
TRUST INDENTURE

between

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

and

**FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION,
as Trustee**

Dated as of March 1, 1997

Relating to

\$15,485,000

**SENIOR REVENUE BONDS, SERIES 1997A
(MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT)
ISSUED FOR THE BENEFIT OF THE
NOVATO FINANCING AUTHORITY (CALIFORNIA)
FACILITATED BY THE
CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY**

and

\$1,585,000

**SUBORDINATE REVENUE BONDS, SERIES 1997B
(MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT)
ISSUED FOR THE BENEFIT OF THE
NOVATO FINANCING AUTHORITY (CALIFORNIA)
FACILITATED BY THE
CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY**

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TRUST INDENTURE

THIS TRUST INDENTURE, dated as of March 1, 1997 (together with any amendments or supplements hereto, this "Indenture"), made by and between the CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY, a joint powers authority duly organized and existing under the Constitution and laws of the State of California (together with any successor to its rights, duties and obligations hereunder, "CLGFA"), and FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America and having its corporate trust offices in San Francisco, California, as trustee (together with any successor trustee hereunder, the "Trustee"). Capitalized terms used herein have the meanings set forth in Article I hereof, unless the intent clearly requires otherwise.

PREAMBLE

WHEREAS, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "JPA Law") permits two or more local public entities by agreement to jointly exercise any powers common to them; and

WHEREAS, the City of Novato (the "City") and certain counties (collectively, the "Members") have entered into a Joint Exercise of Powers Agreement (the "Joint Powers Agreement") creating CLGFA for the purpose, among other things, of assisting the Members and other local agencies to obtain financing for public capital improvements whenever there are significant public benefits associated with such improvements, and to make loans to and enter into other agreements with its Members and other local agencies; and

WHEREAS, the Novato Financing Authority (the "Owner") will purchase a mobile home park known as Marin Valley Mobile Country Club Park (as more fully defined in Article I hereof, the "Project"); and

WHEREAS, in order to provide financing for the acquisition and improvement of the Project by the Owner, CLGFA has determined to issue the Senior Revenue Bonds, Series 1997A (Marin Valley Mobile Country Club Park Acquisition Project), Issued for the Benefit of the Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority (the "Senior Bonds"), in the aggregate principal amount of \$15,485,000, and the Subordinate Revenue Bonds, Series 1997B (Marin Valley Mobile Country Club Park Acquisition Project), Issued for the Benefit of the Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority (the "Subordinate Bonds"), in the aggregate principal amount of \$1,585,000; and

WHEREAS, CLGFA will loan the proceeds of the Senior Bonds and Subordinate Bonds (collectively, the "Bonds") to the Owner pursuant to a Loan Agreement, dated as of March 1, 1997 among CLGFA, the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") and the Owner to finance the acquisition and improvement of the Project by the Owner; and

WHEREAS, it is intended that the Senior Bonds and the Subordinate Bonds be separate issues and that the Senior Bonds shall be secured on a senior basis and the Subordinate Bonds shall be secured on a subordinate basis by the Trust Estate (as defined herein), except as otherwise specifically provided herein; and

WHEREAS, the Owner will use the proceeds of the Bonds to, among other things, finance the cost of acquisition and improvement of the Project, fund certain reserve funds and to pay certain costs of issuance; and

WHEREAS, as additional security for payment of the Bonds, the Owner has conveyed a first lien on and security interest in the Project to the Trustee pursuant to a Deed of Trust, Security Agreement and Assignment of Rents and Leases, dated as of March 1, 1997 (the "Mortgage"); and

WHEREAS, as additional security for payment of the Subordinate Bonds, the Redevelopment Agency of the City of Novato (the "Pledgor") has agreed to pledge a portion of its housing setaside funds upon the terms set forth in the Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997 (the "Pledge Agreement"), by and among the Owner, the Pledgor and the PAC; and

WHEREAS, the scheduled payments of the principal of and interest on the Senior Bonds when due will be guaranteed under a municipal bond insurance policy (the "Policy") to be issued by Financial Security Assurance Inc., a New York stock insurance company ("Financial Security"); and

WHEREAS, CLGFA has executed this Indenture for the purpose of authorizing and securing the Bonds and prescribing the terms and priorities thereof and the conditions, terms, trusts and provisions upon the basis of which the Bonds will be delivered and held; and

WHEREAS, the Trustee has agreed to accept the trusts herein created upon the terms set forth;

NOW, THEREFORE, CLGFA and the Owner in consideration of the premises and the acceptance by the Trustee of the trusts hereby created, of the purchase and acceptance of the Bonds by the purchasers thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in order to secure the performance and observance by CLGFA and the Owner of all the covenants and obligations expressed or implied herein and in the Bonds but subject to the priorities set forth herein, do hereby irrevocably GRANT, CONVEY, PLEDGE, TRANSFER and ASSIGN and DELIVER in trust to the Trustee and its successors and assigns in trust forever all of their respective right, title and interest in and to the moneys, rights and properties described in the Granting Clauses hereof, as follows, to wit:

GRANTING CLAUSES

CLAUSE A

All moneys, securities or investments (including any insurance or condemnation proceeds) held in or entitled to be held by the Trustee under this Indenture, and investments of all funds and accounts created in this Indenture (except the Senior Bonds Principal Account, the Senior Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Bonds Interest Account, the Senior Debt Service Reserve Fund, the Subordinate Debt Service Reserve Fund, the Senior Cashtrap Account, the Subordinate Cashtrap Account, the Subordinate Pledged Funds Account, the Policy Payments Account and the Rebate Fund) and all interest, profits and proceeds thereof.

CLAUSE B

For the benefit of the Senior Bonds and Financial Security solely, all moneys, securities or investments held in or entitled to be held by the Trustee under this Indenture in the Senior Bonds Principal Account, the Senior Bonds Interest Account, the Senior Debt Service Reserve Fund and the Senior Cashtrap Account, and all interest, profits and proceeds thereof.

CLAUSE C

For the benefit of the Subordinate Bonds solely, all moneys, securities or investments held in or entitled to be held by the Trustee under this Indenture in the Subordinate Bonds Principal Account, the Subordinate Bonds Interest Account, the Subordinate Debt Service Reserve Fund, the Subordinate Cashtrap Account and the Subordinate Pledged Funds Account, and all interest, profits and proceeds thereof.

CLAUSE D

For the benefit of the Subordinate Bonds solely, all of the Owner's right, title and interest in, to and under the Pledge Agreement including, without limitation, any right, title and interest in any funds pledged to the Owner thereunder.

CLAUSE E

All of CLGFA's right, title and interest in, to and under the Loan Agreement, including all payments due under the Loan Agreement, except for CLGFA's rights to enforce and receive payments of money directly and for its own purposes under Sections 4.03(e)(iii) and 6.01 thereof and Article VIII thereof.

CLAUSE F

All of CLGFA's right, title and interest in, to and under the Senior Note, with respect to the Senior Bonds only, the Subordinate Note, with respect to the Subordinate Bonds only.

CLAUSE G

All moneys, securities or investments held in or entitled to be held under the Deposit Only Account Agreement in the Deposit Only Account, and all interest, profits and proceeds thereof.

CLAUSE H

Any and all other real or personal property, rights and interests of every kind or description which from time to time hereafter may be sold, transferred, conveyed, assigned, pledged, mortgaged or delivered to the Trustee, the Owner or CLGFA as additional security hereunder or under the Mortgage.

CLAUSE I

All proceeds of the above and any proceeds thereof.

TO HAVE AND TO HOLD the trust estate as described in Clauses A through I above, together with all rights of the Trustee under the Mortgage (collectively, the "Trust Estate"), whether now owned or held or hereafter acquired, unto the Trustee and its successors or assigns, forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit and security of Financial Security and all present and future Holders without preference of any Bond of a Series over any other Bond of a Series, but with such preferences, privileges, priorities and distinctions between the Senior Bonds and the Subordinate Bonds as are herein set forth; and for enforcement of the payment of the Bonds in accordance with their terms and the terms of this Indenture as to priority of payment, and all other sums payable hereunder or on the Bonds and for the performance of and compliance with the obligations, covenants and conditions of this Indenture, as if all the Bonds of a Series at any time Outstanding had been authenticated, executed and delivered simultaneously with the execution and delivery of this Indenture, all as herein set forth; subject to the provisions respecting the priority of the Senior Bonds and the rights of Financial Security over the Subordinate Bonds and except as otherwise expressly provided in or permitted by this Indenture.

PROVIDED, HOWEVER, that, if CLGFA or the Owner shall comply with the provisions of Article XIV

hereof or shall otherwise well and truly pay or cause to be paid the principal of, premium, if any, and interest due or to become due on the Bonds, at the times and in the manner specified therein, according to the true intent and meaning thereof, and shall well and truly keep and observe all the covenants and conditions in this Indenture expressed to be kept, performed and observed by it, and shall pay to the Trustee and Financial Security all sums of money due or to become due to them in accordance with the terms and provisions hereof and shall pay to Financial Security all amounts due under the Insurance Agreement (as hereinafter defined), then this Indenture and the rights hereby granted shall cease, terminate and be void, and the Trustee in such case, on demand of CLGFA or the Owner, upon payment to the Trustee of its reasonable fees, costs and expenses, shall execute and deliver to the Owner in accordance with the terms hereof such deeds, discharges or satisfactions as shall be requisite to discharge the lien hereof and to convey to the Owner all interests held by the Trustee pursuant to the terms hereof, otherwise this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds shall be issued, authenticated and delivered, and the Trust Estate shall be dealt with and disposed of, under, upon and subject to the terms, priorities, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and CLGFA has agreed and covenanted and does hereby agree and covenant with the Trustee, Financial Security and the respective Holders, from time to time, of the Bonds, or any part thereof, as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. *Definitions.* The following capitalized terms as used in this Indenture shall have the following meanings unless the context requires otherwise.

"*Account*" means any fund or account established by the Trustee pursuant to this Indenture.

"*Act*" means Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California as the same may be amended from time to time.

"*Affiliate*" means, with respect to any Person, any other Person controlling or controlled by or under common control with such Person. For the purposes of this definition, "control," when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, or the control of the appointment or election of members of a board of directors or other governing body by contract or otherwise, and the terms "controlling" and "controlled" having meanings correlative to the foregoing.

"*Allocation Date*" means the twelfth day of each month, commencing April 12, 1997, or, if such day is not a Business Day, the first Business Day thereafter.

"*Authorized CLGFA Representative*" means a person at the time designated to act on behalf of CLGFA by Resolution of the Board of Directors of CLGFA provided to the Trustee and Financial Security. Any action or instrument required to be taken or executed by CLGFA must be authorized or executed by an Authorized CLGFA Representative.

"*Authorized Denomination*" means (a) \$5,000 principal amount or any integral multiple thereof with respect to the Senior Bonds, and (b) \$100,000 principal amount or any integral multiple of \$5,000 in excess of \$100,000 with respect to the Subordinate Bonds; provided that any Subordinate Bonds which have been legally defeased pursuant to Section 14.01 of this Indenture or which are then rated in one of the top three long-term rating categories by a Rating Agency may be exchanged for Subordinate Bonds in denominations of \$5,000

principal amount or any integral multiple thereof.

"*Authorized Owner Representative*" means the Treasurer of the Owner or any other person at the time designated to act on behalf of the Owner by written certificate furnished to the Trustee and Financial Security containing the specimen signature of such person and signed on behalf of the Owner by one of its authorized signatories. Any action or instrument required to be taken or executed by the Owner must be authorized or executed by an Authorized Owner Representative.

"*Authorized Representative*" means, with respect to Financial Security, any managing director.

"*Available Moneys*" means moneys on deposit with the Trustee with respect to which the Trustee and Financial Security have received an unqualified Opinion of Counsel from counsel nationally recognized in bankruptcy matters and acceptable to Financial Security to the effect that the use by the Trustee of such moneys in accordance with this Indenture would not constitute a voidable preference under the United States Bankruptcy Code in the event a petition in bankruptcy is filed by or against the entity or entities depositing or providing such moneys or on whose behalf such moneys have been deposited or provided including, without limitation, CLGFA, the Owner and the PAC, and any members or shareholders thereof.

"*Beneficial Owner*" shall mean the Person that is considered to be the beneficial owner of any Bond pursuant to the arrangements for bookentry determination of ownership applicable to DTC.

"*Bond*" or "*Bonds*" means any one or all, as the case may be, of CLGFA's Senior Bonds and CLGFA's Subordinate Bonds issued under this Indenture.

"*Bond Counsel*" means Kutak Rock, or another firm of nationally recognized attorneys at law experienced in the issuance of taxexempt revenue bonds under the exemption provided under Section103 of the Code and as long as any Senior Bonds are Outstanding, approved by the Controlling Party.

"*Bond Fund*" means the fund created pursuant to Section5.05 hereof.

"*Bond Law*" means the MarksRoos Local Bond Pooling Act of 1985, being Article4 (commencing with Section6584) of Chapter5, Division7, Title1 of the California Government Code.

"*Bond Register*" shall have the meaning set forth in Section2.06 hereof.

"*Bond Year*" means any twelve-month period extending from October1 in one calendar year to September30 of the succeeding calendar year, both inclusive, provided that the initial Bond Year shall extend from the Closing Date and extend to September30, 1997, both inclusive.

"*Bondholder*" or "*Holder*" of the Bonds means the registered owner of any Bond as shown on the registration books maintained by the Registrar, but shall not mean Beneficial Owners, and shall include, with respect to the Senior Bonds, Financial Security in its capacity as subrogee hereunder and, with respect to the Subordinate Bonds, the Pledgor in its capacity as subrogee hereunder.

"*Business Day*" means any day other than (a)a Saturday or Sunday, (b)a day on which (i)banking institutions in the City of NewYork or in the city in which the Principal Office of the Trustee is located are authorized or obligated by law or executive order to be closed, or (ii)the NewYork Stock Exchange is authorized or obligated by law or executive order to be closed or (c)with respect to actions required to be taken by the Owner or the Pledgor only, a day on which the offices of the City are closed to the public.

"*Capital Improvement Subaccount*" means the subaccount created pursuant to Section 5.10(a) hereof.

"*Capital Plan*" means the capital expenditure plan submitted by or on behalf of the Owner and approved by the Controlling Party pursuant to Section 6.02 of the Loan Agreement.

"*Cede & Co.*" has the meaning provided in Section 2.10 hereof.

"*City*" means the City of Novato, California.

"*CLGFA*" means California Local Government Finance Authority, its successors and assigns.

"*CLGFA's Fee*" means the annual fee payable to CLGFA in the amount equal to the fees set forth in the letter of CLGFA, dated and delivered on or prior to the Closing Date, and provided to Financial Security on or before the Closing Date.

"*Closing Date*" means March 13, 1997.

"*Consultant Account*" means the Account created pursuant to Section 5.02(c) hereof.

"*Code*" means the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds, and any successor statute, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the Treasury Department or Internal Revenue Service of the United States.

"*Consultants*" means, collectively, David Kenyon, Esq., and P.A. Hoon & Company, Inc.

"*Controlling Party*" means (a) as long as any Senior Bonds are Outstanding or any amounts are due and payable to Financial Security under the Insurance Agreement, Financial Security, so long as no Financial Security Default exists, unless Financial Security delivers a written notice of resignation as Controlling Party to the Trustee; and notwithstanding the occurrence of a Financial Security Default, in the event the principal of, premium, if any, and interest on the Senior Bonds are paid in full and any amounts are owed to Financial Security under the Insurance Agreement, "Controlling Party" means Financial Security; provided that if Financial Security is not the Controlling Party, whenever the term Controlling Party is used the consent of the Controlling Party is not required; and (b) if no Senior Bonds are Outstanding and all amounts payable to Financial Security hereunder and under the Insurance Agreement have been paid in full, the Holders of a majority of the aggregate principal amount of the Subordinate Bonds Outstanding will be the Controlling Party.

"*Costs of Issuance*" means all items of expense directly or indirectly payable by or reimbursable to the Owner, the PAC or CLGFA relating to the execution, sale and delivery of the Bonds, including, but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (which shall include legal fees and the first annual administration fee of the Trustee), financing discounts, legal fees and charges, insurance fees and charges, the initial monthly premium for the Policy, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Bonds and charges and fees in connection with the foregoing.

"*Costs of Issuance Fund*" means the Account created pursuant to Section 5.02(a) hereof.

"*Cure Notice*" means a written notice, from the Controlling Party to the Trustee that no Trigger Event or Event of Default continues to exist.

"*Default*" means any event which results, or which with the giving of notice or the lapse of time or both would result, in an Event of Default.

"*Deferred Consultant Costs*" means that portion of the Costs of Issuance collectively owed to the Consultants which were not paid from the proceeds of the Bonds, which amounts shall be paid in accordance with the schedule attached to the fee letter of such Consultants approved by the Owner and delivered to the Owner, Financial Security and the Trustee on the Closing Date.

"*Deferred Costs Fund*" means the Account created pursuant to Section 5.02(c) hereof.

"*Deferred Issuance Costs*" means, collectively, the Deferred Owner Costs and the Deferred Consultant Costs.

"*Deferred Owner Costs*" means that portion of the Costs of Issuance owed to the Owner and consultants to the Owner which were not paid from the proceeds of the Bonds, which amount shall be paid in accordance to the schedule attached to the fee letter of the Owner delivered to the Trustee and Financial Security on the Closing Date.

"*Deposit Only Account*" means the deposit-only account established pursuant to the Deposit Only Account Agreement, into which the Property Manager is required to deposit all rents, operating and nonoperating revenues and other amounts relating to the Project.

"*Deposit Only Account Agreement*" means the Deposit Only Account Agreement in form and substance satisfactory to the Controlling Party.

"*DTC*" means The Depository Trust Company, New York, New York, and its successors or any replacement securities depository appointed hereunder.

"*DTC Participant*" means those securities brokers or dealers, banks, trust companies, clearing corporations and various other entities for which DTC holds bonds from time to time as a securities depository.

"*Eligible Investments*" means any of the investments set forth on Exhibit C hereto which are legal investments under the laws of the State for moneys held hereunder.

"*Escrow Account*" means the Account established and maintained with respect to the Project by the Trustee pursuant to Section 5.09 hereof.

"*Event of Default*" means any event of default specified in Section 8.01 of this Indenture.

"*Excess Investment Earnings*" means the amount required to be rebated to the United States of America at any time pursuant to Section 148(f) of the Code due to the investment of gross proceeds of the Bonds at a yield in excess of the yield of the Bonds (as such yield shall be certified in writing by the Owner to the Trustee).

"*Excess Revenues*" means the amount remaining in the Revenue Fund after funding the amounts set forth in clauses (i) through (xx) of Section 5.03(b) herein.

