

*In the opinion of Howard & Howard Attorneys, P.C., Bond Counsel, under existing law, and except as otherwise stated herein (i) the interest on the Series 2000 Bonds is excludable from gross income for federal income tax purposes, (ii) the interest on the Series 2000 Bonds is exempt from all taxation in the State of Michigan (the "State") and the Series 2000 Bonds are exempt from all taxation in the State except inheritance, estate and transfer taxes, and (iii) interest on the Series 2000 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, all as more fully described herein under "TAX MATTERS".*

**\$33,120,000**

**THE ECONOMIC DEVELOPMENT CORPORATION  
OF THE CITY OF ANN ARBOR**

<p><b>\$23,245,000</b>  <b>Adjustable Rate Demand</b>  <b>Limited Obligation Revenue Bonds, Series 2000A</b>            (Glacier Hills, Inc. Project)</p> <p><b>Dated:</b> Date of Initial Delivery  <b>Due:</b> November 1, 2025</p>	<p><b>\$9,875,000</b>  <b>Adjustable Rate Demand</b>  <b>Limited Obligation Revenue Refunding Bonds, Series 2000B</b>            (Glacier Hills, Inc. Project)</p> <p><b>Dated:</b> Date of Initial Delivery  <b>Due:</b> November 1, 2019</p>
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Principal of and interest on each of the Series 2000A Bonds and the Series 2000B Bonds will be paid from funds drawn by the Trustee (currently Bank One Trust Company, N.A., Columbus, Ohio, under an irrevocable direct pay letter of credit (the "Letter of Credit") issued with respect to each such series by

***Bank One, N.A.***

(the "Bank"). The net proceeds of the Series 2000A Bonds and the Series 2000B Bonds will be used by Glacier Hills, Inc., Ann Arbor, Michigan (the "Borrower") to pay the costs of the Project (as defined herein) and the Refunding (as defined herein), respectively.

The Series 2000A Bonds and the Series 2000B Bonds are also individually and collectively referred to herein as the "Series 2000 Bonds". Each of the Series 2000A Bonds and the Series 2000B Bonds will be secured by a separate Letter of Credit, referred to herein as the Series 2000A Letter of Credit and the Series 2000B Letter of Credit, respectively, and collectively as the "Letter of Credit". The Series 2000A Letter of Credit secures only the Series 2000A Bonds and the Series 2000B Letter of Credit secures only the Series 2000B Bonds. References to the "Letter of Credit" means the Letter of Credit securing only a single series of Series 2000 Bonds.

The offering price of each of the Series 2000A Bonds and the Series 2000B Bonds is 100% of the principal amount thereof. The Series 2000A Letter of Credit and the Series 2000B Letter of Credit will be issued in the respective total amounts of \$23,531,583 and \$9,996,747, and will permit the Trustee to draw (a) up to \$23,245,000 and \$9,875,000, which equal the principal amount of the Series 2000A Bonds and the Series 2000B Bonds, respectively, in order to pay principal on such Bonds when due, upon redemption or acceleration thereof or to pay the portion of the purchase price thereof corresponding to the principal amount upon certain tenders, and (b) up to \$286,583 and \$121,747, initially, which equal 45 days' interest on the Series 2000A Bonds and the Series 2000B Bonds, respectively, computed at the maximum rate of 10% per annum, in order to pay accrued interest on such Bonds when due or to pay the portion of the purchase price of such Bonds corresponding to accrued interest. Each Letter of Credit will expire on November 15, 2003, unless sooner terminated or extended.

The interest rate on both the Series 2000A Bonds and the Series 2000B Bonds will be the Weekly Interest Rate, which will be adjusted weekly by the Remarketing Agent, initially, Lancaster Pollard & Co., unless and until the Borrower converts the interest rate on one or both of such series of Bonds to a One Month Interest Rate, Three Month Interest Rate, Six Month Interest Rate, One Year Interest Rate, Five Year Interest Rate or a Fixed Interest Rate (collectively, together with the Weekly Interest Rate Mode, the "Interest Rate Modes"). Interest will be payable on the first Business Day of each month, commencing December 1, 2000, while the Series 2000 Bonds bear interest at the Weekly Interest Rate, the One Month Interest Rate or the Three Month Interest Rate, and on the first day of each May and November while the Series 2000 Bonds bear interest at the Six Month Interest Rate, the One Year Interest Rate, the Five Year Interest Rate or the Fixed Interest Rate (the "Interest Payment Dates"). Interest will be payable by check or draft mailed by the Trustee on each Interest Payment Date to the holders as they appear on the registration books (the "Holders") on the fifth Business Day next preceding an Interest Payment Date (the "Record Date"); provided that upon request of a Holder of the Series 2000 Bonds, interest shall be paid by wire transfer in immediately available funds.

**LANCASTER POLLARD & CO.**  
Investment Banking



November 20, 2000



While the Series 2000 Bonds are in the Weekly Interest Rate Mode, Holders or beneficial owners have the option to tender their Series 2000 Bonds or beneficial ownership interests to the Trustee for purchase on a Business Day not prior to the seventh day and not later than the fifteenth day next succeeding the date notice is given by the Holders or beneficial owners. While the Series 2000 Bonds are in an Interest Rate Mode other than the Weekly Interest Rate Mode, the Holders or beneficial owners have the option to tender their Series 2000 Bonds or beneficial ownership interests to the Trustee for purchase on any date the interest rate is subject to adjustment (the "Interest Rate Adjustment Date"). Holders or beneficial owners are required to deliver the Series 2000 Bonds or beneficial ownership interests to the Trustee for purchase, and the Series 2000 Bonds or beneficial ownership interests are deemed to be tendered, upon any conversion to a different Interest Rate Mode, unless such Holders or beneficial owners affirmatively elect to retain their Series 2000 Bonds or beneficial ownership interests. The Series 2000 Bonds will no longer be subject to optional tender by the Holders after the interest rate has been converted to the Fixed Interest Rate. The Series 2000 Bonds are also subject to optional, extraordinary optional and mandatory redemption (including mandatory sinking fund redemption) prior to maturity, as set forth herein. See "THE SERIES 2000 BONDS."

The Series 2000 Bonds are issuable only as fully registered bonds, without coupons, in denominations of \$100,000 and any integral multiples of \$5,000 in excess of \$100,000 while the Series 2000 Bonds bear interest at the Weekly, One Month or Three Month Interest Rate and \$5,000 and whole multiples thereof when the Series 2000 Bonds are in any other Interest Rate Mode, and, when issued, will be registered initially in the name of Cede & Co. as sole registered Holder of the Series 2000 Bonds and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of Series 2000 Bonds will be made in book entry form only, and purchasers will not receive certificates representing their interest in Series 2000 Bonds so purchased. So long as Cede & Co. is the registered Holder of the Series 2000 Bonds, as nominee of DTC, references herein to the registered Holders of the Series 2000 Bonds or registered Holder of the Series 2000 Bonds, as nominee of DTC, references herein to the registered Holders of the Series 2000 Bonds or registered owners thereof shall mean Cede & Co., in such capacity, and shall not mean the purchasers of beneficial interests in the Series 2000 Bonds ("Beneficial Owners"), and payments with respect to the Series 2000 Bonds will be made directly to such registered Holder. Disbursement of such payments by DTC to the DTC Participants and by the DTC Participants to the Beneficial Owners is more fully described herein. See "THE Series 2000 BONDS - Book Entry" herein. So long as DTC is the sole registered Holder of the Series 2000 Bonds, the principal and redemption price of and interest on the Series 2000 Bonds will be payable in Federal funds transmitted to DTC.

The payment of principal of, premium, if any, and interest on the Series 2000 Bonds will be further evidenced and secured by a pledge of payments under a Loan Agreement between The Economic Development Corporation of the City of Ann Arbor (the "Issuer") and the Borrower. *The Series 2000A Bonds and the Series 2000B Bonds are being offered on the basis of the Series 2000A Letter of Credit and the Series 2000B Letter of Credit, respectively, and are not being offered on the basis of the financial strength of the Borrower or any other*

*security. This Official Statement does not describe the financial condition of the Borrower.* The Series 2000 Bonds are subject to acceleration of maturity upon the occurrence of a default under the Reimbursement Agreement between the Bank and the Borrower relating to the Letter of Credit. See, “THE BORROWER” and “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2000 BONDS - The Reimbursement Agreement”.

THE SERIES 2000 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AS DESCRIBED IN THIS OFFICIAL STATEMENT. THE SERIES 2000 BONDS AND INTEREST DUE THEREON SHALL NOT BE A GENERAL OBLIGATION, DEBT OR LIABILITY OF THE ISSUER, AND DO NOT CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE CITY OF ANN ARBOR, MICHIGAN. NO MEMBER OF THE BOARD OF DIRECTORS OR OFFICER OF THE ISSUER OR ANY PERSON EXECUTING THE SERIES 2000 BONDS ON BEHALF OF THE ISSUER SHALL BE PERSONALLY LIABLE THEREON. THE SERIES 2000 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM PAYMENTS TO BE MADE BY THE BORROWER UNDER THE LOAN AGREEMENT AND FROM MONEYS HELD BY THE TRUSTEE UNDER THE INDENTURE, INCLUDING AMOUNTS DRAWN UNDER THE LETTER OF CREDIT. NO HOLDER OF ANY SERIES 2000 BONDS SHALL HAVE THE RIGHT TO DEMAND PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, PURCHASE PRICE OR INTEREST ON THAT SERIES 2000 BOND OR OF ANY FUNDS TO BE RAISED BY TAXATION. THE ISSUER HAS NO TAXING POWER.

The Series 2000 Bonds are offered, subject to prior sale, when, as and if issued by the Issuer and received by Lancaster Pollard & Co. (the “Underwriter”), subject to approval of certain legal matters by Thompson Hine & Flory LLP, Dayton, Ohio, as counsel for the Bank, the approval of certain legal matters by Howard & Howard Attorneys, P.C., Bloomfield Hills, Michigan, as counsel for the Borrower, the approval of certain legal matters by Howard & Howard Attorneys, P.C., Bloomfield Hills, Michigan, as Bond Counsel, the approval of certain legal matters by Howard & Howard Attorneys, P.C., Bloomfield Hills, Michigan, as counsel for the Underwriter, and certain other conditions.

It is expected that the Series 2000A Bonds and the Series 2000B Bonds will be available for delivery through the facilities of DTC, on or about November 30, 2000, and November 21, 2000, respectively, against payment therefor.

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security, other than the original offering by The Economic Development Corporation of the City of Ann Arbor (the "Issuer") of its Adjustable Rate Demand Limited Obligation Revenue Bonds, Series 2000A (Glacier Hills, Inc. Project) (the "Series 2000A Bonds") and Adjustable Rate Demand Limited Obligation Revenue Refunding Bonds, Series 2000B (Glacier Hills, Inc. Project) (the "Series 2000B Bonds") specifically offered hereby. The Series 2000A Bonds and the Series 2000B Bonds are collectively referred to herein as the "Series 2000 Bonds". No dealer, broker, salesman or other person has been authorized to give any information or to make any representation with respect to the Series 2000 Bonds other than those contained in this Official Statement and, if given or made, such other information or representation not so authorized must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Series 2000 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and descriptions in this Official Statement do not purport to be comprehensive or definitive. Statements regarding specific documents (including the Series 2000 Bonds), instruments and statutes are descriptions of selected provisions of and subject to the detailed provisions of such documents, instruments and statutes, respectively, and are qualified in their entirety by reference to the full text of each such document, instrument or statute. Copies of the documents will be on file with the Trustee and will be furnished upon request. This Official Statement has been approved by the Borrower, and its use and distribution for the purposes set forth above have been authorized by the Borrower, the Issuer and the Bank. 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 Issuer, the Borrower or the Bank since the date hereof.

Upon issuance, the Series 2000 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other Federal, state, municipal or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement nor, except the Issuer (to the extent described herein), approved the Series 2000 Bonds for sale. Any representation to the contrary is a criminal offense.

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## INTRODUCTORY STATEMENT OF CERTAIN FACTORS

**This introductory statement is subject in all respects to the more complete information appearing elsewhere in this Official Statement. The introductory statement is not to be read or used without reference to the entire Official Statement.**

**The Issuer:** The Economic Development Corporation of the City of Ann Arbor (the "Issuer") is a public corporation duly created and existing under and pursuant to Act No. 338, Public Laws of Michigan, 1974, as amended (the "Act") and is authorized by the Act and the proceedings of the Board of Directors of the Issuer to issue bonds in order to provide financing for the construction, installation and equipping of facilities, such as the Project (as defined herein), and for the refinancing of such facilities.

**The Borrower:** Glacier Hills, Inc., Ann Arbor, Michigan (the "Borrower") is a Michigan nonprofit corporation which will borrow the proceeds of the Series 2000 Bonds.

**The Bank:** Bank One, N.A., is a national banking association (the "Bank").

**Purposes of the Financing:** Proceeds to be realized from the sale of the Series 2000 Bonds will be used by the Issuer to fund a loan to the Borrower to (1) with respect to the Series 2000A Bonds, to finance the constructing, equipping and furnishing of 70 independent senior living apartments and 26 independent senior living duplex villas on property adjacent to the Borrower's existing campus, and finance the renovation and improvement of a portion of the Borrower's existing Retirement Center, all located at 1200 Earhart Road, Washtenaw County, Ann Arbor, Michigan (the "Project"); and (2) with respect to the Series 2000B Bonds, implement the advance refunding of the \$8,244,000 outstanding principal amount of the Issuer's Limited Obligation Revenue Bonds (Glacier Hills, Inc. Project), Series 1989, originally issued in the principal amount of \$9,052,000 for the benefit of the Borrower (the "Refunded Bonds"), and (3) in each case pay certain costs related to the issuance of each such series of Series 2000 Bonds.

**Securities Being Offered:** \$23,245,000 principal amount of Adjustable Rate Demand Limited Obligation Revenue Bonds, Series 2000A (Glacier Hills, Inc. Project) and \$9,875,000 principal amount of Adjustable Rate Demand Limited Obligation Revenue Refunding Bonds, Series 2000B (Glacier Hills, Inc. Project) each will be issuable by the Issuer initially in denominations of \$100,000 and any integral multiples of \$5,000 in excess thereof. If the Series 2000 Bonds bear interest at the Six Month, One Year, Five Year or Fixed Interest Rate, they will be in denominations of \$5,000 and any integral multiples thereof. The Series 2000 Bonds will be issuable only in fully registered form. One Series 2000 Bond of each series initially will be delivered to The Depository Trust Company or its nominee. See "THE SERIES 2000 BONDS."

**THE SERIES 2000 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AS DESCRIBED IN THIS OFFICIAL STATEMENT. THE SERIES 2000 BONDS AND**

**INTEREST DUE THEREON SHALL NOT BE A GENERAL OBLIGATION, DEBT OR LIABILITY OF THE ISSUER, AND DO NOT CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE CITY OF ANN ARBOR, MICHIGAN. NO MEMBER OF THE BOARD OF DIRECTORS OR OFFICER OF THE ISSUER OR ANY PERSON EXECUTING THE SERIES 2000 BONDS ON BEHALF OF THE ISSUER SHALL BE PERSONALLY LIABLE THEREON. THE SERIES 2000 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM PAYMENTS TO BE MADE BY THE BORROWER UNDER THE LOAN AGREEMENT AND FROM MONEYS HELD BY THE TRUSTEE UNDER THE INDENTURE, INCLUDING AMOUNTS DRAWN UNDER THE LETTER OF CREDIT.**

**Underwriter and Remarketing Agent:** Lancaster Pollard & Co.

**Letter of Credit:** A separate irrevocable direct pay letter of credit will be issued by the Bank with respect to each of the Series 2000A Bonds and the Series 2000B Bonds and will secure payment of \$23,245,000 principal amount of the Series 2000A Bonds and \$9,875,000 principal amount of the Series 2000B Bonds, respectively, plus \$286,583 with respect to the Series 2000A Bonds and \$121,747 with respect to the Series 2000B Bonds which is equal in each case to 45 days' accrued interest thereon while the respective series of the Series 2000 Bonds bear interest at the Weekly, the One Month or the Three Month Interest Rate computed at the maximum rate of 10% per annum, calculated on the basis of a 365-day year and will expire November 15, 2003, unless extended or earlier terminated. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2000 BONDS." If, at the Borrower's election, the Series 2000 Bonds bear interest at the Six Month, the One Year, the Five Year or the Fixed Interest Rate, the Borrower will be required to deliver an Alternate or amended Letter of Credit which will secure 195 days' accrued interest on the Series 2000 Bonds, computed at the maximum rate of 10% per annum, calculated on the basis of a 360-day year of twelve 30-day months. Payment of principal of and interest on the Series 2000 Bonds at maturity or upon redemption or acceleration will be made first from moneys obtained by the Trustee pursuant to draws on the Bank under the Letter of Credit. Payment of the purchase price of the Series 2000 Bonds or beneficial ownership interests therein upon tenders for purchase by Holders or beneficial owners will be made first from moneys consisting of remarketing proceeds held in the Remarketing Reimbursement Fund as defined in the Indenture and then from draws on the Bank under the Letter of Credit.

**Interest Rate:** From the date of initial delivery, until the Borrower, with the consent of the Bank, shall have elected to convert the interest rate to a different Interest Rate Mode, the interest rate on the Series 2000 Bonds will be the Weekly Rate.

**Interest Payment Dates:** Interest on the Series 2000 Bonds is payable on the first Business Day of each month, commencing December 1, 2000, while the Series 2000 Bonds bear interest at the Weekly, the One Month or the Three Month Interest Rate, and on each

May 1 and November 1 while the Series 2000 Bonds bear interest at the Six Month, the One Year, the Five Year or the Fixed Interest Rate.

**Interest Rate Modes:** At the option of the Borrower and approved in writing by the Bank, upon certain conditions, the interest rate may be converted on one or more occasions to a Weekly Interest Rate, a One Month Interest Rate, a Three Month Interest Rate, a Six Month Interest Rate, a One Year Interest Rate or a Five Year Interest Rate (collectively, with the Fixed Interest Rate, the "Interest Rate Modes") unless or until converted to a Fixed Interest Rate for the remaining term of the Series 2000A Bonds.

The following chart sets forth for each Interest Rate Mode, other than the Fixed Interest Rate, the Interest Rate Determination Date, which is the date the Remarketing Agent determines the interest rate on the Series 2000 Bonds, the Interest Rate Adjustment Date, which is the date on which the interest rate on the Series 2000 Bonds is adjusted, either as the result of the conversion of the interest rate on the Series 2000 Bonds to a different Interest Rate Mode or by adjustment of the interest rate on the Series 2000 Bonds within the applicable Interest Rate Mode, and the Interest Rate Period for each Interest Rate Mode.

