individual who is not, or a firm no member, stockholder, director, officer or employee of which is, an officer, member, director or employee of the Borrower or an affiliate or any organization which controls, or is under common control with, the Borrower.

"Initial Credit Facility" means the irrevocable direct-pay letter of credit to be issued by Wells Fargo Bank, National Association, as the Initial Credit Facility Issuer, and delivered to the Trustee concurrently with the initial delivery of the Bonds and being an irrevocable obligation to make payment to the Trustee of up to the amounts therein specified with respect to (i) the principal amount of the Bonds Outstanding to enable the Trustee to pay (A) the principal amount of the Bonds when due at maturity or upon redemption or acceleration, and (B) an amount equal to the principal portion of the purchase price of any Bonds tendered for purchase by the Holders thereof, plus (ii) 45 days' accrued interest at the Maximum Rate to enable the Trustee to pay (A) interest on the Bonds when due and (B) an amount equal to the interest portion, if any, of the purchase price of any Bonds tendered for purchase by the Holders thereof, as the same may be transferred, reissued, extended, amended to change the interest coverage period as contemplated in the Agreement, or replaced in accordance with the Agreement.

"Initial Credit Facility Issuer" means together Wells Fargo Bank, National Association and Wells Fargo Bank Arizona, National Association.

"Interest Payment Date" means, so long as the Bonds bear interest at a Daily Rate or Weekly Rate, the first Business Day of each calendar month to which interest at such rate has accrued.

"Interest Period" means, for the Bonds, the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date, as applicable, provided, however, that the first Interest Period shall begin on (and include) the date of original issuance of the Bonds and the final Interest Period shall end on (and include) the day immediately preceding the Maturity Date.

"Loan Documents" means the Reimbursement Agreement and any other agreements, documents or instruments evidencing guarantying, securing or otherwise relating to the Reimbursement Agreement, as such agreements, documents and instruments may be amended, modified, extended, renewed or supplemented from time to time.

"Maturity Date" means, for the Bonds, April 1, 2022.

"Maximum Rate" means, for the Bonds, (excluding Bank Bonds), the lesser of the maximum rate permitted by law or the Maximum Rate (as such term is defined in the Reimbursement Agreement).

"Moody's" means Moody's Investor Services, Inc., and its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized security rating organization designated by an Officer's Certificate, by notice of the Trustee.

“*Officer’s Certificate*” means a certificate signed by an Authorized Officer of the Borrower.

“*Opinion of Bond Counsel*” means an opinion of any firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by municipalities, and duly admitted to practice law before the highest court of any state of the United States and acceptable to the Credit Facility Issuer.

“*Opinion of Counsel*” means a written opinion of an Independent attorney or firm of attorneys selected by the Borrower and (except as otherwise provided in the Agreement) may either be counsel for the Borrower or the Trustee.

“*Outstanding*,” when used with respect to Parity Bonds, refers to Parity Bonds (including Bank Bonds) issued under the Agreement, excluding: (i) Parity Bonds which have been exchanged or replaced, or delivered to the Trustee for cancellation or credit against a sinking fund installment; (ii) Parity Bonds which have been paid and all amounts due and payable to the Credit Facility Issuer have been paid; (iii) Parity Bonds which have become due and for the payment of which moneys have been duly provided to the Trustee and all amounts due and payable to the Credit Facility Issuer have been paid; (iv) Parity Bonds for which there have been irrevocably set aside with the Trustee sufficient money or Defeasance Obligations bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal of, premium, if any, and interest on such Parity Bonds as described under the caption “Defeasance” in this Appendix C; provided, however, that if any such Parity Bonds are to be redeemed prior to maturity, the Authority shall have taken all action necessary to redeem such Parity Bonds and notice of such redemption shall have been duly mailed in accordance with the Agreement or irrevocable instructions so to mail shall have been given to the Trustee, and (v) on or after any purchase date for the Parity Bonds pursuant to the Agreement, all Parity Bonds (or portions of Parity Bonds) which are tendered or deemed to have been tendered for purchase on such date, but which have not been delivered to the Paying Agent, provided that funds sufficient for such purchase are on deposit with the Paying Agent in the appropriate accounts in accordance with the provisions in the Agreement.

“*Parity Bonds*” means collectively the Bonds and any Additional Bonds issued pursuant to the Agreement that are outstanding.

“*Paying Agent*” means the Trustee and any successor Paying Agent designated from time to time pursuant to the Agreement.

“*Permitted Investments*” means any of the following:

- (a) Government Obligations.
- (b) Federal Housing Administration debentures.
- (c) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America: (i) Freddie Mac: Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) and Senior Debt obligations; (ii) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives): Consolidated system-wide bonds and notes; (iii) Federal Home Loan Banks (FHL Banks): Consolidated debt obligations; (iv) Fannie Mae: Senior debt obligations and Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts); (v) Student Loan Marketing Association (SLMA): Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date); (vi) Financing Corporation (FICO): Debt obligations; and (vii) Resolution Funding Corporation (REFCORP): Debt obligations.
- (d) Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated in one of the three highest rating categories by a Rating Agency.

(e) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.

(f) Commercial paper (having original maturities of not more than 270 days) rated in the highest short term rating category by a Rating Agency.

(g) Money market funds rated in one of the two highest rating categories by a Rating Agency and such funds shall include those funds for which the Trustee or its affiliates receive a fee for services on the fund..

(h) “State Obligations”, which means: (i) obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated in one of the three highest rating categories by a Rating Agency.

(i) Pre-refunded municipal obligations rated in the highest rating category by a Rating Agency and meeting the following requirements: (i) the municipal obligations are (A) not subject to redemption prior to maturity or (B) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; (ii) the municipal obligations are secured by cash or Government Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations; (iii) the principal of and interest on the Government Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”); (iv) the cash or Government Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations; (v) no substitution of a Government Obligation shall be permitted except with another Government Obligation and upon delivery of a new Verification; and (vi) the cash or Government Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(j) Repurchase agreements, approved by the Credit Facility Issuer:

(i) With (A) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated in one of the three highest rating categories by a Rating Agency; or (B) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated in one of the three highest rating categories by a Rating Agency, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (C) any other entity in one of the three highest rating categories by a Rating Agency;

(ii) provided that: (i) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to a Rating Agency to maintain a rating in one of its three highest rating categories; (II) The Trustee or a third party acting solely as agent therefor or for the Issuer (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books); (III) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); (IV) All other requirements of a Rating Agency in respect of repurchase agreements shall be met;

(iii) The repurchase agreement shall provide that if during its term the provider’s rating by a Rating Agency is withdrawn or suspended or falls below a rating in one of the three highest rating categories by a Rating Agency, the provider must, at the direction of the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Trustee; and

(iv) Notwithstanding (ii) above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (ii)(i) above, so long as such collateral levels are 103% or better and the provider is rated in one of the three highest rating categories by a Rating Agency.