"*Expense Fund*" means the Account established and maintained with respect to the Project by the Trustee pursuant to Section 5.08 hereof.

"*Financial Security*" means Financial Security Assurance Inc., a stock insurance company organized and

created under the laws of the State of New York, and any successors thereto.

"*Financial Security Default*" means any one of the following events shall have occurred and be continuing:

(a) Financial Security fails to make or provide for any payment required under the Policy in accordance with its terms;

(b) Financial Security (i)files any petition or commences any case or proceeding under any provision or chapter of the United States Bankruptcy Code or any other similar federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization; (ii)makes a general assignment for the benefit of its creditors; or (iii)has an order for relief entered against it under the United States Bankruptcy Code or any other similar federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization which is final and nonappealable; or

(c) a court of competent jurisdiction, the New York Department of Insurance or other competent regulatory authority enters a final and nonappealable order, judgment or decree (i)appointing a custodian, trustee, agent or receiver for Financial Security or for all or any material portion of its property or (ii)authorizing the taking of possession by a custodian, trustee, agent or receiver of Financial Security (or the taking of possession of all or any material portion of the property of Financial Security).

"*Fiscal Agent*" means the "Insurer's Fiscal Agent," if any, designated pursuant to the terms of the Policy.

"*Fiscal Year*" means the twelve month period commencing each July 1 and ending June 30 of the next calendar year; provided that the initial Fiscal Year shall commence on the Closing Date and end on June 30, 1997.

"*Government Securities*" means (a)any direct general non-callable obligations of the United States of America, including obligations held or issued in book-entry form on the books of the Department of the Treasury of the United States of America and (b)any non-callable obligations on which the full and timely payment of principal and interest is fully and unconditionally guaranteed by the United States of America, including REFCORP interest-only strips in book-entry form, if stripped by the Federal Reserve Bank of New York.

"*Improvements*" means the structures, site improvements, roads, buildings, facilities, fixtures and equipment attached to or a part of the land described on Exhibit A to the Loan Agreement, but shall not include the mobile homes and personal property of the residents of the Project.

"*Indenture*" means this Trust Indenture, dated as of March 1, 1997, by and between CLGFA and the Trustee, together with any amendments or supplements hereto.

"*In-Lieu-of-Tax Agreement*" means the In-Lieu-of-Tax Agreement dated as of March 1, 1997, by and among the Owner, the PAC and the City of Novato, California, as amended and supplemented in accordance with the provisions thereof.

"*Insurance Agreement*" means the Insurance and Indemnity Agreement, dated as of March 1, 1997, by and among the PAC, the Owner and Financial Security, as amended and supplemented in accordance with the provisions thereof.

"*Insurance Proceeds*" means any amounts paid upon settlement of a claim filed under an insurance policy (other than the Policy) and the proceeds of any other insurance policy or bond (other than the Policy)

providing coverage for a Loan or the Project.

"*Insurance Proceeds Subaccount*" means the subaccount of the Revenue Fund which may be created pursuant to Section 5.03(d) hereof.

"*Interest Payment Date*" means each April 1 and October 1, commencing October 1, 1997.

"*Investment Agreement*" has the meaning given to such term in Exhibit C to this Indenture.

"*Investor Letter*" means the private investor letter to be executed and delivered to the Trustee by the initial purchaser of the Subordinate Bonds, and thereafter by each subsequent purchaser or transferee of the Subordinate Bonds as provided in Section 2.06 herein. The form of the Investor Letter is set forth in Exhibit D hereto.

"*Letter of Credit*" means an unconditional and irrevocable letter of credit, in form and substance acceptable to, and issued by a financial institution acceptable to, the Controlling Party in an amount equal to the amount of any optional redemption of the Bonds in whole pursuant to Section 4.01(b) of this Indenture, including all principal, interest, prepayment fees or other fees due and payable on or prior to the applicable redemption date specified in Section 4.01 hereof.

"*Loan*" means collectively, the Senior Loan and the Subordinate Loan made by CLGFA to the Owner pursuant to the terms of the Loan Agreement.

"*Loan Agreement*" means the Loan Agreement, dated as of March 1, 1997, by and among CLGFA, the PAC and the Owner, as amended and supplemented in accordance with the provisions thereof.

"*Loan Payment*" means all regularly scheduled payments required to be made by the Owner pursuant to the Loan Agreement.

"*Loan Payment Schedule*" means, with respect to an Allocation Date, the applicable schedule for the related Fiscal Year, substantially in the form attached as Exhibit B to the Loan Agreement, as such schedule is amended from time to time in accordance with Section 4.03 of the Loan Agreement.

"*Management Agreement*" means, with respect to the Project, the Management Agreement, dated as of March 1, 1997, between the PAC and the Property Manager as amended and supplemented in accordance with the provisions thereof, and any subsequent Management Agreement entered into with respect to the Project and approved by the Controlling Party.

"*Management Fee*" means the fee payable to the Property Manager pursuant to the Management Agreement.

"*Maximum Annual Senior Debt Service*" means, as of any date of calculation, the greatest amount in the then current or any future Fiscal Year of principal of and interest due on the Senior Bonds.

"*Member*" means each city and county that has entered or will enter into the Joint Exercise of Powers Agreement creating CLGFA.

"*Moody's*" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally

recognized rating agency designated by the Owner with the prior written consent of the Controlling Party.

"*Mortgaged Property*" means the real and personal property, including all buildings, structures, improvements or fixtures thereon and all appurtenances, water rights, privileges and benefits appertaining thereto, that is conveyed, pledged or mortgaged, or in which a security interest is granted, under the Mortgage to secure the payment of all sums and the performance of all covenants and obligations that are to be paid or performed by the Owner or the PAC under the terms of the Loan and other Mortgage Loan Documents.

"*Mortgage*" means the Deed of Trust and Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of March 1, 1997, from the Owner to the deed of trust trustee named thereunder for the benefit of the Trustee, as amended from time to time.

"*Mortgage Loan Documents*" means the Bonds, the Pledge Agreement, this Indenture, the Loan Agreement, the Mortgage, the Insurance Agreement, the Management Agreement, the Delegation Agreement, the Deposit Only Account Agreement, the InLieuOfTax Agreement, the Capital Improvement Agreement, the Notes and any Uniform Commercial Code filing or other documents evidencing or securing the obligations related thereto.

"*NOI*" means, for the period covered, the gross revenues of the Project, excluding nonrecurring revenue and any investment income on amounts on deposit in the Rebate Fund, the Policy Payments Account, the Senior Debt Service Reserve Fund, the Senior Cashtrap Account, the Subordinate Debt Service Reserve Fund, Subordinate Cashtrap Account, Subordinate Pledged Funds Account, Subordinate Bonds Principal Account and Subordinate Bonds Interest Account but including interest and investment income on all other Accounts (other than the Accounts previously listed in this definition) held by the Trustee hereunder, *less* all operating expenses of the Project, including, without limitation, (i) the actual Management Fee then in effect, (ii) ongoing transaction and Project expenses, (iii) required payments into the Replacement Reserve Fund, (iv) the Trustee's Fee and CLGFA's Fee, (v) Reserve Costs and (vi) Premium due to Financial Security.

"*Nonowner Occupied Percentage*" means, with respect to a calendar month, a fraction, expressed as a percentage equal to (a) the actual number of nonowner occupied mobilehomes in the Project as of the first day of the calendar month divided by (b) the total number of spaces in the Project, excluding in both cases the number of spaces used by the Property Manager which shall not exceed two.

"*Notes*" means, collectively, the Senior Note and the Subordinate Note.

"*Operating Budget*" means the annual operating budget for the Project prepared by the Property Manager and approved by the Controlling Party and the Owner and provided to the Trustee by the Owner.

"*Opinion of Counsel*" means a written opinion of counsel, who is not an Affiliate of the Owner or the PAC and who, with respect to matters concerning the Senior Bonds, is approved by the Controlling Party, which opinion, with respect to matters concerning the Senior Bonds, shall be in form and substance satisfactory to the Controlling Party.

"*Outstanding*," "*Outstanding under this Indenture*" or "*Outstanding hereunder*" means, when used with reference to the Bonds, as at any particular date, the aggregate of all Bonds authenticated and delivered under this Indenture, except:

- (a) Bonds cancelled or surrendered to the Trustee for cancellation at or prior to such date;
- (b) Bonds for the redemption of which sufficient moneys shall have been theretofore depos-

ited with the Trustee, provided that notice of such redemption shall have been given as provided in Article IV of this Indenture or provisions satisfactory to the Trustee shall have been made therefor;

(c) Bonds deemed to be paid in accordance with Section 14.01 of this Indenture; and

(d) Bonds alleged to have been lost, stolen or destroyed pursuant to Section 2.09 of this Indenture and for which replacement Bonds have been issued;

provided, however, that Senior Bonds which have been paid with proceeds of the Policy shall continue to remain Outstanding for purposes of this Indenture until Financial Security has been paid as subrogee hereunder or reimbursed pursuant to the Insurance Agreement as evidenced by a written notice from Financial Security delivered to the Trustee, and Financial Security shall be deemed to be the Holder thereof to the extent of any principal payments thereon made by Financial Security; and provided, further, that, in determining whether the Holders of the requisite principal amount of Bonds Outstanding are present at a meeting of Bondholders for quorum purposes or have taken or concurred in any action under this Indenture, including the making of any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by CLGFA, the Owner or the PAC or any Affiliate of CLGFA, the Owner or the PAC shall be disregarded.

"*Owner*" means the Novato Financing Authority, a joint powers authority organized and existing under the laws of the State of California, its successors and permitted assigns.

"*Owner Account*" means the Account created pursuant to Section 5.02(c) hereof.

"*PAC*" means the Park Acquisition Corporation of Marin Valley Mobile Country Club and its successors and assigns upon the meeting of the conditions set forth in Section 5.01 of the Loan Agreement.

"*Permitted Encumbrances*" means, with respect to the Project, the encumbrances set forth on Exhibit B to the Mortgage and in the Title Insurance Policy, and any liens or encumbrances created pursuant to Indebtedness (as defined in the Insurance Agreement) expressly permitted under any of the Mortgage Loan Documents.

"*Person*" or "*persons*" means one or more, as applicable, natural persons, partnerships, trusts, corporations or other legally constituted entities (whether governmental or private).

"*Pledge Agreement*" means the Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997, by and among the Owner, the PAC and the Pledgor, pursuant to which the Pledgor has pledged a portion of its Housing Set-Aside Revenues (as defined in the Pledge Agreement), and agreed to pay the Trustee, in an amount not exceeding the Pledge Amount upon the terms and conditions set forth in the Pledge Agreement, which Pledge Agreement has been assigned to the Trustee, as security for the payment of debt service on the Subordinate Bonds.

"*Pledge Amount*" has the meaning set forth in the Pledge Agreement.

"*Pledge Payment Date*" has the meaning set forth in Section 5.06(c) herein.

"*Pledgor*" means the Redevelopment Agency of the City of Novato, its successors and permitted assigns.

"*Policy*" means, with respect to the Senior Bonds issued hereunder, the Municipal Bond Insurance Policy issued by Financial Security, including any endorsements thereto.

"*Policy Payments Account*" means the Account created pursuant to Section 10.01(b) hereof.

"*Preference Recovery*" means any amount previously distributed to a Holder that is recovered as a voidable preference by a trustee in bankruptcy pursuant to the United States Bankruptcy Code, 11 U.S.C. §§ 101 et seq., as amended, in accordance with a final nonappealable order of a court having competent jurisdiction.

"*Premium*" means the premium payable to Financial Security in accordance with the Insurance Agreement and the Premium Letter.

"*Premium Letter*" means the letter, dated the date of issuance of the Policy, from Financial Security to the Owner setting forth the payment arrangements for the Premium due with respect to the Policy and certain related expense payment arrangements.

"*Principal Office*" means the office designated as such by the respective party in writing to CLGFA, the Owner, the PAC, Financial Security and the Trustee as set forth in Section 15.05 of this Indenture.

"*Principal Prepayment*" means any payment of principal on the Loan, other than a regularly scheduled payment, received upon voluntary prepayment of the Loan.

"*Project*" means the mobile home park located on the land described on Exhibit A to the Loan Agreement including the real property described in such Exhibit A, the Improvements, and any property acquired in substitution for, as a renewal or replacement of, or as a modification or improvement to all or any part of such real property or Improvements.

"*Project Fund*" means the fund created pursuant to Subsection 5.02(b) hereof.

"*Property Manager*" means Storz Management Company, Inc., or any successor thereto appointed by the Controlling Party, or, with the prior written consent of the Controlling Party, by the PAC or by the Owner.

"*Rating Agency*" means Moody's and S&P.

"*Rebate Fund*" means the Account established pursuant to Subsection 5.11 hereof.

"*Record Date*" means the fifteenth day (whether or not a Business Day) of the month immediately preceding the month in which an Interest Payment Date occurs.

"*Redevelopment Law*" means Section 33334.2 of the Health and Safety Code of the State of California, as now in effect or hereafter amended.

"*Registrar*" means the Trustee at its Principal Office, or any successor thereto.

"*Replacement Reserve Fund*" means the Account established and maintained by the Trustee pursuant to Section 5.10 hereof.

"*Repurchase Agreement*" shall have the meaning given to such term in Exhibit C to this Indenture.

"*Reserve Costs*" means the assessments, premiums for required insurance policies and any other costs or expenses (other than amounts to be deposited into the Replacement Reserve Fund), including any real estate taxes which are imposed following a transfer of the Project from the Owner to a Person whose property is not exempt from ad valorem taxation, for which funds are required to be deposited into the Escrow Account by the Owner under the Loan Agreement and Mortgage.

"*Resolution*" means resolution no.97-1 of CLGFA dated February19, 1997 authorizing the issuance, execution and delivery of the Bonds and the execution and delivery of the Indenture, the Loan Agreement and related documents.

"*Revenue Fund*" means the Account created and maintained by the Trustee pursuant to Section5.03 hereof.

"*Senior Bonds*" means any one or more of the Senior Revenue Bonds, Series 1997A (Marin Valley Mobile Country Club Park Acquisition Project), Issued for the Benefit of the Novato Financing Authority (California) Facilitated by the California Local Government Finance Authority, authorized, authenticated and delivered under and pursuant to this Indenture.

"*Senior Bonds Interest Account*" means the interest subaccount of the Bond Fund created pursuant to Section5.05(b) hereof which subaccount is for the sole benefit of the Holders of the Senior Bonds and Financial Security.

"*Senior Bonds Principal Account*" means the principal subaccount of the Bond Fund created pursuant to Section5.05(c) hereof which subaccount is for the sole benefit of the Holders of the Senior Bonds and Financial Security.

"*Senior Cashtrap Account*" means the Account established by the Trustee pursuant to Section5.04 of this Indenture.

"*Senior Debt Service*" means, with respect to a calendar month, onetwelfth of Maximum Annual Senior Debt Service.

"*Senior Debt Service Coverage Ratio*" means, with respect to a calendar month, NOI for the related calendar month divided by Senior Debt Service for such calendar month and, with respect to a Fiscal Year, NOI for the related Fiscal Year divided by Maximum Annual Senior Debt Service.

"*Senior Debt Service Reserve Fund*" means the Account created pursuant to Section 5.07A herein.

"*Senior Loan*" means the Senior Loan as described in the Loan Agreement.

"*Senior Note*" means the promissory note of the Owner, dated as of the Closing Date, evidencing the Senior Loan.

"*Senior Reserve Requirement*" means, with respect to the Senior Bonds, \$1,000,000.

"*Series*" means any one of the series of Bonds issued hereunder, as applicable.

"*Shortfall*" has the meaning set forth in Section5.03(b) of this Indenture.

"*Sinking Fund Redemption Date*" means any date on which either (a) Senior Bonds are required to be redeemed pursuant to Section4.01(c) of this Indenture or (b) Subordinate Bonds are expected to be redeemed pursuant to Section4.01(e) of this Indenture.

"*S&P*" means Standard& Poor's Ratings Services, a division of The McGrawHill Companies, Inc., its successors and assigns, and, if such entity shall for any reason no longer perform the functions of a securities

rating agency, "S&P" shall be deemed to refer to any other nationally recognized rating agency designated by CLGFA with the prior written consent of the Controlling Party.

"*State*" means the State of California.

"*Subordinate Bonds*" means any one or more of the Subordinate Revenue Bonds, Series 1997B (Marin Valley Mobile Country Club Park Acquisition Project), Issued for the Benefit of the Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority authorized, authenticated and delivered under and pursuant to this Indenture.

"*Subordinate Bonds Interest Account*" means the interest subaccount of the Bond Fund created pursuant to Section 5.05(b) hereof which subaccount is for the sole benefit of the Holders of the Subordinate Bonds.

"*Subordinate Bonds Principal Account*" means the principal subaccount of the Bond Fund created pursuant to Section 5.05(c) hereof which subaccount is for the sole benefit of the Holders of the Subordinate Bonds.

"*Subordinate Cashtrap Account*" means the Account established by the Trustee pursuant to Section 5.04 of this Indenture.

"*Subordinate Debt Service Reserve Fund*" means the Account created pursuant to Section 5.07B herein.

"*Subordinate Loan*" means the Subordinate Loan, as described in the Loan Agreement.

"*Subordinate Note*" means the promissory note of the Owner, dated as of the Closing Date, evidencing the Subordinate Loan.

"*Subordinate Pledged Funds Account*" means the Account established by the Trustee pursuant to Section 5.06 of this Indenture for the benefit of the Subordinate Bonds.

"*Subordinate Reserve Requirement*" means, with respect to the Subordinate Bonds, an amount equal to the lowest of (i) ten percent (10%) of the net proceeds derived from the sale of the Subordinate Bonds (par amount plus accrued interest plus original issue premium less original issue discount, if any), (ii) maximum annual debt service with respect to the Subordinate Bonds (calculated on a calendar year basis) and (iii) 1.25 times average annual debt service due with respect to the Subordinate Bonds (calculated on a calendar year basis); provided that notwithstanding anything contained herein to the contrary, the initial \$2,000 from investment earnings on amounts on deposit in the Subordinate Debt Service Reserve Fund shall be retained therein and to the extent such amount is transferred to the Subordinate Bonds Interest Account prior to October 1, 2018, shall be replenished up to an amount equal to \$2,000 from investment earnings on deposit in the Subordinate Debt Service Reserve Fund until October 1, 2018 at which time such amount shall be reduced to \$970 until October 1, 2021, at which time no additional amounts shall be required to be deposited into the Subordinate Debt Service Reserve Fund.

"*Supplemental Indenture*" means a supplement to this Indenture entered into pursuant to Article XIII hereto.

"*Tax Certificate*" means the Tax Compliance Certificate dated the Closing Date executed by CLGFA, the Owner and the PAC.