<u>INTEREST RATE MODE</u>	<u>INTEREST RATE ADJUSTMENT DATE</u>	<u>INTEREST RATE DETERMINATION DATE*</u>	<u>INTEREST RATE PERIOD</u>
Weekly	Thursday of each week	4:00 p.m. on Wednesday of each week, or the next preceding Business Day if Wednesday is not a Business Day**	One week commencing Thursday**
One Month	First Business Day of each month	7 <sup>th</sup> Business Day before the Interest Rate Adjustment Date	One month commencing the first Business Day of the month
Three Month	First Business Day of any month, and thereafter the first Business Day of February, May, August and November	10 <sup>th</sup> Business Day before the Interest Rate Adjustment Date	Three months commencing the first Business Day of February, May, August and November **
Six Month	First Business Day of any month, and thereafter on May 1 and November 1	10 <sup>th</sup> Business Day before the Interest Rate Adjustment Date	Six months commencing May 1 and November 1 ***
One Year	First Business Day of any month, and thereafter on May 1 and November 1 commencing the next Interest Rate Period	10 <sup>th</sup> Business Day before the Interest Rate Adjustment Date	One year commencing May 1 and November 1 ***
Five Year	First Business Day of any month, and thereafter May 1 and November 1 commencing the next Interest Rate Period	10 <sup>th</sup> Business Day before the Interest Rate Adjustment Date	Five years commencing May 1 and November 1 ***

\* See 'THE SERIES 2000 BONDS - Holders' Tender Options' for a description of applicable notice and delivery deadlines.

- \*\* When converting from another Interest Rate Mode, the Interest Rate Determination Date for the Weekly Interest Rate Mode is 4:00 p.m. on the Business Day (as defined below) before the Interest Period Reset Date. The first Interest Rate Period would commence on the Interest Period Reset Date and continue through the following Wednesday.
- \*\*\* The first Interest Rate Period may be less than the indicated period when converting from another Interest Rate Mode.

The Interest Rate Determination Date for the Fixed Interest Rate is the tenth Business Day before the Interest Period Reset Date, which is the first day of a month following the conclusion of the preceding Interest Rate Period and which is also the Interest Rate Adjustment Date. No further conversion to other Interest Rate Modes can be made after conversion to the Fixed Interest Rate. (See "THE SERIES 2000 BONDS -- Interest Rate Modes on Series 2000 Bonds," and "-- Conversion Between Interest Rate Modes.")

**Interest Period Reset Date:** The Interest Period Reset Date is the date on which the interest rate on the Series 2000 Bonds converts from the Interest Rate Mode applicable to the Series 2000 Bonds prior to such date to a new Interest Rate Mode, which shall occur on the first Business Day of the month, provided that upon conversion from a Six Month, One Year or Five Year Interest Rate Mode, the Interest Period Reset Date shall occur on the first day of a month, and further that except when converting from a Weekly Interest Rate Mode, an Interest Period Reset Date may not occur prior to the end of the preceding Interest Rate Period.

**Mandatory Redemption Upon Expiration Of Letter Of Credit:** The Series 2000 Bonds are subject to mandatory redemption prior to maturity in whole on the Interest Payment Date which immediately precedes the termination date of the Letter of Credit by at least five days, if the Letter of Credit has not been extended or an Alternate Letter of Credit has not been provided. See "THE SERIES 2000 BONDS -- Redemption Prior to Maturity -- Mandatory Redemption Upon Expiration of Letter of Credit."

**Mandatory Redemption Upon Determination of Taxability:** Upon the occurrence of a Determination of Taxability, as defined herein, the Series 2000 Bonds are subject to mandatory redemption in whole at a redemption price of 100% of the outstanding principal amount thereof, plus accrued interest to the redemption date, at the earliest practicable date selected by the Trustee, after consultation with the Borrower, but in no event later than 45 days following the Trustee's notification of the Determination of Taxability. See "THE SERIES 2000 BONDS Redemption Prior to Maturity - Mandatory Redemption Upon Determination of Taxability" herein.

**Optional Redemption:** At the option of the Issuer, upon the direction of the Borrower, the Series 2000 Bonds may be redeemed, (1) if the Series 2000 Bonds do not bear interest at the Fixed Interest Rate, in whole or in part (in integral multiples of \$5,000, provided that while the Series 2000 Bonds bear interest at the Weekly, One Month or Three Month Interest Rate, the unredeemed portion of any Series 2000 Bond shall be \$100,000 or more) on any Interest Rate Adjustment Date at 100% of the principal amount plus accrued interest to the

date of redemption, and (2) if the Series 2000 Bonds bear interest at the Fixed Interest Rate, in whole or in part (in integral multiples of \$5,000) at any time on or after the First Optional Redemption Date, as hereafter defined, at a declining premium above the principal amount plus accrued interest to the date of redemption. See "THE SERIES 2000 BONDS -- Redemption Prior to Maturity -- Optional Redemption."

**Extraordinary Optional Redemption:** The Series 2000 Bonds are also subject to optional redemption in whole and, under certain limited circumstances, in part upon the occurrence of certain calamities and unforeseen events at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date. See "THE SERIES 2000 BONDS -- Redemption Prior to Maturity -- Extraordinary Optional Redemption."

**Optional Tender:** While the Series 2000 Bonds bear interest at the Weekly Interest Rate, the Holders or Beneficial Owners of the Series 2000 Bonds or Beneficial Ownership Interests have the option to tender their Series 2000 Bonds or Beneficial Ownership Interests to the Trustee for purchase on a Business Day not prior to the seventh day and not later than the fifteenth day next succeeding the date notice is given by the Holders or Beneficial Owners. While the Series 2000 Bonds are in an Interest Rate Mode other than the Weekly Interest Rate or the Fixed Interest Rate Mode, the Holders or Beneficial Owners of the Series 2000 Bonds or Beneficial Ownership Interests have the option to tender their Series 2000 Bonds to the Trustee for purchase on any Interest Rate Adjustment Date. To exercise such option, when the interest rate is in an Interest Rate Mode other than the One Month Interest Rate or the Weekly Interest Rate, the Holder or Beneficial Owner must give notice to the Trustee no later than 11:00 a.m. on the eighth Business Day prior to the applicable purchase date and, in the case of a Holder, deliver to the Trustee the Series 2000 Bonds to be purchased no later than 10:00 a.m. on the seventh day preceding the applicable purchase date; and in the case of a Beneficial Owner, cause the transfer of the Beneficial Owner's Beneficial Ownership Interest on the records of DTC by 10:00 a.m. on the applicable purchase date. To exercise such option when the interest rate is the One Month Interest Rate, the Holder or Beneficial Owner must give notice to the Trustee no later than 11:00 a.m. on the fifth Business Day prior to the applicable purchase date and, in the case of a Holder, deliver to the Trustee the Series 2000 Bonds to be purchased no later than 10:00 a.m. on the fourth day preceding the applicable purchase date; and in the case of a Beneficial Owner, cause the transfer of the Beneficial Owner's Beneficial Ownership Interest on the records of DTC by 10:00 a.m. on the applicable purchase date. To exercise such option when the interest rate is the Weekly Interest Rate, the Holder or Beneficial Owner must give notice to the Trustee of the applicable purchase date which is not prior to the seventh day and not later than the fifteenth day next succeeding the date notice is given and, in the case of a Holder, deliver to the Trustee the Series 2000 Bonds to be purchased no later than 10:00 a.m. on the second Business Day prior to the applicable purchase date; and in the case of a Beneficial Owner, cause the transfer of the Beneficial Owner's Beneficial Ownership Interest on the records of DTC by 10:00 a.m. on the applicable purchase date. Upon tender, Series 2000 Bonds in the principal amount of \$100,000 or integral multiple of \$5,000 in excess thereof (provided that the untendered portion of any

Series 2000 Bond will be \$100,000 or more in principal amount so long as the Series 2000 Bonds bear interest at the Weekly, One Month or Three Month Interest Rate) will be purchased at a price equal to 100% of the principal amount thereof plus accrued interest thereon. See "THE SERIES 2000 BONDS -Holders' Tender Options."

**Mandatory Tender:** The Series 2000 Bonds or Beneficial Ownership Interests are subject to mandatory tender at any time (1) the Issuer, at the direction of the Borrower, converts the then current Interest Rate Mode on the Series 2000 Bonds to a different Interest Rate Mode on any Interest Period Reset Date, or (2) delivery by the Borrower to the Trustee of an Alternate Letter of Credit which results in a reduction or withdrawal of the securities rating, if any, on the Series 2000 Bonds, subject to each Holder's or Beneficial Owner's option to continue to hold such Holder's or Beneficial Owner's Series 2000 Bonds or Beneficial Ownership Interests. Upon tender, Series 2000 Bonds or Beneficial Ownership Interests will be purchased at a purchase price equal to 100% of the principal amount thereof plus accrued interest thereon. Any Series 2000 Bonds or Beneficial Ownership Interests not delivered for tender, for which notice of a Holder's or Beneficial Owner's option to continue to hold such Series 2000 Bonds or Beneficial Ownership Interests has not been received, will be deemed to have been delivered for purchase and sold by the Holder or Beneficial Owner thereof. See "THE SERIES 2000 BONDS -- Mandatory Tender Upon Conversion to a Different Interest Rate Mode" and "-- Mandatory Tender Upon Delivery of an Alternate Letter of Credit."

**Business Day:** A day of the year, other than a Saturday or Sunday, on which commercial banks, located in the city in which the principal corporate trust office of the Trustee, the principal office of the Remarketing Agent or the principal office of the Bank is located, are not required or authorized to remain closed or on which The New York Stock Exchange is not closed.

**The Trustee:** Bank One Trust Company, N.A., Columbus, Ohio (the "Trustee"), is a national banking association and duly authorized to exercise corporate trust powers under the laws of the United States of America, will initially serve as the Trustee under the Indenture.

**The Project:** The Borrower will use the loan of the proceeds of the Series 2000 Bonds to (1) finance the costs of constructing, equipping and furnishing of 70 independent senior living apartments and 26 independent senior living duplex villas on property adjacent to the Borrower's existing campus, and finance the renovation and improvement of a portion of the Borrower's existing Retirement Center, all located at 1200 Earhart Road, Washtenaw County, Michigan (the "Project"), (2) implement the advance refunding of the Refunded Bonds, and (3) pay a portion of the costs of issuing the Series 2000 Bonds. The Issuer will make such loan to the Borrower pursuant to a Loan Agreement dated as of November 1, 2000 (the "Loan Agreement"). The loan payments under the Loan Agreement and the related Notes will correspond, as to amount, to the principal and premium, if any, and interest (collectively "Bond Service Charges") due on each series of the Series 2000 Bonds.

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## **OFFICIAL STATEMENT**

**relating to the original issuance of**

**\$33,120,000**

### **THE ECONOMIC DEVELOPMENT CORPORATION OF THE CITY OF ANN ARBOR**

<b>\$23,245,000</b>	<b>\$9,875,000</b>
<b>ADJUSTABLE RATE DEMAND LIMITED OBLIGATION REVENUE BONDS, SERIES 2000A (GLACIER HILLS, INC. PROJECT)</b>	<b>ADJUSTABLE RATE DEMAND LIMITED OBLIGATION REVENUE REFUNDING BONDS, SERIES 2000B (GLACIER HILLS, INC. PROJECT)</b>

### **INTRODUCTION**

This Official Statement, including the cover page, Introductory Statement of Certain Facts and Appendices, is furnished in connection with the original issuance of \$23,245,000 principal amount of Adjustable Rate Demand Limited Obligation Revenue Bonds, Series 2000A (Glacier Hills, Inc. Project) (the "Series 2000A Bonds") and \$9,875,000 principal amount of Adjustable Rate Demand Limited Obligation Revenue Refunding Bonds, Series 2000B (Glacier Hills, Inc. Project) (the "Series 2000B Bonds") of The Economic Development Corporation of the City of Ann Arbor (the "Issuer"). The Series 2000A Bonds and the Series 2000B Bonds are individually and collectively referred to herein as the "Series 2000 Bonds". The Series 2000 Bonds are being issued pursuant to a Trust Indenture dated as of November 1, 2000 (the "Indenture"), between the Issuer and Bank One Trust Company, N.A., Columbus, Ohio, as trustee (the "Trustee"). The Series 2000 Bonds will be dated as of and bear interest from the date of their initial delivery to Lancaster Pollard & Co. (the "Underwriter").

The proceeds received from the sale of the Bonds will be loaned to Glacier Hills, Inc., a Michigan nonprofit corporation (the "Borrower"). The loan will be made pursuant to the terms of a Loan Agreement dated as of November 1, 2000 between the Borrower and the Issuer (the "Loan Agreement"). The Borrower will be liable under the Loan Agreement for the amount of the loan, which is being made to finance (a) from the proceeds of the Series 2000A Bonds, costs of constructing, equipping and furnishing of 70 independent senior living apartments and 26 independent senior living duplex villas on property adjacent to the Borrower's existing campus, and to finance the renovation and improvement of a portion of the existing Retirement Center, all located at 1200 Earhart Road, Washtenaw County, Michigan (the "Project"), (b) implement the refunding of the \$8,244,000 outstanding principal amount of the Issuer's Limited Obligation Revenue Bonds (Glacier Hills, Inc. Project), Series 1989 (the "Refunded Bonds"), and (c) pay a portion of the costs of issuing the Series 2000 Bonds.

Pursuant to the Loan Agreement, the Borrower will agree to make payments by the times and in the amounts necessary to pay the principal of, premium (if any) and interest on the Series 2000 Bonds when due (the "Bond Service Charges"). To evidence such obligation, the Borrower also will execute and deliver to the Trustee with respect to each of the Series 2000A Bonds and the Series 2000B Bonds a promissory note (each a "Note" and, collectively, the "Notes") in a principal amount equal to the principal amount of the respective series of the Series 2000 Bonds.

Concurrently with, and as a condition to, the issuance of the Series 2000 Bonds, the Borrower will cause to be delivered to the Trustee a separate irrevocable direct pay Letter of Credit with respect to each of the Series 2000A Bonds and the Series 2000B Bonds (individually and collectively, the "Letter of Credit") of Bank One, N.A. (together with the issuer of any Alternate Letter of Credit, the "Bank"). The Trustee will be entitled to draw under the Letter of Credit an amount not exceeding \$23,531,583 with respect to the Series 2000A Bonds and \$9,996,747 with respect to the Series 2000B Bonds, which consists of (a) with respect to the Series 2000A Bonds, up to \$23,245,000, which amount equals the principal amount of the Series 2000A Bonds, and with respect to the Series 2000B Bonds, up to \$9,875,000 which amount equals the principal amount of the Series 2000B Bonds, in order to pay the principal on the Series 2000A Bonds and the Series 2000B Bonds, respectively, when due or upon redemption or acceleration or to pay the portion of the purchase price thereof corresponding to the principal amount upon certain tenders by Holders, plus (b) \$286,583 and \$121,747, initially, and for so long as the Series 2000A Bonds and the Series 2000B Bonds, respectively, bear interest at the weekly, One Month or Three Month Interest Rate, which amounts equal 45 days' interest on the principal amount of the Series 2000A Bonds and the Series 2000B Bonds, respectively, computed at the maximum rate of 10% per annum, in order to pay accrued interest on the Series 2000 Bonds when due or to pay the portion of the purchase price of the Series 2000 Bonds or Beneficial Ownership Interests corresponding to accrued interest. The Letter of Credit securing the Series 2000A Bonds is sometimes referred to herein as the "Series 2000A Letter of Credit" and the Letter of Credit securing the Series 2000B Bonds is sometimes referred to herein as the Series 2000B Letter of Credit; and the Series 2000A Letter of Credit and the Series 2000B Letter of Credit are sometimes referred to herein individually and collectively as the "Letter of Credit". If the Series 2000 Bonds are to bear interest at the Six Month, One Year, Five Year or Fixed Interest Rate, then the Borrower will be required to provide an amended or Alternate Letter of Credit which will cover, along with the principal amount described above, the amount of interest at least equal to 195 days' interest on the principal amount of the affected Series 2000 Bonds then outstanding, computed at the maximum rate of 10% per annum. Each Letter of Credit expires on November 15, 2003, unless terminated or extended pursuant to its terms. The Series 2000 Bonds are to be issued in accordance with the laws of the State of Michigan, particularly Act No. 338 of the Michigan Public Acts of 1974, as amended (the "Act"), a resolution of the Board of Directors of the Issuer (the "Bond Resolution") and the Indenture.

To secure the issuance of the Letter of Credit, the Borrower and the Bank have entered into a Reimbursement Agreement dated as of November 1, 2000 (the "Reimbursement

Agreement"), pursuant to which the Borrower is obligated to reimburse the Bank for drawings made under the Letter of Credit.

Except for the information contained herein under the caption "THE ISSUER," the Issuer has not provided any of the information contained in this Official Statement. The Issuer is not responsible for and does not certify as to the accuracy or sufficiency of the disclosures made herein or any other information provided by the Borrower, the Bank, the Underwriter or any other person.

*The Series 2000 Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank and are not being offered on the basis of the financial strength of the Borrower or any other entity or security. This Official Statement does not describe the financial condition of the Borrower. The Series 2000 Bonds are subject to acceleration of maturity upon the occurrence of a default under the Reimbursement Agreement, but such defaults are not summarized or set forth herein. As a result of the foregoing, prospective investors will not be able to evaluate the likelihood of a default under the Reimbursement Agreement.*

Herein follow brief descriptions of the Issuer and the Series 2000 Bonds, together with summaries of the Letter of Credit, the Reimbursement Agreement, the Loan Agreement and the Indenture. Information regarding the Bank is included in the Appendix hereto. The descriptions and summaries of the Letter of Credit, the Reimbursement Agreement, the Loan Agreement, the Indenture and other documents contained herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to those documents, and all references to Series

The descriptions herein of the Series 2000 Bonds are qualified in their entirety by the definitive form thereof included in the Indenture. Copies of such documents will be available at the offices of the Underwriter, Lancaster Pollard & Co., 250 Civic Center Drive, Suite 640, Columbus, Ohio 43215, until the issuance and delivery of the Bonds, and thereafter at the corporate trust office of the Trustee, presently Bank One Trust Company, N.A., Columbus, Ohio, Attention: Corporate Trust Department.

## THE ISSUER

The Issuer is a public corporation duly created and existing under and pursuant to the Act. Pursuant to the Act and to proceedings of the Board of Directors of the Issuer, the Issuer is authorized to issue the Series 2000 Bonds and enter into agreements with the Borrower to loan the proceeds of the Series 2000 Bonds to the Borrower in order to finance the Project and implement the Refunding.