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated in one of the three highest rating categories by a Rating Agency; provided that the investment agreement has been approved by the Credit Facility Issuer and that, by the terms of the investment agreement:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Parity Bonds;

(ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Trustee hereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(iii) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof; or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks pari passu with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;

(iv) the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);

(v) the investment agreement shall provide that if during its term (i) the provider's rating by a Rating Agency falls below its three highest rating categories, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (A) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to a Rating Agency to maintain a rating in its two highest rating categories; or (B) repay the principal of and accrued but unpaid interest on the investment, and (II) the provider's rating by a Rating Agency is withdrawn or suspended or falls below its two highest rating categories, the provider must, at the direction of the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee;

(vi) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(vii) the investment agreement must provide that if during its term (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate, and (II) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee.

(l) So long as the Parity Bonds are secured by a Credit Facility, any other investment that is approved in writing by the Credit Facility Issuer and is permitted under the Act.

“*Person*” means any natural person, firm, joint venture, association, partnership (including without limitation, general and limited partnerships), society, estate, trust, corporation, limited liability company, public body; agency or political subdivision thereof or any other similar entity.

“*Principal Office*” of the Trustee or the Paying Agent, as applicable, means the office designated as such by the Trustee or the Paying Agent, as applicable, in writing to the Authority, the Borrower, the Trustee, the Paying Agent, the Credit Facility Issuer, the Registrar and the Remarketing Agent.

“*Prior Bonds*” means the City and County of San Francisco Insured Revenue Bonds (Irwin Memorial Blood Centers), 1991 Series A, dated as of December 1, 1991, that are outstanding.

“*Project Fund*” means the Project Fund created under the Agreement.

“*Rate Period*” means, for the Bonds, a period during which a particular rate of interest determined for the Bonds is to remain in effect until a subsequently determined rate of interest becomes effective pursuant to the Agreement. In any case, the final Rate Period shall end on (and include) the day immediately preceding the Maturity Date.

“*Rating Agency*” means any one of Moody’s, S&P or Fitch which is maintaining a rating on the Parity Bonds.

“*Rebate Amount*” means, for the Bonds, as of each Computation Date for the Bonds, an amount equal to the sum of (i) plus (ii), computed in accordance with Section 148(f) of the Code, where:

(i) is the excess of

(a) the aggregate amount earned from the date of issuance of the Bonds (or during the computation period in case of a variable yield issue) on all nonpurpose investments in which gross proceeds of the Bonds are invested (other than investments attributable to an excess described in this clause (i)) including any gain or deducting any loss from disposition of nonpurpose investments, over

(b) the amount that would have been earned if those nonpurpose investments (other than amounts attributable to an excess described in this clause (i)) had been invested at a rate equal to the yield on the Bonds; and

(ii) is any income attributable to the excess described in clause (i) of this definition.

“*Rebate Consultant*” means an Independent certified public accounting firm or other qualified Independent Persons or firms with knowledge of or experience in giving advice with respect to the provisions of Section 148(f) of the Code designated by the Borrower and reasonably acceptable to the Authority.

“*Registrar*” means the Trustee until a successor Registrar shall have become such pursuant to applicable provisions of the Agreement.

“*Related Bond Documents*” means, for the Bonds, the Bond Purchase Agreement, the Remarketing Agreement and any other document relating to the Bonds, the security therefor or the federal tax-exempt status thereof.

“*Related Documents*” means the Initial Credit Facility, the Agreement, the Bonds and any exhibits thereto.

“*Remarketing Agent*” means, initially, Wells Fargo Brokerage Services, LLC and any successor Remarketing Agent appointed pursuant to the Agreement.

“*Remarketing Agreement*” means the Remarketing Agreement, dated as of May 1, 2002, between the Remarketing Agent, the Borrower and Blood Systems, Inc., as amended from time to time.

“*S&P*” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns.

“*Supplemental Agreement*” means any agreement amending or supplementing the terms of the Agreement.

“*Term Rate*” means the interest rate to be determined pursuant to the Agreement for the Bonds for a term of six months or whole multiples of six months or to the Maturity Date.

“*Term Rate Period*” means a period during which the Bonds bear interest at a particular Term Rate.

“*Trustee*” means U.S. Bank National Association, and any successor trustee designated pursuant to the Agreement.

“*Variable Rate*” means, with respect to the Bonds, the Commercial Paper Rate, Daily Rate, Weekly Rate or Term Rate applicable from time to time to Bonds exclusive of a Term Rate through the Maturity Date.

“*Weekly Rate*” means the interest rate to be determined for the Bonds on a weekly basis pursuant to the Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

AS DESCRIBED BELOW, THE CREDIT FACILITY ISSUER WILL HAVE THE RIGHT (WITH LIMITED EXCEPTIONS) TO CONSENT ON BEHALF OF THE HOLDERS OF THE BONDS TO AMENDMENTS TO THE AGREEMENT WITHOUT NOTICE TO OR CONSENT OF THE HOLDERS OF THE BONDS.

The following summarizes certain provisions of the Agreement; however, it is not a comprehensive description and reference is made to the full text of the Agreement for a complete recital of its terms, copies of which are available for inspection as described under “MISCELLANEOUS” herein.

Creation of Trust

By the terms of the Agreement, the Authority will:

(a) transfer and absolutely and irrevocably assign to the Trustee, any right, title and interest of the Authority in the Funds, all moneys deposited therein and the investment earnings on such moneys and any securities in which moneys in the Funds are invested and the proceeds derived therefrom (except for any investment income that is required to be rebated to the United States under the Code); and

(b) further grant a security interest in, assign, pledge and set over to the Trustee for the securing of the performance of the obligations of the Authority set forth in the Agreement: (i) the rights, title and interest of the Authority under the Agreement, except for the Authority’s rights to inspect books and records and give or receive notices, approvals, consents, requests, and other communications, payment or reimbursement for expenses, limitation of liability and indemnification from liability by the Borrower, and certain rights of the Authority under the Agreement, (ii) all of the Authority’s rights, whether currently existing or hereafter acquired, to receive and enforce repayment of its loan of the proceeds of the Parity Bonds to the Borrower and to enforce payment of the Parity Bonds and all proceeds of such rights and loan and (iii) all revenues to be received from the Borrower, but not including funds received by the Authority for its own use, whether as its annual fee, reimbursement, or indemnification, and the rights thereto; and

(c) subject to the provisions of the Agreement and, in particular, the foregoing absolute and irrevocable assignment to the Trustee of any right, title and interest of the Authority in the Funds, any and all other

real or personal property of every name and nature from time to time by delivery or by writing of any kind assigned, pledged or transferred, as and for additional security under the Agreement by the Authority or by anyone in its behalf, or with its written consent, to the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Agreement.

The Borrower joins in the pledge of, and grant of a security interest in, such Funds and investments to the extent of its interest therein.

The transfer, assignment, pledge and security interest described above is for the benefit of the Holders of the Bonds and Additional Bonds, except as otherwise provided in a Supplemental Agreement for a series of Additional Bonds; provided, however, that the moneys drawn under the Credit Facility and in the Bond Purchase Fund secures only, and shall only be used to pay, the principal of, interest on and purchase price of the Bonds pursuant to the Agreement; provided, further, however, that funds and investments held in the Rebate Fund established under the Agreement shall not be pledged to the Bonds and Additional Bonds, but shall be applied solely as provided in the Agreement.