"*Title Insurance Policy*" shall have the meaning provided in the Insurance Agreement.

"*Trigger Event*" means any of the following:

- (a) the Senior Debt Service Coverage Ratio falls below 1.20x for any calendar month or Fiscal Year;
- (b) the Vacancy Factor for the Project exceeds 5% for any calendar month;
- (c) the Nonowner Occupied Percentage in the Project exceeds 2% for any calendar month (other than homes occupied by the Property Manager); or
- (d) any insurance policy relating to the Project required by the Loan Agreement is provided by an insurance company rated less than "A" by S&P or "A2" by Moody's and such insurance policy is not replaced with a policy provided by an insurance company meeting such rating requirements by the next renewal date.

"*Trustee*" means First Trust of California, National Association, and its successors in trust hereunder.

"*Trustee's Fee*" means the annual fee payable to the Trustee, as Trustee, Registrar and paying agent in an amount equal to the fees set forth in the letter of the Trustee, dated and delivered on or prior to the Closing Date, and provided to Financial Security on or before the Closing Date.

"*Trust Estate*" means all of CLGFA's and the Owner's right, title and interest in, to and under the monies, agreements, properties, interests and rights described in Clauses A through I of the Granting Clauses hereof, and the Mortgage.

"*Underwriter*" means, collectively, Sutro & Co., Incorporated, and George K. Baum & Company, and each of their respective successors and assigns.

"*Variance*" has the meaning given to such term in Section 5.10 of this Indenture.

Section 1.02. **Rules of Construction.** The following rules shall apply to the construction of this Indenture unless the context clearly indicates to the contrary:

- (a) Words importing the singular number shall include the plural number and vice versa.
- (b) The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Indenture. The term "heretofore" means before the date of this Indenture and the term "hereafter" means after the date of this Indenture.
- (c) Words importing the redemption or calling for redemption of Bonds shall not be deemed to refer to or connote the payment of Bonds at their stated maturity.
- (d) Articles and Sections mentioned by number only are the respective articles and sections of this Indenture so numbered. References to "this Article," "this Section" or "this subsection" shall refer to the particular article, section or subsection in which such reference appears. All references herein to particular Articles or Sections are references to Articles or Sections of this Indenture.
- (e) The headings herein are solely for convenience of reference and shall not constitute a part of this Indenture nor shall they affect its meaning, construction or effect.

ARTICLE II

AUTHORIZATION OF BONDS, SOURCE OF PAYMENTS, GENERAL TERMS AND PROVISIONS OF THE BONDS

Section 2.01. *Authorization of Bonds.*

(a) There are hereby authorized to be issued under and secured by this Indenture the Senior Bonds titled \$15,485,000 Senior Revenue Bonds, Series 1997A (Marin Valley Mobile Country Club Park Acquisition Project), Issued for the Benefit of the Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority, in the aggregate principal amount of \$15,485,000 and the Subordinate Bonds titled \$1,585,000 Subordinate Revenue Bonds, Series 1997B (Marin Valley Mobile Country Club Park Acquisition Project), Issued for the Benefit of the Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority, in the aggregate principal amount of \$1,585,000.

(b) The Senior Bonds shall be issuable only as fully registered bonds, without coupons, in Authorized Denominations. The Subordinate Bonds shall be issuable as a separate single authenticated Bond delivered to the Subordinate Bondholder on the date of delivery of the Subordinate Bonds. The Bonds of each Series shall be numbered separately from one upward with such prefix as may be convenient for distinguishing each Series or as otherwise directed by CLGFA.

(c) Except as otherwise specifically provided herein, the Senior Bonds are superior to and have priority over the Subordinate Bonds, and the Subordinate Bonds are junior and subordinate to the Senior Bonds. On each Allocation Date, the funds on deposit in the Revenue Fund shall be applied in accordance with the order of priority set forth in Section 5.03 hereof; (i) provided, however, that amounts in the Subordinate Pledged Funds Account, Subordinate Bonds Interest Account, Subordinate Bonds Principal Account, Subordinate Cashtrap Account and the Subordinate Debt Service Reserve Fund shall be solely for the benefit of, and secure payment of the principal of and interest on, the Subordinate Bonds; and (ii) provided further, that, unless Financial Security otherwise directs such amounts to be applied in another manner as set forth in Article V hereof, amounts on deposit in any other Account, (other than the Rebate Fund and other than those set forth in clause (i) of this subsection (c)), shall be solely for the benefit of, and secure payment of the principal of and interest on, the Senior Bonds.

(d) Except as provided in Sections 2.06 and 2.09 hereof, no additional Bonds may be issued under this Indenture. Bonds permitted to be issued under this Indenture shall be authenticated and delivered in accordance with Sections 2.03 and 2.04 hereof. Notwithstanding anything herein to the contrary, the Owner may incur indebtedness with respect to the Project as set forth in Section 2.04(e) of the Loan Agreement.

Section 2.02. *Source of Payment.* CLGFA shall be obligated to pay the principal of, premium, if any, and the interest on the Bonds solely out of the Trust Estate. The Bonds shall constitute a valid claim of the respective Holders thereof against the Trust Estate, which is assigned and pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in the manner, and, subject to the priorities, set forth herein and which shall be utilized for no other purpose, except as expressly authorized in this Indenture. The Bonds, together with interest thereon, shall be special limited obligations of CLGFA giving rise to no charge against CLGFA's general credit and payable solely from, and constitute claims of the Holders thereof against only, the Trust Estate. The Bonds, the premium, if any, and the interest thereon shall not be deemed to constitute debt of the City, the Pledgor, the Members, the State or any political subdivision thereof, and none of the City, the Pledgor, the Members, the State or any political subdivision thereof shall be liable thereon, nor in any

event shall the Bonds be payable out of any funds or properties other than those specifically assigned and pledged thereto. CLGFA has no taxing power.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained herein, against any past, present or future member, director, officer, employee or agent of CLGFA, under any rule of law or equity or statutory or constitutional provision, or by the enforcement of any assessment or penalty or otherwise.

Anything herein to the contrary notwithstanding, any payment with respect to the principal of or interest on the Senior Bonds which is made with moneys received pursuant to the terms of the Policy shall not be considered payment by CLGFA or the Owner of the Senior Bonds, shall not discharge CLGFA (to the extent of its obligations hereunder) or the Owner in respect of its obligation to make such payment and shall not result in the payment of or the provision for the payment of the principal of or interest on the Senior Bonds within the meaning of Section 14.01 hereof. CLGFA and the Trustee acknowledge that, without the need for any further action on the part of Financial Security, CLGFA or the Trustee (a) to the extent Financial Security makes payments, directly or indirectly, on account of principal of or interest on the Senior Bonds to the Holders of such Senior Bonds, Financial Security will be fully subrogated to the rights of such Holders (including rights of priority) to receive such principal and interest from the Trust Estate and (b) Financial Security shall be paid such principal and interest in its capacity as a Holder of Senior Bonds from the Trust Estate in the manner provided herein for the payment of such principal and interest.

No liens of any nature or kind shall ever be placed or permitted by the Trustee, the Owner, the PAC or CLGFA on the Trust Estate (other than Permitted Encumbrances and the liens created or permitted by this Indenture and the Mortgage Loan Documents).

Section 2.03. *Execution, Authentication and Retirement.*

(a) All Bonds issued hereunder shall be executed on behalf of CLGFA by the manual or facsimile signature of its Chair, Vice Chair or Executive Director, and shall be attested by the manual or facsimile signature of its Secretary or Assistant Secretary. Any facsimile signature shall have the same force and effect as if the Chair, Vice Chair or Executive Director, or the Secretary or Assistant Secretary, as the case may be, had manually signed each of the Bonds. Following such execution, the Bonds shall be delivered to the Trustee, who shall authenticate the same pursuant to the provisions of this Indenture and not otherwise and shall deliver the same in accordance with the applicable provisions hereof. Only such Bonds as shall have endorsed thereon a certificate of authentication, substantially in the forms prescribed in Exhibit A and Exhibit B hereto, executed by the Trustee shall be valid or obligatory for any purpose or be secured by this Indenture or be entitled to any right or benefit hereunder. Such authentication by the Trustee upon any Bond shall be conclusive evidence and the only evidence that the Bond so authenticated has been duly issued hereunder and the Holder thereof is entitled to the benefit of the trusts hereby created.

(b) In case any person who shall have signed any Bond as an officer of CLGFA shall have ceased to be such officer before the Bond so signed or signed and sealed shall have been actually authenticated and delivered by the Trustee, such Bond, nevertheless, may be authenticated and delivered and issued as though the person who signed such Bond had not ceased to be such officer of CLGFA. Any Bonds may be signed on behalf of CLGFA by such persons who, as of the actual date of the execution of such Bonds, shall be the proper officers of CLGFA although at the date of the authentication or delivery of such Bonds any such person shall not hold that office of CLGFA.

Section 2.04. *Forms of Bonds.* The Senior Bonds, the related certificate of authentication and the related form of assignment shall be substantially in the form and tenor set forth in Exhibit A hereto, with such

variations, omissions and insertions as may be required by this Indenture or the Senior Bonds and approved by the Controlling Party and CLGFA. The Subordinate Bonds, the related certificate of authentication and the related form of assignment shall be substantially in the form and tenor set forth in Exhibit B hereto, with such variations, omissions and insertions as may be required by this Indenture or the Subordinate Bonds and approved by CLGFA; provided that if the Subordinate Bonds are in an Authorized Denomination of \$5,000 or any integral multiple thereof, the form of Subordinate Bond set forth in Exhibit B shall be revised to exclude any references to restrictions on the transfer of such Subordinate Bond.

The respective Series, numbers, maturity dates, interest rates and other applicable terms and provisions with respect to the Bonds shall be inserted in the forms of Bond prescribed herein, as provided in this Indenture and as authorized and evidenced by the execution thereof, by authorized officers of CLGFA.

Section 2.05. *Authentication and Delivery of Bonds.*

(a) The Bonds shall bear certificates of authentication substantially in the related forms hereinafter set forth, duly executed by the Trustee. The Trustee shall authenticate each Bond with the signature of an authorized signatory of the Trustee but it shall not be necessary for the same signatory to authenticate all of the Bonds of any Series. Only such authenticated Bonds shall be entitled to any right or benefit under this Indenture and such certificate on any Bond issued hereunder shall be conclusive evidence that the Bond has been duly issued and is secured by the provisions hereof.

(b) Prior to, or contemporaneously with, the authentication of any Bonds, the Trustee shall receive the following:

- (i) a written request by an officer of the Owner requesting the Trustee to authenticate and deliver such Bonds upon receipt by the Trustee for the account of the Owner of the sum specified therein;
- (ii) a copy, certified by the Secretary of CLGFA, of the Resolution;
- (iii) executed counterparts of this Indenture, the Loan Agreement, the Pledge Agreement, the Deposit Only Account Agreement and the Mortgage;
- (iv) the executed Notes; and
- (v) the Policy.

Section 2.06. *Registration and Transfer.* The Trustee is hereby appointed as the Registrar for the Bonds. So long as any Bonds remain Outstanding, the Trustee shall keep at the Registrar's Principal Office a register (the "Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Trustee shall provide for the registration and transfer of Bonds in accordance with the terms of this Indenture. The ownership of the Bonds shall be proved by the Bond Register.

Subject to compliance with the last paragraph of this Section 2.06 hereof with respect to the transfer of a Subordinate Bond while required to be held in an Authorized Denomination of at least \$100,000, each Bond shall be transferable only by presenting it at the Principal Office of the Registrar duly endorsed for transfer and accompanied by an assignment duly executed by the registered Holder or his duly authorized representative in the applicable form for the Series attached hereto as Exhibit A or Exhibit B, as the case may be, or otherwise acceptable to the Trustee.

Subject to compliance with the last paragraph of this Section 2.06 hereof with respect to the transfer of a

Subordinate Bond while required to be held in an Authorized Denomination of at least \$100,000, all Bonds shall be exchangeable upon the presentation and surrender thereof at the Principal Office of the Registrar for a Bond or Bonds of the same maturity, Series and interest rate and in any Authorized Denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond presented for exchange. The Trustee shall be and is hereby authorized to authenticate, deliver and exchange Bonds in accordance with the provisions of this Section 2.06. Each exchanged Bond delivered in accordance with this Section 2.06 shall constitute an original additional contractual obligation of CLGFA and shall be entitled to the benefits and security of this Indenture to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by CLGFA. CLGFA or the Trustee may require the Holder of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer of such Bond.

The Trustee shall not transfer any Bond (a) during the period beginning on any date after the Record Date and ending on the next Interest Payment Date or (b) after the mailing of notice calling such Bond for redemption has been given as herein provided or during the 15 days preceding the giving of any notice of redemption.

With respect to the Subordinate Bonds, which are required to be in Authorized Denominations of at least \$100,000, such Subordinate Bonds may be purchased and transferred, as a whole or in part, to one or more Bondholders only upon receipt by the Trustee of an Investor Letter in substantially the form set forth in Exhibit D hereto executed and delivered by the purchaser thereof. The Trustee shall deliver a copy of such Investor Letter to CLGFA, Financial Security and the Owner as soon as practicable after receipt of such Investor Letter. No Investor Letter shall be required for any Subordinate Bonds which have been legally defeased pursuant to Section 14.01 of this Indenture or which are then rated in one of the top three long-term rating categories by a Rating Agency.

Section 2.07. **Cancellation.** All Bonds paid or redeemed in accordance with this Indenture, and all Bonds in lieu of which replacement Bonds are authenticated and delivered in accordance with Section 2.09 of this Indenture, shall be cancelled and destroyed upon the making of proper records regarding such payment or redemption. The Trustee shall furnish CLGFA with certificates of destruction of such Bonds upon written request.

Section 2.08. **Temporary Bonds.** Pending the preparation of definitive Bonds, CLGFA may execute, and, upon CLGFA's request, the Trustee shall authenticate and deliver, one or more fully registered temporary Bonds which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any Authorized Denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, with such appropriate insertions, omissions, substitutions and other variations as the officer of CLGFA executing such temporary Bonds may determine, as evidenced by the signing of such temporary Bonds.

Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Indenture. CLGFA shall, without unreasonable delay, prepare, execute and deliver to the Trustee, and thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form to the Trustee, the Trustee shall authenticate and deliver in exchange therefor, a Bond or Bonds of the same maturity, interest rate and Series in definitive form, in any Authorized Denomination, and in the same aggregate principal amount, as the Bond or Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Holder of the Bonds.

Section 2.09. **Replacement Bonds.**

(a) To the extent permitted by law, upon receipt by the Trustee and CLGFA of evidence satisfactory to it of the loss, theft, destruction or mutilation of any Bond and of indemnity satisfactory to the Trustee and Financial Security (with respect to a Senior Bond) and upon surrender and cancellation of such Bond, if mutilated, CLGFA shall execute, and the Trustee shall authenticate and deliver, a new Bond of like tenor and bearing a different number, in lieu of such lost, stolen, destroyed or mutilated Bond. Such new Bond may bear such endorsement or distinguishing mark as may be agreed upon by the Trustee. The Trustee and CLGFA may require the Holder of such Bond to pay a sum sufficient to reimburse it for all reasonable expenses incurred by it in connection with the issuance of each new Bond under this Section, including the charges of the Trustee. If, after the delivery of such new Bond, a bona fide purchaser of the original Bond in lieu of which such new Bond was issued presents for payment such original Bond, CLGFA and the Trustee, or Financial Security to the extent it has paid such Senior Bond, shall be entitled to recover such new Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by CLGFA, the Trustee or Financial Security (with respect to a Senior Bond) in connection therewith.

(b) Bonds executed by CLGFA and authenticated and delivered by the Trustee in lieu of any lost, stolen or destroyed Bonds shall evidence and represent the identical obligations which, prior thereto, were evidenced and represented by the Bonds with respect to which they are executed, authenticated and delivered, all without novation of any rights, obligations or liens pertaining thereto.

(c) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become due and payable, the Trustee, in its capacity as paying agent and in its discretion may, instead of issuing a replacement Bond, pay such Bond in accordance with terms and provisions of this Indenture upon receipt of indemnity satisfactory to the Trustee.

Section 2.10. *BookEntryOnly System.*

(a) The Senior Bonds may be issued in the form of a separate single authenticated fully registered Bond (which may be typewritten) in substantially the form of Exhibit A hereto for each stated maturity of the Senior Bonds. The Subordinate Bonds may be issued in the form of a separate single authenticated Bond delivered to the Subordinate Bondholder on the date of delivery of the Subordinate Bonds (which may be typewritten) in substantially the form of Exhibit B hereto for each stated maturity of the Subordinate Bonds. On the date of original delivery thereof, the Senior Bonds shall be registered in the Bond Register of the Trustee in the name of Cede & Co., as nominee of DTC. With respect to Bonds registered in the Bond Register kept by the Trustee in the name of Cede & Co., as nominee of DTC, no Person other than DTC shall receive an authenticated Bond, and CLGFA, the Trustee and Financial Security shall have no responsibility or obligation to any DTC Participant or to any Beneficial Owner with respect to the following: (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant, any Beneficial Owner or any other Person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by DTC of the beneficial interests in the Bonds to be redeemed in the event CLGFA elects to redeem Bonds in part, or (iv) the payment to any DTC Participant, any Beneficial Owner or any other Person, other than DTC, of any amount with respect to the Bonds or (v) any consent given or other action taken by DTC as Bondholder of the Bonds. The Trustee shall make payments with respect to the Bonds only to or upon the order of DTC, and all such payments shall be valid and effective fully to satisfy and discharge the obligations with respect to such Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in this Indenture shall be read to refer to such new nominee of DTC.

(b) Upon receipt by CLGFA, the Trustee and Financial Security of written notice from DTC

to the effect that DTC is unable or unwilling to discharge its responsibilities, the Trustee shall authenticate, transfer and exchange Bonds requested by DTC in appropriate amounts and, whenever DTC requests CLGFA and the Trustee to do so, CLGFA and the Trustee shall cooperate with DTC in taking appropriate action after reasonable notice (i)to arrange for a substitute depository willing and able upon reasonable and customary terms to maintain custody of the Bonds or (ii)to make available Bonds registered in whatever name or names the Beneficial Owners transferring or exchanging such Bonds shall designate.

(c) In the event CLGFA determines that it is in the best interest of the Beneficial Owners that they be able to obtain bond certificates representing the Bonds, CLGFA may so notify DTC, the Trustee and Financial Security, whereupon DTC will notify the DTC Participants of the availability through DTC of bond certificates representing the Senior Bonds. In such event, the Trustee shall issue, transfer and exchange bond certificates representing the Bonds as requested by DTC in appropriate amounts and in Authorized Denominations.

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede& Co., as nominee of DTC, all payments with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in a representation letter in the form required by DTC and acceptable to the Trustee.