The Series 2000 Bonds are limited obligations of the Issuer as stated on the cover page hereof. The Issuer is not generally liable on the Series 2000 Bonds or on any other obligations incurred by the Issuer under the Indenture or the Loan Agreement. The Series 2000 Bonds are

not general obligations and do not constitute debts or pledges against the general credit or taxing power of the Issuer or the City of Ann Arbor, Washtenaw County, Michigan, but are payable solely as indicated on the cover page hereof. No owner of the Series 2000 Bonds shall have the right to demand payment of the principal of, premium, if any, or interest on such Series 2000 Bonds out of any funds to be raised by taxation. The Issuer has no taxing power.

The Issuer has not prepared any material for inclusion in this Official Statement except the material under the heading "THE ISSUER".

The distribution of this Official Statement has been duly approved and authorized by the Issuer. Such approval and authorization does not, however, constitute a representation or approval by the Issuer of the accuracy or sufficiency of any information contained herein, except to the extent of the information contained under this heading.

The Issuer has no knowledge of but may have experienced defaults with respect to certain issues of limited obligation revenue bonds issued by it because of the non-payment of the required debt service payments by the party receiving financing through the Issuer. Obligations issued by the Issuer are payable solely from the funds specifically pledged for the payment of those obligations. A default on another obligation issued by the Issuer not involving the Borrower would not constitute a default on the Series 2000 Bonds. Accordingly, the Issuer does not consider that disclosure relating to default on other limited obligation revenue bonds of the Issuer would be appropriate or material to prospective purchasers of the Series 2000 Bonds.

## **THE BORROWER**

Glacier Hills, Inc., is a Michigan nonprofit corporation which was incorporated in the State of Michigan in 1973. It was organized and remains a nonsectarian senior housing and health care organization whose mission is to serve the needs of the surrounding area's older population. The present facility is situated on a 34-acre site improved with 112 congregate care apartments, 43 assisted living apartments, a 163 bed skilled nursing facility, and common area amenities. Governance of the organization is entrusted to a 14 member volunteer Board of Directors comprised of local area leaders who provide oversight of a seasoned and highly qualified executive level management team. Residency is encouraged to persons of all faiths and the Glacier Hills' campus currently serves approximately 300 residents and employs 340. Glacier Hills represents one of only two continuing care retirement communities within the Ann Arbor area and the only facility that has met the high quality standards for accreditation by the Continuing Care Accreditation Committee.

**THE SERIES 2000 BONDS ARE BEING OFFERED ON THE BASIS OF THE LETTER OF CREDIT AND NOT ON THE BASIS OF THE FINANCIAL STRENGTH OF THE BORROWER. ACCORDINGLY, NO FINANCIAL INFORMATION WITH RESPECT TO THE BORROWER IS INCLUDED IN THIS OFFICIAL STATEMENT OR THE APPENDICES. THE SERIES 2000 BONDS ARE SUBJECT TO ACCELERATION OF MATURITY UPON THE OCCURRENCE OF AN EVENT OF DEFAULT BY THE**

BORROWER UNDER THE REIMBURSEMENT AGREEMENT BETWEEN THE BANK AND THE BORROWER, BUT SUCH DEFAULTS ARE NOT SUMMARIZED OR SET FORTH HEREIN.

AS A RESULT OF THE FOREGOING, PROSPECTIVE INVESTORS WILL NOT BE ABLE TO EVALUATE THE LIKELIHOOD OF A DEFAULT BY THE BORROWER UNDER THE REIMBURSEMENT AGREEMENT.

### **THE BANK**

The Bank is the issuer of the Letter of Credit. Certain information concerning the Bank, including certain financial information, has been provided by the Bank and is contained in Appendix A to this Official Statement. Neither the Issuer, the Borrower nor the Underwriter makes any representation or warranty as to the accuracy or completeness thereof. The Bank is only responsible for information furnished concerning the Bank and the Letter of Credit, including the information contained in Appendix A, and is not responsible for and does not certify as to the accuracy or sufficiency of the disclosures made herein or any other information provided by the Borrower, the Issuer, the Underwriter or any other person.

### **PURPOSE OF SERIES 2000 BOND ISSUE AND PLAN OF FINANCING**

The Series 2000 Bonds are being issued for the purpose of providing funds to make a loan to the Borrower (i) to pay the cost of constructing, equipping and furnishing of 70 independent senior living apartments and 26 independent senior living duplex villas on property adjacent to the Borrower's existing campus, and renovating and improving a portion of the Borrower's existing Retirement Center, all located at 1200 Earhart Road, Washtenaw County, Michigan (the "Project"), (ii) to advance refund the Refunded Bonds, and (iii) to pay certain expenses incurred in connection with the issuance of the Series 2000 Bonds.

### **ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds of the Series 2000 Bonds, exclusive of investment earnings, will be applied by the Trustee, under the provisions of the Indenture and the Loan Agreement for the following uses and in the following respective estimated amounts.

**Series 2000A Bonds****Sources of Funds:**

Series 2000A Bond Proceeds	\$23,245,000
Interest Earnings on Project Fund	\$650,000
Borrower's Equity Contribution	<u>\$972,831</u>
<b>Total Sources of Funds</b>	<b><u>\$24,867,831</u></b>

**Uses of Funds:**

Costs of the Project (including Capitalized Interest)	\$24,244,755
Costs of Issuance <sup>(1)</sup>	<u>\$623,076</u>
<b>Total Uses of Funds</b>	<b><u>\$24,867,831</u></b>

**Series 2000B Bonds****Sources of Funds:**

Series 2000B Bond Proceeds	\$9,875,000
Funds transferred from Refunded Bond Reserve Fund	<u>\$500,000</u>
<b>Total Sources of Funds</b>	<b><u>\$10,375,000</u></b>

**Uses of Funds:**

Refunding of Refunded Bonds	\$10,216,108
Costs of Issuance <sup>(1)</sup>	<u>\$158,892</u>
<b>Total Uses of Funds</b>	<b><u>\$10,375,000</u></b>

(1) The Costs of Issuance consist of the Underwriter's discount, the Bank's initial Letter of Credit fee and legal, accounting and other incidental costs. The amount of these costs, exclusive of the Bank's initial Letter of Credit fee and related legal fees and costs, paid from the proceeds of the Series 2000 Bonds will not exceed 2% of the proceeds of each series of the Series 2000 Bonds.

## **THE SERIES 2000 BONDS**

### **General Description**

Upon issuance, the Series 2000 Bonds will be registered in the names of the Holders (as defined below) thereof and will be dated the date of their issuance. The Series 2000A Bonds will mature on November 1, 2025, and the Series 2000B Bonds will mature on November 1, 2019, in each case subject to prior mandatory or optional redemptions described below. The Series 2000 Bonds will be issued in fully registered form without coupons and will be in denominations of \$100,000 and any integral multiples of \$5,000 in excess thereof while the Series 2000 Bonds bear interest at the Weekly, One Month or Three Month Interest Rate, and \$5,000 and any integral multiple thereof while the Series 2000 Bonds are in any other Interest Rate Mode. Principal of and premium, if any, on the Series 2000 Bonds will be payable when due to the registered holders (the "Holders"), upon presentation and surrender thereof, at the principal corporate trust office of the Trustee. Interest will be payable on the first Business Day of each month so long as the Series 2000 Bonds bear interest at the Weekly, One Month or Three Month Interest Rate, and on each May 1 and November 1 while the Series 2000 Bonds are in any other Interest Rate Mode (the "Interest Payment Dates"). Interest will be payable by check mailed by the Trustee on each Interest Payment Date to the Holders of the Series 2000 Bonds on the applicable Record Date; provided that upon request of a Holder interest may be paid by wire transfer in immediately available funds.

### **Sources of Payment and Security for the Series 2000 Bonds**

The payment of principal of and interest on the Series 2000 Bonds at maturity or upon redemption or acceleration will be made first from moneys obtained by the Trustee pursuant to draws on the Bank under the Letter of Credit. In the case of payment of the purchase price of Series 2000 Bonds or Beneficial Ownership Interests upon certain tenders by Holders or Beneficial Owners, such payment will be made first from the Remarketing Reimbursement Fund and then from moneys obtained by the Trustee pursuant to draws on the Bank under the Letter of Credit. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2000 BONDS."

### **The Letter of Credit**

In the event amounts are not available under the Letter of Credit sufficient to pay the principal of and interest on a series of the Series 2000 Bonds, then the principal of and interest on the Series 2000 Bonds are payable directly from the payments made by the Borrower under the Loan Agreement, including the moneys, securities, funds and accounts held by the Trustee (including investment earnings thereon) available for that purpose under the Indenture. The Letter of Credit may not be drawn upon to pay any amount which constitutes a premium on the Series 2000 Bonds. Such premium must be paid by the Borrower with Eligible Funds, as hereafter defined. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES

2000 BONDS.” Under the Reimbursement Agreement, the Borrower is obligated to reimburse the Bank for draws on the Bank under the Letter of Credit.

## **Interest**

Interest will be payable on each Interest Payment Date.

The Series 2000 Bonds will bear interest in one of seven different Interest Rate Modes: the Weekly Interest Rate, the One Month Interest Rate, the Three Month Interest Rate, the Six Month Interest Rate, the One Year Interest Rate, the Five Year Interest Rate or the Fixed Interest Rate. The Interest Rate Modes are described below under “Interest Rate Modes on Series 2000 Bonds.” The Borrower on behalf of the Issuer and with the written consent of the Bank may elect to convert the Interest Rate Mode on one or both series of the Series 2000 Bonds on one or more occasions until it is converted to the Fixed Interest Rate, as described under “Conversion Between Interest Rate Modes” below.

While the Series 2000 Bonds bear interest in one of the Interest Rate Modes, they bear interest in such mode for a period of time generally corresponding to the title of that Interest Rate Mode (the “Interest Rate Period”) at a rate determined by the Remarketing Agent. However, when converting to an Interest Rate Mode other than the Weekly Interest Rate Mode, the first Interest Rate Period may be less than the indicated period. The Remarketing Agent determines the rate for a particular Interest Rate Period on the Interest Rate Determination Date for such Interest Rate Period. The Interest Rate Periods and Interest Rate Determination Dates for each Interest Rate Mode are described below under “Interest Rate Modes on Series 2000 Bonds.”

## **Interest Rate Modes on Series 2000 Bonds**

While the Series 2000 Bonds bear interest in one of the Interest Rate Modes other than the Fixed Interest Rate, the interest rate for a particular Interest Rate Period is determined by the Remarketing Agent on the Interest Rate Determination Date. Such interest rate is effective on the Interest Rate Adjustment Date for the succeeding Interest Rate Period.

The interest rate determined by the Remarketing Agent on the Interest Rate Determination Date is to be that rate of interest per annum determined by the Remarketing Agent to be the interest rate necessary, during the Interest Rate Period commencing on the next Interest Rate Adjustment Date in the judgment of the Remarketing Agent (taking into consideration current transactions and comparable securities with which the Remarketing Agent is involved or of which it is aware and prevailing financial market conditions), to produce as nearly as practical a par bid for the Series 2000 Bonds on the Interest Rate Determination Date. In the event that the Remarketing Agent has been removed or has resigned and no successor has been appointed or the Remarketing Agent has failed to determine the appropriate interest rate on the Interest Rate Determination Date for whatever reason, or the appropriate interest rate cannot be determined for whatever reason, the interest rate then in effect with

respect to the Series 2000 Bonds, without adjustment, will continue for the next Interest Rate Period. In no event may the interest rate on the Series 2000 Bonds exceed 10% per annum.

On the Interest Rate Determination Date, the Remarketing Agent will give the Borrower, the Trustee and the Bank notice of the interest rate to be borne by the Series 2000 Bonds for the following Interest Rate Period.

The determination of any interest rate by the Remarketing Agent is binding and conclusive upon the Holders of the Series 2000 Bonds.

The Interest Rate Modes and their respective Interest Rate Determination Dates, Interest Rate Adjustment Dates and Interest Rate Periods are as follows:

#### **Weekly Interest Rate Mode**

In the Weekly Interest Rate Mode, the Interest Rate Period is a period of one week commencing on Thursday. The Interest Rate Determination Date in the Weekly Interest Rate Mode is not later than 4:00 p.m. on Wednesday of each week, or the next preceding Business Day if Wednesday is not a Business Day. The Interest Rate Adjustment Date for the Weekly Interest Rate Mode is Thursday of each week. In the event of a conversion to the Weekly Interest Rate Mode from a different Interest Rate Mode, the first Interest Rate Period may be less than one week. Such first Interest Rate Period commences on the Interest Period Reset Date, which may be the first day of any month and ends on the next succeeding Wednesday. In such event, the Interest Rate Determination Date is not later than 4:00 p.m. on the Business Day preceding the Interest Period Reset Date. In the event of a conversion from the Weekly Interest Rate Mode to a different Interest Rate Mode, the last Interest Rate Period may be less than one week as a result of the last Interest Rate Period ending on the day preceding the first Business Day or the first day of a month.

#### **One Month Interest Rate Mode**

In the One Month Interest Rate Mode, the Interest Rate Adjustment Date is the first Business Day of the month and the Interest Rate Period is approximately one month commencing on the Interest Rate Adjustment Date and terminating on the day immediately preceding the following Interest Rate Adjustment Date. The Interest Rate Determination Date is the seventh Business Day preceding the Interest Rate Adjustment Date.

#### **Three Month Interest Rate Mode**

In the Three Month Interest Rate Mode, the Interest Rate Adjustment Date is the first Business Day of each February, May, August and November and the Interest Rate Period commences on the Interest Rate Adjustment Date and continues up to and including the day preceding the next Interest Rate Adjustment Date. The Interest Rate Determination Date is the tenth Business Day before the Interest Rate Adjustment Date. (In the event of a conversion

from another Interest Rate Mode to the Three Month Interest Rate Mode, the first Interest Rate Adjustment Date would be the Interest Period Reset Date for the Three Month Interest Rate Mode which may be the first Business Day or the first day of any month. Accordingly, the first Interest Rate Period may be shorter than a full three months.)

#### Six Month Interest Rate Mode

In the Six Month Interest Rate Mode, the Interest Rate Adjustment Dates are May 1 and November 1 and the Interest Rate Period commences on the Interest Rate Adjustment Date and continues up to and including the day preceding the next Interest Rate Adjustment Date. The Interest Rate Determination Date is the tenth Business Day preceding the Interest Rate Adjustment Date. (Upon a conversion from another Interest Rate Mode to the Six Month Interest Rate Mode, the first Interest Rate Adjustment Date is the Interest Period Reset Date for the Six Month Interest Rate Mode, which may be the first Business Day or the first day of any month. Accordingly, the first Interest Rate Period may be shorter than a full six months.)

#### One Year Interest Rate Mode

In the One Year Interest Rate Mode, the Interest Rate Adjustment Date is either May 1 or November 1 and the Interest Rate Period is a one year period commencing on the appropriate Interest Rate Adjustment Date and ending on either April 30 or October 31. The Interest Rate Determination Date is the tenth Business Day preceding the Interest Rate Adjustment Date. (Upon a conversion from another Interest Rate Mode to the One Year Interest Rate Mode the first Interest Rate Adjustment Date would be the Interest Period Reset Date for the One Year Interest Rate Mode, which may be the first Business Day or the first day of any month. Accordingly, the first Interest Rate Period may be shorter than one full year.)

#### Five Year Interest Rate Mode

In the Five Year Interest Rate Mode, the Interest Rate Adjustment Date is either May 1 or November 1 and the Interest Rate Period is a five year period commencing on the appropriate Interest Rate Adjustment Date and ending on either April 30 or October 31. The Interest Rate Determination Date is the tenth Business Day preceding the Interest Rate Adjustment Date. (Upon a conversion to the Five Year Interest Rate Mode from another Interest Rate Mode the first Interest Rate Adjustment Date would be the Interest Period Reset Date for the Five Year Interest Rate Mode, which may be the first Business

Day or the first day of any month. Accordingly, the first Interest Rate Period may be shorter than five full years.)

## **Fixed Interest Rate Mode**

In the Fixed Interest Rate Mode there is only one Interest Rate Adjustment Date and that is the Interest Period Reset Date upon which such Interest Rate Mode commences, which is the first day of a month. The Interest Rate Period commences on such Interest Rate Adjustment Date and continues to the final maturity of the applicable series of the Series 2000 Bonds. The Interest Rate Determination Date is the tenth Business Day preceding the Interest Rate Adjustment Date.

## **Conversion Between Interest Rate Modes**

The Interest Rate Mode applicable to the Series 2000 Bonds may be changed, at the written direction of the Borrower, on behalf of the Issuer and with the written consent of the Bank, as of an Interest Period Reset Date in the manner described below. "Interest Period Reset Date" means the date on which the interest rate on a series of the Series 2000 Bonds converts from one Interest Rate Mode to a new Interest Rate Mode. An Interest Period Reset Date must be the first Business Day of a month; provided that upon conversion from a Six Month, One Year or Five Year Interest Rate Mode, an Interest Period Reset Date must be the first day of the month and, except when converting from a Weekly Interest Rate Mode, an Interest Period Reset Date may not occur prior to the conclusion of the preceding Interest Rate Period.