Defeasance

When the Parity Bonds have been paid or redeemed in full as provided in the Agreement, or after there have been deposited with the Trustee sufficient moneys, or sufficient moneys and Defeasance Obligations in such principal amounts, bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal of, premium, if any, whether at maturity or upon earlier redemption, and interest on such Parity Bonds as the same shall become due and payable (provided that for purposes of this provision, interest payable on the Bonds shall be calculated at the Maximum Rate), and all other obligations secured by the Agreement have been paid in full or provided for, the Holders of the Bonds shall cease to be entitled to any benefit or security under the Agreement except the right to receive payment of the funds deposited and held for payment and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien thereof, the security interests created by the Agreement (except in such funds and investment) shall terminate, the Agreement shall cease and become null and void with respect to such Parity Bonds (except for certain provisions as set forth in the Agreement) and the Authority and the Trustee shall execute and deliver such instruments as may be necessary to discharge the lien and security interests created under the Agreement with respect to the Parity Bonds; provided, however, that if any such Parity Bonds are to be redeemed prior to the maturity thereof, the Borrower shall have taken all action necessary to redeem such Parity Bonds and notice of such redemption shall have been duly given in accordance with the Agreement or irrevocable instructions so to give shall have been given to the Trustee; provided further that no Bonds may be defeased pursuant to the Agreement if any Bank Bonds are Outstanding; and provided further that if the Bonds have not been irrevocably converted to a Term Rate through Maturity Date, then (A) all moneys deposited into the Defeasance Account shall be Eligible Funds and all Defeasance Obligations shall have been purchased with Eligible Funds, and (B) the Credit Facility shall not expire earlier than 15 days after the earlier of the redemption date of the Bonds of the Maturity Date and all payment of the purchase price of the Bonds upon tender for purchase shall only be made from the Bond Purchase Fund.

Upon such defeasance, the funds and investments required to pay or redeem the Parity Bonds in full shall be irrevocably set aside for the purpose and moneys held for defeasance shall be invested only as provided above, provided that other Defeasance Obligations may be substituted for Defeasance Obligations deposited with the Trustee if the Trustee, the Authority and the Credit Facility Issuer receive (i) a verification from an Independent firm of certified public accountants or an Independent financial consulting firm of recognized standing in the field of municipal bonds that the principal and interest becoming due on investments held by the Trustee after such transaction and any other moneys held by the Trustee will provide the Trustee with moneys which at all times will be sufficient to pay the principal of, premium, if any, and interest on the Parity Bonds as the same shall become due and payable, and (ii) an Opinion of Bond Counsel to the effect that such transaction is in compliance with the Agreement and will not adversely affect any exclusion from gross income under Section 103 of the Code of interest paid on the Parity Bonds. Any moneys held by the Trustee and not required for payment or redemption of the Parity Bonds in full or for payment of rebate obligations pursuant to the Agreement shall, subject to the Agreement, after satisfaction of all the rights of the Authority, the Holders of the Bonds and the Trustee, be distributed pursuant to the written instructions of the Borrower upon such notification, if any, as the Authority or the Trustee may reasonably require and upon receipt by the Authority and the Trustee of an Opinion of Bond Counsel that such distribution will

not adversely affect any exclusion from gross income under Section 103 of the Code of interest paid on the Parity Bonds.

Issuance of Additional Bonds

At the request of the Borrower, one or more series of Additional Bonds may be issued by the Authority for any use or purpose permitted by applicable law and as permitted by the Agreement. Any Additional Bonds issued shall comply with the Authority's procedures in effect at the time of issuance of such Additional Bonds.

Additional Bonds, to the extent applicable, shall bear such date or dates, interest rate or rates, maturities, redemption dates, redemption prices and have other terms as shall be specified in the Supplemental Agreement for each series of Additional Bonds.

Additional Bonds may be issued by the Authority only if the Trustee receives each of the following: (a) executed counterparts of a Supplemental Agreement providing for the payment of and terms of the Additional Bonds, which requires the Borrower to pay debt service on the Additional Bonds and assigns to the Trustee the Authority's rights under the Supplemental Agreement (with exceptions similar to those in the Agreement); (b) a copy or copies duly certified by an Authorized Officer of the Authority, of the resolution or resolutions of the Authority authorizing the issuance of the Additional Bonds and the principal amount, interest rates, maturities, redemption provisions and other matters with respect to the Additional Bonds and the execution and delivery on behalf of the Authority of such Supplemental Agreement, any bond purchase agreement and related documents; (c) a copy or copies of resolutions, duly certified by an Authorized Officer of the Borrower, authorizing the execution and delivery of the Supplemental Agreement, any bond purchase agreement and the issuance of the Additional Bonds; (d) a request and authorization to the Trustee on behalf of the Authority, signed by an Authorized Officer, to authenticate and deliver the Additional Bonds to, or on order of, the original purchaser thereof upon payment to the Trustee in immediately available funds of the amounts specified therein, which amount shall be deposited as provided in the Supplemental Agreement; (e) an Opinion of Counsel addressed to the Authority and the Trustee substantially to the effect that (i) the Supplemental Agreement has been properly authorized and is or creates a valid, binding obligation of the Borrower, enforceable in accordance with its terms (subject to creditor's rights generally and other customary qualifications) and (ii) the issuance of Additional Bonds has been duly authorized by the Borrower in accordance with the Agreement; (f) an Opinion of Counsel, addressed to the Trustee and the Authority, substantially to the effect that the issuance of the Additional Bonds and the documents submitted to the Trustee in connection therewith comply with the requirements of the Agreement; (g) an Opinion of Bond Counsel addressed to the Authority and the, Trustee substantially to the effect that the issuance of the Additional Bonds will not result in the interest of any Parity Bond then Outstanding becoming included in gross income for federal income tax purposes; (h) an Opinion of Bond Counsel, addressed to the Authority and the Trustee, substantially to the effect that the Additional Bonds and the related Supplemental Indenture constitute legal, valid and binding special limited obligations of the Authority (subject to creditor's rights generally and other customary qualifications); (i) a certificate signed by an Authorized Officer of the Borrower that upon the issuance and delivery of the Additional Bonds and the application of its proceeds, no Event of Default, or event which with the giving of notice or passage of time or both would become an Event of Default, will exist under the Agreement; and (j) such other certificates, documents, instruments and opinions relating to the issuance of the Additional Bonds or the security therefor as the Trustee and the Authority may reasonably request, addressing, but not limited to compliance with the Act, tax exemption, and compliance with applicable laws.