ARTICLE III

PAYMENTS ON THE BONDS; SUBORDINATION

Section 3.01. *Interest Payment Dates, Interest Rates and Maturity Dates of the Bonds.* Each Senior Bond shall be dated as of March 1, 1997. Each Subordinate Bond shall be dated as of the Closing Date. Subject to Section 3.05 hereof, interest on each Bond shall be payable from the Interest Payment Date next preceding the date on which such Bond is authenticated, unless such Bond is (a)authenticated on or before September 15, 1997, in which case the Bond, if a Senior Bond, shall bear interest from March 1, 1997, and if a Subordinate Bond, shall bear interest from March 13, 1997, (b)authenticated after the Record Date immediately preceding an Interest Payment Date, but prior to such Interest Payment Date, in which case it shall bear interest from and including such Interest Payment Date, or (c)authenticated upon an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date (unless interest on such Bond is in default at the time of authentication, in which case such Bond shall bear interest from the date to which interest has been paid). Subject to the terms and priorities set forth in this Indenture and with respect to the Subordinate Bonds, Section 3.05 herein, interest on the Bonds shall be payable semiannually in arrears on each Interest Payment Date until the principal sum is paid and shall be calculated on the basis of a 360day year of twelve 30day months.

NOTWITHSTANDING ANY OTHER PROVISION OF THIS INDENTURE, AND UNTIL NO SENIOR BONDS REMAIN OUTSTANDING AND ALL AMOUNTS DUE AND PAYABLE TO FINANCIAL SECURITY UNDER THIS INDENTURE OR THE INSURANCE AGREEMENT HAVE BEEN PAID IN FULL, UPON THE OCCURRENCE AND DURING THE CONTINUANCE OF A TRIGGER EVENT OR AN EVENT OF DEFAULT, THE PAYMENT OF INTEREST ACCRUED ON ANY SUBORDINATE BOND AND THE PAYMENT OF SCHEDULED PRINCIPAL PAYMENTS (INCLUDING, WITHOUT LIMITATION, AT MATURITY) AND ANTICIPATED SINKING FUND INSTALLMENTS OTHERWISE PAYABLE ON AN INTEREST PAYMENT DATE WITH RESPECT TO ANY SUBORDINATE BONDS SHALL BE SUBJECT TO THE SUFFICIENCY OF MONEYS FOR THE PAYMENT THEREOF RIGHTFULLY ON DEPOSIT IN THE SUBORDINATE BONDS INTEREST ACCOUNT AND THE SUBORDINATE BONDS PRINCIPAL ACCOUNT, FOLLOWING THE TRANSFER OF MONEYS THERETO FROM THE SUBORDINATE PLEDGED FUNDS ACCOUNT, SUBORDINATE CASHTRAP ACCOUNT AND SUBORDINATE DEBT SERVICE RESERVE FUND. FAILURE TO HAVE SUFFICIENT FUNDS ON DEPOSIT IN THE SUBORDI-

NATE BONDS INTEREST ACCOUNT AND SUBORDINATE BONDS PRINCIPAL ACCOUNT TO PAY ANY SCHEDULED PAYMENTS OF INTEREST OR PRINCIPAL, INCLUDING ANTICIPATED SINKING FUND PAYMENTS, WITH RESPECT TO ANY SUBORDINATE BOND AND ACCORDINGLY, NONPAYMENT OF SUCH AMOUNTS, SHALL NOT CONSTITUTE AN EVENT OF DEFAULT HEREUNDER SO LONG AS ANY SENIOR BONDS REMAIN OUTSTANDING OR ANY AMOUNTS ARE DUE AND PAYABLE TO FINANCIAL SECURITY UNDER THE INSURANCE AGREEMENT, AND HOLDERS OF SUBORDINATE BONDS WILL NOT HAVE ANY RIGHTS TO PURSUE ANY RIGHTS OR REMEDIES HEREUNDER IN SUCH EVENT.

The Senior Bonds shall mature on October 1 in the years and in the amounts set forth opposite the years and shall bear interest all as set forth in the schedule below, subject to the rights and requirements of prior redemption described in Article IV hereof.

Year of Maturity

Principal
Amount Maturing

Interest Rate

Serial Bonds:

1998

\$215,000

3.90%

1999

	225,000
	4.20
2000	
	230,000
	4.35
2001	
	240,000
	4.45
2002	
	255,000
	4.55
2003	
	265,000
	4.65
2004	
	275,000
	4.75
2005	
	290,000
	4.85

2006

305,000

4.95

2007

320,000

5.05

2008

335,000

5.20

2009

350,000

5.30

2010

370,000

5.40

2011

390,000

5.50

2012

410,000

Term Bonds:

2020

4,275,000

5.80

2027

6,735,000

5.85

Total:

\$15,485,000

The Subordinate Bonds shall mature on October 1, 2024 and shall bear interest at the rate of 7.50% per annum, subject to the terms and provisions of Section 3.05 hereof and the rights and requirements of prior redemption described in Article IV hereof.

Section 3.02. **Notification of Amounts Due.** No later than 30 calendar days immediately preceding each date fixed for redemption of Bonds and by 10:00a.m., California time, on the first Business Day of the month preceding any date on which the principal of and interest on the Bonds becomes due and payable by redemption pursuant to Section 4.01(c) or Section 4.01(e) of this Indenture, the Trustee shall give written notice to CLGFA, the PAC, the Owner and Financial Security (with respect to the Senior Bonds) of the total amount due and payable on the Bonds in connection with such redemption date, including the principal of, premium, if any, and accrued interest becoming due and payable on all Outstanding Bonds on such date, and any other amounts becoming due and payable under this Indenture and the Loan Agreement as of such date.

Section 3.03. **Medium and Place of Payment.** The Trustee is hereby appointed paying agent for the Bonds and accepts such appointment. The principal of, premium, if any, and interest on the Bonds shall be payable, without exchange or collection charges, in lawful money of the United States of America.

Principal of and premium, if any, on the Bonds, whether at maturity or by prior redemption, shall be payable at the corporate trust office of the Trustee, upon presentation and surrender of the Bonds due, from amounts rightfully on deposit in the Senior Bonds Principal Account with respect to the Senior Bonds or the Subordinate Bonds Principal Account with respect to the Subordinate Bonds. Interest on the Bonds shall be payable on each Interest Payment Date, or on any other date on which interest is due and payable upon redemption of Bonds, by check mailed by first-class mail on each Interest Payment Date, if applicable, by the Trustee to the respective Holders thereof on the Record Date at the address shown on the registration books kept by the Trustee, from amounts rightfully on deposit in the Senior Bonds Interest Account with respect to the Senior Bonds or the Subordinate Bonds Interest Account with respect to the Subordinate Bonds.

If an Interest Payment Date or a date when any payment of principal or interest on the Bonds is required to be made to Bondholders is not a Business Day, payment under this Indenture shall be made on the next succeeding Business Day with the same effect as if made on such prior due date. Any Holder of at least \$1,000,000 aggregate principal amount of Bonds of a Series may, by prior written instructions filed with the Trustee on or prior to the Record Date with respect to the applicable Interest Payment Date (which instructions shall remain in effect until revoked by subsequent written instructions) instruct that interest payments be made by wire transfer to such Holder to the bank account number in the United States included in such written instructions, upon payment of any costs therefor.

Section 3.04. **Ownership.** For the purpose of making and receiving payment of the principal thereof and interest and premium, if any, thereon, on any date, CLGFA, the Trustee, Financial Security (with respect to the Senior Bonds) and any other person may treat the person in whose name any Bond is registered as the absolute Holder of such Bond, and CLGFA, the Trustee and Financial Security (with respect to the Senior Bonds) shall not be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Holder of any Bond in accordance with this Section 3.04 shall be valid and effectual and shall discharge the liability of CLGFA, the Owner, the PAC, Financial Security (with respect to the Senior Bonds) and the Trustee upon such Bond to the extent of the sums paid.

Section 3.05. **Subordination of Subordinate Bonds.**

(a) The Subordinate Bonds shall be and hereby are subordinated in priority and in right and time of payment to (i) all amounts due on the Senior Bonds, (ii) all amounts required to be deposited in the Senior Bonds Interest Account, the Senior Bonds Principal Account and the Senior Debt Service Reserve Fund in accordance with Section 5.03 of this Indenture, (iii) any fees, charges and expenses due and payable to CLGFA or the Trustee in accordance with Section 5.03 of this Indenture, (iv) all amounts required to be transferred or paid from the Revenue Fund or deposited in any Account in priority to the deposits to be made in the Subordinate Bonds Interest Account and Subordinate Bonds Principal Account in accordance with Section 5.03 of this Indenture, (v) the Management Fee and amounts required to be paid to the Property Manager pursuant to Section 5.03(b) and Section 5.03(c) of this Indenture and (vi) any Premium or other amounts payable to Financial Security under the Insurance Agreement or under this Indenture; provided, however, that all amounts rightfully on deposit in the Subordinate Bonds Principal Account, the Subordinate Bonds Interest Account, the Subordinate Debt Service Reserve Fund, the Subordinate Cashtrap Account and the Subordinate Pledged Funds Account in accordance with the terms of Section 5.03 hereof are not available to pay principal of or interest on the Senior Bonds and shall secure the Subordinate Bonds only.

Payment of the Subordinate Bonds shall be made by the Trustee only from moneys rightfully on deposit in the Subordinate Bonds Interest Account and Subordinate Bonds Principal Account as provided in Section 5.03 hereof, including moneys transferred thereto from the Subordinate Debt Service Reserve Fund, Subordinate Pledged Funds Account and Subordinate Cashtrap Account pursuant to Section 5.07B, Section 5.06

and Section 5.04(d) herein, respectively. Payment of the Subordinate Bonds shall not be made from funds required to pay or to be reserved to pay the Senior Bonds, any expenses, costs or fees relating thereto, any other amounts due hereunder or under the Loan Agreement in respect of the Senior Bonds and the Senior Loan and any amounts payable under the Insurance Agreement. No payment shall be due and payable on the Subordinate Bonds, and the Holders of the Subordinate Bonds, by acceptance of the Subordinate Bonds, expressly agree and acknowledge that (i) no payment shall be due and payable on the Subordinate Bonds, if the Trustee does not rightfully hold sufficient funds in the Subordinate Bonds Principal Account or the Subordinate Bonds Interest Account to make such payment, provided, however, that such payment shall be made to the extent of funds rightfully on deposit in the Subordinate Cashtrap Account, the Subordinate Pledged Funds Account and the Subordinate Debt Service Reserve Fund and transferred to the Subordinate Bonds Principal Account or the Subordinate Bonds Interest Account pursuant to Section 5.04(d), Section 5.06 and Section 5.07B herein respectively; and (ii) if a Trigger Event or an Event of Default exists, no amounts may be transferred from the Revenue Fund to the Subordinate Bonds Principal Account, the Subordinate Bonds Interest Account, the Subordinate Debt Service Reserve Fund, the Subordinate Cashtrap Account or the Subordinate Pledged Funds Account or from the Senior Cashtrap Account to the Subordinate Cashtrap Account. No amounts deposited to the Senior Bonds Principal Account, the Senior Bonds Interest Account, the Senior Cashtrap Account, the Senior Debt Service Reserve Fund, the Expense Fund, the Escrow Account, the Policy Payments Account or the Replacement Reserve Fund may be used to make payments on the Subordinate Bonds, unless no Senior Bonds remain Outstanding, the Policy has been released to Financial Security for cancellation and all fees, charges, amounts and expenses described in the first paragraph of this Subsection(a) have been paid in full.

(b) Notwithstanding any other provisions of this Indenture, as long as (i) any Senior Bonds are Outstanding or (ii) any amounts are due and payable to CLGFA, the Trustee or Financial Security hereunder or under the Insurance Agreement, no Event of Default shall exist or may be declared to exist with respect to the Subordinate Bonds and the Trustee shall not, without the prior written consent of the Controlling Party, declare a default with respect to the Subordinate Bonds or otherwise enforce the provisions hereof relating to the Subordinate Bonds; provided, however, that the Trustee shall have the right, without the prior written consent of the Controlling Party, to enforce the provisions of the Pledge Agreement for the benefit of the Holders of the Subordinate Bonds. The Holders of the Subordinate Bonds, by acceptance of their Bonds, expressly agree to and acknowledge that so long as any Senior Bonds are Outstanding or any amounts are due and payable to Financial Security hereunder or under the Insurance Agreement (i) whether or not the Owner, the PAC or CLGFA is insolvent, no payments will be due and payable on any Subordinate Bond if the Trustee does not rightfully hold sufficient funds in the Subordinate Bonds Principal Account or the Subordinate Bonds Interest Account, or in the Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account, which is in accordance with Section 5.06, Section 5.07B and Section 5.04(d) herein, respectively, which is rightfully available for transfer to the Subordinate Bonds Principal Account and Subordinate Bonds Interest Account, to make such payment, (ii) no Holder of a Subordinate Bond will institute against, or join any other person in instituting against, CLGFA, the Owner or the PAC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any bankruptcy or similar law, until the later of: (x) the date on which no Senior Bonds remain Outstanding and no amounts are due and payable to Financial Security under the Insurance Agreement or (y) the day which is the 123rd day after the expiration of the Insurance Agreement and (iii) so long as any Senior Bonds remain Outstanding or any amounts are due and payable to Financial Security hereunder or under the Insurance Agreement, no default or Event of Default shall exist or may be declared to exist with respect to the Subordinate Bonds.

(c) (i) Upon any distribution of all or any part of the property or assets of the Owner,

(A) in the event of any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to the Owner or to any of their respective creditors, as such, or to their respective assets;

(B) in the event of any liquidation, dissolution or other winding up of the Owner, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy;

(C) in the event of any assignment for the benefit of creditors or any other marshalling of assets and liabilities of the Owner; or

(D) in any manner inconsistent with the provisions of this Section 3.05,

then in any such event the Holders of the Senior Bonds shall receive payment in full of all amounts due or to become due (whether or not an Event of Default has occurred or the Senior Bonds have been declared due and payable prior to the date on which they would otherwise have become due and payable) on or in respect of the Senior Bonds, including any postpetition interest thereon whether or not such interest is an allowable claim under any applicable federal or state bankruptcy law, and Financial Security shall be paid all amounts due and payable hereunder and under the Insurance Agreement before the Holders of the Subordinate Bonds are entitled to receive any moneys; provided, however, that the Holders of the Subordinate Bonds shall be entitled to receive moneys rightfully transferred from the Subordinate Debt Service Reserve Fund, the Subordinate Pledged Funds Account and the Subordinate Cashtrap Account as provided in Section 5.07B, Section 5.06 and Section 5.04(d) herein, respectively; and provided further, that the Trustee shall have the right, without limitation, to enforce the provisions of the Pledge Agreement for the benefit of the Holders of the Subordinate Bonds.

(ii) If any proceeding or event referred to in Subsection (c)(i) above is commenced by or against or occurs relating to the Owner, CLGFA or the PAC, (A) the Controlling Party is hereby irrevocably authorized and empowered (in its own name or in the name of CLGFA or any Holder of the Senior Bonds), but shall have no obligation to, demand, sue for, collect and receive every payment or distribution referred to in Subsection (c)(i) or otherwise seek judicial enforcement of the Senior Bonds and take such action as it may deem necessary or advisable for the exercise or enforcement of any of the rights or interest of the Controlling Party, CLGFA or the Holders of the Senior Bonds and the Controlling Party shall have no obligation to consider the effect of any such action on the Holders of the Subordinate Bonds, provided that the Controlling Party shall apply all proceeds received in the manner required by this Indenture; and (B) the Trustee shall duly and promptly take such action as the Controlling Party may request to collect all Revenues (excluding amounts rightfully on deposit in the Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account pursuant to Section 5.03(b) herein) of the Project (in which case the proceeds so collected shall be applied as provided in (A) above); provided, however, that neither the Trustee nor the Controlling Party shall have any rights to any amounts rightfully deposited to the Subordinate Bonds Principal Account, the Subordinate Bonds Interest Account, the Subordinate Debt Service Reserve Fund, the Subordinate Pledged Funds Account and the Subordinate Cashtrap Account in accordance with the terms and provisions of Section 5.03(b) herein, prior to the commencement of any proceeding or event referred to in Subsection (c)(i) above or otherwise deposited in any such Account from amounts paid by the Pledgor regardless of when such payments are made; provided further that the Trustee shall have the right, without limitation, to enforce the provisions of the Pledge Agreement for the benefit of the Holders of the Subordinate Bonds, but at no expense of the Trust Estate.

(iii) If any payments are received by the Subordinate Bondholders on account of the Subordinate Bonds contrary to the provisions hereof, such payments shall be held in trust by such Holders of Subordinate Bonds for the Trustee's and Financial Security's benefit and shall be delivered to the Trustee in kind, to be applied to, or held as collateral for, the payment of the Senior Bonds and all other amounts due hereunder and under the Insurance Agreement.

ARTICLE IV

BOND REDEMPTION PROVISIONS

Section 4.01. *Circumstances of Redemption.* The Bonds shall be subject to redemption prior to maturity only as provided in this Article IV.

(a) The Bonds shall be subject to extraordinary mandatory redemption at the direction of the Controlling Party, or the Owner if Financial Security is not the Controlling Party, in whole or in part on the earliest date following the date for which notice of redemption can be given as provided in this Indenture, at a price equal to the principal amount of Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium, from proceeds of insurance (including the Title Insurance Policy) or condemnation awards not used to repair or replace the Project and any amounts paid by the Owner or the PAC pursuant to the Loan Agreement; provided, however, that no Subordinate Bonds shall be redeemed pursuant to this Section 4.01(a) until no Senior Bonds remain Outstanding and all amounts due and payable to Financial Security hereunder or under the Insurance Agreement have been paid in full.

(b) On any date on and after October 1, 2007, the Senior Bonds maturing on or after October 1, 2008 shall be subject to optional redemption at the direction of the Owner, with the prior written consent of Financial Security, if it is the Controlling Party, in whole or in part from Available Moneys paid pursuant to Section 4.05 of the Loan Agreement or from other sources as provided in Section 4.05 of the Loan Agreement upon payment of the respective redemption prices (expressed as percentages of the principal amount of the Senior Bonds to be redeemed) set forth below, together with accrued interest to the date fixed for redemption:

Period During Which Redeemed
(both dates inclusive)

Redemption
Price

October 1, 2007 through September 30, 2008

102%

October 1, 2008 through September 30, 2009

101

October 1, 2009 and thereafter

100

(c) The Senior Bonds maturing on October 1, 2020 are subject to mandatory sinking fund redemption prior to maturity in part (the actual Senior Bonds of such Series and maturity or portions thereof to be redeemed to be selected by lot in such manner as may be designated by the Trustee) from amounts on deposit in the Senior Bonds Principal Account at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, in the following principal amounts and on the Interest Payment Dates set forth below.