On any Interest Period Reset Date the interest rate on one or both series of the Series 2000 Bonds may be converted to a different Interest Rate Mode upon receipt by the Trustee and the Remarketing Agent of a written direction from the Borrower on behalf of the Issuer, with the prior written consent of the Bank, not less than 45 days prior to such Interest Period Reset Date, to convert the interest rate on such Series 2000 Bonds to an Interest Rate Mode other than the Interest Rate Mode then in effect. Except when converting from the Weekly Interest Rate Mode, no Interest Period Reset Date shall be earlier than the day after the end of the Interest Rate Period in effect on the date of such direction from the Borrower. Such direction to convert the interest rate on a series of the Series 2000 Bonds to a different Interest Rate Mode must be accompanied by (a) an opinion of Bond Counsel (as defined in the Indenture) selected by the Borrower delivered to the Issuer, the Trustee, the Bank and the Remarketing Agent, stating that such conversion to the specified Interest Rate Mode will not adversely affect the exclusion of the interest on the affected series of Series 2000 Bonds from gross income for Federal income tax purposes, (b) a written certificate of the Remarketing Agent stating that the interest coverage period provided by the Letter of Credit is appropriate for the Interest Rate Mode directed to be in effect and that the Letter of Credit Termination Date is no earlier than 15 days after the end of the new Interest Rate Period, or if the conversion is to the Fixed Interest Rate, that the termination date of the Letter of Credit is no earlier than 15 days after the First Optional Redemption Date, as defined below, and (c) a written certificate of the Remarketing Agent stating that it has received certifications, opinions or other evidence satisfactory to it that there has been or will be compliance with any applicable state or Federal securities law requirements. If the Series 2000 Bonds bear interest

at the Weekly Interest Rate, the One Month Interest Rate or the Three Month Interest Rate, the interest coverage period for the Letter of Credit shall be at least 45 days of interest at the Maximum Rate. If the Series 2000 Bonds bear interest at the Six Month Interest Rate, the One Year Interest Rate, the Five Year Interest Rate or the Fixed Interest Rate, then the interest coverage period for the Letter of Credit shall be at least 195 days of interest at the Maximum Rate. The Borrower shall be required to provide a Letter of Credit or an Alternate Letter of Credit which will provide the appropriate interest coverage. No conversion shall be effective (i) if the proposed conversion is to a One Year Interest Rate, Five Year Interest Rate or Fixed Interest Rate and the Borrower makes an election on or prior to the day immediately succeeding any Interest Rate Determine Date not to proceed with the proposed conversion or (ii) the Trustee has not received on the effective date of such conversion an opinion of Bond Counsel to the same effect as described in clause (a) of this paragraph above. In either such event, the Interest Rate Mode for the affected series of Series 2000 Bonds will remain as the Interest Rate Mode then in effect for the Series 2000 Bonds without regard to any proposed conversion. The Series 2000 Bonds or Beneficial Ownership Interests will continue to be subject to tender for purchase on the scheduled effective date of the proposed conversion without regard to the failure of such proposed conversion. If the Trustee shall have sent any notice to Holders regarding the proposed conversion then in the event of a failure of such conversion, as specified above, the Trustee shall promptly notify all Holders of such failure, of the reason for such failure, and of the continuation of the Interest Rate Mode then in effect.

If the interest rate on one or both series of the Series 2000 Bonds is converted to a different Interest Rate Mode, at least 30 days prior to the Interest Period Reset Date, the Trustee is required to use its best efforts to notify Holders of all outstanding Series 2000 Bonds affected thereby by telephone (to the extent their telephone numbers have been provided in writing to the Trustee), immediately confirmed by first class mail to all Holders, that upon such Interest Period Reset Date such series of Series 2000 Bonds shall be converted to a different Interest Rate Mode, which Interest Rate Mode shall be specified, and that all affected Series 2000 Bonds or Beneficial Ownership Interests shall be subject to mandatory tender, subject to the right of Holders or Beneficial Owners to affirmatively elect to waive the mandatory tender and retain their Series 2000 Bonds or Beneficial Ownership Interests. Such notice shall also set forth that any rating on such Series 2000 Bonds may be subject to reduction or withdrawal as a result of such conversion to a different Interest Rate Mode. See "Mandatory Tender Upon Conversion to Different Interest Rate Mode" immediately below.

#### **Mandatory Tender Upon Conversion to a Different Interest Rate Mode**

Upon conversion of a series of the Series 2000 Bonds to a different Interest Rate Mode in accordance with the provisions of the Indenture as described above, such Series 2000 Bonds or Beneficial Ownership Interests will be subject to mandatory tender by the Holders or Beneficial Owners thereof for purchase on the Interest Period Reset Date upon which such conversion is effective at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Interest Period Reset Date. Notwithstanding such mandatory tender, any Holder or Beneficial Owner may elect to retain such Holder's or Beneficial Owner's Series

2000 Bonds or Beneficial Ownership Interests by delivering to the Trustee a written notice not later than 11:00 a.m. on the eighth Business Day prior to such Interest Period Reset Date, or by 11:00 a.m. on the fifth Business Day prior to such Interest Period Reset Date if the Interest Rate Mode is to be converted to the One Month Interest Rate, which notice shall state that (a) such Holder or Beneficial Owner realizes that the Series 2000 Bonds are being converted to bear interest at the applicable Interest Rate Mode, (b) unless the interest rate on the Series 2000 Bonds is being converted to the Weekly Interest Rate, such Holder or Beneficial Owner realizes that the next date upon which Series 2000 Bonds or Beneficial Ownership Interests may be tendered for purchase is the next Interest Rate Adjustment Date, or if such Series 2000 Bonds are being converted to the Fixed Interest Rate, such Series 2000 Bonds or Beneficial Ownership Interests may no longer be tendered for purchase, (c) such Holder or Beneficial Owner realizes that any securities ratings on the Series 2000 Bonds may be withdrawn or lowered, and (d) such Holder or Beneficial Owner affirmatively elects to hold his Series 2000 Bonds or Beneficial Ownership Interests and receive interest at the applicable Interest Rate Mode.

Series 2000 Bonds or Beneficial Ownership Interests with respect to which the Trustee shall not have received the election to retain as described in the preceding paragraph will be deemed to have been tendered for purchase whether or not the Holders or Beneficial Owners thereof shall have delivered such Series 2000 Bonds or Beneficial Ownership Interests to the Trustee, and subject to the right of the Holders or Beneficial Owners of such Series 2000 Bonds or Beneficial Ownership Interests to receive the purchase price of such Series 2000 Bonds or Beneficial Ownership Interests pursuant to a draw on the Letter of Credit and to receive interest accrued thereon to the Interest Period Reset Date, such Series 2000 Bonds or Beneficial Ownership Interests shall be null and void.

#### **Mandatory Tender Upon Delivery of an Alternate Letter of Credit**

If at any time the Borrower provides for the delivery to the Trustee of an Alternate Letter of Credit as provided in the Indenture which causes the securities rating, if any rating is then in effect, on the affected Series 2000 Bonds to be reduced below that securities rating in effect immediately prior to the delivery of the Alternate Letter of Credit or withdrawn, all Series 2000 Bonds or Beneficial Ownership Interests of such series are subject to mandatory tender by the Holders or Beneficial Owners thereof for purchase on the date such Alternate Letter of Credit is to take effect (the "Replacement Date") at a purchase price equal to the principal amount thereof plus accrued interest to that date. Notwithstanding such mandatory tender, any Holder or Beneficial Owner may elect to retain his Series 2000 Bonds or Beneficial Ownership Interests by delivering to the Trustee a written notice no later than 11:00 a.m. on the eighth Business Day prior to such Replacement Date, which notice must state that (a) such Holder or Beneficial Owner has received notice of and realizes that the Borrower is delivering an Alternate Letter of Credit to the Trustee pursuant to the Indenture, (b) such Holder or Beneficial Owner affirmatively elects to hold his Series 2000 Bonds or Beneficial Ownership Interests, and (c) such Holder or Beneficial Owner acknowledges that the securities rating on the affected Series 2000 Bonds has been reduced or withdrawn.

## **Holders' or Beneficial Owners' Tender Options**

Holders or Beneficial Owners of Series 2000 Bonds or Beneficial Ownership Interests may elect to have their Series 2000 Bonds or Beneficial Ownership Interests, or portions thereof, in denominations of \$100,000 or integral multiples of \$5,000 in excess thereof (provided that the untendered portion shall be \$100,000 or more in principal amount), purchased by the Trustee at a purchase price equal to 100% of the principal amount thereof plus accrued interest thereon, if any, on the applicable Bond Purchase Dates (as described below) and upon satisfaction of the applicable tender and notice requirements set forth below.

### **Weekly Interest Rate Period**

During any Weekly Interest Rate Period, on the demand of the Holders or Beneficial Owners thereof, Series 2000 Bonds or Beneficial Ownership Interests will be purchased by the Trustee first from remarketing proceeds held in the Remarketing Reimbursement Fund and, to the extent that moneys from such Fund are not sufficient, from draws made on the Bank under the Letter of Credit, on any Business Day (the "Bond Purchase Date") at a purchase price equal to the principal amount thereof plus accrued interest at the Weekly Interest Rate, if any, to the Bond Purchase Date. To exercise such option the Holder or Beneficial Owner must (a) give notice to the Trustee by telecopy or in writing which states (i) the name and address of the Holder or Beneficial Owner, (ii) the principal amount, CUSIP number and Bond numbers of the Series 2000 Bonds or Beneficial Ownership Interests to be purchased, (iii) the date on which the Series 2000 Bonds or Beneficial Ownership Interests are to be purchased, which Purchase Date shall be a Business Day not prior to the seventh day and not later than the fifteenth day next succeeding the date of giving of such notice to the Trustee and, if the interest rate on the Series 2000 Bonds is to be converted from the Weekly Interest Rate to a new Interest Rate Mode, is a date prior to the Interest Period Reset Date with respect to the new Interest Rate Mode, and (iv) that such notice is irrevocable; and (b) in the case of a Holder, no later than 10:00 a.m. according to the local time at the principal corporate trust office of the Trustee on the second Business Day immediately preceding the applicable Bond Purchase Date, deliver to the principal corporate trust office of the Trustee the Series 2000 Bonds to be purchased in proper form, accompanied by fully completed and executed Instructions to Sell, the form of which is attached to the Indenture and printed on the Series 2000 Bonds; and (c) in the case of a Beneficial Owner, cause the transfer of the Beneficial Ownership Interest on the records of DTC by 10:00 a.m. on the Bond Purchase Date.

### **Other Interest Rate Periods**

During any One Month Interest Rate Period, Three Month Interest Rate Period, Six Month Interest Rate Period, One Year Interest Rate Period or Five Year Interest Rate Period, on the demand of the Holders or Beneficial Owners thereof, Series 2000 Bonds or Beneficial Ownership Interests will be purchased by the Trustee first from remarketing proceeds held in the Remarketing Reimbursement Fund and, to the extent that moneys from such Fund are not

sufficient, from draws made on the Bank under the Letter of Credit, on any Interest Rate Adjustment Date (the "Bond Purchase Date"), at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date. To exercise such option the Holder or Beneficial Owner must (a) give notice to the Trustee by telecopy or in writing, no later than 11:00 a.m., according at the local time at the principal corporate trust office of the Trustee, with respect to the One Month Interest Rate Period, on the fifth Business Day preceding such Interest Rate Adjustment Date and with respect to the other Interest Rate Periods described above, on the eighth Business Day preceding such Interest Rate Adjustment Date, which states (i) the name and address of the Holder or Beneficial Owner, (ii) the principal amount, CUSIP number and Bond numbers of the Series 2000 Bonds or Beneficial Ownership Interests to be purchased, (iii) that the Series 2000 Bonds or Beneficial Ownership Interests are to be purchased pursuant to the provisions of the Indenture, and (iv) that such notice is irrevocable; and (b) in the case of a Holder, no later than 10:00 a.m. according to the local time at the principal corporate trust office of the Trustee, with respect to the One Month Interest Rate Period, on the fourth Business Day preceding the applicable Bond Purchase Date, or, with respect to the other Interest Rate Periods described above, on the seventh day preceding the applicable Bond Purchase Date, deliver to the principal corporate trust office of the Trustee the Series 2000 Bonds to be purchased in proper form accompanied by fully completed and executed Instructions to Sell, the form of which is attached to the Indenture and which is printed on the Series 2000 Bonds; and (c) in the case of a Beneficial Owner, cause the transfer of the Beneficial Ownership Interest on the records of DTC by 10:00 a.m. on the Bond Purchase Date.

#### **Payment of Purchase Price; Miscellaneous**

The purchase price of Series 2000 Bonds or Beneficial Ownership Interests purchased will be paid to a Holder or Beneficial Owner by check or by draft. The options granted to the Holders or Beneficial Owners are subject to the additional conditions that any tendered Series 2000 Bonds or Beneficial Ownership Interests (or the applicable portion thereof) will not be purchased if the Series 2000 Bonds or Beneficial Ownership Interests have been theretofore selected for redemption or have matured prior to the applicable Bond Purchase Date.

#### **Book Entry**

The following information regarding DTC and Cede & Co. has been furnished by DTC. The Issuer, the Borrower, the Bank, the Trustee and the Underwriter do not assume any responsibility for the accuracy or completeness of the information set forth under this caption "Book Entry," and the Issuer, the Borrower, the Bank, the Trustee and the Underwriter are not required to supervise, and will not supervise, the operation of the book entry system described herein.

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to

the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the “DTC Participants”) and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need of physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the “Indirect Participants”).

The DTC Participants shall receive a credit balance in the records of DTC. The ownership interest of each actual purchaser of each Series 2000 Bond (the “Beneficial Owner”) will be recorded through the records of the applicable DTC Participant. Beneficial Owners will receive a written confirmation of their purchase providing details of the Series 2000 Bond acquired. Transfers of ownership interests in the Series 2000 Bonds (“Beneficial Ownership Interests”) will be accomplished by book entries made by DTC and, in turn, by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Series 2000 Bonds, except as specifically provided in the Indenture.

The Issuer, the Borrower, the Bank, the Underwriter and the Trustee have no responsibility or liability for any aspects of the records relative to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership.

Principal and interest payments on the Series 2000 Bonds will be made to DTC or its nominee, as registered owner of the Series 2000 Bonds. Upon receipt of moneys, DTC’s current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Trustee, the Bank, the Borrower or the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its DTC Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the DTC Participant’s interest in the Beneficial Ownership Interests, on DTC’s records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Series 2000 Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when

the ownership rights in the Series 2000 Bonds are transferred by Direct Participants on DTC's record.

The Trustee, so long as a book entry method is used for the Series 2000 Bonds, will send only to DTC any notice of redemption or other notices required to be sent to Bondholders. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2000 Bonds called for redemption or of any other action premised on such notice.

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

The Issuer, the Borrower, the Bank, the Underwriter and the Trustee cannot and do not give any assurances that DTC, the DTC Participants or others will distribute payments of Bond Service Charges on the Series 2000 Bonds paid to DTC or its nominee, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in a manner described in this Official Statement.

DTC may determine to discontinue providing its service with respect to one or both series of the Series 2000 Bonds at any time by giving notice to the Issuer and discharging its responsibilities with respect thereto under applicable law. In such event, the Indenture provides for issuance of fully registered Series 2000 Bonds ("Series 2000 Bond Certificates") directly to Beneficial Owners of the affected Series 2000 Bonds, other than DTC or its nominee. Upon the occurrence of this event, the Issuer may appoint another qualified depository, as described in the Indenture. If the Issuer fails to appoint a successor depository or if the Issuer determines that it is in the best interest of the Beneficial Owners, the affected Series 2000 Bonds shall be withdrawn from DTC and issued in fully registered form, whereupon the Issuer shall execute and the Trustee, as authenticating agent, shall authenticate and deliver Series 2000 Bond Certificates in the appropriate denominations. In the event the Series 2000 Bonds are withdrawn from DTC, the Borrower will pay for all costs and expenses of printing, withdrawing, executing, authenticating and delivering the Series 2000 Bond certificates. Transfer and exchange of such Series 2000 Bond certificates shall be made as provided in the Indenture.

### **Redemption Prior to Maturity**

The Series 2000 Bonds are subject to redemption in the circumstances and in the manners described below.

## Mandatory Redemption Upon Expiration of Letter of Credit

Each series of the Series 2000 Bonds is subject to mandatory redemption in whole on the Interest Payment Date which next precedes the expiration date of the Letter of Credit or any Alternate Letter of Credit (a “Letter of Credit Termination Date”) by at least five days, at a redemption price of 100% of the outstanding principal amount thereof plus accrued interest to the redemption date unless, at least 45 days prior to any such Interest Payment Date, (a) the Bank shall have agreed to an extension or further extension of the Letter of Credit Termination Date to a date not earlier than one year from the Letter of Credit Termination Date being extended or (b) in accordance with the terms of the Indenture the Borrower shall have obtained and delivered to the Trustee an Alternate Letter of Credit with a termination date not earlier than one year from the Letter of Credit Termination Date for the Letter of Credit it replaces.

## Mandatory Redemption Upon Determination of Taxability

Upon the occurrence of a Determination of Taxability, as defined below, with respect to the Series 2000A Bonds or the Series 2000B Bonds the affected Series 2000 Bonds are subject to mandatory redemption in whole by the Issuer at a redemption price of 100% of the outstanding principal amount thereof, plus accrued interest to the redemption date, at the earliest practicable date selected by the Trustee, after consultation with the Borrower, but in no event later than 45 days following the Trustee’s notification of the Determination of Taxability.

The occurrence of a Determination of Taxability with respect to a series of the Series 2000 Bonds will not constitute an Event of Default under the Indenture and the sole remedy of the Holders under the Indenture will be mandatory redemption of the affected Series 2000 Bonds in accordance with this paragraph. No redemption premium will be payable and no increase in the interest payable with respect to the Bonds will occur in the event of a Determination of Taxability occurs.

“Determination of Taxability” means and shall occur when, (i) the Trustee receives written notice from the Borrower, supported by an opinion of Bond Counsel, that interest on a series of the Series 2000 Bonds is includable in the gross income of Holders of such Series 2000 Bonds for Federal income tax purposes or (ii) the Internal Revenue Service shall claim in writing that interest on a series of the Series 2000 Bonds is includable in the gross income of Holders of such Series 2000 Bonds for Federal income tax purposes; provided, that such a claim shall not be deemed a Determination of Taxability unless the Borrower is afforded reasonable opportunity (at its sole expense and for a period not to exceed 2 years) to pursue any judicial or administrative remedy available to the Borrower with respect to such claim.

## Optional Redemption

Unless previously redeemed, each series of the Series 2000 Bonds is subject to redemption, at the option of the Issuer, upon the direction of the Borrower, (a) if the Series 2000 Bonds do not bear interest at the Fixed Interest Rate, in whole or in part (in integral

multiples of \$5,000, provided, while the Series 2000 Bonds bear interest at the Weekly, One Month or Three Month Interest Rate, that the unredeemed portion of any Series 2000A Bond redeemed in part shall be \$100,000 or more) on any Interest Rate Adjustment Date at a redemption price of 100% of the principal amount redeemed plus accrued interest thereon to the redemption date, and (b) after commencement of the Fixed Interest Rate Mode and on or after the First Optional Redemption Date (as defined following the table below), in whole at any time or in part (in integral multiples of \$5,000) at any time at a redemption price equal to the following percentages of the principal amount redeemed, plus in each case accrued interest to the date fixed for redemption.

<u>Optional Redemption Date</u>	<u>Redemption Price</u>
First Optional Redemption Date, through the following last day of October	103%
First anniversary of the First Optional Redemption Date, through the following last day of October	102
Second anniversary of the First Optional Redemption Date, through the following last day of October	101
Third anniversary of the First Optional Redemption Date and thereafter	100

“First Optional Redemption Date” means the November 1 occurring in the year which is a number of years after the Interest Period Reset Date for the Fixed Interest Rate equal to the number of full years between such Interest Period Reset Date and the maturity date of the Series 2000 Bonds, multiplied by one-half and rounded up to the nearest whole number.