Bond Fund

Establishment and Purpose. The Agreement establishes a Bond Fund with the Trustee and moneys shall be deposited therein as provided in the Agreement. The Borrower grants to the Trustee for the benefit of the Holders of the Bonds a security interest in all deposits in the Bond Fund. The Trustee acknowledges that it holds the Bond Fund as trustee for the Holders of the Bonds as their interests appear. The moneys in the Bond Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided in the Agreement or any Supplemental Agreement, shall be applied by the Trustee solely to pay principal (including sinking fund installments but excluding any purchase price of tendered Bonds) of, premium, if any, and interest on the Parity Bonds; provided that moneys drawn under the Credit Facility shall be used only to pay principal of, premium, if any, and interest on the Bonds.

If and so long as any Bonds are Outstanding, the Trustee shall maintain separate and segregated accounts within the Bond Fund to be entitled “*Credit Facility Account*,” “*Redemption Premium Account*,” “*Defeasance Account*” and “*Borrower Account*,” respectively, for deposits in the Bond Fund (and the investment income on such deposits) as shall be necessary for the purpose of distinguishing between and determining the respective amounts and sources of moneys held therein at all times.

All amounts drawn under the Credit Facility for principal of and interest on the Bonds (except only amounts drawn under the Credit Facility to pay the purchase price of Bonds tendered for purchase, which shall be deposited into the Bond Purchase Fund as provided in the Agreement) shall be deposited directly into the Credit Facility Account, which account shall hold no other moneys. All amounts deposited to pay premiums on the Bonds shall be deposited directly into the Redemption Premium Account, which account shall hold no other moneys. All amounts deposited to pay and discharge the Bonds pursuant to the Agreement shall be deposited directly into the Defeasance Account, which account shall hold no other moneys. All other amounts deposited into the Bond Fund, shall be deposited into the Borrower Account. Neither the Authority nor the Borrower shall have any interest in the Credit Facility Account, the Redemption Premium Account, the Defeasance Account or the moneys and Permitted Investments therein, all of which shall be held in trust by the Trustee for the sole benefit of the Holders.

Moneys in the Bond Fund shall be used to pay principal of, premium, if any, and interest on the Bonds on maturity, upon prior redemption, upon acceleration and as otherwise provided in the Agreement, only in the following order:

- FIRST: Amounts drawn by the Paying Agent under the Credit Facility and deposited into and held in the Credit Facility Account; provided that in no event shall moneys in the Credit Facility Account be used to pay principal of, redemption premium, if any, or interest on Bank Bonds;
- SECOND: Any Eligible Funds on deposit in the Redemption Premium Account or the Defeasance Account; and
- THIRD: Any other amounts available in the Bond Fund.

Pursuant to the Agreement, the Issuer authorizes and directs the Paying Agent to draw on the Credit Facility pursuant to its terms, in the amounts and at the times necessary to pay principal of, redemption premium, if any (if the Credit Facility permits draws for redemption premium), and interest on the Bonds (other than Bank Bonds) and the purchase price of the Bonds (to the extent proceeds from the remarketing of such Bonds are not available for this purpose).

The Paying Agent shall draw upon the Credit Facility in accordance with the terms thereof under the following circumstances:

- (i) For the payment of the purchase price of tendered Bonds.
- (ii) For the payment of principal of (at maturity or on redemption) or interest on the Bonds and any redemption premium (if the Credit Facility permits a draw to pay premium), the Paying Agent shall take all actions required under the Credit Facility to draw upon the Credit Facility for receipt by 2:00 p.m., New York City time, on such day fixed for payment, by the Paying Agent of an amount equal to such principal, premium and interest.
- (iii) Upon acceleration of the Bonds after the occurrence of any Event of Default under the Agreement, the Paying Agent shall take all actions required under the Credit Facility to draw upon the Credit Facility for receipt by 2:00 p.m., New York City time, on such day on which principal and interest shall be due and payable pursuant to the Agreement.

In calculating the amount to be drawn on the Credit Facility for the payment of principal of, premium, if any, and interest on the Bonds, whether at maturity or upon redemption or acceleration, the Paying Agent shall not take into account the existence of any other moneys in the Bond Fund, but shall draw on the Credit Facility for the full amount of principal, premium, if any, and interest coming due on the Bonds.

Upon receipt of such moneys from the Credit Facility Issuer, the Paying Agent shall (i) deposit the amount representing a draw on the Credit Facility for the payment of principal of and interest on the Bonds in the Credit Facility Account and apply the same to the payment of such principal and interest then due on the Bonds, and (ii) deposit the amount representing a draw on the Credit Facility for the payment of redemption premium in the Redemption Premium Account and apply the same to the payment of the redemption premium due on the Bonds, and (iii) deposit the amount representing a draw on the Credit Facility for the purchase of the Bonds as provided in the Agreement into the Bond Purchase Fund.

So long as the Credit Facility Issuer is not in default of its payment obligations under the Credit Facility, the Paying Agent shall pay, on behalf of the Borrower, but only from and to the extent of payments made by the Borrower pursuant to the Agreement and any other amounts then on deposit in the Borrower Account, after payment by the Paying Agent of principal of, premium, if any, and interest on the Bonds, to the Credit Facility Issuer any and all amounts then due and payable by the Borrower under the Reimbursement Agreement. Any payment made by the Trustee on behalf of the Borrower described in the immediately preceding sentence shall be made by wire transfer of immediately available funds to the account of the Credit Facility Issuer on the date the Paying Agent receives money pursuant to a draw upon the Credit Facility.

Bond Purchase Fund

The Agreement establishes a Bond Purchase Fund to be maintained by the Paying Agent as a fund, the moneys in which shall be used solely to pay the purchase price of Bonds purchased and delivered pursuant to the Agreement. The Bond Purchase Fund and the accounts and subaccounts therein shall be maintained as separate and segregated accounts and any moneys held therein shall not be commingled with moneys in any other such account or subaccount or with any other funds of the Paying Agent, shall be held uninvested on and after any purchase date solely for the benefit of the owners of Bonds purchased on such purchase date pursuant to the tender provisions of the Agreement, and shall not secure any other Bonds or be available for any purpose except as described in this paragraph.

Rebate Fund

The Agreement establishes a Rebate Fund to be maintained by the Trustee as a fund. All money and investments at any time deposited in the Rebate Fund shall be free and clear of any lien under the Agreement and shall not be used for the payment of debt service on the Bonds.

In accordance with the rebate instructions to be provided in the tax compliance certificate of the Authority for the Bonds, not later than 15 days after the end of each Computation Date, including the payment in full of all Outstanding Bonds, the Borrower shall engage, and furnish information to, the Rebate Consultant to calculate the Rebate Amount as of the end of the relevant computation period or the date of such payment in full and shall provide to the Trustee and Authority copies of such calculations; provided, in the event that the Borrower fails to cause such calculation to be made and provided to the Trustee and the Authority, the Trustee, on behalf of the Authority, shall cause such calculation to be made within 45 days after each Computation Date. Upon the occurrence of an Event of Default and at the request of the Trustee, the Rebate Consultant shall calculate the Rebate Amount as of the date requested by the Trustee and provide such calculation to the Trustee on or before the date so requested. In either event, the Trustee shall then notify the Borrower in writing of the amount then on deposit in the applicable account in the Rebate Fund.

