

PRIVATE OFFERING MEMORANDUM

NEW ISSUE — FULL BOOK-ENTRY

**\$102,750,000**  
**1800 HARRISON FOUNDATION**  
**VARIABLE RATE NOTES**  
**Series 1999A and Series 1999B**

Dated: Date of delivery

Due: January 1, as shown below

The Notes are issuable in the form of fully registered notes and, when issued, will be registered in the name of CEDE & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Beneficial Owners of Notes will not receive physical certificates representing the Notes purchased, but will receive a credit balance on the books of the nominees of such purchasers. So long as CEDE & Co. is the registered owner of the Notes, principal of and interest on the Notes will be paid by BNY Western Trust Company, San Francisco, California, as Trustee (the "Trustee"), directly to DTC, which will in turn remit such principal, premium and interest to its participants for subsequent disbursement to the Beneficial Owners of the Notes as described herein. See Appendix F — "Book-Entry-Only System." The Notes are issuable in minimum denominations of \$250,000 or any integral multiple of \$5,000 in excess of \$250,000.

So long as CEDE & Co. is the registered owner of the Notes, references herein to the holders or registered owners of the Notes shall mean CEDE & Co. and shall not mean the Beneficial Owners of the Notes.

The Notes will bear interest at a Weekly Interest Rate determined by Salomon Smith Barney Inc., as Remarketing Agent. The Notes may be tendered for purchase on any Business Day at a purchase price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the purchase date upon at least seven days irrevocable written notice to the Bank of New York (the "Tender Agent") in the manner as described herein. Under certain circumstances described herein, Notes may also be subject to mandatory tender for purchase. Notes subject to optional or mandatory tender and not successfully remarketed will be purchased, subject to the satisfaction of certain conditions precedent, by Citicorp USA, Inc. (the "Bank") pursuant to the terms of a Standby Asset Purchase Agreement between 1800 Harrison Foundation (the "Corporation") and the Bank. The obligation of the Bank to purchase Notes will expire 364 days after the initial issuance of the Notes, unless extended, subject to earlier termination and, in some cases, immediate suspension or termination without prior notice to Beneficial Owners of the Notes. The obligations of the Bank under the Standby Asset Purchase Agreement will be guaranteed by Citibank, N.A. The right of any Beneficial Owner to tender its interest in the Notes and receive payment therefor is based only upon and subject to the procedures and limitations of the book-entry-only system described under the caption Appendix F — "Book-Entry-Only System."

Interest on the Notes will be payable on the first Wednesday of each month or, if such day is not a Business Day, on the next succeeding Business Day. The Notes are subject to optional and mandatory redemption as described herein.

As more fully described herein, except to the extent payable from the proceeds of the Notes, investment earnings, or proceeds of insurance or condemnation awards or insured loss of title, the payment of principal of, premium, if any, and interest on the Notes is secured by the Revenues (as defined herein) under the provisions of the Indenture between the Trustee and the Corporation.

The scheduled payment of principal of and interest on the Notes when due will be insured by a financial guaranty insurance policy issued by

**AMBAC**

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND, UNTIL SO REGISTERED, MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE SUCH REGISTRATION IS REQUIRED AND HAS NOT BEEN EFFECTED, EXCEPT IN A TRANSACTION NOT SUBJECT TO, OR PURSUANT TO AN EXEMPTION FROM, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND ANY OTHER APPLICABLE LAW. FOR A DISCUSSION OF CERTAIN RESTRICTIONS ON REALES, SEE "TRANSFER RESTRICTIONS."

**MATURITIES, PRINCIPAL AMOUNTS AND PRICES**

<u>Maturity</u>	<u>Principal Amounts</u>
Series 1999A Notes due January 1, 2029	\$87,500,000
Series 1999B Notes due January 1, 2029	\$15,250,000

(Price of all Notes: 100%)

The Notes are offered when, as and if issued by the Corporation and received by the Initial Purchaser, subject to prior sale and to the approval of certain matters for the Corporation by its counsel, Orrick, Herrington & Sutcliffe LLP, San Francisco, California, for Kaiser Foundation Health Plan, Inc. and the Guarantors by their Senior Vice President and General Counsel, for the Bank by its counsel, O'Melveny & Myers LLP, Los Angeles, California and for the Initial Purchaser by its counsel, Brown & Wood LLP, San Francisco, California. It is expected that the Notes will be available for delivery to DTC against payment therefor in New York, New York on or about January 21, 1999.

**SALOMON SMITH BARNEY**

Dated: January 20, 1999

**PRIVATE OFFERING MEMORANDUM**

**\$3,500,000**  
**1800 HARRISON FOUNDATION**  
**CAPITAL CERTIFICATES**  
**Series 1999C**

Dated: Date of delivery

Due: January 1, 2029

The Series 1999C Certificates (the "Capital Certificates") will be issuable as fully registered securities in the minimum denomination of \$250,000 or any integral multiple of \$5,000 in excess of \$250,000. Par value of the Capital Certificates is payable at the principal corporate trust office of BNY Western Trust Company, San Francisco, California, Trustee. Yield on the Capital Certificates (payable starting July 1, 1999, and semiannually thereafter on January 1 and July 1 of each year) is payable by mail or, in the case of any owner of \$1,000,000 or more in aggregate par value of the Capital Certificates, by wire transfer as described herein. The Capital Certificates are subject to redemption prior to maturity.

The Capital Certificates will mature on the date set forth above. The Capital Certificates will bear yield at the rate of 8.7121% per annum from their date to and including December 31, 2003. For each five year period thereafter (commencing January 1, 2004), the rate of yield to be borne by the Capital Certificates shall equal the Yield Rate (as described herein).

As more fully described herein, the payment of the par value of and yield on the Capital Certificates is subordinate to the payment of the Corporation's \$102,750,000 Variable Rate Notes, Series 1999A and Series 1999B.

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THE CAPITAL CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND, UNTIL SO REGISTERED, MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE SUCH REGISTRATION IS REQUIRED AND HAS NOT BEEN EFFECTED, EXCEPT IN A TRANSACTION NOT SUBJECT TO, OR PURSUANT TO AN EXEMPTION FROM, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND ANY OTHER APPLICABLE LAW. FOR A DISCUSSION OF CERTAIN RESTRICTIONS ON REALES, SEE "TRANSFER RESTRICTIONS."

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The Capital Certificates are offered when, as and if issued by the Corporation, subject to prior sale and to the approval of certain matters for the Corporation by its counsel, Orrick, Herrington & Sutcliffe LLP, San Francisco, California, for Kaiser Foundation Health Plan, Inc. and the Guarantors by their Senior Vice President and General Counsel, and for the Placement Agent by its counsel, Brown & Wood LLP, San Francisco, California. It is expected that the Capital Certificates will be available for delivery in New York, New York on or about January 21, 1999.

**SALOMON SMITH BARNEY**  
**Placement Agent**

Dated: January 20, 1999