#### Extraordinary Optional Redemption

The Series 2000A Bonds and the Series 2000B Bonds are also subject to redemption by the Issuer upon the occurrence of the following events with respect to the Project and the Refunded Bond Project (as defined in the Loan Agreement), respectively, (a) in whole on any date in the event of the exercise by the Borrower of its option to direct that redemption upon occurrence of damage or destruction to or condemnation of all or a significant part of the Project or the Refunded Bond Project, if the Loan Agreement becomes void, unenforceable or impossible to perform as contemplated, or unreasonable burdens or excessive liabilities have been imposed upon the Issuer or the Borrower with respect to the Project or the Refunded Bond Project, or (b) in whole or in part on the occurrence of events permitting a partial redemption at the option of the Borrower upon the occurrence of damage or destruction to or condemnation of all or a significant portion of the Project or the Refunded Bond Project; in each case, at a redemption price of 100% of the principal amount redeemed, plus interest accrued to the redemption date.

## Use of Letter of Credit Moneys to Redeem Series 2000 Bonds

The Trustee shall draw on the Letter of Credit to pay the principal of and interest on any Series 2000 Bonds called for redemption and shall pay to the Bank, as a reimbursement under the Reimbursement Agreement for such drawing, an amount equal to but not to exceed such drawing from any moneys held in the Bond Fund pursuant to the Indenture and available therefor. No amounts will be drawn on the Letter of Credit to pay premium on the Series 2000 Bonds. Any premium must be paid with Eligible Funds as hereafter defined.

## Selection of Series 2000 Bonds for Redemption

If fewer than all of the Series 2000 Bonds of a series are to be redeemed, the selection of Series 2000 Bonds to be redeemed, or portions thereof in amounts of \$5,000 or any integral multiple thereof, shall be made by lot by the Trustee in any manner which the Trustee may determine; provided, while the Series 2000 Bonds bear interest at the Weekly, One Month or Three Month Interest Rate, that the Trustee shall select Series 2000 Bonds for redemption so as to assure that after such redemption no Holder shall retain Series 2000 Bonds in an aggregate amount of less than \$100,000. In the case of a partial redemption of Series 2000 Bonds by lot when Series 2000 Bonds of denominations greater than \$5,000 are then outstanding, each \$5,000 unit of face value of principal thereof shall be treated as though it were a separate Series 2000 Bond of the denomination of \$5,000.

So long as DTC is the sole registered Holder of the Series 2000 Bonds, if less than all of the Series 2000 Bonds are called for redemption, after notice to DTC by the Trustee of such redemption, the selection of the beneficial interests in the Series 2000 Bonds to be redeemed will be in the sole discretion of DTC and the DTC Participants.

## Notice of Redemption and Payment of Redeemed Series 2000 Bonds

Unless waived by any Holder of Series 2000 Bonds to be redeemed, official notice of redemption shall be given by the Trustee, as Registrar (or any successor bond registrar) (the "Registrar") on behalf of the Issuer by mailing a copy of an official redemption notice by first class mail postage prepaid to the Holder of each series of Series 2000 Bonds to be redeemed, at the address of such Holder shown on the registration books maintained by the Trustee (the "Register"), not less than 30 days nor more than 60 days prior to the date fixed for redemption.

All official notices of redemption shall state:

- (a) The redemption date,
- (b) The redemption price,

(c) If less than all outstanding Series 2000 Bonds of a series are to be redeemed, the identification by designation, letters, numbers or other distinguishing marks (and, in the case of partial redemption, the respective principal amounts) of the Series 2000 Bonds to be redeemed,

(d) That on the redemption date the redemption price will become due and payable upon each such Series 2000 Bonds or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(e) The place where such Series 2000 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Registrar, and

(f) that the notice of redemption is conditioned upon there being deposited with the Trustee prior to the date of redemption moneys sufficient to pay the redemption price of the Bonds to be redeemed and, in the case of any redemption premium on the Series 2000 Bonds, that there be on deposit Eligible Funds sufficient to pay such redemption premium.

Except with the prior written consent of the Bank, in the event of any optional or extraordinary optional redemption of Series 2000 Bonds, Eligible Funds, as defined below, in an amount of money sufficient to pay the redemption price of all Series 2000 Bonds or portions of Series 2000 Bonds which are to be so redeemed are required to be on deposit with the Trustee prior to the giving of notice of redemption.

If funds for the redemption of all of the Series 2000 Bonds of a series and portions thereof to be redeemed, together with interest accrued thereon to the redemption date, are held by the Trustee or any Paying Agent on the redemption date, so as to be available for redemption on that date and if notice of redemption has been given as described above, then from and after the redemption date those Series 2000 Bonds and portions thereof called for redemption shall cease to bear interest and no longer shall be considered to be outstanding.

## **SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2000 BONDS**

### **General**

Under the terms of the Loan Agreement, the Borrower is obligated to make loan payments sufficient to pay the Bond Service Charges on the Series 2000 Bonds.

A Letter of Credit is issued to the Trustee for the account of the Borrower for the benefit of the Holders of each of the Series 2000A Bonds and the Series 2000B Bonds. Each Letter of Credit is an unconditional and irrevocable obligation of the Bank to pay to the Trustee an aggregate amount not to exceed the principal amount of each series of the Series 2000 Bonds, which may be drawn on to pay the principal amount of each series of the Series 2000

Bonds when due at maturity, upon redemption or acceleration, and to pay the portion of the purchase price thereof corresponding to the principal amount in the event of certain tenders of such Series 2000 Bonds or Beneficial Ownership Interests, and (b) for so long as such Series 2000 Bonds bear interest at the Weekly, One Month, or Three Month Interest Rate, the amount which may be drawn on for the payment of up to 45 days' interest on each series of the Series 2000 Bonds or to pay the portion of the purchase price on such Series 2000 Bonds or Beneficial Ownership Interests corresponding to accrued interest, computed at the Maximum Rate of 10% per annum, on the basis of a 365-day year. In the event the Borrower exercises its option to convert the interest rate on one or both series of the Series 2000 Bonds to a Six Month, One Year, Five Year or Fixed Interest Rate, the Borrower will be required to provide an amended Letter of Credit or Alternate Letter of Credit with respect to the affected series of Series 2000 Bonds which, in addition to the principal coverage described above, provides an amount sufficient for the payment of up to 195 days of interest on such Series 2000 Bonds or to pay the portion of the purchase price of the Series 2000 Bonds or Beneficial Ownership Interests corresponding to accrued interest computed at the Maximum Rate of 10% per annum on the basis of a 360-day year of twelve 30-day months. If the Borrower does not provide such a Letter of Credit or an Alternate Letter of Credit, such conversion to a different Interest Rate Mode will not be effected.

Pursuant to the terms of the Reimbursement Agreement and in consideration for the issuance of each Letter of Credit, the Borrower is obligated to repay the Bank for any draws under the Letter of Credit.

**The Series 2000 Bonds will be limited revenue obligations of the Issuer and, except to the extent payable from the proceeds of the Series 2000 Bonds or moneys derived from the investment thereof, will be payable solely from, and secured by, amounts drawn on the Letter of Credit and the payments to be made by the Borrower under the Loan Agreement. Neither the principal of, nor premium, if any, on the Series 2000 Bonds, nor the interest accruing thereon, shall ever constitute a general obligation, debt or bonded indebtedness of the Issuer or the City of Ann Arbor, Michigan (the "City") within the meaning of any constitutional or statutory provision whatsoever or, except as to the limited sources of payment described herein, shall ever constitute or give rise to a pecuniary liability of the Issuer. The Series 2000 Bonds will not constitute nor give rise to a general obligation or liability of, or a charge against, the general credit of the Issuer or the City or a charge against the general credit or taxing powers of the City, and the Holders or Owners thereof do not have the right to have any excises or taxes levied by the City for the payment of principal of and interest and any premium on the Series 2000 Bonds. The Issuer has no taxing power.**

The following is a discussion of certain material features of the Letter of Credit, the Reimbursement Agreement, the Loan Agreement and the Indenture. The discussion does not purport to be complete and is subject in all respects to the provisions of and is qualified in its entirety by reference to such documents, copies of which are available for inspection from the Trustee or the Borrower.

## The Letters of Credit

Each Letter of Credit is an irrevocable obligation of the Bank to pay to the Trustee up to the total of the following amounts (the "Stated Amount"), upon the terms and conditions set forth in the Letter of Credit: (a) the outstanding principal amount of the Series 2000 Bonds (i) to enable the Trustee to pay the principal amount of the Series 2000 Bonds when due at maturity, upon redemption or acceleration and (ii) to enable the Trustee to pay the portion of the purchase price of Series 2000 Bonds or Beneficial Ownership Interests tendered to it equal to the principal amount of such tendered Series 2000 Bonds or Beneficial Ownership interests, plus (b) an amount equal to interest to accrue at 10% per annum (the "Maximum Rate") on the outstanding Series 2000 Bonds for 45 days (i) to enable the Trustee to pay the interest on the Series 2000 Bonds when due and (ii) to enable the Trustee to pay the portion, if any, of the purchase price of Series 2000 Bonds or Beneficial Ownership Interests tendered to it equal to the accrued interest on such Series 2000 Bonds or Beneficial Ownership Interests (such accrued interest is payable only when Series 2000 Bonds bear interest in the Weekly Interest Rate Mode).

Under the Indenture, the Trustee is required to draw funds under the Letter of Credit (1) to make timely payments of principal of and interest on the Series 2000 Bonds, (2) to pay the redemption price of the Series 2000 Bonds upon optional or mandatory redemption or to pay the purchase price upon optional or mandatory tender but only to the extent of a shortfall in the remarketing proceeds, and (3) to pay the principal of and accrued interest on the Series 2000 Bonds upon acceleration of the Series 2000 Bonds upon the occurrence of an Event of Default under the Indenture.

Each Letter of Credit will terminate upon the earliest to occur of the following (the "Termination Date"): (i) November 15, 2003, (ii) the Trustee's making of the final drawing available to be made thereunder, or (iii) surrender of the Letter of Credit to the Bank, accompanied by a certificate of the Trustee and the Borrower stating that no Series 2000 Bonds secured by such Letter of Credit are outstanding under the Indenture or that the Letter of Credit has been replaced by an Alternate Letter of Credit (as herein defined).

The Stated Amount of the Letter of Credit and the amounts available to be drawn to pay principal of Series 2000 Bonds or to pay the principal portion of the purchase price for any Series 2000 Bonds will be reduced automatically by amounts drawn under the Letter of Credit for the payment of principal when due on Series 2000 Bonds or to pay the principal portion of the purchase price of any Series 2000 Bonds. The Stated Amount will be reinstated with respect to a drawing for the principal portion of the purchase price of Series 2000 Bonds upon the delivery to the Bank of the proceeds of the remarketing of such Series 2000 Bonds in an amount equal to such drawing. The Stated Amount and the amounts available to be drawn for the payment of interest will be reduced automatically, by the amount of any draw on the Letter of Credit for the payment of interest. Such amount with respect to interest will be reinstated in an amount sufficient to provide total interest coverage equal to 45 days interest (or 195 days

interest on the Series 2000 Bonds if the Interest Rate Mode on the Series 2000 Bonds is six months or longer), at the Maximum Interest Rate on the then outstanding principal amount of the Series 2000 Bonds in full 10 days after the date of such reduction, unless prior thereto the Bank sends written notice to the Trustee stating that the Stated Amount will not be reinstated in respect of such interest because the Bank has not been reimbursed by the Borrower for such drawing (or a previous drawing in respect to interest on the Series 2000 Bonds) or an event of default has occurred under the Reimbursement Agreement.

The Bank may provide for an extension of the expiration date of a Letter of Credit in accordance with the provisions of the Reimbursement Agreement, or the Borrower at its option may cause to be delivered to the Trustee, as a replacement for the Letter of Credit, an Alternate Letter of Credit (an "Alternate Letter of Credit"). Any such Alternate Letter of Credit must be issued by a financial institution, must require such financial institution to pay when due, to and upon request of the Trustee, the same amounts as are payable under the initial Letter of Credit and must have an effective date (the "Replacement Date") which is an Interest Rate Adjustment Date and an expiration date which is not earlier than (i) one year from the Termination Date of the Letter of Credit it is replacing or (ii) the Termination Date of the Letter of Credit it is replacing, if such Termination Date is after November 15, 2003.

Prior to the replacement of the Letter of Credit with an Alternate Letter of Credit, the following conditions shall have been met: (i) the Trustee shall have received the following not less than 45 days prior to the Replacement Date: (A) If the affected series of the Series 2000 Bonds are then rated by a Rating Service, written confirmation from each such Rating Service which then has a rating on the affected Series 2000 Bonds whether the replacement of the Letter of Credit with the Alternate Letter of Credit will cause the securities rating that the affected Series 2000 Bonds held immediately prior to such replacement to be reduced or withdrawn, and confirming the new securities rating following the delivery of the Alternate Letter of Credit, (B) an opinion of counsel for the issuer of the Alternate Letter of Credit that it constitutes a legal, valid and binding obligation of the issuer in accordance with its terms and that payments thereunder will not constitute voidable preferences, (C) an opinion of Bond Counsel that such replacement will not cause interest on the affected series of the Series 2000 Bonds to become includible in gross income for Federal income tax purposes, and (D) the form of Alternate Letter of Credit dated and to be effective on the Replacement Date; (ii) if the affected Series 2000 Bonds are not then rated by a Rating Service, the financial institution issuing the Alternate Letter of Credit (or the holding company parent of the issuer) has unsecured, uninsured and unguaranteed long-term debt rated by a Rating Service in one of its three highest rating categories; and (iii) at least 15 days and not more than 45 days prior to the Replacement Date, the Trustee shall have provided notice to the Holders of the replacement of the Letter of Credit with an Alternate Letter of Credit. Such notice to the Holders shall contain the name of the financial institution issuing such Alternate Letter of Credit, shall state whether all Series 2000 Bonds of the series shall be subject to mandatory tender, subject to the right of each Holder to affirmatively elect to waive the mandatory tender and retain its Series 2000 Bonds, and shall be provided in accordance with the terms of the Indenture.

Each of the terms "Rating Service" and "Rating Agency" as used herein means either Moody's Investors Service, and its successors and assigns, or Standard & Poor's, and its successors and assigns.

### The Reimbursement Agreement

Under the Reimbursement Agreement, the Bank will agree to issue each Letter of Credit to the Trustee concurrently with the issuance and delivery of the Series 2000 Bonds to the Holders pursuant to the Indenture and the Bond Purchase Agreement. The issuance of the Letter of Credit is subject to the satisfaction of certain conditions set forth in the Reimbursement Agreement, including the receipt by the Bank of various certifications or documents from the Borrower, the Issuer and the Trustee and the delivery of certain legal opinions.

Under the Reimbursement Agreement, the Borrower will agree to pay to the Bank, on the date of any payment made under the Letter of Credit, all amounts that are paid under the Letter of Credit, together with interest, if any, on such amounts at the rate or rates specified in the Reimbursement Agreement, together with certain other annual fees and draw fees due the Bank.

The Borrower, subject to specific provisions in the Reimbursement Agreement, will covenant in the Reimbursement Agreement, among other things, to maintain its existence, to maintain its property in good working order and condition; to observe certain financial covenants; to maintain adequate levels of insurance; to keep proper books of record and account; and not to permit any liens on its property, except for certain permitted encumbrances. No assurance can be given as to the ability of the Borrower to comply with such covenants. Failure to so comply could, at the option of the Bank, result in acceleration of the maturity of one or both series of the Series 2000 Bonds, which would allow the Bank to pursue any and all remedies provided for in the various documents executed by the Borrower for the benefit of the Bank.

Certain Events of Default and remedies are set forth in the Reimbursement Agreement, including failure by the Borrower to timely pay amounts payable to the Bank thereunder or to comply with other covenants or conditions of the Reimbursement Agreement, including any breach of representations or warranties, or the occurrence of certain acts of insolvency or bankruptcy, or the occurrence of a default under any of certain other agreements relating to the issuance of the Series 2000 Bonds. If an Event of Default under the Reimbursement Agreement has occurred and is subsisting, the Bank may direct the Trustee to accelerate one or both series of the Series 2000 Bonds under the Indenture and take any other remedial action available to it.

The Reimbursement Agreement may be amended by the Borrower and the Bank without the consent of the Trustee, the Issuer or the Holders.

## **The Loan Agreement**

The following summarizes certain provisions of the Loan Agreement between the Issuer and the Borrower. Reference is hereby made to the Loan Agreement for the detailed provisions thereof.

Under the Loan Agreement, the Issuer agrees to issue the Series 2000 Bonds and to loan the proceeds thereof to the Borrower. A portion of such proceeds will be deposited in the Project Fund and, together with other moneys provided by the Borrower, used to pay a portion of the issuance costs of the Bonds, to finance the costs of constructing, installing and equipping the Project and to implement the Refunding.

The Borrower agrees to make payments corresponding, as to amount, to debt service payments on the Series 2000 Bonds and to make such payments at the times required by the Loan Agreement and the Notes delivered to the Trustee in connection with the issuance of the Series 2000 Bonds. The Borrower's obligation to make such payments will be absolute and unconditional.

Amounts on deposit in the Project Fund will be applied only to pay a portion of the issuance costs relating to the Series 2000A Bonds, to finance the costs of the Project and to implement the Refunding.

Optional Prepayment. The Borrower is given options in the Loan Agreement to prepay the amounts payable thereunder. Such prepayment options correspond to the optional redemption provisions applicable to the Series 2000 Bonds (see "THE SERIES 2000 BONDS - Redemption Prior to Maturity - Optional Redemption" herein).

Mandatory Prepayment. The Borrower is obligated under the Loan Agreement to prepay the amounts payable thereunder in full upon the occurrence of certain conditions. Such prepayment obligations correspond to the mandatory redemption provisions applicable to the Series 2000 Bonds in such cases (see "THE SERIES 2000 BONDS - Redemption Prior to Maturity - Mandatory Redemption" herein).

The Borrower makes various representations, warranties and covenants designed to ensure that interest on the Series 2000 Bonds will be and remain excluded from the gross income of the Holders for Federal income tax purposes.