If the amount then on deposit in the Rebate Fund is in excess of the Rebate Amount as computed by the Rebate Consultant, the Trustee shall forthwith pay that excess amount to the Borrower upon written direction of the Borrower. If the amount then on deposit in the Rebate Fund is less than the Rebate Amount (computed by taking into account the future value of the amount or amounts, if any, previously paid to the United States as described

under this caption), the Borrower shall, within five days after receipt of the aforesaid notice from the Trustee, pay to the Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Rebate Amount.

If at any time the Trustee is required to withdraw money from the Rebate Fund to make a payment to the United States of America as directed by the Borrower and the amount held by the Trustee in the Rebate Fund is insufficient to permit such withdrawal and payment, then the Trustee shall withdraw from any other fund established under the Agreement and transfer the amount so withdrawn in each case to the Rebate Fund in such amounts as may be needed to make the amount in the Rebate Fund, after such transfers, equal to the amount required to be withdrawn and paid to the United States of America.

Within 60 days after the first Computation Date and every Computation Date thereafter, the Trustee, acting on behalf of the Authority, shall pay to the United States of America, as directed by the Borrower, in accordance with Section 148(f) of the Code from the moneys then on deposit in the Rebate Fund an amount equal to 90% (or such greater percentage not in excess of 100% as the Borrower may direct the Trustee to pay) of the Rebate Amount earned during the relevant computation period.

Within 60 days after the payment in full of all Outstanding Bonds, the Trustee shall pay to the United States in accordance with Section 148(f) of the Code from the moneys then on deposit in the Rebate Fund an amount equal to 100% of the Rebate Amount earned during the relevant computation period. Any moneys remaining in the Rebate Fund following such payment shall be paid to the Borrower.

Expense Fund

An Expense Fund is established to be held by the Trustee and proceeds of the Bonds shall be deposited therein as provided in the Agreement. The Expense Fund shall be held for the security of the Parity Bonds, until applied as provided below. The moneys in the Expense Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided in the Agreement or in the following paragraph, shall be applied solely to the payment or reimbursement of costs of issuance of the Parity Bonds upon receipt by the Trustee of a written requisition signed by an Authorized Officer of the Borrower.

After all costs of issuance of the Bonds have been paid, as certified by the Borrower, or on October 1, 2002, if funds still remain in the Expense Fund, any amounts remaining in the Expense Fund shall be transferred to the Bond Fund and applied to the payment of principal of or interest on the Bonds on the next Interest Payment Date. To the extent the Expense Fund is insufficient to pay any of the above costs, the Borrower shall be liable for the deficiency and shall pay such deficiency from sources other than proceeds of the Bonds.

Nonpresentment of Parity Bonds

In the event that (i) any Parity Bond shall not be presented for payment when the principal thereof becomes due in whole or in part, either at stated maturity, by redemption or pursuant to any mandatory sinking fund requirements, or a check or draft for interest is uncashed, if moneys sufficient to pay the principal and premium, if any, then due on that Parity Bond or to pay such check or draft shall have been made available to the Trustee for the benefit of its Holder, or (ii) the Trustee receives money from the Paying Agent in accordance with the Agreement held by the Paying Agent on account of any undelivered Parity Bond and sufficient to pay the purchase price of such undelivered Parity Bond on the purchase date, then all liability of the Issuer to that Holder for such payment of the purchase price of undelivered Parity Bonds or the principal and premium, if any, then due on the Parity Bond or interest on such Parity Bond represented by such check or draft thereupon shall cease and be discharged completely. Thereupon, it shall be the duty of the Trustee to hold those moneys without liability for interest thereon, for the exclusive benefit of the Holder, who shall be restricted thereafter exclusively to those moneys for any claim of whatever nature on its part under this Agreement or with respect to, the principal and premium, if any, then due on that Parity Bond or interest on such Parity Bond represented by such check or draft.

If any of those moneys so held by the Trustee remain unclaimed by the Holder of a Parity Bond not presented for payment or check or draft not cashed for a period of four years after the due date thereof, the Trustee shall request

written notice from the Credit Facility Issuer as to the amount of moneys then due under the Reimbursement Agreement, if any, and shall pay such unclaimed moneys to the Credit Facility Issuer free of any trust or lien in an amount not greater than the amount then due under the Reimbursement Agreement, if any, and shall pay the excess of such unclaimed moneys, if any, to the Borrower. Thereafter, the Holder of that Parity Bond shall be entitled (subject to any applicable statute of limitations) to look only to the Borrower for payment and then only to the amounts so received by the Borrower or paid to or on behalf of the Borrower (including to the Credit Facility Issuer), without any interest thereon, and the Trustee shall not have any responsibility with respect to those moneys.

Investments

Pending their use under the Agreement, moneys in all Funds (except moneys in the Credit Facility Account or the Defeasance Account) held by the Trustee may, subject to the limitations in the Agreement, be invested by the Trustee in Permitted Investments; however, the Trustee has no obligation to invest moneys in the Funds unless the Borrower directs the Trustee to make such investments. The Trustee may rely on the direction of the Borrower in making investments and shall not be liable for any loss or the amount of any gain except for its own negligence, willful misconduct or breach of trust.

Payments by the Borrower

Payments of Debt Service and Fund Requirements. Pursuant to the Agreement, the Borrower agrees to make the following payments which shall be applied in the following order of priority:

(1) The Borrower shall pay to the Trustee for deposit in the Rebate Fund the amounts required by the Agreement at the times required thereby (“*Rebate Payments*”).

(2) The Borrower shall pay or cause to be paid to the Trustee for deposit in the Borrower Account of the Bond Fund on or before the Business Day preceding (A) each principal payment date on the Bonds (whether by stated maturity, mandatory sinking fund redemption, other redemptions, acceleration or otherwise), and (B) each Interest Payment Date, not less than the amount necessary to pay interest then coming due on the next Interest Payment Date on the Bonds, less (i) the amount, if any, then held in the Bond Fund and available to pay the same (exclusive of any amount in the Credit Facility Account); and (ii) so long as the Initial Credit Facility is in effect, the amount, if any, held in the Sinking Fund (as defined in the Reimbursement Agreement) and available to pay the same.

(3) At any time when any principal of the Bonds is overdue, the Borrower shall also have a continuing obligation to pay to the Trustee for deposit in the Borrower Account of the Bond Fund an amount equal to interest on the overdue principal (including sinking fund installments). Redemption premiums shall not bear interest.

(4) Notwithstanding anything in the Agreement to the contrary, the Borrower shall provide to the Trustee sufficient funds to pay all principal and interest on the Bonds, when and as due, whether or not provided for in the prior paragraphs; provided that the Borrower shall have no obligation to pay the purchase price of Bonds upon optional or mandatory tender for purchase and provided further the Borrower hereby acknowledges has agreed that payments made by the Credit Facility Issuer under the Credit Facility for principal of and interest on the Bonds shall not discharge the Borrower’s obligation to pay such principal and interest.