Sinking Fund
Redemption Dates
(October 1)

Principal Amount
To Be Redeemed

Sinking Fund
Redemption Dates
(October 1)

Principal Amount
To Be Redeemed

2013

\$435,000

2017

\$545,000

2014

460,000

2018

575,000

2015

490,000

2019

610,000

2016

515,000

2020

645,000

(c) The Senior Bonds maturing on October 1, 2027 are subject to mandatory sinking fund redemption prior to maturity in part (the actual Senior Bonds of such Series and maturity or portions thereof to be redeemed to be selected by lot in such manner as may be designated by the Trustee) from amounts on deposit in the Senior Bonds Principal Account at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, in the following principal amounts and on the Interest Payment Dates set forth below.

Sinking Fund
Redemption Dates
(October 1)

Principal Amount

To Be Redeemed

Sinking Fund
Redemption Dates
(October 1)

Principal Amount
To Be Redeemed

2021

\$685,000

2025

\$ 860,000

2022

725,000

2026

910,000

2023

765,000

2027

1,980,000

2024

810,000

(d) On any date on or after October 1, 2007, the Subordinate Bonds maturing on or after October 1, 2008, shall be subject to optional redemption at the direction of the Owner, in whole or in part on any date, solely from amounts rightfully on deposit in the Subordinate Cashtrap Account, the proceeds of any obligations issued to refund all or a portion of the Subordinate Bonds then Outstanding or amounts rightfully on deposit in the Subordinate Cashtrap Account or proceeds of refunding obligations which proceeds have been deposited into an irrevocable escrow account to defease all or a portion of the Subordinate Bonds in accordance with Section 14.01 hereof, upon payment of the respective redemption prices (expressed as percentages of the principal amount of the Subordinate Bonds to be redeemed) set forth below, together with accrued interest to the date fixed for redemption:

Period During Which Redeemed
(both dates inclusive)

Redemption
Price

October 1, 2007 through September 30, 2008

102%

October 1, 2008 through September 30, 2009

101

October 1, 2009 and thereafter

100

(e) The Subordinate Bonds maturing on October 1, 2024, are subject to sinking fund redemption in part (the actual Subordinate Bonds of such maturity or portions thereof to be redeemed to be selected by lot in such manner as may be designated by the Trustee) to the extent sufficient amounts are then rightfully on deposit in the Subordinate Bonds Principal Account at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, in the following principal amounts and on the Interest Payment Dates set forth below:

Sinking Fund
Redemption Dates
(October 1)

Principal Amount
to be Redeemed

Sinking Fund
Redemption Dates
(October 1)

Principal Amount
to be Redeemed

1997

\$10,000

2011

\$50,000

1998

20,000

2012

55,000

1999

20,000

2013

60,000

2000

20,000

2014

60,000

2001

25,000

2015

65,000

2002

25,000

2016

70,000

2003

30,000

2017

75,000

2004

30,000

2018

85,000

2005

30,000

2019

90,000

2006

35,000

2020

95,000

2007

35,000

2021

105,000

2008

40,000

2022

110,000

2009

45,000

2023

120,000

2010

45,000

2024

135,000

**FAILURE TO REDEEM SUBORDINATE BONDS PURSUANT TO THIS SECTION 4.01(e)
FOR ANY REASON SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THIS INDENTURE.**

Upon redemption of the Subordinate Bonds in part pursuant to Section 4.01(a) and (d), the above schedule shall be revised by the Trustee in the amounts and at the direction of the Owner as necessary to achieve substantially level debt service on the Subordinate Bonds.

(f) On October 1, 2007, and October 1, 2017, the Senior Bonds shall be subject to mandatory redemption in whole or in part from amounts then on deposit in the Senior Cashtrap Account at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, in an amount equal to the amount on deposit in the Senior Cashtrap Account (rounded down to a multiple of \$5,000) on August 1, 2007 and August 1, 2017, respectively.

(g) Upon (i) the existence of a Trigger Event, (ii) the existence of an Event of Default or (iii) receipt by the Trustee of written notice from Financial Security that an "Event of Default" exists under the Insurance Agreement, any or all Senior Bonds shall be subject to extraordinary mandatory redemption, at the direction of Financial Security, in whole or in part on any date, at a price equal to the principal amount of the Senior Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium, in an amount designated by Financial Security from funds in the Senior Cashtrap Account, or from amounts payable under the Policy, or as otherwise directed by Financial Security. In the event a partial redemption is directed in writing by Financial Security pursuant to this Subsection (g), Financial Security shall direct the Trustee in writing as to the maturities and principal amounts of Senior Bonds to be redeemed, and in the event any such partial redemption is not pro rata among maturities of Senior Bonds, then the Senior Loan will be reamortized accordingly pursuant to Section 4.03 of the Loan Agreement.

Section 4.02. *Partial Redemption.* In the event that a Bond of a Series subject to redemption pursuant to this Article IV is in a denomination larger than the minimum Authorized Denomination for such Series, a portion of such Bond may be redeemed, but only in a principal amount such that the unredeemed portion of such Bond is equal to an Authorized Denomination for such Series. Upon surrender of any Bond for redemption in part, the Trustee, in accordance with Article II of this Indenture, shall authenticate and deliver in exchange therefor a Bond or Bonds of the same Series in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered. In the case of a partial redemption of Subordinate Bonds by lot as provided in Section 4.03 herein, each \$100,000 of face value, and each \$5,000 in excess thereof, shall be treated as though it were a separate Subordinate Bond of the particular denomination (each, a "Unit"). Subordinate Bonds may be redeemed in increments of \$5,000, provided that, following any such partial redemption, no Subordinate Bond then Outstanding shall be in a denomination of less than an Authorized Denomination for such Bond. In the event that it is necessary to redeem Subordinate Bonds in part under this Indenture, the Trustee shall make its selection of Subordinate Bonds subject to redemption in such a manner as to effect the purpose of the foregoing

sentence. If it is determined that one or more, but not all, of the Units represented by a Subordinate Bond are to be called for redemption, then upon notice of intention to redeem such Unit or Units, the Holder of such Subordinate Bond shall forthwith surrender such Subordinate Bond to the Trustee (1) for payment of the redemption price (including the premium, if any, and interest to the date fixed for redemption) of the Unit or Units called for redemption and (2) for exchange, without charge to the owner thereof, of a new Subordinate Bond or Subordinate Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Subordinate Bond.

Section 4.03. ***Selection of Bonds To Be Redeemed.*** Subject to Section 4.02 hereof, if less than all the Bonds of a Series shall be called for redemption prior to maturity, the particular Bonds or portions of Bonds of the Series to be redeemed shall, except as otherwise provided in Section 4.01(g) hereof, be selected by the Trustee in the amounts and at the direction of the Owner as necessary to achieve substantially level debt service on the Bonds of such Series and by lot within the same maturity, subject to the limitation of Section 4.05 hereof. Subject to Section 4.02 hereof with respect to a partial redemption of the Subordinate Bonds, for any Bond in a denomination of more than the minimum Authorized Denomination of the Series, the Trustee shall treat each such Bond as representing a single Bond in the minimum Authorized Denomination plus that number of Bonds that is obtained by dividing the remaining principal amount of such Bond by the Authorized Denomination for the Series.

Section 4.04. ***Notice of Redemption; Procedure for Selection.*** Except as otherwise provided in this Indenture, the Trustee shall cause the Registrar to give notice of any redemption, identifying the Bonds to be redeemed, by first class mail (postage prepaid), not more than 60 days and not less than 30 days prior to the date fixed for redemption to (i) the Holder of each Bond to be redeemed at the address shown on the Bond Register on the date the notice of redemption is sent, (ii) at least two national information services of national recognition which disseminate securities information with respect to tax-exempt securities specified in writing by the Owner on CLGFA's behalf to the Trustee and (iii) Financial Security (with respect to the Senior Bonds).

All official notices of redemption shall be dated and shall state:

- (a) the redemption date;
- (b) the redemption price;
- (c) if less than all Outstanding Bonds are to be redeemed, the Series and the identification numbers (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;
- (d) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after said date; and
- (e) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the Principal Office of the Trustee.

Failure to mail such notice to the Holder of any Bonds or any defect therein with respect to particular Bonds shall not affect the validity of the redemption of other Bonds with respect to which no such failure or defect has occurred.

Section 4.05. ***Deposit Prior to Redemption and Payment Upon Redemption.***

- (a) Prior to giving notice of any redemption of Senior Bonds which shall occur pursuant to

Section 4.01(b), there shall have been deposited with the Trustee Available Moneys or a Letter of Credit (delivered in accordance with the provisions of this Section 4.05) for any redemption pursuant to Section 4.01(b), sufficient to make the necessary redemption payment. No later than the Business Day prior to giving notice of any redemption of Subordinate Bonds pursuant to Section 4.01(d) hereof, there must first be deposited with the Trustee immediately available funds sufficient to make the necessary redemption payment.

As an alternative to delivery of Available Moneys to the Trustee as described above, the Owner may cause optional redemption of the Senior Bonds in whole or in part pursuant to Section 4.01(b) by delivery to the Trustee of a Letter of Credit no later than the Business Day prior to the Trustee's mailing of notice of redemption. Any such Letter of Credit shall be accompanied by an Opinion of Counsel from nationally recognized bankruptcy counsel acceptable to Financial Security to the effect that proceeds of a drawing under such Letter of Credit will constitute Available Moneys. The Trustee will make a timely drawing under the Letter of Credit to redeem the Senior Bonds on the redemption date.

(b) Moneys set aside by the Trustee in accordance with the provisions of this Section 4.05 shall be held by the Trustee, without liability for interest, in the Bond Fund (or such other escrow fund established by the Trustee which is irrevocably pledged to the redemption of the Bonds being redeemed) and credited to the appropriate subaccounts thereof, for the account of the respective Holders of the Bonds to be redeemed. Upon presentation and surrender of any Bond called for redemption at the Principal Office of the Trustee, on or after the date fixed for redemption, the Trustee shall pay the principal of and premium, if any, and interest on such Bond from the moneys set aside for such purpose.

(c) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by Series and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Section 4.06. *Effect of Redemption.* Notice of redemption having been given as provided in Section 4.04 hereof, the Bonds or portions thereof designated for redemption shall become due and payable on the date fixed for redemption and, unless a default occurs in the payment of the principal thereof and premium, if any, and interest thereon, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date. If any Bond or portion thereof called for redemption is not so paid upon presentation and surrender thereof for redemption, such Bond or portion thereof shall continue to bear interest at the rate set forth thereon until paid or until due provision is made for the payment of same.

ARTICLE V

REVENUES, FUNDS AND ACCOUNTS

Section 5.01. *Application of Bond Proceeds.*

(a) The proceeds of the sale of the Senior Bonds, including accrued interest thereon from the dated date thereof to (but not including) the Closing Date, shall be applied and deposited as follows:

(i) the sum of \$28,771.25 equal to accrued interest from the dated date to the Closing Date on the Senior Bonds shall be deposited into the Senior Bonds Interest Account and applied to the payment of a portion of the interest due on the Senior Bonds on the initial Interest Payment Date;

(ii) the sum of \$315,885.52 shall be deposited in the Costs of Issuance Fund and applied to the payment of Costs of Issuance of the Bonds;

- (iii) the sum of \$13,779,645.23 shall be deposited in the Project Fund;
 - (iv) the sum of \$1,000,000.00 shall be deposited in the Senior Debt Service Reserve Fund;
 - (v) the sum of \$238,000.00 shall be deposited in the Capital Improvement Subaccount in the Replacement Reserve Fund;
 - (vi) the sum of \$6,483.00 shall be deposited into the Escrow Account.
- (b) The proceeds of the sale of the Subordinate Bonds shall be applied and deposited as follows:
- (i) the sum of \$31,700.00 shall be deposited in the Costs of Issuance Fund and applied to the payment of Costs of Issuance of the Bonds;
 - (ii) the sum of \$1,278,300.00 shall be deposited in the Project Fund;
 - (iii) the sum of \$145,000.00 shall be deposited in the Subordinate Debt Service Reserve Fund; and
 - (iv) the sum of \$130,000.00 shall be deposited into the Subordinate Pledged Funds Account.
- (c) The Owner shall transfer or cause to be transferred to the Trustee the sum of \$84,500.00 for deposit in the Costs of Issuance Fund.

Section 5.02. *Costs of Issuance Fund; Project Fund; Deferred Costs Fund.*

(a) The Trustee hereby establishes a separate trust fund designated as the "Costs of Issuance Fund." The Trustee shall disburse moneys from the Costs of Issuance Fund in such amounts as are necessary to pay Costs of Issuance upon the written direction of an Authorized Owner Representative, stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Any amounts remaining in the Costs of Issuance Fund on May 15, 1997, shall be transferred to the Owner Account of the Deferred Costs Fund, and the Costs of Issuance Fund shall be closed on such date.

(b) The Trustee hereby establishes a separate trust fund designated as the "Project Fund." The Trustee shall apply funds on deposit in the Project Fund to purchase the Project upon the written direction of an Authorized Owner Representative, stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Any amounts remaining in the Project Fund on May 15, 1997 shall be transferred first, to pay any remaining Costs of Issuance and second, to the Owner Account of the Deferred Costs Fund, and the Project Fund shall be closed on such date.

(c) The Trustee hereby establishes a separate trust fund designated as the "Deferred Costs Fund" and therein two accounts designated as the "Owner Account" and the "Consultant Account." The Trustee shall deposit into each such account the amount required to be deposited therein in accordance with Sections 5.02(a), 5.03(b) and 5.03(c) hereof. The Trustee shall within five Business Days of receipt of any amounts

deposited into such accounts pay (i) to the Consultants all amounts on deposit in the Consultant Account until all amounts due and owing to the Consultant pursuant to the fee letter of the Consultant delivered on the Closing Date and approved by an Authorized Owner Representative have been paid in full and (ii) to the Owner all amounts on deposit in the Owner Account until all amounts due and owing to the Owner pursuant to the fee letter of the Owner delivered on the Closing Date have been paid in full and all expenses incurred by the Owner in excess of \$20,000 during the current and each preceding Fiscal Year have been paid in full as such excess amounts shall be certified to the Trustee. The Consultants and the Owner shall both certify to the Trustee the amount of any interest due and owing to the Consultants and the Owner under the fee letters of the Consultants and the Owner. The Owner shall, prior to payment pursuant to Section 5.03, provide a certificate to Financial Security setting forth all expenses, including bills and statements evidencing such expenses, incurred during a Fiscal Year, which certificate shall state that such expenses were reasonable and necessary and related solely to the Project.

Upon payment in full of all Deferred Consultant Costs, any amounts remaining in the Consultant Account shall be transferred to the Owner Account if the Owner Account has not been closed, and if the Owner Account has been closed to the Revenue Fund, and the Consultant Account shall be closed on such date. Upon payment in full of all Deferred Owner Costs and all expenses incurred by the Owner in excess of \$20,000 during the current and each preceding Fiscal Year have been paid in full as such excess amounts shall be certified to the Trustee, any amounts remaining in the Owner Account shall be transferred to the Consultant Account if the Consultant Account has not been closed, and if the Consultant Account has been closed to the Revenue Fund, and the Owner Account shall be closed on such date.

Section 5.03. ***Revenue Fund.***

(a) The Trustee hereby establishes and shall maintain so long as any of the Bonds are Outstanding a separate trust fund designated as the "Revenue Fund." All payments on account of the Loan and other amounts payable under the Loan Agreement, as and when received by the Trustee from or on behalf of the Owner or otherwise, and amounts required to be transferred to the Revenue Fund from any other Account, shall be deposited in the Revenue Fund and shall be held therein until disbursed as herein provided. On the seventh, tenth and twentyfifth days of each month (or if any such day is not a Business Day, the next Business Day), the Trustee shall withdraw all funds on deposit in the Deposit Only Account pursuant to the Deposit Only Account Agreement (other than an amount not to exceed \$2,500.00 which may be maintained as a minimum balance in the Deposit Only Account) and deposit such funds into the Revenue Fund.