The Loan Agreement provides that each of the following shall be an "Event of Default" with respect to a series of the Series 2000 Bonds:

(a) The Borrower shall fail to observe and perform any agreement, term or condition contained in the Loan Agreement relating to such series of Series 2000 Bonds, and the continuation of such failure for a period of 30 days after notice thereof shall have been given to the Borrower by the Issuer or the Trustee at the direction of the Bank, or for such

longer period as the Trustee and the Bank may agree to in writing; provided, that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, that failure shall not constitute an Event of Default so long as the Borrower institutes curative action within the applicable period and diligently pursues that action to completion within 180 days from the date of the original notice given to the Borrower, or such longer period as the Trustee and the Bank may agree to in writing; and provided further that no such failure shall constitute an Event of Default solely because it results in a Determination of Taxability;

(b) The Borrower shall: (i) admit in writing its inability to pay its debts generally as they become due; (ii) have an order for relief entered in any case commenced by or against it under the Federal bankruptcy laws, as now or hereafter in effect; (iii) commence a proceeding under any other Federal or state bankruptcy, insolvency, reorganization or similar law, or have such a proceeding commenced against it and either have an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for 90 days; (iv) make an assignment for the benefit of creditors; or (v) have a receiver or trustee appointed for it or for the whole or any substantial part of its property; or

(c) There shall occur an "Event of Default" as defined in the Indenture with respect to such series of Series 2000 Bonds.

Notwithstanding the foregoing, if, by reason of Force Majeure (defined in the Loan Agreement to include various events, causes and circumstances beyond the control of the Borrower), the Borrower is unable to perform or observe any agreement, term or condition which would give rise to an Event of Default under paragraph (a) above, the Borrower shall not be deemed in default during the continuance of such inability provided that such inability is other than the payment of money. However, the Borrower shall promptly give notice to the Trustee and the Issuer of the existence of an event of Force Majeure and shall use its best efforts to remove the effects thereof; provided that the settlement of strikes or other industrial disturbance shall be entirely within the Borrower's discretion.

The provisions of paragraph (b) above are subject to the condition that the declaration of an Event of Default due to any of the facts or circumstances specified therein, and the exercise of remedies upon any such declaration, shall be subject to any applicable limitations of the United States Bankruptcy Code affecting or precluding such declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

If any Event of Default occurs and continues, and if and only if the payment of the affected Series 2000 Bonds is accelerated pursuant to the Indenture, the Trustee shall declare all payments payable by the Borrower under the Loan Agreement and the related Note to be immediately due and payable. The Trustee may also exercise any remedies provided in the Indenture or pursue any remedies at law or in equity to collect all amounts due and thereafter

to become due under the Loan Agreement or the Note, or to enforce the performance and observance of any other obligation or agreement of the Borrower under the Loan Agreement.

The Loan Agreement, the Note or the Letter of Credit may only be amended as permitted by the Indenture. As provided in the Indenture, without the consent of or notice to the Holders of Series 2000 Bonds, but with the written consent of the Bank, the Loan Agreement, the Note or the Letter of Credit as may be amended, changed or modified as may be required (i) by the provisions of the Loan Agreement, the Note, the Letter of Credit or the Indenture, (ii) in connection with the issuance of Additional Bonds under the Indenture, (iii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Loan Agreement, the Note, the Letter of Credit or the Indenture, (iv) in connection with an amendment or to effect any purposes for which there could be an amendment of the Indenture without Holder consent, or (v) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of any Series 2000 Bonds then outstanding. Except for such amendments, changes or modifications, neither the Issuer nor the Trustee will consent to (i) any amendment, change or modification of the Loan Agreement, the Note, or the Letter of Credit which would change the amounts or times of payments to be made by the Borrower under the Loan Agreement or the Note or drawings to be paid under the Letter of Credit without the giving of notice as provided in the Indenture and the written approval or consent thereto of the Bank and the Holders of all affected Series 2000 Bonds then outstanding or (ii) any other amendment, change or modification of the Loan Agreement, the Note or the Letter of Credit, without the giving of notice as provided in the Indenture and the written approval or consent thereto of the Bank and of the Holders of not less than a majority in aggregate principal amount of all affected Series 2000 Bonds then outstanding.

### **The Indenture**

In connection with the issuance of the Series 2000 Bonds, the Issuer and the Trustee will execute a Trust Indenture dated as of November 1, 2000 (the "Indenture"). Pursuant to the Indenture, the Issuer will assign and pledge to the Trustee, as security for the payment of the Bonds, all of the Issuer's rights and interest in the Loan Agreement (other than the rights of the Issuer to certain fees, expenses, reimbursement and indemnity provisions), the Series 2000 Note and all moneys and securities on deposit in the Funds created under the Indenture, subject to their application as provided in the Indenture, and any other property subsequently pledged, assigned or transferred as additional security by the Issuer. The Indenture establishes as special funds, in the custody of the Trustee, the Bond Fund, the Remarketing Reimbursement Fund and the Project Fund.

### Application of Project Fund

Moneys received upon the sale of the Series 2000 Bonds, other than accrued interest on the Series 2000 Bonds, will be deposited in the 2000A Project Account and the 2000B Refunding Account of the Project Fund created by the Indenture and disbursed from such

Accounts of the Project Fund in accordance with the provisions of the Loan Agreement to pay a portion of the costs of issuance of the Series 2000 Bonds and to pay the costs of the Project and the Refunding.

#### Revenues and Bond Fund

Any amounts which are to be applied to the payment of Bond Service Charges on the Series 2000 Bonds, including all Revenues (as defined in the Indenture) with respect to the Series 2000 Bonds and all moneys received upon drawings for such purpose made under the Letter of Credit, will be deposited in the 2000A Bond Account or the 2000B Bond Account of the Bond Fund created by the Indenture and maintained with the Trustee. Moneys in the 2000A Bond Account and the 2000B Bond Account of the Bond Fund are to be used for the payment of Bond Service Charges on the Series 2000A Bonds and the Series 2000B Bonds, respectively, in the following order:

1. Amounts drawn by the Trustee under the Letter of Credit (provided that no amount drawn on the Letter of Credit may be used to pay any premium on the Series 2000 Bonds);
2. Any Eligible Funds on deposit in the 2000A Bond Account or the 2000B Bond Account, as applicable, of the Bond Fund; and
3. Any other amounts available in the 2000A Bond Account or the 2000B Bond Account, as applicable, of the Bond Fund.

“Eligible Funds” means (i) amounts on deposit in the 2000A Bond Account or the 2000B Bond Account, as applicable, of the Bond Fund (other than funds derived from a draw on the Letter of Credit) for a period of not less than 123 days during which there shall not have occurred the filing of a voluntary or involuntary petition in bankruptcy under the United States Bankruptcy Code, or proceeding under any other applicable laws concerning insolvency, reorganization or bankruptcy, by or against the Borrower, the Issuer, any guarantor of the Series 2000A Bonds, or Series 2000B Bonds, respectively, or any “insider” (as that term is defined for Federal bankruptcy law purposes) of the Issuer, the Borrower or any such guarantor, (ii) moneys which in the opinion of nationally recognized bankruptcy counsel acceptable to the Trustee, which opinion shall be acceptable to any Rating Service maintaining a rating with respect to the affected Series 2000 Bonds, are not subject to recapture by a bankruptcy court as a “preference” item pursuant to applicable Federal or state bankruptcy law, and (iii) investment income derived from the investment of moneys described in clauses (i) and (ii) above.

Amounts remaining in the 2000A Bond Account or the 2000B Bond Account, as applicable, of the Bond Fund after payment or provision for payment with respect to the affected Series 2000 Bonds of all Bond Service Charges and the fees and expenses of the

Trustee, the Registrar and any Paying or Authenticating Agent are to be paid to the Bank or, if no amounts are then due under the Reimbursement Agreement, to the Borrower.

#### Remarketing Reimbursement Fund

The Indenture creates the Remarketing Reimbursement Fund, to be held by the Trustee and administered in accordance with the terms of the Indenture for the deposit of amounts derived from the remarketing of Series 2000 Bonds or from the payment of the purchase price of Series 2000 Bonds by the Bank under the Letter of Credit. While the Series 2000 Bonds are outstanding, moneys in the Remarketing Reimbursement Fund will be used solely for the payment of the purchase price of Series 2000 Bonds upon their optional or mandatory tender for purchase, and are not subject to the lien of the Indenture.

#### Investment of Funds

Moneys held in the above described Funds are to be invested by the Trustee at the direction of the Borrower, in Eligible Investments.

“Eligible Investments” means

- (i) Government Obligations, which are defined to mean (a) direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged, (b) obligations issued by a person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of, premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of Treasury of the United States of America or Federal Reserve Bank), and (c) securities which represent an interest in the obligations described in (a) and (b) above;
- (ii) Federal Home Loan Mortgage Borrower (FHLMC) participation certificates and senior debt obligations which bear interest at a fixed rate and are fully amortizing;
- (iii) Federal National Mortgage Association’s (FNMA) mortgage backed securities and senior debt obligations which bear interest at a fixed rate and are fully amortizing;
- (iv) Student Loan Marketing Association (Sallie Mae) letter of credit backed issues and senior debt obligations;
- (v) Federal funds, certificates of deposit, time deposits and bankers’ acceptances (having original maturities of not more than 365 days) of any bank the unsecured, uninsured and unguaranteed debt obligations of which (or, in the case of a bank

subsidiary in a bank holding company, debt obligations of the bank holding company) have been rated "A" or "A-1" or its equivalent by either Rating Service;

(vi) commercial paper (having original maturities of not more than 270 days) rated "A-1" or its equivalent by either Rating Service;

(vii) obligations rated "A" or "A-1" or its equivalent by either Rating Agency, or unrated general obligations of any person which has outstanding other unsecured, uninsured and unguaranteed obligations which are so rated by either Rating Service;

(viii) repurchase agreements with any institution the unsecured, uninsured and unguaranteed debt obligations of which (or, in the case of a bank subsidiary in a bank holding company, debt obligations of the bank holding company) are rated "A" or its equivalent by either Rating Service;

(ix) tax-exempt obligations of any state of the United States of America or any political subdivision or other instrumentality of any such state and such obligations are rated in either of the two highest rating categories (i.e., "A" or higher) of either Rating Service and are not "specified private activity bonds" as defined in Section 57(a)(5)(C) of the Code;

(x) tax-exempt money market funds which are "qualified regulated investment companies" within the meaning of IRS Notice 87-22, and which meet the other requirements of IRS Notice 87-22 and any subsequent regulations necessary to exempt investments in such funds from the definition of "investment property" under Section 148 of the Code whose assets are solely invested in obligations rated in either of the two highest rating categories by either Rating Service;

(xi) money market funds the assets of which are obligations of or guaranteed by the United States and which funds are rated "Am" or "Am-G" or higher by Standard & Poor's Corporation;

(xii) investment in money market mutual funds (including without limitation those of the Trustee and its affiliates) provided that such funds are invested solely in obligations or securities otherwise constitution Eligible Investments; and

(xiii) obligations approved in writing by the Bank;

provided, however, that Eligible Investments" with respect to any proceeds from a draw under the Letter of Credit shall mean only Government Obligations maturing as needed to pay principal of and interest on the Series 2000 Bonds on a timely basis, and in no event more than thirty days after purchase. In addition, moneys in the Remarketing Reimbursement Fund may be invested only in Government Obligations which mature no later than the Bond Purchase Date next following the date of such investment.

Any investments may be purchased from or sold to the Trustee, the Remarketing Agent, any Authenticating or Paying Agent, the Bank or any bank, trust company or savings and loan association affiliated with either of them.

The Trustee shall hold and control all investments of moneys in the Project Fund, the Remarketing Reimbursement Fund, or the Bond Fund and interest accruing thereon and any profit realized from such investments will be credited, and any loss will be charged, to the particular fund from which the investment was made.

#### Additional Bonds

At the request of the Borrower, the Issuer may issue additional bonds (the "Additional Bonds") for any purpose permitted under the Act. No Additional Bonds shall be on a parity with the Series 2000 Bonds.

#### Events of Default and Remedies

The Indenture provides that, with respect to each series of the Series 2000 Bonds, each of the following shall be an "Event of Default" with respect to the affected series:

- (a) Failure to pay when due any interest on any Series 2000 Bond .
- (b) Failure to pay when due principal of or premium, if any, on any Series 2000 Bond whether at the stated maturity thereof, by redemption, pursuant to any mandatory sinking fund requirements, by acceleration or otherwise.
- (c) Failure to pay on the Bond Purchase Date amounts due to the Holder or Beneficial Owner of any Series 2000 Bonds or Beneficial Ownership Interests tendered or deemed tendered to the Trustee pursuant to the Indenture. (See "THE SERIES 2000 BONDS - Holders' or Beneficial Owners' Tender Options," "Mandatory Tender Upon Conversion to a Different Interest Rate Mode" and "Mandatory Tender Upon Delivery of an Alternate Letter of Credit").
- (d) Failure by the Issuer to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or the Series 2000 Bonds, which failure shall have continued for a period of 30 days after written notice, by registered or certified mail, to the Issuer, the Bank and the Borrower specifying the failure and requiring it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Bank or the Holders of not less than 50% in the aggregate principal amount of Series 2000 Bonds then outstanding.
- (e) The occurrence and continuation of an Event of Default under the Loan Agreement.

(f) Receipt by the Trustee of a written notice from the Bank which states that an Event of Default under the Reimbursement Agreement has occurred and is continuing and directing the Trustee to accelerate the affected series of Series 2000 Bonds (see "THE REIMBURSEMENT AGREEMENT" above).

(g) Failure of the Bank to honor any drawing properly made in accordance with the terms of the Letter of Credit.

(h) Certain events of insolvency relating to the Bank.

(i) Receipt by the Trustee of written notice from the Bank by the end of the tenth day following the honoring of an interest drawing on the Letter of Credit (including the interest portion of a drawing to pay the purchase price of tendered Series 2000 Bonds of a series) that the amount available to be drawn by the Trustee under the Letter of Credit has not been reinstated to an amount not less than 100% of the outstanding principal of such Series 2000 Bonds, plus interest on such Series 2000 Bonds at the Maximum Rate of 10% per annum for a period of 45 days, or 195 days if the Interest Rate Mode on such Series 2000 Bonds is Six Months or longer.

Upon the occurrence of an Event of Default under items (a), (b), (c), (f), (g) or (i) described above, the Trustee shall declare the principal of and accrued interest on all outstanding Series 2000 Bonds of the affected series to be immediately due and payable. Upon the occurrence of any other Event of Default (except an Event of Default specified in (h) described above), the Trustee shall, upon the written direction of the Bank, declare the principal of and accrued interest on all outstanding Series 2000 Bonds of the affected series to be immediately due and payable. Upon the occurrence of an Event of Default under item (h) described above, and if there is not then existing an Event of Default described in (a), (b), (c), (f), (g) or (i), described above, the Trustee, without the consent of the Bank, may, and upon the written request of the Holders of not less than 50% in aggregate principal amount of the affected series of Series 2000 Bonds outstanding shall, declare the principal of and accrued interest on all outstanding Series 2000 Bonds of the affected series to be immediately due and payable. If such a declaration is made, the Trustee is required to draw upon the Letter of Credit to the extent permitted by the terms thereof and to give notice to Holders of such acceleration.

In addition, upon the happening and continuance of an Event of Default, the Trustee may pursue any available remedy to remedy any Event of Default or to enforce the observance and performance of any other covenant, agreement or obligation of the Indenture, the Loan Agreement or any other instrument providing security for the affected Series 2000 Bonds; provided, however, that the Trustee shall not pursue any such remedy without the prior written consent of the Bank so long as no Event of Default described in (g) or (h) above has occurred and is continuing.

The Trustee will also be empowered to enforce each and every right granted to it under the Loan Agreement as assigned to it.

#### Right of Holders to Direct Proceedings

The Holders of at least a majority in aggregate principal amount of the affected series of Series 2000 Bonds then outstanding will have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture, provided, that such direction shall not be otherwise than in accordance with the provisions of law and the Indenture and that the Trustee shall be indemnified to its satisfaction; provided, however, that so long as no Event of Default described in (g) or (h) above has occurred and is continuing, the Bank shall have the exclusive right to give such directions to the Trustee.

#### Waivers of Events of Default

The Trustee, but only with the express written consent of the Bank (other than in the case of an Event of Default described in items (a), (b), (c), (g), (h) or (i) above), may waive an Event of Default and its consequences and may rescind and annul any declaration of maturity of principal of the affected series of Series 2000 Bonds. The Trustee shall do so upon the written request of the Bank (other than in the case of an Event of Default described in items (a), (b), (c), (g), (h) or (i) above). Notwithstanding the foregoing, prior to waiving any Event of Default, the Trustee shall have received written confirmation from the Bank that the Letter of Credit has been reinstated to an amount not less than 100% of the outstanding principal of the affected series of Series 2000 Bonds, plus interest on such Series 2000 Bonds at the Maximum Rate of 10% per annum for a period of 45 days, or 195 days if the Interest Rate Mode on such Series 2000 Bonds is Six Months or longer.

There shall not be so waived, however, any Event of Default described in items (a), (b), (c), (g), (h) or (i) above or any declaration of acceleration in connection therewith rescinded or annulled except with the written consent of the Holders of all of the affected series of Series 2000 Bonds then outstanding. In the case of such waiver or rescission and annulment, or in case any suit, action or proceedings taken by the Trustee on account of any Event of Default shall have been discontinued, abandoned, or determined adversely to it, the Issuer, the Trustee, the Bank and the Holders shall be restored to their former positions and rights under the Indenture. No waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

#### Applications of Moneys Received Pursuant to Right of Action Taken

All moneys received by the Trustee after acceleration of the maturity of the affected series of Series 2000 Bonds and derived from any drawing made upon the Letter of Credit will be applied by the Trustee only to the payment of principal of or interest on the affected series

of Series 2000 Bonds. Subject to the foregoing, all money received by the Trustee or a receiver from remedial action taken shall be applied to the payment of the costs and expenses of the proceedings resulting in the collection of such money, and the balance of such money shall be deposited in the Bond Fund and applied to the payment of Bond Service Charges on the affected series of Series 2000 Bonds in the manner and in order of priority set forth in the Indenture.

#### Rights and Remedies of Holders

No Holder of any Series 2000 Bond will have any right to institute any suit, action or proceeding for the enforcement of the Indenture, for the execution of any trust under the Indenture or for the exercise of any other remedy under the Indenture, unless (i) an Event of Default has occurred and is continuing of which the Trustee has been notified or of which it is deemed to have notice, (ii) the Holders of not less than 50% in aggregate principal amount of the affected series of Series 2000 Bonds then outstanding have made written request to the Trustee and have afforded the Trustee reasonable opportunity to proceed to exercise the powers provided in the Indenture or to institute such action, suit or proceeding and have offered to the Trustee indemnity as provided for in the Indenture, and (iii) the Trustee thereafter has failed or refused to exercise its powers under the Indenture or to institute such action, suit or proceeding in its own name; provided, however, no Holder may institute any suit, action or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or the enforcement of any remedy thereunder unless an Event of Default described in (g), (h) or (i) above has occurred and is continuing.