Additional Payments. The Borrower shall make the following payments (“*Additional Payments*”) within 30 days after demand:

(i) To the Authority, reimbursement for any and all costs, reasonable expenses and liabilities paid or incurred, including reasonable fees of counsel and disbursements thereof, in satisfaction of any obligations of the Borrower to the Authority under the Agreement which are not performed in accordance with the terms of the Agreement by the Borrower;

(ii) To the Authority, reimbursement for or prepayment of any and all reasonable costs, expenses, and liabilities paid or incurred or to be paid or incurred by the Authority or any of its directors, officers, employees and agents, including reasonable fees of counsel and disbursements thereof in any way relating to the Bonds;

(iii) To the Trustee and the Paying Agent the reasonable fees, charges and expenses of the Trustee and the Paying Agent under the Agreement, as well as reimbursement for any and all reasonable costs, expenses (including, without limitation, fees of counsel and disbursements thereof) and liabilities paid or incurred by the Trustee or the Paying Agent in satisfaction of any obligations of the Borrower under the Agreement which are not performed in accordance with the terms of thereof by the Borrower; and

(iv) To the Trustee and the Paying Agent, all reasonable costs and expenses, whether ordinary or extraordinary (including, without limitation, reasonable fees of counsel and disbursements thereof) incurred in the preparation, negotiation, execution, interpretation and administration of the Agreement, and any amendments to any of the foregoing, and to the Trustee and each Holder of the Bonds all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees) related to or in respect of the Trustee's and/or any such Holder's efforts to collect and/or enforce any of the Trustee's and/or such Holder's rights and remedies (whether or not legal action is instituted in connection with such efforts).

(v) Notwithstanding the foregoing, the Authority shall not be required to submit a statement to the Borrower or the Trustee for the payment of the Authority's annual fee, which shall be collected by the Trustee upon behalf of the Authority. The Borrower shall pay to the Authority its annual fee, which will be due and payable annually in advance, on each May 1, commencing May 1, 2003 and which shall equal 0.02% of the aggregate principal amount of the Bonds outstanding under the Agreement as of each May 1.

Tax Covenants for Bonds

The Authority and the Borrower each covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code. In addition, the Authority and the Borrower agree to abide by certain guidelines which are designated to ensure that interest on the Bonds will not cease to be excluded from gross income under Section 103 of the Code. See "TAX MATTERS" in this Official Statement.

Default by the Borrower

For purposes of the Agreement, "*Event of Default*" means any one of the events set forth below and "*Default*" means any event that with the lapse of time or the giving of notice, or both, would be an Event of Default:

(a) *Debt Service on Parity Bonds.* Any principal of, premium, if any, or interest on any Parity Bond shall not be paid when due, whether at maturity, by acceleration, upon redemption or otherwise.

(b) *Other Obligations.* The Borrower shall fail, to make any other required payment to the Trustee or the Authority under the Agreement, and such failure is not remedied within twenty (20) days after written notice thereof is given by the Authority, the Credit Facility Issuer or the Trustee to the Borrower; or the Borrower shall fail to observe or perform any of its other agreements, covenants or obligations under the Agreement and such failure is not remedied within sixty (60) days after written notice thereof is given by the Authority, the Credit Facility Issuer or the Trustee to the Borrower, unless the breach is not curable within sixty (60) days and the Borrower notifies the Authority, the Credit Facility Issuer and the Trustee within such sixty (60) days that it is proceeding diligently in its efforts to cure said breach, in which event it shall be an Event of Default if said breach is not cured within ninety (90) days after such notice is given by the Borrower to the Authority; the Credit Facility Issuer and the Trustee.

(c) *Warranties.* There shall be a material breach of warranty made in the Agreement by the Borrower as of the date it was intended to be effective and the breach is not cured within sixty (60) days after written notice thereof is given by the Authority, the Credit Facility Issuer or the Trustee to the Borrower, unless the breach is not curable within sixty (60) days and the Borrower notifies the Authority, the Credit Facility Issuer and the Trustee within such sixty (60) days that it is proceeding diligently in its efforts to cure said breach, in which event it shall be an Event of Default if said breach is not cured within ninety (90) days after such notice is given by the Borrower to the Authority, the Credit Facility Issuer and the Trustee.

(d) *Reimbursement Agreement Default.* The Trustee receives written notice from the Credit Facility Issuer that an event of default has occurred under the Reimbursement Agreement with a direction to declare the Event of Default under the Agreement.

Waiver. If the Trustee determines that an Event of Default has been cured before the entry of any final judgment or decree with respect to it, the Trustee shall waive the Event of Default and its consequences, including any acceleration, by written notice to the Borrower.

Notice. The Trustee shall give written notice by first class mail as soon as practicable to the Holders of Parity Bonds of all Events of Default known to the Trustee, unless such Events of Default have been cured within thirty (30) days after the occurrence thereof. The Notices shall be mailed no later than sixty (60) days following notice thereof to the Trustee of any such Event of Default.

Remedies Upon Events of Default

Acceleration. If an Event of Default described in under the heading “Default by the Borrower” above occurs and is continuing, the Trustee (1) at the direction of the Credit Facility Issuer or (2) upon receipt of written direction from the Holders of not less than a majority in aggregate principal amount of the Parity Bonds Outstanding and the written Consent of the Credit Facility Issuer, shall by written notice to the Borrower, the Authority, the Remarketing Agent, the Credit Facility Issuer and the Holders of such Parity Bonds, declare immediately due and payable the principal amount of the Outstanding Parity Bonds and the payments to be made by the Borrower therefor, and accrued interest on the foregoing, whereupon the same shall become immediately due and payable without any further action or notice.

Upon any declaration as described above, the principal and interest on all Parity Bonds then Outstanding shall become and be due and payable immediately. Interest on any unpaid principal of Parity Bonds Outstanding shall continue to accrue from the date determined by the Trustee for the tender of payment to the Holders of those Parity Bonds, which date must be within the period for which principal of and interest on any Parity Bond is covered by the amount available under any Credit Facility then in effect applicable to any Parity Bonds; provided that interest on any unpaid principal of Bonds Outstanding shall continue to accrue to the actual payment date, if later.

Annulment of Acceleration. At any time after the principal of the Parity Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree on any suit, action or proceeding instituted on account of such default, if (i) the Borrower has paid or caused to be paid or deposited with the Trustee, moneys sufficient to pay all matured installments of interest and interest on unpaid installments of interest and principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration) of all Parity Bonds Outstanding; (ii) the Borrower has paid or caused to be paid or deposited with the Trustee moneys sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee, the Authority and any paying agents; (iii) all other amounts then payable by the Borrower under the Agreement and any Supplemental Agreement shall have been paid or a sum sufficient to pay the same shall have been deposited with the; (iv) every Event of Default (other than a default in the payment of the principal of the Parity Bonds then due only because of such declaration) shall have been remedied; and (v) the Trustee has received the written consent of the Credit Facility Issuer, then the Trustee shall annul such declaration and its consequences with respect to the Parity Bonds or portions thereof not then due by its terms; if the Credit Facility is drawn upon as a result of such declaration of acceleration, the Trustee shall not waive the Event of Default unless the Trustee has received written notice from the Credit Facility Issuer that the Credit Facility has been reinstated. No waiver or rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Court Proceedings. Upon the occurrence of any Event of Default, the Trustee shall, at the written direction of the Credit Facility Issuer, and upon the written direction of the Holders of not less than 25% in aggregate principal amount of the Parity Bonds Outstanding with the prior written consent of the Credit Facility Issuer shall, together with any indemnification of the Trustee to its reasonable satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of such Holders by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) enforcement of the right of such holders to collect and enforce the payment of amounts due or becoming due under the Parity Bonds;
- (ii) suit upon all or any part of the Parity Bonds;
- (iii) civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of the Parity Bonds; and
- (iv) enforcement of any other right of such holders conferred by law or by the Agreement.