(b) Except for amounts credited to any Insurance Proceeds Subaccount, which amounts shall be applied as set forth in Section 5.03(d) below, if no Trigger Event or Event of Default exists of which the Trustee has actual knowledge, on each Allocation Date the Trustee shall withdraw all funds on deposit in the Revenue Fund and apply such funds in the following order of priority:

(i) *first*, to deposit into the Senior Bonds Interest Account an amount equal to one-sixth of the amount of interest due and payable on the Senior Bonds on the next Interest Payment Date, as indicated on the most recent Loan Payment Schedule, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall, except that on each Allocation Date prior to October 1, 1997, the Trustee shall deposit \$79,120 into the Senior Bonds Interest Account;

(ii) *second*, to deposit to the Senior Bonds Principal Account an amount equal to one-twelfth of the amount of principal of the Senior Bonds due and payable on the next Interest Payment Date on which a scheduled payment of principal is due including sinking fund redemptions pursuant to Section 4.01(c) hereof, as indicated on the most recent Loan Payment Schedule, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall, except that on each

Allocation Date prior to October 1, 1998, the Trustee shall deposit \$11,944 into the Senior Bonds Principal Account;

(iii) *third*, to deposit to the Senior Debt Service Reserve Fund for the Senior Bonds, any difference between the Senior Reserve Requirement and the amounts on deposit therein;

(iv) *fourth*, to pay to the Property Manager the amount to be applied to pay the utility expenses of the Project for the prior calendar month, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall, as certified to the Trustee by the Property Manager;

(v) *fifth*, to deposit in the Replacement Reserve Fund (A) the amount required to be deposited therein for such month, as indicated on the most recent Loan Payment Schedule, and (B) any Variance paid since the immediately preceding Allocation Date with respect to an expenditure itemized on the Capital Plan, in accordance with Section 6.02 of the Loan Agreement, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall as certified to the Trustee by the Property Manager;

(vi) *sixth*, to deposit in the Escrow Account an amount equal to the required monthly deposit for Reserve Costs indicated on the most recent Loan Payment Schedule, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall;

(vii) *seventh*, to deposit in the Expense Fund an amount equal to one-sixth of the next due semiannual payment of the Trustee's Fee and (subject to the next sentence) one-twelfth of the next due annual payment of CLGFA's Fee, as indicated on the most recent Loan Payment Schedule, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall. If a Rent Control Fee is imposed pursuant to the Ordinance, the CLGFA Fee in an amount equal to the Rent Control Fee will not be allocated pursuant to this clause (vii) but will be allocated pursuant to (xxi) below;

(viii) *eighth*, to pay to Financial Security the Premium due and payable with respect to the Policy, as indicated on the most recent Loan Payment Schedule, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall;

(ix) *ninth*, to pay any reasonable expenses of the Trustee incurred in accordance with Section 9.04 hereof, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall;

(x) *tenth*, to pay any expenses or amounts due and payable to Financial Security under this Indenture or the Insurance Agreement as evidenced by a certificate from Financial Security to the Trustee, plus an amount equal to any shortfall in the amount previously required to be paid thereto to the extent of such shortfall;

(xi) *eleventh*, to pay to the Property Manager the Management Fee due for the prior month, as indicated on the most recent Loan Payment Schedule, plus an amount equal to any shortfall in the amount previously required to be paid thereto to the extent of such shortfall;

(xii) *twelfth*, to pay to the Property Manager the amount of monthly operating expenses for the Project, as set forth in the most recent Operating Budget (but specifically excluding any utilities expenses to be paid to the Property Manager under clause (iv) above), together with any amount approved by the Controlling Party to pay any other operating expenses then due, plus an amount equal to any shortfall in the

amount previously required to be paid thereto to the extent of such shortfall as certified to the Trustee by the Property Manager;

(xiii) *thirteenth*, to remit to the Trustee for deposit in the Rebate Fund an amount equal to the amounts required to be made as a rebate payment pursuant to Section 5.11 herein, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall;

(xiv) *fourteenth*, to deposit into the Subordinate Bonds Interest Account an amount equal to one-sixth of the amount of interest due and payable on the Subordinate Bonds on the next Interest Payment Date, as indicated on the most recent Loan Payment Schedule, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent such shortfall has not been funded from the Subordinate Cashtrap Account, the Subordinate Pledged Funds Account or the Subordinate Debt Service Reserve Fund; except that on each Allocation Date prior to October 1, 1997, the Trustee shall deposit \$10,896 into the Subordinate Bonds Interest Account;

(xv) *fifteenth*, to deposit to the Subordinate Bonds Principal Account an amount equal to one-twelfth of the amount of principal of the Subordinate Bonds due and payable on the next Interest Payment Date on which a scheduled payment of principal is due including anticipated sinking fund redemptions pursuant to Section 4.01(e) hereof, as indicated on the most recent Loan Payment Schedule, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent such shortfall has not been funded from the Subordinate Cashtrap Account, the Subordinate Pledged Funds Account or the Subordinate Debt Service Reserve Fund; except that on each Allocation Date prior to October 1, 1997, the Trustee shall deposit \$1,666 into the Subordinate Bonds Principal Account;

(xvi) *sixteenth*, to deposit into the Subordinate Debt Service Reserve Fund for the Subordinate Bonds any difference between the Subordinate Reserve Requirement and the amount on deposit therein;

(xvii) *seventeenth*, to deposit into the Subordinate Pledged Funds Account the amount necessary to cause the amount on deposit therein to equal the Pledge Amount;

(xviii) *eighteenth*, to reimburse to the Pledgor any payments made pursuant to the Pledge Agreement, together with interest accrued thereon to the date of repayment as set forth in the Pledge Agreement as such amount shall be certified to the Trustee by the Pledgor;

(xix) *nineteenth*, to remit to the City of Novato, California, any Monthly Payment (as defined in the In-Lieu-of-Tax Agreement) then due and owing with respect to the Project as set forth in the In-Lieu-of-Tax Agreement as certified by the Owner to the Trustee and Financial Security;

(xx) *twentieth*, to pay to the Owner the amount necessary to pay debt service for such month on any obligations incurred by the Owner pursuant to Section 2.04(e) of the Loan Agreement as such amount shall be certified to the Trustee by the Owner; and

(xxi) *twenty-first*,

(A) except as otherwise set forth in (B) below, (1) prior to the payment of all Deferred Issuance Costs, Excess Revenues received during each Fiscal Year will be transferred first, to the Senior Cashtrap Account in an amount equal to \$125,000 (provided that for the period from the Closing Date to June 30, 1997, such amount shall equal \$36,500); second, to the Owner an amount not to exceed \$20,000 per Fiscal Year to pay the Owner's verified expenses incurred with respect to the Project and the Bonds; to the PAC

an amount not to exceed \$4,000 per Fiscal Year to pay the PAC's verified expenses incurred with respect to the Project and the Bonds; and to pay one-twelfth of the next due CLGFA Fee if not allocated pursuant to (vii) above; and third, to transfer 55% of the remaining Excess Revenues to the Owner Account and 45% of the remaining Excess Revenues to the Consultant Account; provided that if the Owner Account has been closed, then all of such remaining Excess Revenues shall be transferred to the Consultant Account, and if the Consultant Account has been closed, then all of such remaining Excess Revenues shall be transferred to the Owner Account,

(2) after the payment of all Deferred Issuance Costs and so long as both Series of Bonds are Outstanding, one-half of the Excess Revenues will be transferred to the Senior Cashtrap Account and the other one-half received will be transferred first to the Owner an amount equal to the Owner's expenses verified for the related Fiscal Year as such amount shall be certified to the Trustee by the Owner, to the PAC an amount not to exceed \$4,000 per Fiscal Year to pay the PAC's verified expenses incurred with respect to the Project for the related Fiscal Year as such amount shall be certified to the Trustee by the Owner and to pay one-twelfth of the next due CLGFA Fee if not allocated pursuant to (vii) above, and second to the Subordinate Cashtrap Account,

(3) after the payment of Deferred Issuance Costs and the first Allocation Date upon which the Subordinate Bonds are no longer Outstanding, Excess Revenues will be transferred first, to the Owner an amount equal to the Owner's verified expenses incurred for such Fiscal Year as such amount shall be certified to the Trustee by the Owner, to the PAC an amount not to exceed \$4,000 per Fiscal Year to pay the PAC's verified expenses incurred with respect to the Project for the related Fiscal Year as such amount shall be certified to the Trustee by the Owner and to pay one-twelfth of the next due CLGFA Fee if not allocated pursuant to (vii) above, and second to transfer 100% of the remaining amounts to the Senior Cashtrap Account, and

(4) after the payment of Deferred Issuance Costs and the first Allocation Date upon which the Senior Bonds are no longer Outstanding and no amounts are due and payable to Financial Security hereunder or under the Insurance Agreement, Excess Revenues will be transferred first, to the Owner an amount equal to the Owner's verified expenses incurred for such Fiscal Year as such amount shall be certified by the Owner to the Trustee, to the PAC an amount not to exceed \$4,000 per Fiscal Year to pay the PAC's verified expenses incurred with respect to the Project for the related Fiscal Year as such amount shall be certified to the Trustee by the Owner and to pay one-twelfth of the next due CLGFA Fee if not allocated pursuant to (vii) above, and second, to transfer 100% of the remaining Excess Revenues to the Subordinate Cashtrap Account; and

(B) If on any Allocation Date, (1)the Senior Debt Service Coverage Ratio has exceeded 1.60x for the two most recently preceding Fiscal Years based on audited financial statements, (2)the Senior Debt Service Reserve Fund, the Replacement Reserve Fund, the Escrow Account, the Rebate Fund, the Senior Bonds Interest Account, the Senior Bonds Principal Account and the Expense Fund have on deposit therein the amounts required to be on deposit therein, and (3)no Event of Default or Trigger Event exists, the Trustee upon receipt of written notice from the Controlling Party will allocate Excess Revenues as follows:

(x) prior to the payment of all Deferred Issuance Costs, to the Owner an amount not to exceed \$20,000 per Fiscal Year to pay the Owner's expenses as such amount shall be certified by the Owner to the Trustee, to the PAC an amount not to exceed \$4,000 per Fiscal Year to pay the PAC's verified expenses incurred with respect to the Project for the related Fiscal Year as such amount shall be certified to the Trustee by the Owner, then to pay one-twelfth of the next due CLGFA Fee if not allocated pursuant to (vii) above, and thereafter 55% of the Excess Revenues to the Owner Account and the remaining 45% of the Excess Revenues to the Consultant Account; provided that if the Owner Account has been closed, then all of

such remaining Excess Revenues shall be transferred to the Consultant Account, and if the Consultant Account has been closed, then all of such remaining Excess Revenues shall be transferred to the Owner Account; and

(y) after the payment of all Deferred Issuance Costs, to the Owner in an amount equal to its expenses incurred during such Fiscal Year as such amount shall be certified by the Owner to the Trustee, to the PAC an amount not to exceed \$4,000 per Fiscal Year to pay the PAC's verified expenses incurred with respect to the Project for the related Fiscal Year as such amount shall be certified to the Trustee by the Owner, then to pay one-twelfth of the next due CLGFA Fee if not allocated pursuant to (vii) above, and thereafter 100% of the remaining Excess Revenues into the Subordinate Cashtrap Account;

provided that if the Senior Debt Service Coverage Ratio in any succeeding month falls below 1.60x, upon receipt of written notice from the Controlling Party the Trustee will not allocate any Excess Revenues in accordance with the provisions of this Section 5.03(b)(xxi)(B), but will immediately, and continuously thereafter (subject to the next sentence), if no Event of Default or Trigger Event exists, make all transfers out of the Revenue Fund in accordance with Section 5.03(b)(xxi)(A) of this Indenture. If a Trigger Event or an Event of Default exists of which the Trustee has actual knowledge, the Trustee will make transfers out of the Revenue Fund only in accordance with Subsection 5.03(c) of this Indenture.

If no Subordinate Bonds are Outstanding and all other Accounts are funded at the levels then required, the Trustee shall pay first to the Owner an amount equal to its expenses incurred as such amounts are certified to the Trustee by the Owner, to the PAC an amount not to exceed \$4,000 per Fiscal Year to pay the PAC's verified expenses incurred with respect to the Project for the related Fiscal Year as such amount shall be certified to the Trustee by the Owner, then to pay one-twelfth of the next due CLGFA Fee if not allocated pursuant to (vii) above, and thereafter 100% of the Excess Revenue remaining on deposit in the Revenue Fund into the Senior Cashtrap Account.

If no Senior Bonds are Outstanding and no amounts are due and payable to Financial Security hereunder or under the Insurance Agreement and all other Accounts are funded at the levels then required, the Trustee shall allocate Excess Revenues first, to pay to the Owner an amount equal to its expenses incurred as such amounts are certified to the Trustee by the Owner, to the PAC an amount not to exceed \$4,000 per Fiscal Year to pay the PAC's verified expenses incurred with respect to the Project for the related Fiscal Year as such amount shall be certified to the Trustee by the Owner, then to pay one-twelfth of the next due CLGFA Fee if not allocated pursuant to (vii) above, and thereafter 100% of the Excess Revenues remaining on deposit in the Revenue Fund shall be deposited into the Subordinate Cashtrap Account.

If there are insufficient funds on deposit in the Revenue Fund to make the payments and transfers set forth in (i) through (xiii) above by 4:00 p.m., New York City time, on an Allocation Date (any such insufficiency, a "Shortfall"), the Trustee shall give written notice on such day to the Controlling Party, the Owner and the PAC. In such event, the Trustee shall not make any payments and transfers pursuant to this Section 5.03(b), an Event of Default with respect to the Senior Bonds will exist and the provisions of Section 5.03(c) of this Indenture shall apply.

Prior to the payment of any Owner or PAC expenses, the Owner shall provide a certificate and receipts to Financial Security setting forth a description of all expenses, including bills and statements evidencing such expenses, incurred during a Fiscal Year, which certificate shall state that such expenses were reasonable and necessary and related solely to the Project.

(c) If a Trigger Event or an Event of Default exists of which the Trustee has received notice, until the Trustee receives a Cure Notice from the Controlling Party, the Trustee will not allocate or transfer funds held in the Revenue Fund in accordance with Section 5.03(b) above, but on each Allocation Date will

withdraw all funds on deposit in the Revenue Fund and apply such funds in the following order of priority:

- (i) *first*, to deposit into the Senior Bonds Interest Account an amount equal to onesixth of the amount of interest due and payable on the Senior Bonds on the next Interest Payment Date, as indicated on the most recent Loan Payment Schedule, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall, except that on each Allocation Date prior to October 1, 1997, the Trustee shall deposit \$79,120 into the Senior Bonds Interest Account;
- (ii) *second*, to deposit to the Senior Bonds Principal Account an amount equal to onetwelfth of the amount of principal of the Senior Bonds due and payable on the next Interest Payment Date on which a scheduled payment of principal is due including sinking fund redemptions pursuant to Section 4.01(c) hereof, as indicated on the most recent Loan Payment Schedule, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall, except that on each Allocation Date prior to October 1, 1998, the Trustee shall deposit \$11,944 into the Senior Bonds Principal Account;
- (iii) *third*, to deposit to the Senior Debt Service Reserve Fund for the Senior Bonds, any difference between the Senior Reserve Requirement and the amounts on deposit therein;
- (iv) *fourth*, to pay to the Property Manager the amount to be applied to pay the utility expenses of the Project for the prior calendar month, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall, as certified to the Trustee by the Property Manager;
- (v) *fifth*, to deposit in the Replacement Reserve Fund (A) the amount required to be deposited therein for such month, as indicated on the most recent Loan Payment Schedule, and (B) any Variance paid since the immediately preceding Allocation Date with respect to an expenditure itemized on the Capital Plan, in accordance with Section 6.02 of the Loan Agreement, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall as such amounts are certified to the Trustee by the Property Manager;
- (vi) *sixth*, to deposit in the Escrow Account an amount equal to the required monthly deposit for Reserve Costs indicated on the most recent Loan Payment Schedule, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall;
- (vii) *seventh*, to deposit in the Expense Fund an amount equal to onesixth of the next due semiannual payment of the Trustee's Fee and (subject to the next sentence) onetwelfth of the next due annual payment of CLGFA's Fee, as indicated on the most recent Loan Payment Schedule, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall. If a Rent Control Fee is imposed pursuant to the Ordinance, the CLGFA Fee in an amount equal to the Rent Control Fee will not be allocated pursuant to this clause (vii);
- (viii) *eighth*, to pay to Financial Security the Premium due and payable with respect to the Policy, as indicated on the most recent Loan Payment Schedule, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall;
- (ix) *ninth*, to pay any reasonable expenses of the Trustee incurred in accordance with Section 9.04 hereof, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall;

(x) *tenth*, to pay any expenses or amounts due and payable to Financial Security under this Indenture or the Insurance Agreement as evidenced by a certificate from Financial Security to the Trustee, plus an amount equal to any shortfall in the amount previously required to be paid thereto to the extent of such shortfall;

(xi) *eleventh*, to pay to the Property Manager the Management Fee due for the prior month, as indicated on the most recent Loan Payment Schedule, plus an amount equal to any shortfall in the amount previously required to be paid thereto to the extent of such shortfall;

(xii) *twelfth*, to pay to the Property Manager the amount of monthly operating expenses for the Project, as set forth in the most recent Operating Budget (but specifically excluding any utilities expenses to be paid to the Property Manager under clause (iv) above), together with any amount approved by the Controlling Party to pay any other operating expenses then due, plus an amount equal to any shortfall in the amount previously required to be paid thereto to the extent of such shortfall as such amount shall be certified to the Trustee by the Property Manager;

(xiii) *thirteenth*, to remit to the Trustee for deposit in the Rebate Fund an amount equal to the amounts required to be made as a rebate payment pursuant to Section 5.11 herein, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall; and

(xiv) *fourteenth*, any remaining amounts to the Senior Cashtrap Account;

(d) If the Trustee receives any Insurance Proceeds, liquidation proceeds, title insurance proceeds or condemnation proceeds relating to the Project or other amounts received from or with respect to the PAC or the Owner or the Project, the Trustee will deposit such funds in the Revenue Fund on the date of receipt. The Trustee will give Financial Security, the Trustee, the Owner and the PAC written notice of the receipt of any Insurance Proceeds, liquidation proceeds or condemnation proceeds as soon as practicable following receipt. Insurance Proceeds other than from the Title Insurance Policy shall be applied as directed by Financial Security (if it is the Controlling Party) or by the Owner if Financial Security is not the Controlling Party to (i) rebuild or restore the Project, (ii) redeem Bonds in accordance with Section 4.01(a) hereof and the terms of the Mortgage or (iii) pay expenses or fund any Account hereunder; provided that no Insurance Proceeds shall be deposited into the Subordinate Bonds Principal Account, the Subordinate Bonds Interest Account, the Subordinate Bonds Pledged Funds Account, the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account as long as any Senior Bonds are Outstanding or any amounts are owed to Financial Security hereunder or under the Insurance Agreement. If Insurance Proceeds are to be used to restore or rebuild the Project, the Trustee shall deposit such funds in an "Insurance Proceeds Subaccount" created within the Revenue Fund. Funds shall be released from any Insurance Proceeds Subaccount only as directed by Financial Security (if it is the Controlling Party) and if Financial Security is not the Controlling Party, as directed by the Owner. Condemnation proceeds and proceeds from any Title Insurance Policy will be applied as directed by Financial Security (if it is the Controlling Party) or by the Owner if Financial Security is not the Controlling Party to (A) redeem Bonds in accordance with Section 4.01(a) hereof or (B) pay expenses or fund any Account created hereunder; provided that no condemnation proceeds or proceeds from any Title Insurance Policy shall be deposited into the Subordinate Bonds Principal Account, the Subordinate Bonds Interest Account, the Subordinate Bonds Pledged Funds Account, the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account as long as any Senior Bonds are Outstanding or any amounts are owed to Financial Security hereunder or under the Insurance Agreement. Liquidation proceeds will be applied in accordance with Article VIII hereof.

Section 5.04. *Shortfalls; Cashtrap Accounts.*

(a) Not later than the Closing Date, the Trustee shall establish and maintain, (i) so long as any Senior Bonds are Outstanding or any amounts are due to Financial Security hereunder or under the Insurance Agreement, a separate trust account which shall be entitled "Senior Cashtrap Account," and, (ii) so long as any Subordinate Bonds are Outstanding, a separate trust account which shall be entitled "Subordinate Cashtrap Account." The Trustee shall deposit into the Senior Cashtrap Account and the Subordinate Cashtrap Account all amounts required to be transferred thereto in accordance with this Indenture.