#### Supplemental Indentures

The Issuer and the Trustee, with the consent of the Bank, may enter into supplemental indentures, without the consent of or notice to any of the Holders, for any one or more of the following purposes: (a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture; (b) to grant to or confer upon the Trustee additional rights, remedies, powers or authority for the benefit of the Holders; (c) to assign additional revenues under the Indenture; (d) to accept additional security and instruments and documents of further assurance with respect to the Project; (e) to add to the covenants, agreements and obligations of the Issuer contained in the Indenture, other covenants, agreements and obligations to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in the Indenture; (f) to evidence any succession to the Issuer and the assumption by such successor of the covenants, agreements and obligations of the Issuer contained in the Indenture, the Loan Agreement and the Series 2000 Bonds; (g) to permit the exchange of Series 2000 Bonds, at the option of the Holder or Holders thereof, for coupon Bonds of the same series in an aggregate principal amount not exceeding the unmatured and unredeemed principal amount of the Predecessor Bonds (as defined in the Indenture), bearing interest at the same rates and maturing on the same dates, with coupons attached, if that exchange would not result in the interest on any of the Series 2000 Bonds outstanding becoming included in the gross income of the Holders for Federal income tax purposes; (h) to

permit the Trustee to comply with any obligations imposed upon it by law; (i) to specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar, the Remarketing Agent and any Paying Agents or Authenticating Agents; (j) to achieve compliance of the Indenture with any applicable Federal securities or tax law; (k) to evidence the appointment of a new Remarketing Agent; (l) to make necessary or advisable amendments or additions in connection with the issuance of Additional Bonds as do not adversely affect the Holders of the outstanding Series 2000 Bonds or Additional Bonds; (m) to permit any other amendment which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders, including, but not limited to, changes required in order to obtain or maintain a rating on one or more series of the Series 2000 Bonds from a Rating Service; and (n) to accept a Supplemental Credit Facility as described in the Indenture.

Exclusive of supplemental indentures for the purposes above summarized, the consent of the Borrower, the Bank and the Holders of not less than a majority in aggregate principal amount of the affected series of Series 2000 Bonds then outstanding will be required to approve any indenture supplementing the Indenture provided that: (i) without the consent of the Holder of each Series 2000 Bond affected and the Bank, no supplemental indenture shall permit an extension of the maturity of the principal of or the interest on any such Series 2000 Bond, or a reduction in principal amount of any such Series 2000 Bond, the rate of interest or the redemption premium on any such Series 2000 Bond (excluding adjustments to interest rates on any Interest Rate Adjustment Date as provided in the Indenture), or a reduction in the amount or extension of the time of any payment required by any mandatory sinking fund requirements of the Indenture, and (ii) without the consent of the Holders of all such Series 2000 Bonds then outstanding and the Bank, no supplemental indenture shall permit a privilege or priority of any Series 2000 Bond of one series over any other Series 2000 Bond of that series, or a reduction in the aggregate principal amount of a series of Series 2000 Bonds required for consent to such supplemental indenture.

#### Discharge of Lien

The lien of the Indenture with respect to one or both series of the Series 2000 Bonds will be discharged if the Issuer shall pay or cause to be paid and discharged all the outstanding Series 2000 Bonds of the series or there shall otherwise be paid to the Holders of such outstanding Series 2000 Bonds all Bond Service Charges due or to become due thereon, and provisions shall also be made for paying all other amounts payable under the Indenture and the Loan Agreement with respect to the affected series of Series 2000 Bonds.

Any Series 2000 Bond of a series shall be deemed to be paid and discharged for all purposes of the Indenture when payment of the principal of and premium, if any, on such Series 2000 Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the Indenture) shall have been made or caused to be made with funds available therefor on deposit in the Bond Fund (as defined in the Indenture) in accordance with the terms thereof. All or any part of the outstanding Series 2000 Bonds of a series will be deemed to have been paid and discharged within the meaning of the

Indenture if (a) the Trustee and any Paying Agent shall have received, in trust for and irrevocably committed thereto, sufficient moneys which are Eligible Funds or the proceeds of drawings under the Letter of Credit used to make such payment, or other moneys if accompanied by an opinion of bankruptcy counsel in a form acceptable to the Trustee and the Rating Service, if any, for the Series 2000 Bonds, or (b) the Trustee shall hold in trust for and irrevocably committed thereto, direct noncallable Government Obligations (purchased with Eligible Funds or the proceeds of drawings under the Letter of Credit or other moneys accompanied by an opinion of bankruptcy counsel in a form acceptable to the Trustee and the Rating Service if any, for such Series 2000 Bonds), certified by an independent public accounting firm of national reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient together with moneys referred to in (a) above, for the payment of all Bond Service Charges on such Series 2000 Bonds on and to the next Interest Rate Adjustment Date or prior redemption date, as the case may be; provided that if any of such Series 2000 Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice; and further provided that such Series 2000 Bonds shall not be deemed to be paid and discharged within the meaning of this paragraph (i) if the Interest Rate Mode of such Series 2000 Bonds is other than the Fixed Interest Rate, unless such Series 2000 Bonds are to be redeemed on or prior to the next Interest Rate Adjustment Date for such Series 2000 Bonds and notice of that redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of that notice, or (ii) if they bear interest at the Weekly Interest Rate. Any moneys so held by the Trustee may be invested by the Trustee, but only in noncallable Government Obligations, the maturities or redemption dates of which, at the option of the holder, shall be not later than the date or dates at which said moneys will be required for the aforesaid purposes.

Notwithstanding anything herein to the contrary, if any Series 2000 Bonds are then rated by a Rating Service, no such Series 2000 Bonds shall be deemed to have been paid and discharged by reason of any deposit pursuant to paragraphs (a) and/or (b) above (other than any deposit of moneys, or Government Obligations purchased with moneys, which are the proceeds of drawings under the Letter of Credit) unless each such Rating Service shall have confirmed in writing to the Trustee that its rating will not be withdrawn or lowered as the result of any such deposit.

#### Unclaimed Moneys

In the event of nonpresentment of Series 2000 Bonds or uncashed checks or drafts for interest, the moneys sufficient to pay such Series 2000 Bonds or checks or drafts shall be held by the Trustee, without liability for interest thereon, in a separate account in the Bond Fund; provided that any moneys which shall be so held by the Trustee and which remain unclaimed by the Holder of the Series 2000 Bond for a period of four (4) years shall be paid to the Bank, unless the Bank confirms to the Trustee that no moneys are due under the Reimbursement

Agreement, in which case such moneys will be paid to Borrower. Thereafter, the Holders will be entitled to look only to the Borrower and only to the extent of the moneys so paid.

#### The Trustee

The Trustee is Bank One Trust Company, N.A., a national banking association, Columbus, Ohio.

The Trustee will undertake to perform such duties as are specifically set forth in the Indenture. At the time of an Event of Default and during the continuation thereof, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and shall use the same degree of care and skill in its exercise, as a prudent man would exercise under the circumstances.

The Indenture will provide that the Trustee shall be entitled to act upon opinions of counsel as specified in the Indenture and shall not be responsible for any loss or damage resulting from reliance thereon in good faith. In addition, the Indenture will provide that the Trustee shall be entitled to rely on certain other instruments and it shall not be liable for any action reasonably taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it in the Indenture.

#### Extent of Issuer's Covenants: No Personal Liability

All agreements of the Issuer contained in the Indenture shall be effective to the extent authorized and permitted by applicable law and they shall not be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer. No official of the Issuer executing the Series 2000 Bonds shall be liable personally on the Series 2000 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

### **BONDHOLDERS' RISKS**

In addition to factors set forth elsewhere in this Official Statement, purchasers of Series 2000 Bonds should carefully consider the following risk factors, among others, in connection with an investment in the Series 2000 Bonds.

1. Upon the occurrence of certain events, including, but not limited to, (a) default by the Borrower of its obligations under the Loan Agreement or a default by the Borrower under the Reimbursement Agreement and (b) damage to or condemnation of all or a part of the Project or the Refunded Bond Project, one or both series of the Series 2000 Bonds may be subject to prepayment in whole or in part at a price equal to 100% of the principal amount thereof (without premium), plus accrued interest. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2000 BONDS - The Loan Agreement" and " - The

Reimbursement Agreement" and "THE SERIES 2000 BONDS - Redemption Prior to Maturity - Extraordinary Optional Redemption" herein.

2. Upon the occurrence of a Determination of Taxability (as defined herein), one or both series of the Series 2000 Bonds are subject to redemption in whole at a price equal to 100% of the principal amount thereof (without premium), plus accrued interest. See "THE BONDS - Redemption Prior to Maturity - Mandatory Redemption Upon Determination of Taxability."

The interest on the Series 2000 Bonds may be includable in gross income for purposes of Federal income taxation retroactive to the date of issuance of the Series 2000 Bonds for a variety of reasons. The exclusion from gross income is dependent upon, among other things, compliance with certain restrictions regarding investment of Series 2000 Bond proceeds. *See "TAX MATTERS" herein.*

Moreover, there can be no assurance that the present advantageous provisions of the Code, or the rules and regulations thereunder, will not be retroactively adversely amended or modified, thereby resulting in the inclusion in gross income of the interest on the Series 2000 Bonds for Federal income tax purposes or otherwise eliminating or reducing the benefits of the present advantageous tax treatment of the Series 2000 Bonds. While no such legislation has been proposed or adopted, there can be no assurance that Congress would not adopt legislation applicable to the Series 2000 Bonds or to the Borrower and that the Project would be able to comply with any such future legislation in a manner necessary to maintain the tax-exempt status of the Series 2000 Bonds. The Borrower is required under the Loan Agreement to use its best efforts to comply with any other future Federal income tax law requirements in order to maintain the tax-exempt status of the Series 2000 Bonds to the extent that any such other requirements are made applicable to the Project. There is no assurance, however, that the Borrower would be able to comply with any such other requirements.

3. The principal of (but not redemption premium) and up to 45 days' accrued interest on each series of the Series 2000 Bonds is secured by a Letter of Credit. Each Letter of Credit expires on November 15, 2003 (unless extended), subject to earlier termination as provided therein, and unless the Letter of Credit is renewed, replaced or extended, the affected Series 2000 Bonds are subject to mandatory redemption in whole at a price equal to 100% of the principal amount thereof (without premium), plus accrued interest on the Interest Payment Date which next precedes November 15, 2003 (unless extended). See "THE SERIES 2000 BONDS - Redemption Prior to Maturity - Mandatory Redemption Upon Expiration of Letter of Credit" herein.

4. The Series 2000 Bonds are subject to mandatory purchase upon the conversion of the interest rate on such Series 2000 Bonds of a series to a different Interest Rate Mode, on the Interest Period Reset Date upon which such conversion is effective, at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. See "THE SERIES 2000 BONDS -Mandatory Tender Upon Conversion to a Different Interest Rate Mode" herein.

5. The primary security for each series of the Series 2000 Bonds is the Letter of Credit delivered by the Bank to the Trustee. As a consequence, no financial information in respect of the creditworthiness of the Borrower is included herein. Reference is hereby made to Appendix A hereto which contains certain financial information regarding the Bank. It is possible, in the event of the insolvency of the Bank, or the occurrence of some other event precluding the Bank from honoring its obligation to make payments as stated in the Letter of Credit, that the financial resources of the Borrower will be the only source of payment on the Series 2000 Bonds. There can be no assurance that the financial resources of the Borrower would be sufficient to pay the principal, premium, if any, and interest on the Series 2000 Bonds in the event the Trustee were forced to seek recourse against the Borrower. As a result of the lack of financial information regarding the Borrower, prospective investors will not be able to evaluate the financial condition of the Borrower.

6. Enforcement of remedies provided in the Indenture with respect to payments to be made by the Bank under each Letter of Credit may be limited by insolvency, bankruptcy or other laws relating to creditors' rights generally. The security provided by each Letter of Credit for payment of the principal of and interest on the Series 2000 Bonds, or the purchase price of the Series 2000 Bonds, may be impaired in the event of a deterioration of the financial condition of the Bank, as the Letter of Credit represents a general unsecured claim against the assets of the Bank. The Letter of Credit securing each series of Series 2000 Bonds and the Bank's obligations thereunder are neither insured nor guaranteed by the U.S. Government, the Federal Deposit Insurance Corporation or any other Federal agency.

7. Performance by the Bank of its obligations under the Letter of Credit is subject to the satisfaction of certain conditions by the Trustee, as set forth in the Letter of Credit. Holders are thus dependent upon the Trustee acting to satisfy such conditions before they will receive the benefit of the Letter of Credit. Furthermore, the question of whether the Trustee has properly satisfied such conditions is a question of fact which, if disputed, could delay or defeat the Trustee's rights of enforcement of the Letter of Credit.

8. The United States Bankruptcy Code generally stays the enforcement of claims against the estate of a bankrupt once a petition in bankruptcy is filed. The Bank is required under the Letter of Credit to pay amounts sufficient to pay the principal of and up to a specified number of days' interest on the Series 2000 Bonds in the event of the bankruptcy of the Borrower. However, it is possible in the event of a bankruptcy of the Borrower that a bankruptcy court could at least temporarily stay the payment of the Letter of Credit until relief from that stay is granted by the court, thus delaying payment to the Holders.

9. Bond Counsel will opine that interest on the Series 2000 Bonds will not be includable in the gross income of the Holders thereof for Federal income tax purposes. However, Bond Counsel's opinion relates only to the exclusion from gross income of interest on the Series 2000 Bonds for Federal income tax purposes and is conditioned on continuing compliance by the Borrower with the Loan Agreement and by the Issuer and the Borrower

with representations and covenants contained in certain certificates with respect to arbitrage and other tax matters to be delivered at closing. Failure to comply with the representations and covenants made in those certificates could cause interest on one or both series of the Series 2000 Bonds to lose the exclusion from gross income for Federal income tax purposes retroactive to their date of issue. Furthermore, certain categories of Holders may be subject to taxation as discussed under "TAX MATTERS" herein

10. The various legal opinions to be delivered concurrently with the delivery of the Series 2000 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State of Michigan and the United States of America and other governmental authorities, including police powers exercised for the benefit of the public health and welfare, and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

11. The various legal opinions to be delivered concurrently with the delivery of the Series 2000 Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## RATING

As noted on the cover page of this Official Statement, Standard & Poor's Rating Services, a Division of The McGraw Hill Companies ("S&P") has given each of the Series 2000A Bonds and the Series 2000B Bonds a rating of A+/A-1. No application was made to any other rating agency for the purpose of obtaining an additional rating on either series of the Series 2000 Bonds. The ratings reflect only the view of S&P, and any desired explanation of the significance of such ratings should be obtained from S&P. Certain information and materials not included in this Official Statement were furnished to S&P. Generally, rating agencies base their rating on the information and materials so furnished on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. The Underwriter, the Issuer, the Trustee, the Borrower and the Bank have undertaken no responsibility either to bring to the attention of the owners of the Series 2000 Bonds any proposed revision or withdrawal of the rating on either series of the Series 2000 Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Series 2000 Bonds

## TAX MATTERS

In the opinion of Howard & Howard Attorneys, P.C., as Bond Counsel, based upon their examination of the documents described in their opinion, under existing law, the interest on the Series 2000 Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it is noted, however, that certain corporations must take into account interest on the Series 2000 Bonds in determining adjusted current earnings for the purpose of computing such alternative minimum tax. In addition to the foregoing exceptions, the opinions set forth in the first sentence of this paragraph are subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2000 Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Series 2000 Bonds to be included in gross income retroactive to the date of issuance of the Series 2000 Bonds. The Borrower has, on behalf of itself and the Issuer, covenanted to comply with all such requirements. Bond Counsel will express no opinion regarding (i) the effect on the exclusion of interest on the Series 2000 Bonds from gross income for federal income tax purposes of the conversion of the interest rate on Series 2000 Bonds from one interest rate mode to another or (ii) other federal tax consequences arising with respect to the Series 2000 Bonds.

Prospective purchasers of the Series 2000 Bonds should be aware that (i) interest on the Series 2000 Bonds is included in the effectively connected earnings and profits of certain foreign corporations for purposes of calculating the branch profits tax imposed by Section 884 of the Code, (ii) interest on the Series 2000 Bonds may be subject to a tax on excess net passive income of certain S corporations imposed by Section 1375 of the Code, (iii) interest on the Series 2000 Bonds is included in the calculation of modified adjusted gross income for purposes of determining the taxability of social security or railroad retirement benefits, (iv) the receipt of interest on the Series 2000 Bonds by life insurance companies may affect the federal tax liability of such companies, (v) in the case of property and casualty insurance companies, the amount of certain loss deductions otherwise allowed is reduced by a specific percentage of, among other things, interest on the Series 2000 Bonds, (vi) owners acquiring Series 2000 Bonds subsequent to initial purchase will generally be required to treat market discount recognized under Section 1276 of the Code as ordinary taxable income, (vii) the receipt or accrual of interest on the Series 2000 Bonds may cause disallowance of the earned income credit under Section 32 of the Code, and (viii) owners of the Series 2000 Bonds may not deduct interest on indebtedness incurred or continued to purchase or carry the Series 2000 Bonds and financial institutions may not deduct interest on indebtedness incurred or continued to purchase or carry the Series 2000 Bonds and financial institutions may not deduct that portion of their interest expense allocated to interest on the Series 2000 Bonds.

In addition, Bond Counsel is of the opinion that, under existing law, the Series 2000 Bonds are exempt from all taxation in the State of Michigan except inheritance, estate and transfer taxes and the interest on the Series 2000 Bonds is exempt from all taxation in the State

No assurance can be given that any future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the interest on the Series 2000 Bonds to be subject directly or indirectly to federal or State of Michigan income taxation, adversely affect the market price or marketability of the Series 2000 Bonds or otherwise prevent the owners from realizing the full current benefit of the status of the interest on the Series 2000 Bonds.

**INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2000 BONDS**

### **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of each series of the Series 2000 Bonds and with regard to the tax-exempt status of the interest thereon (see "TAX MATTERS" herein) are subject to the approving legal opinion of Howard & Howard Attorneys, P.C., Bond Counsel. A signed copy of that opinion, dated and speaking only as of the date of original delivery of the particular series of the Series 2000 Bonds, will be delivered to the Underwriter at the time of such original delivery, a copy of the opinion will be printed on the Series 2000 Bonds of such series and a draft of that opinion is attached hereto as Appendix B.