Application of Moneys after Default

All moneys received by the Trustee pursuant to any drawing made upon the Credit Facility shall be applied first by the Trustee to and only to the payment of principal of, or interest on, or the purchase price of, the Bonds. Subject to the foregoing sentence, proceeds from the exercise of any remedies under the Agreement, after payment or reimbursement of the reasonable fees and expenses of the Authority and the Trustee in connection therewith, shall be applied by the Trustee as follows; provided that to the extent the principal of and interest on the Bonds are paid from a draw on the Credit Facility, the Credit Facility Issuer shall be treated as if it were the Holder the Bond so paid and shall be entitled to receive from the Trustee the amount which such Holder would have received as calculated below.

(a) Unless the principal of all Outstanding Parity Bonds shall have become or have been declared due and payable:

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

Second: To the payment to the persons entitled thereto of the unpaid principal installments of the Parity Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Parity Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all Outstanding Parity Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Parity Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest, or of any Parity Bonds over any other Parity Bonds, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

(c) Any surplus remaining after moneys are applied as set forth in paragraphs (a) and (b) under this caption shall be paid: FIRST to the Credit Facility Issuer, to the extent of any amounts that the Borrower owes the Credit Facility Issuer pursuant to the Reimbursement Agreement (as certified in writing by the Credit Facility Issuer to the Trustee and the Borrower); and SECOND (other than any moneys received by the Trustee from a drawing on the Credit Facility, which shall be returned to the Credit Facility Issuer) to the Borrower.

(d) If the principal of all Outstanding Parity Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions described under the caption "Remedies Upon Events of Default" in this Appendix C, then, subject to the provisions of paragraph (b) under this caption in the event that the principal of all Outstanding Parity Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) under this caption.

Remedies Cumulative

The rights and remedies under the Agreement as they apply to the Bonds shall be cumulative and shall not exclude any other rights and remedies allowed by law, provided there is no duplication of recovery. The failure to insist upon a strict performance of any of the obligations of the Bonds or to exercise any remedy for any violation thereof shall not be taken as a waiver for the future of the right to insist upon strict performance or of the right to exercise any remedy for the violation.

Performance of the Borrower's Obligations

If the Borrower shall fail to pay or perform any obligation under the Agreement, the Trustee may pay or perform such obligation in its own name or in the Borrower's name. Unless an Event of Default exists, the Trustee shall give at least five (5) Business Days' notice to the Borrower and the Credit Facility Issuer before taking action under this caption, except that in the case of emergency as reasonably determined by the Trustee, the Credit Facility Issuer or the Holders of at least 25% in principal amount of the Outstanding Parity Bonds with the prior written consent of the Credit Facility Issuer, it may act on lesser notice or give the notice promptly after rather than before taking the action. The reasonable cost of any action by the Trustee shall be paid or reimbursed by the Borrower with interest at the interest rate publicly announced by the Trustee as its prime rate.

Proceedings By Holders

Subject to the Credit Facility Issuer rights described under the heading "Rights of Credit Facility Issuer," if an Event of Default shall have occurred and be continuing, notwithstanding anything in the Agreement to the contrary, the Credit Facility Issuer shall and the Holders of at least 25% in aggregate principal amount of Parity Bonds then Outstanding, with the prior written consent of the Credit Facility Issuer, shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee to direct the time, method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Agreement, to the extent permitted by law, for the appointment of a receiver or any other proceedings under the Agreement, provided that such direction is not in conflict with any applicable law or the provisions of the Agreement (including indemnity to the Trustee as provided in the Agreement) and provided further that nothing in this paragraph shall impair the right of the Trustee in its discretion to take any other action under the Agreement which it may deem proper and which is not inconsistent with such direction by the Credit Facility Issuer or the Holders of the Parity Bonds with the prior written consent of the Credit Facility Issuer.

The Trustee

Any successor Trustee under the Agreement shall be a trust company or a bank having the powers of a trust company having a capital and surplus of not less than \$50,000,000 eligible to serve as Trustee. The Trustee may resign on not fewer than sixty (60) days' notice given in writing to the Authority, the Credit Facility Issuer, the Holders and the Borrower, but such resignation shall not take effect until a successor has been appointed. The Trustee may be removed upon written notice to the Trustee, the Authority, the Borrower and the Credit Facility Issuer (i) from the Holders of a majority in principal amount of the Outstanding Bonds or, (ii) so long as no Event of Default has occurred under the Agreement and is continuing thereunder, from the Borrower.

Amendments to the Agreement

The Agreement may be amended by the parties without Holder consent, but with the consent of the Credit Facility Issuer (exclusive of amendments described in (a) and (c) below), for any of the following purposes: (a) to add to the covenants and agreements of the Borrower or to surrender or limit any right or power of the Borrower; (b) to cure any ambiguity or defect, or to add provisions which are not inconsistent therewith and which do not impair the security for the Parity Bonds; (c) to amend the provisions relating to the Rebate Fund; (d) to permit use of a book-entry system; (e) to permit the Trustee to comply with any duties imposed upon it by law; (f) to achieve compliance of the Agreement with any applicable federal securities or tax laws; (g) to provide for the appointment of a successor trustee or co-trustee; (h) to permit the transfer of Parity Bonds from one Depository to another, and the succession of Depositories, or the withdrawal of Parity Bonds issued to a Depository for use in a book-entry system and the issuance of replacement Parity Bonds in fully registered form to others than a Depository; (i) to

specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar, the Credit Facility Issuer, the Remarketing Agent and any Authenticating Agents or Paying Agents; (j) to make any amendments appropriate or necessary to provide for or facilitate the delivery of any Alternate Credit Facility; (k) to maintain or obtain a rating on the Parity Bonds from a Rating Agency; (l) to permit any other amendment which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds; (m) to provide for the issuance and establishment of the terms and provisions of Additional Bonds provided that, in the judgment of the Trustee, no such amendment shall have a material adverse effect upon the security for the Outstanding Parity Bonds other than the implicit and the authorization of Additional Bonds; or (n) to make any modification or amendment to the Agreement, even if consent of Bondholders would otherwise be required, (A) if such amendment will be effective upon the remarketing of Bonds following the mandatory tender of the Bonds pursuant to the Agreement or (B) if notice of such proposed modification or amendment is given to Bondholders (in the same manner as notices of redemption are given) at least 15 days before the effective date thereof and on or before such effective date the Bondholders have the right to demand purchase of their Bonds pursuant to the Agreement; provided, that, on or prior to the effective date or such modification or amendment, the Trustee shall obtain an opinion of Bond Counsel that such modification or amendment will not result in the inclusion of interest on any Parity Bonds in gross income for purposes of federal income taxation.