(b) Funds deposited in the Senior Cashtrap Account will be applied by the Trustee, as directed by the Controlling Party in its sole discretion and in the order and amounts directed by the Controlling Party, as follows:

(i) if a Trigger Event or Event of Default exists, to deposit in the Senior Bonds Interest Account and Senior Bonds Principal Account, an amount or amounts (as specified by the Controlling Party) to be applied (A) to make scheduled payments of principal of or interest due on the Senior Bonds, or (B) to redeem the Senior Bonds, without premium, pursuant to Section 4.01(g) herein, with interest to the date of redemption, in whole or in part; provided that, if a Financial Security Default exists, amounts on deposit in the Senior Cashtrap Account will be applied as directed in (ii) below, and all remaining amounts will then be applied by the Trustee to redeem Senior Bonds pursuant to Section 4.01(g) herein;

(ii) if a Trigger Event or Event of Default exists, to transfer amounts to any other Account created under this Indenture, other than the Subordinate Bonds Principal Account, the Subordinate Bonds Interest Account, the Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account, to the extent of any deficiency therein in the order set forth in Section 5.03(b)(i) through (xiii) or to pay fees and expenses to be paid from any Account created under this Indenture;

(iii) to reimburse Financial Security for any amounts due and payable to Financial Security under this Indenture or the Insurance Agreement;

(iv) to fund deposits to the Replacement Reserve Fund as requested by the PAC or the Owner and approved in writing by the Controlling Party;

(v) to restore the Project upon the occurrence of a casualty or condemnation event;

(vi) to fund deposits to the Escrow Account to the extent amounts in the Escrow Account are insufficient to pay the Reserve Costs then due and owing; and/or

(vii) to redeem Senior Bonds as required by Section 4.01(f) herein.

(c) Any funds remaining in the Senior Cashtrap Account upon the payment in full of the Senior Bonds and all amounts owed to Financial Security shall (i) if any Subordinate Bonds are Outstanding, be deposited to the Subordinate Cashtrap Account and (ii) if no Subordinate Bonds are Outstanding, be transferred to the Owner.

(d) Any funds in the Subordinate Cashtrap Account shall be used solely as follows in the following order of priority: (i) first, to make up any deficiencies with respect to amounts on deposit in the Subordinate Bonds Interest Account and Subordinate Bonds Principal Account on the sixth Business Day preceding each Interest Payment Date; and (ii) second, at the written request of the Owner, to redeem all or a portion of the Subordinate Bonds pursuant to Section 4.01(d) hereof or otherwise defease all or a portion of the Subordinate Bonds pursuant to Section 14.01 hereof.

(e) Any funds remaining in the Subordinate Cashtrap Account upon the payment in full of the Subordinate Bonds and all amounts owed to the Pledgor shall (i) if any Senior Bonds are Outstanding, be deposited to the Senior Cashtrap Account and (ii) if no Senior Bonds are Outstanding, be transferred to the Owner.

(f) Financial Security hereby agrees that if it has actual knowledge that each existing Trigger Event or Event of Default is cured and no other Trigger Event or Event of Default exists, it will deliver a Cure Notice to the Trustee within five Business Days following the date it has such actual knowledge. The Trustee will send a copy of any Cure Notice to the Holders of the Subordinate Bonds.

Section 5.05. ***Bond Fund.***

(a) The Trustee hereby establishes and shall maintain so long as any of the Bonds of the related Series are Outstanding a separate trust fund designated as the Bond Fund (the "Bond Fund"). All amounts required to be transferred to, or deposited in, the Bond Fund pursuant to the terms of this Indenture shall be so transferred or deposited and held therein until disbursed as herein provided. Moneys in the Bond Fund shall be invested in accordance with Section 6.02 hereof.

(b) The Trustee hereby establishes and shall maintain so long as any of the Bonds of the related Series are Outstanding, two subaccounts within the Bond Fund designated as the Senior Bonds Interest Account and the Subordinate Bonds Interest Account. Moneys on deposit in the Senior Bonds Interest Account shall be applied by the Trustee to pay interest on the Senior Bonds as it becomes due and payable. Moneys on deposit in the Subordinate Bonds Interest Account shall be applied by the Trustee to pay interest on the Subordinate Bonds as it becomes due and payable.

(c) The Trustee hereby establishes and shall maintain so long as any of the Bonds of the related Series are Outstanding, two subaccounts within the Bond Fund designated as the Senior Bonds Principal Account and the Subordinate Bonds Principal Account. Moneys on deposit in the Senior Bonds Principal Account shall be applied by the Trustee to pay principal on the Senior Bonds as it becomes due and payable, and to pay principal and premium, if any, payable upon redemption of the Senior Bonds in accordance with the provisions of Article IV hereof. Moneys on deposit in the Subordinate Bonds Principal Account shall be applied by the Trustee to pay principal on the Subordinate Bonds as it becomes due and payable, and to pay principal and premium, if any, payable upon redemption of the Subordinate Bonds in accordance with the provisions of Article IV hereof.

(d) On each Interest Payment Date, after all scheduled payments on the Bonds have been made, the Trustee shall transfer all remaining amounts in the Bond Fund to the Revenue Fund.

Section 5.06. ***Subordinate Pledged Funds Account.***

(a) The Trustee hereby establishes and will maintain so long as any of the Subordinate Bonds are Outstanding a separate trust fund designated as the Subordinate Pledged Funds Account (the "Subordinate Pledged Funds Account"). On the Closing Date, the Trustee will deposit an amount equal to \$130,000 from the proceeds of the Subordinate Bonds in the Subordinate Pledged Funds Account. Such funds will be maintained and disbursed solely in accordance with the terms of this Indenture.

(b) If on the fifth Business Day prior to any Interest Payment Date for the Subordinate Bonds, the amount on deposit in the Subordinate Bonds Interest Account and Subordinate Bonds Principal Account is insufficient to pay the amount of principal of or interest on the Subordinate Bonds due and payable on such Interest Payment Date for the Subordinate Bonds (any such insufficiency is referred to in this Sec-

tion 5.06 and in Section 5.07B of this Indenture as a "Subordinate Insufficiency"), the Trustee will, to the extent of funds on deposit in the Subordinate Pledged Funds Account, transfer first to the Subordinate Bonds Interest Account and then to the Subordinate Bonds Principal Account of the Bond Fund from the Subordinate Pledged Funds Account the amount of the Subordinate Insufficiency and will provide written notice of the Subordinate Insufficiency and the withdrawal to the Pledgor, the Owner, the Subordinate Bondholders, the PAC and Financial Security.

(c) On or before each August 1 and February 1, commencing on or before February 1, 1998, the Trustee will give written notice to the Pledgor, the Owner, the PAC, the Subordinate Bondholders and the Controlling Party if the amount on deposit in the Subordinate Pledged Funds Account on such date is less than the Pledge Amount. By 2:00 p.m. Pacific Time, on or before August 15 or February 15, as applicable, commencing on February 15, 1998, or the first Business Day thereafter if such day is not a Business Day (each such date or next Business Day, as applicable, a "Pledge Payment Date"), as long as the Pledgor is obligated to make such payment under the Pledge Agreement, the Pledgor shall deliver immediately available funds to the Trustee in an amount necessary to cause the amount on deposit in the Subordinate Pledged Funds Account to equal the Pledge Amount. The Trustee shall deposit such funds in the Subordinate Pledged Funds Account upon receipt. The Trustee will, on such date, give written notice to CLGFA, the Subordinate Bondholders, Financial Security and the PAC if the Trustee has not received the full amount by 3:00 p.m. Pacific Time on any Pledge Payment Date.

(d) All amounts in excess of the Pledge Amount on deposit in the Subordinate Pledged Funds Account shall be applied as set forth in Section 3.02 and Section 3.03 of the Pledge Agreement.

(e) If, at any time prior to a Pledge Payment Date the amount on deposit in the Subordinate Pledged Funds Account is less than the Pledge Amount, the Trustee shall give written notice to CLGFA, Financial Security, the Pledgor, the Owner and the PAC. The Owner shall deposit into the Subordinate Pledged Funds Account the amount required to restore the Subordinate Pledged Funds Account to the Pledge Amount in accordance with the terms and provisions of Section 5.03(b)(xvii) herein.

(f) The Trustee shall keep a complete and accurate record of all funds deposited by the Pledgor into the Subordinate Pledged Funds Account and the reimbursement to the Pledgor, together with interest accrued thereon, of such amounts from Revenues as set forth in Section 5.03(b) hereof. The Pledgor shall have the right to inspect such records at reasonable times upon one Business Day's prior notice to the Trustee.

(g) Neither CLGFA, the Owner nor the PAC shall be discharged from their respective obligations hereunder so long as any amounts are owed to the Pledgor under the Pledge Agreement.

Section 5.07A. *Senior Debt Service Reserve Fund.*

(a) The Trustee hereby establishes and will maintain as long as any Senior Bonds remain Outstanding a separate trust fund designated as the Senior Debt Service Reserve Fund (the "Senior Debt Service Reserve Fund") to be held by the Trustee in trust solely for the benefit of Holders of the Senior Bonds and Financial Security, and applied solely as provided herein. Moneys in the Senior Debt Service Reserve Fund shall be held in trust as a reserve for the payment when due of the principal of and interest due and payable on the Senior Bonds.

(b) If on the fifth Business Day prior to any Interest Payment Date, the amounts on deposit in the Senior Bonds Interest Account and Senior Bonds Principal Account continue to be insufficient to pay the respective amounts of interest on or principal of the Senior Bonds due and payable on such Interest Payment Date (any such insufficiency is referred to in this Section 5.07A of this Indenture as a "Senior Insufficiency"), the

Trustee shall transfer moneys from the Senior Debt Service Reserve Fund equal to the Senior Insufficiency first to the Senior Bonds Interest Account to the extent of any insufficiency therein and then to the Senior Bonds Principal Account to the extent of any insufficiency therein, as applicable, to make such payments. After any such transfer, all amounts on deposit in the Senior Debt Service Reserve Fund in excess of the Senior Reserve Requirement shall be transferred by the Trustee to the Revenue Fund as soon as practicable.

(c) At the written direction of the Controlling Party, the Trustee shall transfer amounts in the Senior Debt Service Reserve Fund to the Escrow Account to the extent the amounts in the Escrow Account are insufficient to pay the Reserve Costs then due and owing. If an Event of Default or Trigger Event exists, at the written direction of Financial Security, the Trustee will transfer funds from the Senior Debt Service Reserve Fund to the Senior Cashtrap Account.

(d) If, after making all transfers required pursuant to Section 5.03 on an Allocation Date, the amount on deposit in the Senior Debt Service Reserve Fund is less than the Senior Reserve Requirement, the Trustee shall within two Business Days, give written notice to CLGFA, the PAC, Financial Security and the Owner, and the Owner shall deposit or cause to be deposited into the Senior Debt Service Reserve Fund the amount required to restore the Senior Debt Service Reserve Fund to the Senior Reserve Requirement, such deposits to be made solely from transfers by the Trustee from the Revenue Fund pursuant to Sections 5.03(b) or (c) herein.

(e) If on the fifth Business Day preceding any Interest Payment Date the moneys on deposit in the Senior Debt Service Reserve Fund, the Senior Cashtrap Account, the Senior Bonds Interest Account and Senior Bonds Principal Account (excluding amounts required for payment of principal, interest and redemption premium, if any, on any Senior Bonds theretofore having come due but not presented for payment) are sufficient to pay or redeem all Outstanding Senior Bonds, including all principal, interest and redemption premiums (if any) thereon and all other amounts due hereunder or under the Insurance Agreement, the Trustee shall, upon the written request of the Owner, transfer all amounts then on deposit in the Senior Debt Service Reserve Fund and the Senior Cashtrap Account first to the Senior Bonds Interest Account and second, any remaining amounts to the Senior Bonds Principal Account to be applied as applicable to the payment of the principal, interest and redemption premium, if any, on the Senior Bonds on behalf of CLGFA and to pay all other amounts due with respect to Senior Bonds due hereunder or under the Insurance Agreement; provided that if the Senior Bonds are being redeemed, a notice of redemption shall have been delivered in accordance with Section 4.04 herein. Thereafter, any amounts remaining in the Senior Debt Service Reserve Fund on the date of payment in full, or provision for such payment having been made as provided in Article XIV, of the Outstanding Senior Bonds and to pay all other amounts due with respect to Senior Bonds due hereunder or under the Insurance Agreement, (i) if there are Subordinate Bonds Outstanding, shall be deposited to the Subordinate Cashtrap Account or (ii) if there are no Subordinate Bonds Outstanding, after payment of all other amounts due and payable hereunder and of all amounts due and owing to the Trustee and Financial Security, shall be withdrawn by the Trustee and at the written request of the Owner applied towards such payment or paid to the Owner.

Section 5.07B. *Subordinate Debt Service Reserve Fund.*

(a) The Trustee hereby establishes and will maintain so long as any Subordinate Bonds remain Outstanding a separate trust fund designated as the Subordinate Debt Service Reserve Fund (the "Subordinate Debt Service Reserve Fund") to be held by the Trustee in trust solely for the benefit of Holders of the Subordinate Bonds, and applied solely as provided herein. Moneys in the Subordinate Debt Service Reserve Fund shall be held in trust as a reserve for the payment when due of the principal of and interest due and payable on the Subordinate Bonds. All amounts on deposit in the Subordinate Debt Service Reserve Fund in excess of the Subordinate Reserve Requirement, and all amounts derived from the investment of amounts in the Subordinate Debt Service Reserve Fund which are not required to be retained therein to maintain the Subordinate

Reserve Requirement, shall be transferred by the Trustee to the Subordinate Bonds Interest Account of the Bond Fund on the eleventh Business Day prior to each Interest Payment Date.

(b) If on the fourth Business Day prior to any Interest Payment Date, after any transfer of funds from the Subordinate Pledged Funds Account and the Subordinate Cashtrap Account to the Subordinate Bonds Interest Account or the Subordinate Bonds Principal Account in the Bond Fund required pursuant to Section 5.06 and Section 5.04(d), respectively, of this Indenture, any portion of any Subordinate Insufficiency (as defined in Section 5.06 hereof) remains, the Trustee shall transfer moneys available in the Subordinate Debt Service Reserve Fund equal to the remaining Subordinate Insufficiency to make such payments to the Subordinate Bonds Interest Account or the Subordinate Bonds Principal Account in the Bond Fund, as applicable, in such order of priority.

(c) If, after an Allocation Date the amount on deposit in the Subordinate Debt Service Reserve Fund is less than the Subordinate Reserve Requirement, the Trustee shall give written notice to CLGFA, the PAC, Financial Security and the Owner, and the Owner shall deposit or cause to be deposited into the Subordinate Debt Service Reserve Fund the amount required to restore the Subordinate Debt Service Reserve Fund to the Subordinate Reserve Requirement, such deposits to be made solely from the transfers by the Trustee from the Revenue Fund pursuant to Section 5.03(b) hereof.

(d) If on the fourth Business Day preceding any Interest Payment Date the moneys on deposit in the Subordinate Debt Service Reserve Fund, the Subordinate Cashtrap Account, the Subordinate Bonds Interest Account and Subordinate Bonds Principal Account (excluding amounts required for payment of principal, interest and redemption premium, if any, on any Subordinate Bonds theretofore having come due but not presented for payment) are sufficient to pay or redeem all Outstanding Subordinate Bonds, including all principal, interest and redemption premiums (if any) thereon and all other amounts due hereunder with respect to the Subordinate Bonds, the Trustee shall, upon the written request of the Owner, transfer all amounts then on deposit in the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account to the Subordinate Bonds Interest Account and Subordinate Bonds Principal Account of the Bond Fund to be applied for such purpose to the payment of the principal, interest and redemption premium if any on the Subordinate Bonds in accordance with Article XIV on behalf of CLGFA, and to pay all other amounts due with respect to Subordinate Bonds due hereunder. Any amounts remaining in the Subordinate Debt Service Reserve Fund on the date of payment in full, or provision for such payment having been made as provided in Article XIV, of the Outstanding Subordinate Bonds, (i) if there are Senior Bonds Outstanding shall be deposited to the Senior Cashtrap Account, or (ii) if there are no Senior Bonds Outstanding, after payment of all other amounts due and payable hereunder and of all amounts due and owing to the Trustee, Financial Security and the Pledgor, shall, at the written request of the Owner, be withdrawn by the Trustee and paid to the Owner.

(e) Notwithstanding anything contained in this Section 5.07A to the contrary, on October 1, 2003 an amount equal to \$595 shall be transferred from the Subordinate Debt Service Reserve Fund to the Subordinate Bonds Interest Account; on October 1, 2009 an amount equal to \$595 shall be transferred from the Subordinate Debt Service Reserve Fund to the Subordinate Bonds Interest Account; on October 1, 2012 an amount equal to \$95 shall be transferred from the Subordinate Debt Service Reserve Fund to the Subordinate Bonds Interest Account; on October 1, 2013 an amount equal to \$970 shall be transferred from the Subordinate Debt Service Reserve Fund to the Subordinate Bonds Interest Account; on October 1, 2018 an amount equal to \$1,220 shall be transferred from the Subordinate Debt Service Reserve Fund to the Subordinate Bonds Interest Account; and on October 1, 2021 an amount equal to \$970 shall be transferred from the Subordinate Debt Service Reserve Fund to the Subordinate Bonds Interest Account.

Section 5.08. **Expense Fund.** There is hereby created and established with the Trustee a separate trust fund which shall be designated the "Expense Fund." The Trustee shall deposit into the Expense Fund the

amounts required to be transferred from the Revenue Fund as provided in Sections 5.03(b) and 5.03(c) of this Indenture. From time to time, the Trustee shall apply money on deposit in the Expense Fund to pay the Trustee's Fee and CLGFA's Fee.

Section 5.09. *Insurance Reserves; Escrow Account.*

(a) Not later than the Closing Date, the Trustee shall establish and maintain, with respect to the Project a separate trust fund which shall be designated as the "Escrow Account" to be held by the Trustee in trust solely for the benefit of the Holders of the Senior Bonds and Financial Security so long as any Senior Bonds are Outstanding and any amounts are owed to Financial Security hereunder or under the Insurance Agreement, and applied solely as provided herein.

On each Allocation Date, the Trustee shall deposit into the Escrow Account all amounts required to be transferred to the Escrow Account from the Revenue Fund pursuant to Sections 5.03(b) and 5.03(c) hereof, or as otherwise directed by the Controlling Party and any amounts paid by the Owner, which shall be limited solely to amounts derived from the Trust Estate, in response to a demand made pursuant to Subsection (d) below. If the Owner does not pay the full amount of any required deposit of Reserve Costs, at the direction of Financial Security (if it is the Controlling Party), the Trustee will deposit the amount of the shortfall into the Escrow Account from funds on deposit in the Senior Cashtrap Account pursuant to Section 5.04 hereof, from funds on deposit in the Senior Debt Service Reserve Fund pursuant to Section 5.07A(c) or as otherwise directed by the Controlling Party; provided that amounts on deposit in the Subordinate Bonds Principal Account, Subordinate Bonds Interest Account, the Costs of Issuance Fund, Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account shall not be available to make such deposit.