Certain legal matters will be passed upon for the Borrower by its counsel, Howard & Howard Attorneys, P.C., Bloomfield Hills, Michigan, for the Bank by its counsel, Thompson Hine & Flory LLP, Dayton, Ohio, and for the Underwriter by its counsel, Howard & Howard Attorneys, P.C., Bloomfield Hills, Michigan.

### **UNDERWRITING**

Lancaster Pollard & Co. (the "Underwriter") has agreed, subject to the terms and provisions of a separate Bond Purchase Agreement relating to each of the Series 2000A Bonds and the Series 2000B Bonds among the Borrower, the Issuer and the Underwriter (individually and collectively, the "Purchase Agreement") to purchase the Series 2000A Bonds and the Series 2000B Bonds from the Issuer at a purchase price of .75% of the principal amount of each series. The total compensation to the Underwriter in connection with the sale of the Series 2000A Bonds and the Series 2000B Bonds will be approximately \$174,337.50 and \$74,062.50, respectively.

The obligation of the Underwriter to accept delivery of each series of the Series 2000 Bonds is subject to various conditions set forth in the Purchase Agreement; provided, however, that the Underwriter is obligated to purchase all of the Series 2000 Bonds of a series, if any Series 2000 Bonds of such series are purchased.

It is intended that the Series 2000 Bonds will be offered to the public initially at the offering price set forth on the front page of this Official Statement. The initial public offering price may be changed from time to time by the Underwriter without giving any prior notice; provided such changes do not cause the issuance costs financed out of the proceeds of each series of the Series 2000 Bonds to exceed 2% of the proceeds of such series. The Underwriter may offer the Series 2000 Bonds to other dealers at prices lower than those offered to the public.

The Borrower has agreed in the Purchase Agreement to indemnify the Underwriter and the Bank against certain liabilities.

Except for the information under the caption "THE ISSUER," the Issuer has not confirmed, and assumes no responsibility for, the accuracy, completeness or sufficiency of any of the statements in this Official Statement or in any other disclosure document used by Lancaster Pollard & Co. in connection with the offer and sale of the Series 2000 Bonds or any supplements thereto, or in any reports, financial information, offering or disclosure documents or other information relating in any way to the facilities described herein or therein, the Borrower, or the Borrower's management, operations, organization, history or financial condition, relating in any way to Lancaster Pollard & Co., or relating in any way to Bank One, N.A., as issuer of the Letter of Credit.

#### **ABSENCE OF LITIGATION AFFECTING THE SERIES 2000A BONDS**

There is not pending any litigation against the Issuer or the Borrower seeking to enjoin the issuance or delivery of the Series 2000 Bonds or questioning or affecting the validity of the Series 2000 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present members or other officers of the Issuer to their respective offices is being challenged or questioned. There is no litigation pending which in any manner questions the right of the Issuer to enter into the Loan Agreement or the Indenture.

#### **MISCELLANEOUS**

The references in this Official Statement to the Series 2000 Bonds, the Letter of Credit, the Reimbursement Agreement, the Indenture, the Bond Purchase Agreement, and the Loan Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete. For full and complete statements of such provisions, reference is made to the Series 2000 Bonds, the Letter of Credit, the Reimbursement Agreement, the Indenture, the Purchase Agreement and the Loan Agreement, copies of which are on file in the offices of the Underwriter and following delivery of the Series 2000 Bonds will be on file at the principal corporate trust office of the Trustee.

The agreement of the Issuer with the holders of the Series 2000 Bonds is fully set forth in the Indenture, and neither any advertisements of the Series 2000 Bonds nor this Official

Statement is to be construed as constituting an agreement with the purchasers of the Series 2000 Bonds. Statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of facts.

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

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**Official Statement**

*Signature Page*

The execution and delivery of this Official Statement have been duly authorized by the Issuer and duly approved by the Borrower.

THE ECONOMIC DEVELOPMENT  
CORPORATION OF THE  
CITY OF ANN ARBOR

By: /s/ Dale Leslie

Its: Secretary

Approved:

GLACIER HILLS, INC.

By: /s/ Raymond J. Rabidoux

Its: President and Chief Executive Officer

**APPENDIX A**

**INFORMATION REGARDING THE BANK**

Bank One, NA  
100 East Broad Street, OH1-1066  
Columbus, OH 43271

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Transit #: 04400037

State #: 06559  
Cert #: RC-1

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## Consolidated Report of Condition for Insured Commercial and State-Chartered Savings Banks for September 30, 2000

All schedules are to be reported in thousands of dollars. Unless otherwise indicated,  
report the amount outstanding as of the last business day of the quarter.

### Schedule RC - Balance Sheet

C400 <-

Dollar Amounts in Thousands

#### ASSETS

	RCFD	
1. Cash and balances due from depository institutions (from Schedule RC-A):		
a. Noninterest-bearing balances and currency and coin (1)	0081	1,385,500
b. Interest-bearing balances (2)	0071	6,446
2. Securities:		
a. Held-to-maturity securities (from Schedule RC-B, column A)	1754	0
b. Available-for-sale securities (from Schedule RC-B, column D)	1773	5,357,605
3. Federal funds sold and securities purchased under agreements to resell	1350	0
4. Loans and lease financing receivables:		
a. Loans and leases, net of unearned income (from Schedule RC-C)	2122	26,173,866
b. LESS: Allowance for loan and lease losses	3123	320,312
c. LESS: Allocated transfer risk reserve	3128	0
d. Loans and leases, net of unearned income, allowance, and reserve (item 4.a minus 4.b and 4.c)	2125	25,853,554
5. Trading assets (from Schedule RC-D)	3545	6,737
6. Premises and fixed assets (including capitalized leases)	2145	345,070
7. Other real estate owned (from Schedule RC-M)	2150	15,628
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)	2130	500,450
9. Customers' liability to this bank on acceptances outstanding	2155	0
10. Intangible assets (from Schedule RC-M)	2143	73,255
11. Other assets (from Schedule RC-F)	2160	2,170,789
12. Total assets (sum of items 1 through 11)	2170	35,715,034

(1) Includes cash items in process of collection and unposted debits.

(2) Includes time certificates of deposit not held for trading.

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## Schedule RC - Continued

Dollar Amounts in Thousands

### LIABILITIES

#### 13. Deposits:

a. In domestic offices (sum of totals of columns A and C from Schedule RC-E,

part I)

(1) Noninterest-bearing (1)

(2) Interest-bearing

	RCON	RCFN	RCFD	
part I)	2200	2200	2800	14,496,475 13.a
(1) Noninterest-bearing (1)	6631	6631	0	4,153,732 13.a.1
(2) Interest-bearing	6636	6636	2,886,035	10,342,743 13.a.2

b. In foreign offices, Edge and Agreement subsidiaries, and IBFs (from Schedule RC-E,

part II)

(1) Noninterest-bearing

(2) Interest-bearing

14. Federal funds purchased and securities sold under agreements to repurchase

	RCON	RCFN	RCFD	
part II)	2200	2200	2,886,035	2,886,035 13.b
(1) Noninterest-bearing	6631	6631	0	0 13.b1
(2) Interest-bearing	6636	6636	2,886,035	2,886,035 13.b2

15. a. Demand notes issued to the U.S. Treasury

	RCON	RCFD	
a. Demand notes issued to the U.S. Treasury	2840	3548	25 15.a
			2,345 15.b

b. Trading liabilities (from Schedule RC-D)

16. Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases):

- a. With a remaining maturity of one year or less
- b. With a remaining maturity of more than one year through three years
- c. With a remaining maturity of more than three years

2332	7,300,004	16.a
A547	1,830	16.b
A548	1,249,067	16.c

17. Not applicable

18. Bank's liability on acceptances executed and outstanding

2920	0	18
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19. Subordinated notes and debentures(2)

3200	1,210,000	19
------	-----------	----

20. Other liabilities (from Schedule RC-G)

2930	904,174	20
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21. Total liabilities (sum of items 13 through 20)

2948	33,292,717	21
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22. Not applicable

### EQUITY CAPITAL

23. Perpetual preferred stock and related surplus

3838	0	23
------	---	----

24. Common stock

3230	127,044	24
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25. Surplus (exclude all surplus related to preferred stock)

3839	1,753,213	25
------	-----------	----

26. a. Undivided profits and capital reserves

3632	548,200	26.a
------	---------	------

b. Net unrealized holding gains (losses) on available-for-sale securities

8434	(6,140)	26.b
------	---------	------

c. Accumulated net gains (losses) on cash flow hedges

4336	0	26.c
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27. Cumulative foreign currency translation adjustments

3284	0	27
------	---	----

28. Total equity capital (sum of items 23 through 27)

3210	2,422,317	28
------	-----------	----

29. Total liabilities and equity capital (sum of items 21 and 28)

3300	35,715,034	29
------	------------	----

### Memorandum

To be reported only with the March Report of Condition.

1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 1999

RCFD	Number
6724	N/A M. 1

1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank

4 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)

2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)

5 = Review of the bank's financial statements by external auditors

3 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)

6 = Compilation of the bank's financial statements by external auditors

7 = Other audit procedures (excluding tax preparation work)

8 = No external audit work

(1) Includes total demand deposits and noninterest-bearing time and savings deposits.

(2) Includes limited-life preferred stock and related surplus.

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Cert #: RI-1

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RI-1

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## **Consolidated Report of Income for the period January 1, 2000 - September 30, 2000**

All Report of Income schedules are to be reported on a calendar year-to-date basis in thousands of dollars.

### **Schedule RI - Income Statement**

I480 <-

Dollar Amounts in Thousands

#### 1. Interest Income:

##### a. Interest and fee income on loans:

###### (1) In domestic offices:

RIAD		
4011	824,888	1.a.1.a
4019	536	1.a.1.b
4024	1,504	1.a.1.c
4012	210,035	1.a.1.d
4026	0	1.a.1.e

###### (f) Loans to individuals for household, family, and other personal expenditures:

(1) Credit cards and related plans	4054	99,024	1.a.1.f.1
(2) Other	4055	329,909	1.a.1.f.2
(g) Loans to foreign governments and official institutions	4056	0	1.a.1.g

###### (h) Obligations (other than securities and leases) of states and political subdivisions

###### in the U.S.:

(1) Taxable obligations	4503	1,330	1.a.1.h.1
(2) Tax-exempt obligations	4504	3,424	1.a.1.h.2
(i) All other loans in domestic offices	4058	24,758	1.a.1.i

###### (2) In foreign offices, Edge and Agreement subsidiaries, and IBFs

##### b. Income from lease financing receivables:

(1) Taxable leases	4505	176,452	1.b.1
(2) Tax-exempt leases	4307	8,815	1.b.2

##### c. Interest income on balances due from depository institutions: (1)

(1) In domestic offices	4105	1,081	1.c.1
(2) In foreign offices, Edge and Agreement subsidiaries, and IBFs	4106	0	1.c.2

##### d. Interest and dividend income on securities:

(1) U.S. Treasury securities and U.S. Government agency obligations <i>(including mortgage-backed securities issued or guaranteed by FNMA, FHLMC, or GNMA)</i>	4027	110,490	1.d.1
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###### (2) Securities issued by states and political subdivisions in the U.S.:

(a) Taxable securities	4506	31	1.d.2.a
(b) Tax-exempt securities	4507	5,534	1.d.2.b

###### (3) Other domestic debt securities

<i>(including mortgage-backed securities not issued or guaranteed by FNMA, FHLMC, or GNMA)</i>	3657	210,443	1.d.3
--	------	---------	-------

###### (4) Foreign debt securities

(5) Equity securities (including investments in mutual funds)	3658	138	1.d.4
	3659	3,801	1.d.5

###### e. Interest income from trading assets

(1) Includes interest income on time certificates of deposits not held for trading.

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**Columbus, OH 43271**  
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Transit #: **04400037**

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## Schedule RI - Continued

Dollar Amounts in Thousands

1. Interest income (continued)				
f. Interest income on federal funds sold and securities purchased under agreements to resell _____	RIAD 4020	18,546		1.f
g. Total interest income (sum of items 1.a through 1.f) _____	4107	2,037,070		1.g
2. Interest expense:				
a. Interest on deposits:				
(1) Interest on deposits in domestic offices:				
(a) Transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts) _____	4508	1,675		2.a.1.a
(b) Nontransaction accounts:				
(1) Money market deposit accounts (MMDAs) _____	4509	182,646		2.a.1.b.1
(2) Other savings deposits _____	4511	7,640		2.a.1.b.2
(3) Time deposits of \$100,000 or more _____	A517	25,281		2.a.1.b.3
(4) Time deposits of less than \$100,000 _____	A518	130,781		2.a.1.b.4
(2) Interest on deposits in foreign offices, Edge and agreement subsidiaries, and IBFs _____	4172	112,599		2.a.2
b. Expense of federal funds purchased and securities sold under agreements to repurchase _____	4180	146,013		2.b
c. Interest on demand notes issued to the U.S. Treasury, trading liabilities, and on other borrowed money _____	4185	462,066		2.c
d. Not applicable				
e. Interest on subordinated notes and debentures _____	4200	65,507		2.e
f. Total interest expense (sum of items 2.a through 2.e) _____	4073	1,134,208	RIAD	2.f
3. Net interest income (item 1.g minus 2.f) _____	4074	902,862		3.
4. Provisions:				
a. Provision for credit losses _____	4230	211,882		4.a
b. Provision for allocated transfer risk _____	4243	0		4.b
5. Noninterest income:				
a. Income from fiduciary activities _____	4070	0		5.a
b. Service charges on deposit accounts in domestic offices _____	4080	99,963		5.b
c. Trading revenue (must equal Schedule RI, sum of Memorandum items 8.a through 8.d) _____	A220	1,040		5.c
d. - e. Not applicable				
f. Other noninterest income:				
(1) Other fee income _____	5407	340,297		5.f.1
(2) All other noninterest income * _____	5408	(16,102)	RIAD	5.f.2
g. Total noninterest income (sum of items 5.a through 5.f) _____	4079	425,198		5.g
6. a. Realized gains (losses) on held-to-maturity securities _____	3521	0		6.a
b. Realized gains (losses) on available-for-sale securities _____	3196	(45,982)		6.b
7. Noninterest expense:				
a. Salaries and employee benefits _____	4135	626,692		7.a
b. Expenses of premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest) _____	4217	178,028		7.b
c. Other noninterest expense * _____	4092	764,438	RIAD	7.c
d. Total noninterest expense (sum of items 7.a through 7.c) _____	4093	1,569,158		7.d
8. Income (loss) before income taxes and extraordinary items and other adjustments (item 3 plus or minus items 4.a, 4.b, 5.g, 6.a, 6.b, and 7.d) _____	4301	(498,962)		8.
9. Applicable income taxes (on item 8) _____	4302	(197,695)		9.
10. Income (loss) before extraordinary items and other adjustments (item 8 minus 9) _____	4300	(301,267)		10.
11. Extraordinary items and other adjustments, net of income taxes * _____	4320	0		11
12. Net income (loss) (sum of items 10 and 11) _____	4340	(301,267)		12.

\* Describe on Schedule RI-E - Explanations.

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**APPENDIX B**  
**FORM OF OPINION OF BOND COUNSEL**

November \_\_\_, 2000

**The Economic Development Corporation  
of the City of Ann Arbor  
Ann Arbor, Michigan**

Re: \$ \_\_\_\_\_ The Economic Development Corporation  
of the City of Ann Arbor Adjustable Rate Demand  
Limited Obligation Revenue [Refunding] Bonds, Series 2000 \_\_\_\_\_  
(Glacier Hills, Inc. Project) (the "Bonds")

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Economic Development Corporation of the City of Ann Arbor (the "Issuer") of the Bonds under the provisions of Act No. 338 of the Michigan Public Acts of 1974, as amended (the "Act"). The Bonds have been issued pursuant to the terms of a Trust Indenture, dated as of November 1, 2000 (the "Indenture"), between the Issuer and Bank One Trust Company, N.A., as Trustee (the "Trustee"). Unless otherwise indicated herein, all capitalized terms used in this opinion shall have the meanings set forth in Section 1.01 of the Indenture.

In connection with our opinion, we have examined the Act, certified copies of documents relating to the organization of the Issuer and certified copies of proceedings and other papers relating to the issuance and sale by the Issuer of the Bonds, including the resolution adopted by the Issuer on October 17, 2000, authorizing the issuance of the Bonds.

The Bonds will be issued as fully registered bonds and are payable solely from the funds and sources provided pursuant to the Indenture. We refer you to the Bonds and the Indenture for a description of the purposes for which the Bonds are issued and the security therefor.

With respect to the power of the Borrower to enter into and perform its obligations under the Agreement and the other documents to which it is a party, the due authorization, execution and delivery of the Agreement and the other documents to which the Borrower is a party and the validity and enforceability of them against the Borrower, we refer you to the

opinion of this firm as counsel to the Borrower, dated the date of this letter and addressed to you.

As to questions of fact material to our opinion, we have, with your consent, relied upon representations of the Issuer and the Borrower contained in the Agreement, the certified proceedings and other certifications of public officials and others furnished to us, including certifications furnished to us by or on behalf of the Borrower, without undertaking to verify the same by independent investigation.

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

1. The Issuer is a public body corporate validly existing under the laws of the State with the power to enter into and perform the Indenture and the Agreement and issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding limited obligations of the Issuer, payable as to principal and interest solely from the revenues and receipts pledged for such purpose under the Indenture. The Bonds and the interest due thereon are not a general obligation, debt or liability of the Issuer and do not constitute or give rise to any pecuniary liability or charge against the credit or taxing power of the City of Ann Arbor, Michigan (the "City"). The Issuer has no taxing power. Neither the Issuer nor the City is obligated to pay any principal or interest on the Bonds or any costs incident thereto except from the funds provided under the Agreement and the Indenture.

3. The Agreement and the Indenture have been duly authorized, executed and delivered by the Issuer and are valid and binding obligations of the Issuer enforceable upon the Issuer. By the terms of the Indenture, the Issuer's right, title and interest in the Agreement (except for certain unassigned rights) have been effectively pledged and assigned to the Trustee under the Indenture and Section 7a of the Act and, subject to paragraph 4 below, such assignment constitutes a valid and binding assignment by the Issuer enforceable upon the Issuer.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes. Moreover, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Borrower for itself and on behalf of the Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes

retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds, including the exclusion of interest on the Bonds from gross income for federal income tax purposes following conversion of the interest rate on the Bonds from an Adjustable Rate to a Fixed Interest Rate.

5. The Bonds are exempt from all taxation in the State except estate, inheritance and transfer taxes and the interest on the Bonds is exempt from all taxation in the State.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

HOWARD & HOWARD ATTORNEYS, P.C.

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