Except as provided in the foregoing paragraph, the Agreement may be amended only with the written consent of the Holders of a majority in principal amount of the Outstanding Parity Bonds and the Credit Facility Issuer; provided, however, that no amendment of the Agreement may be made without the unanimous written consent of the affected Bondholders or any of the following purposes: (1) to extend the maturity of any Parity Bonds; (2) to reduce the principal amount or interest rate of any Parity Bonds; (3) to make any Parity Bonds redeemable other than in accordance with its terms; (4) to create a preference or priority of any Parity Bonds over any other Parity Bonds; (5) to reduce the percentage of the Parity Bonds required to be represented by the Bondholders giving their consent to any amendment; (6) to decrease any amounts to be paid, or extension of any time for payments, under the Credit Facility, except as expressly authorized in the Agreement; or (7) to change the timing of the draws under the Credit Facility as required under the Agreement, except for those changes in timing of draws which have been reviewed by each Rating Agency then maintaining a rating on the Parity Bonds, and each such Rating Agency confirms in writing to the Trustee that such change will not result in a reduction or withdrawal of its then rating on the Parity Bonds.

The Credit Facility Issuer shall be deemed to be the Holder of all Parity Bonds for purposes of giving the consents required under this caption, other than consent to any amendment described in clauses (1) through (7) in the immediately preceding paragraph.

Rights of Credit Facility Issuer

The Credit Facility Issuer shall have the right, subject to the following paragraph, to act upon behalf of the Holders of the Parity Bonds which have the benefit of and are secured by the Credit Facility for all purposes of the Agreement except with respect to any Supplemental Agreement described in clauses (1) through (7) of the second paragraph under the heading "Amendments to the Agreement."

Any provision in the Agreement regarding consents, approvals, directions, appointments or requests by the Credit Facility Issuer shall be deemed to not require or permit such consents, approvals, directions, appointments, requests or notices to the Credit Facility Issuer and shall read as if the Credit Facility Issuer were not mentioned therein during any time in which (a) the Credit Facility Issuer has wrongfully failed to make a payment under the Credit Facility which failure has not been cured, (b) the Credit Facility shall at any time for any reason cease to be valid and binding on the Credit Facility Issuer, or shall be declared to be null and void, or the validity or enforceability of any provision thereof is being contested by the Credit Facility Issuer or any governmental agency or authority, or if the Credit Facility Issuer is denying further liability or obligation under the Credit Facility, (c) a petition has been filed and is pending against the Credit Facility Issuer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and has not been dismissed within 60 days after such filing, or (d) the Credit Facility Issuer has filed a petition, which is still pending, in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consented to the filing of any petition against it under any such law.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

_____, 2002

To: The ABAG Finance Authority for Nonprofit Corporations
Oakland, California

Blood Centers of the Pacific
San Francisco, California

We have acted as Bond Counsel to Blood Centers of the Pacific (the "Borrower") in connection with the issuance by the ABAG Finance Authority For Nonprofit Corporations (the "Authority") of \$_____ in aggregate principal amount of its Variable Rate Demand Refunding Revenue Bonds, Series 2002A (Blood Centers of the Pacific) (the "Bonds"), dated the date hereof. The Bonds are issued pursuant to Article 4 of Chapter 5 of Division 7 of Title I of the California Governmental Code and a Loan and Trust Agreement, dated as of May 1, 2002 (the "Agreement"), among the Borrower, the Authority and U.S. Bank National Association, as Trustee. Terms not defined herein shall have the meanings provided in the Agreement.

The Authority authorized the issuance of the Bonds and related matters by its Resolution No. 02-07, adopted by the Authority on April 10, 2002 (the "Resolution"). As provided in the Agreement, the Bonds are issued for the purpose of making a loan of the proceeds thereof to the Borrower to be used (i) to refinance certain Prior Bonds which were issued to finance the acquisition, construction, improvement and equipment of portions of facilities owned and operated by the Borrower located in the City and County of San Francisco (the "Project") at which the Borrower conducts a blood bank and related activities and (ii) to pay a portion of the costs of issuing the Bonds.

In our capacity as Bond Counsel, we have reviewed the Agreement, the Tax Compliance Certificates of the Authority, of the Borrower, of Wells Fargo Brokerage Services, LLC (the "Underwriter") and of Wells Fargo Bank, National Association (the initial "Credit Facility Issuer"), dated the date hereof (collectively the "Tax Certificate"), a specimen of the Bonds, other certifications of the Authority, the Borrower, the Trustee and others as to certain factual matters and such other certificates, documents, opinions and matters to the extent we have deemed necessary to render the opinions expressed herein. In particular, we have relied upon the opinion of Foley & Lardner, as counsel for the Borrower, regarding, among other matters, the current legal status of the Borrower as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and the determination that the operation of the Project does not constitute an "unrelated trade or business" as determined by applying Section 513(a) of the Code. We have also relied upon the opinion of Jones Hall, A Professional Law Corporation, as counsel for the Authority, regarding among other matters, the due organization and existence of the Authority and that the Resolution was duly adopted at a meeting of the governing board of the Authority and is in full force and effect. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Authority.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, cover certain matters not directly addressed by such authorities and speak only as of the date hereof. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not

undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds is concluded with their issuance on this date and we disclaim any obligation to update this opinion. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with the covenants, of the Authority, of the Borrower, of the Underwriter and of the initial Credit Facility Issuer in the Agreement, Tax Certificate and other relevant documents to which each is a party. The accuracy of certain of those representations and certifications, and compliance by the Authority and the Borrower with certain of those covenants, may be necessary for interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. We express no opinion with respect to the initial Credit Facility and any actions taken by the initial Credit Facility Issuer in connection therewith. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or any other offering materials relating to the Bonds and express no opinion herein relating thereto.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions:

1. The Agreement has been duly authorized, executed and delivered by the Authority and constitute the valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms, subject to certain exceptions set forth below.

2. The Bonds have been duly and validly authorized, executed and delivered by the Authority and constitute valid and binding special obligations of the Authority, payable by the Authority solely from revenues to be derived under the Agreement and other funds pledged and assigned by the Agreement to secure the Bonds, subject to certain exceptions set forth below. The Bonds are not general obligations of the Authority and do not constitute a pledge of or involve the faith and credit of the Authority. Neither the State of California nor any political subdivision thereof (other than the Authority to the extent provided in the Agreement) shall be obligated to pay the Bonds, and neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations and is exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Bonds.

Under the Code, a portion of the interest on the Bonds earned by certain corporations (as defined for federal income tax purposes) may be subject to a corporate alternative minimum tax, and interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and a tax imposed on excess net passive income of certain S corporations.

The rights and obligations under the Bonds and the Agreement, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

Respectfully submitted,