(b) Amounts deposited in the Escrow Account may be withdrawn in the following order of priority only to (i) effect timely payment of Reserve Costs; (ii) transfer to the Senior Cashtrap Account any sums as may be determined by the Property Manager, with the written consent of Financial Security, to be overages; (iii) if an Event of Default or a Trigger Event exists, transfer to the Senior Cashtrap Account any sums as may be directed by Financial Security (if it is the Controlling Party) and if Financial Security is not the Controlling Party, as directed by the Owner; or (iv) if no Bonds are Outstanding, clear and terminate the Escrow Account.

(c) Following any redemption in whole of the Bonds, any remaining funds credited to the Escrow Account shall be transferred to the Revenue Fund and applied as required by Section 5.03 of this Indenture.

(d) The Owner shall maintain, or shall cause the Property Manager to maintain, accurate records reflecting the amount (or estimated amount) and due date of each installment or payment of the Reserve Costs and shall, or shall cause the Property Manager to, provide the Trustee with statements, invoices and other information necessary to pay each such installment or payment before any delinquency or penalty date at least 10 days prior to such delinquency or penalty date. Upon receipt of a statement or invoice for any Reserve Costs, together with written direction from the Property Manager to pay such amounts, the Trustee shall pay such statement or invoice from funds in the Escrow Account within 10 days of receipt of such statement or invoice. If at any time the funds on deposit in the Escrow Account are insufficient to pay, when due, any of the Reserve Costs for which the Trustee has received a statement or invoice, the Trustee shall promptly demand in writing payment of such amounts by the Owner and provide a copy of such demand to Financial Security at the same time. At the direction of Financial Security (if it is the Controlling Party) and if Financial Security is not the Controlling Party, as directed by the Owner, the Trustee shall release funds from another Account (other than the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund, the Policy Payments Account, the Rebate Fund and

Subordinate Cashtrap Account if the direction is being made by Financial Security, or other than the Bond Fund, the Revenue Fund, the Senior Debt Service Reserve Fund, the Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund and Senior Cashtrap Account if the direction is being made by the Owner) to make any such payment and shall give notice of the amount and timing of such release to the Owner.

Section 5.10. *Replacement Reserve Fund.*

(a) Not later than the Closing Date, the Trustee shall establish and maintain, with respect to the Project, a separate trust fund designated as the "Replacement Reserve Fund" to be held by the Trustee in trust solely for the benefit of the Holders of the Senior Bonds and Financial Security so long as any Senior Bonds are Outstanding and any amounts are owed to Financial Security hereunder or under the Insurance Agreement, and applied solely as provided herein. On each Allocation Date, the Trustee shall deposit in the Replacement Reserve Fund all amounts required to be transferred to the Replacement Reserve Fund from the Revenue Fund pursuant to Sections 5.03(b) and 5.03(c) of this Indenture, and any additional collections from the Owner for replacement reserves pursuant to Section 4.03 of the Loan Agreement. The Trustee will also deposit into the Replacement Reserve Fund any funds transferred, at the direction or with the written approval of Financial Security (if no Financial Security Default exists), from any other Account created hereunder other than the Subordinate Bonds Interest Account, Subordinate Bonds Principal Account, the Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund, the Policy Payments Account, the Rebate Fund and the Subordinate Cashtrap Account. For each month from and including April, 1997 through September 1998, the amount required to be so transferred from the Revenue Fund pursuant to Sections 5.03(b) and 5.03(c) hereof shall equal onetwelfth times \$130 per space located at the Project, which amount equals \$3,412.50 per month.

On the Closing Date, the Trustee will create a "Capital Improvement Subaccount" within the Replacement Reserve Fund, which shall be funded by the deposit required by Section 5.01(a) hereof. Amounts on deposit in the Capital Improvement Subaccount shall be applied as set forth in the Capital Improvement Agreement dated March 13, 1997, by the Owner and the PAC. On April 1, 1998, any amounts remaining on deposit in the Capital Improvement Subaccount shall be transferred to the Replacement Reserve Fund and the Trustee will close the Capital Improvement Subaccount.

(b) Unless otherwise directed by Financial Security, amounts deposited in the Replacement Reserve Fund may be withdrawn only upon presentation to the Trustee by the Property Manager of an invoice for any expenditures itemized on the most recent Capital Plan for the Project (which invoice shall refer specifically to the items and expenditures in such Capital Plan), together with a certificate signed by the Owner that (i) the related expense was included in, and the amount requested to be paid is not greater than the amount allocated for such expenditure on, the current Capital Plan, (ii) the required repairs were performed in a satisfactory manner, and (iii) the payment or reimbursement therefor is permitted under the terms of this Section (a "Completion Certificate"). The Trustee will reimburse the Owner or the Property Manager, as applicable, for such expenditure within five Business Days after the date of receipt of any invoice or statement which was paid by the Owner or the Property Manager and related Completion Certificate, as applicable, or, if the invoice or statement has not been paid, the Trustee will pay the statement or invoice in a timely manner from funds on deposit in the Replacement Reserve Fund.

With respect to any invoice that is for an amount that is greater than the amounts allocated for such expenditure on the current Capital Plan the accompanying Completion Certificate must certify the amount of the excess and include the written consent of Financial Security (if any Senior Bonds are Outstanding) to such payment (any such amount in excess of the amount so allocated is referred to herein as a "Variance"). Notwithstanding the foregoing, if no Financial Security Default exists, no disbursements will be made from the Replacement Reserve Fund if a Trigger Event or an Event of Default exists, except as directed by Financial Security if any Senior Bonds are Outstanding.

At the direction of Financial Security so long as any Senior Bonds are Outstanding, if a Trigger Event or an Event of Default exists funds on deposit in the Replacement Reserve Fund will be transferred to the Senior Cashtrap Account and used in accordance with Section 5.04.

Section 5.11. *Rebate Fund.*

(a) The Owner shall calculate or cause to be calculated, and shall provide or cause to be provided written notice to the Trustee and Financial Security of, the Excess Investment Earnings in all respects at the times and in the manner required pursuant to the Code, but no less frequently than required pursuant to the Tax Certificate.

(b) The Trustee shall establish and will maintain so long as any of the Bonds are outstanding a separate trust fund designated as the Rebate Fund (the "Rebate Fund"). Immediately following the calculation of Excess Investment Earnings by or on behalf of the Owner pursuant to the preceding clause (a), the Trustee shall give written notice to Financial Security and deposit the amount of the Excess Investment Earnings in the Rebate Fund on the next Allocation Date in accordance with Section 5.03(b) hereof.

The Owner shall file or cause to be filed with the Trustee a written notice directing the payment from the Rebate Fund of an amount equal to the Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required pursuant to the Code. In the event that there are amounts remaining on deposit in the Rebate Fund following such payment, the Trustee shall transfer such amounts to the Revenue Fund. Payments to the United States of America shall be made to the address prescribed by the Code, together with such reports and statements, completed by CLGFA or the Owner and delivered to the Trustee, as may be prescribed by the Code. The Owner shall provide or cause to be provided the Trustee with written notice of the address to which such payments are to be forwarded and shall provide the Trustee with all such completed reports and statements. In the event that amounts on deposit in the Rebate Fund are insufficient to make any payment to the United States of America required pursuant to this Subsection (b), the Owner shall make or cause to be made such payments when due hereunder, from any funds which are lawfully available for such purpose (excluding amounts on deposit in the Bond Fund, the Senior Debt Service Reserve Fund, the Senior Cashtrap Account, the Escrow Account, the Replacement Reserve Fund, the Policy Payments Account, the Subordinate Pledged Fund Account, the Subordinate Cashtrap Account or the Subordinate Debt Service Reserve Fund).

(c) The Owner shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the date on which no Bond remains Outstanding, records of the determinations made pursuant to this Section 5.11.

(d) In order to provide for the administration of this Section 5.11, the Owner may, with the consent of the Controlling Party, provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Owner may deem appropriate.

(e) The Trustee shall conclusively be entitled to rely upon all calculations and directions made and furnished by the Owner under this Section 5.11, and the Trustee shall not incur any liability whatsoever in acting upon and as instructed by such calculations and directions. The Trustee shall have no duty or obligation with respect to the matters contained in this Section 5.11, other than to follow the written directions of the Owner furnished pursuant to this Section 5.11.

(f) Any of the provisions of this Section 5.11 may, with the prior written consent of the Controlling Party, be amended, modified or deleted in any manner whatsoever in the event that the Owner shall

cause to be filed with the Trustee written directions making such amendment, modification or deletion, which written directions are executed by an Authorized Owner Representative and are accompanied by an Opinion of Counsel from Bond Counsel stating that such amendment, modification or deletion will not cause interest on the Bonds to be includable in gross income of the Bondholders for federal income tax purposes.

Section 5.12. ***Temporary Funds and Accounts; Policy Payments Account.*** CLGFA and the Owner hereby authorize the Trustee to establish and maintain for so long as is necessary one or more temporary funds and accounts under this Indenture, including, without limitation, the Policy Payments Account pursuant to Section 10.01(b) hereof.

Section 5.13. ***Lapse of Payment.*** To the extent allowable under applicable law, any moneys deposited with the Trustee for the payment of principal of, premium, if any, or interest on the Bonds and remaining unclaimed shall be paid, after two years from the date they become payable or distributable, (a) first, to the Trustee to the extent of any amounts owing thereto pursuant to the provisions hereof, if any, (b) second, to Financial Security to the extent of any amounts owing to Financial Security hereunder or pursuant to the Insurance Agreement; (c) third, to the Pledgor to the extent of any amounts owing to the Pledgor pursuant to the Pledge Agreement; and (d) fourth, to the Owner, and thereafter (i) all liability of the Trustee and Financial Security to such Holder of Bonds shall cease, (ii) such Bond shall become an unsecured obligation of the Owner, (iii) the Holder thereof shall look only to the Owner for any payment with respect thereto and (iv) the Owner shall not be liable for any interest thereon and shall not be regarded as a trustee of such money. If not so paid in accordance with the preceding sentence, all moneys deposited with the Trustee for the payment of principal of, premium, if any, or interest on the Bonds are presumed abandoned unless, within two years after they become payable or distributable, the Holder thereof has accepted payment of principal or income, corresponded in writing concerning the property, or otherwise indicated an interest as evidenced by a memorandum on file with the Trustee. In such event, the Trustee shall comply with the provisions of State law as to the disposition of such moneys and CLGFA, Financial Security, the Owner, the Pledgor and the Trustee shall be relieved of all liability, to the extent of the value of the moneys, for any claim which exists or may arise with respect to such moneys.

ARTICLE VI

SECURITY AND INVESTMENTS

Section 6.01. ***Moneys Held in Trust as Security.*** All moneys from time to time received by the Trustee and held in the Accounts created herein (other than the Policy Payments Account and the Rebate Fund) shall be held in trust by the Trustee as a part of the Trust Estate as security for the benefit of the Holders from time to time of the Bonds and Financial Security in accordance with the terms of, and subject to the priorities set forth in this Indenture. Except as specifically provided in this Indenture, funds and other property in the Accounts created hereunder shall not be commingled with any other moneys or property in any other Account of the Trustee or any other Person.

Section 6.02. ***Investments.***

(a) All moneys held as a part of each Account created hereunder (other than the Policy Payments Account and the Rebate Fund) shall be invested and reinvested by the Trustee, at the written request and direction of an authorized representative of the Owner, subject to the limitations contained in this Section 6.02, upon receipt from time to time of written instructions (or oral instructions confirmed in writing) from an authorized representative of the Owner so directing, in Eligible Investments. In the absence of such written direction, the Trustee shall invest in Eligible Investments described in part (7) of the definition thereof. The Trustee shall be entitled to rely on the investment instructions provided by the Owner as provided herein and shall not be responsible or liable for the performance of any such investments, for any loss resulting from any

such investment or resulting from the redemption or sale of any such investment as herein authorized, or for keeping the moneys held under this Indenture fully invested at all times. All Eligible Investments shall be made in the name of the Trustee, in trust for the Holders and Financial Security (with respect to the Senior Bonds only), as their respective interests may appear except for Eligible Investments made with respect to (i) the Senior Bonds Interest Account, the Senior Bonds Principal Account, the Policy Payments Account, the Senior Debt Service Reserve Fund and the Senior Cashtrap Account which shall be made in the name of the Trustee, in trust for the Holders of the Senior Bonds and Financial Security and (ii) the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Pledged Funds Account, the Subordinate Cashtrap Account and Subordinate Debt Service Reserve Fund which shall be made in the name of the Trustee, in trust for the Holders of the Subordinate Bonds.

Unless directed in writing otherwise by the Controlling Party, no investment shall mature later than the next Allocation Date except that, unless directed otherwise by the Controlling Party with respect to an investment made in an Account other than the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account, (i) Eligible Investments made with funds on deposit in the Bond Fund shall mature no later than the Business Day immediately preceding the next Interest Payment Date and (ii) Eligible Investments made with funds on deposit in the Senior Debt Service Reserve Fund, the Subordinate Pledged Funds Account and the Subordinate Debt Service Reserve Fund shall be due on demand or shall mature no later than the Business Day immediately preceding the next Interest Payment Date. Eligible Investments made with funds on deposit in the Escrow Account shall, unless directed otherwise by the Controlling Party, mature no later than the Business Day preceding the date on which any Reserve Costs payable from such Account are due, which date shall be provided to the Trustee in writing by the Property Manager. Unless otherwise directed by the Controlling Party, no Eligible Investment shall be sold at a discount or disposed of prior to its maturity for an amount less than its par amount. Notwithstanding the foregoing, if any amounts are needed for disbursement from a fund or account and sufficient uninvested funds are not available therein to make such disbursement, the Trustee may, with the written consent of the Controlling Party, and shall at the direction of the Controlling Party, cause to be sold or otherwise converted to cash a sufficient amount of the investments in such Account.

Any net gain on any Eligible Investment in an Account shall be retained in such Account to the extent that amounts on deposit therein are less than the amount required to be deposited therein until transferred as otherwise required by this Indenture. Amounts in excess of the amounts required to be on deposit in any Account other than the Rebate Fund, the Policy Payments Account, the Senior Debt Service Reserve Fund, the Senior Cashtrap Account, the Subordinate Pledged Funds Account, the Subordinate Cashtrap Account and the Subordinate Debt Service Reserve Fund will be transferred to the Revenue Fund on the next Allocation Date. Amounts in excess of the amounts required to be on deposit in the Senior Debt Service Reserve Fund, the Subordinate Pledged Funds Account and the Subordinate Debt Service Reserve Fund shall be applied as set forth in Section 5.07A, Section 5.06 and Section 5.07B, respectively. Amounts on deposit in the Senior Cashtrap Account and Subordinate Cashtrap Account, including any net gains on any Eligible Investment therein, shall be applied solely as provided in Section 5.04 herein.

(b) The securities purchased with the moneys in each such Account shall be deemed a part of such Account and, for the purpose of determining the amount of money in such Account, the securities therein shall be valued at their market value. In making any valuations of securities hereunder the Trustee may utilize and may rely upon pricing services as may be available to it, including those within its accounting system. Monthly statements of the earnings or losses, disbursements and deposits, and any other changes in the fund and account balances for the preceding month, shall be submitted by the Trustee to Financial Security, the Owner and the PAC on or before the fifteenth day of each month. If at any time it shall become necessary that some or all of the securities purchased with the moneys in any such Account be redeemed or sold in order to raise moneys necessary to comply with the provisions of this Indenture, the Trustee shall effect such redemption or sale

employing, in the case of sale, any commercially reasonable method of effecting the same, in its sole discretion; provided, however, in no event may the Trustee sell any security or investment in any Account other than the Subordinate Debt Service Reserve Fund, the Subordinate Cashtrap Account or the Subordinate Pledged Funds Account prior to its maturity or at a loss without the prior written consent of the Controlling Party, or the Owner if there is no Controlling Party.

(c) In no event shall the Trustee purchase any investment hereunder in any Account other than the Subordinate Debt Service Reserve Account, the Subordinate Cashtrap Account or the Subordinate Pledged Funds Account at a premium without the prior written approval of the Controlling Party.

(d) If at any time after investment therein an investment in any Account ceases to meet the criteria set forth in the definition of Eligible Investments, such investment shall be sold or liquidated with the prior consent of the Controlling Party or at the direction of the Controlling Party.

(e) The Trustee shall terminate any Repurchase Agreement upon a failure of the counterparty thereto to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the repo securities, liquidate the collateral. The Trustee shall give notice to any provider of a Repurchase Agreement or an Investment Agreement in accordance with the terms thereof so as to receive funds thereunder with no penalty or premium paid.

(f) The Trustee shall, upon actual knowledge of a default under either a Repurchase Agreement or an Investment Agreement or the withdrawal or suspension of either of the longterm unsecured debt ratings of a Repurchase Agreement or an Investment Agreement provider or a drop in the ratings thereon below "AA" or "Aa," as appropriate, or "AAA" or "Aaa," as appropriate, in the case of a foreign bank, so notify the Controlling Party and, if so directed by the Controlling Party, shall demand further collateralization of the agreement or termination thereof and liquidation of the collateral.

(g) The Trustee may make any and all investments hereunder through its own investment department or through any of its affiliates or subsidiaries.

(h) The Trustee shall make deposits to and withdrawals from any Investment Agreements in accordance with the terms thereof. Except with respect to the Subordinate Debt Service Reserve Fund, the Subordinate Pledged Funds Account and the Subordinate Cashtrap Account, the Trustee will not consent to any amendments to, or give any consents under, any Investment Agreement without the prior written consent of Financial Security and the Trustee will give such consents at the direction of Financial Security.

(i) The Owner (by its execution of the Loan Agreement) acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Owner the right to receive brokerage confirmations of security transactions as they occur, the Owner specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Owner periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

ARTICLE VII

SPECIAL COVENANTS

Section 7.01. **Performance of Covenants.** CLGFA covenants that it will faithfully perform at all times any and all of its covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond and in all proceedings of CLGFA pertaining thereto. CLGFA covenants, represents, warrants and agrees that it is duly authorized under the Constitution and laws of the State of California, including, particularly

and without limitation, the Act, to issue the Bonds and to execute this Indenture, to pledge the property described herein and pledged hereby and to pledge the Trust Estate in the manner and to the extent herein set forth, that all actions on its part required for the issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken or will be duly taken as provided herein, that this Indenture is a valid and enforceable instrument of CLGFA and that the Bonds in the hands of the Holders thereof are and will be valid and enforceable obligations of CLGFA according to the terms thereof.

Section 7.02. ***Ownership; Instruments of Further Assurance.*** CLGFA represents that the pledge and assignment thereof to the Trustee of the Trust Estate is valid and lawful. CLGFA hereby covenants and represents that, except as specifically provided herein to the contrary, it has created for the benefit of the Holders of the Senior Bonds and Financial Security a first and prior right and for the benefit of the Holders of the Subordinate Bonds a second and subordinate right to the Trust Estate. CLGFA covenants that it will defend title to the Trust Estate and the assignment thereof to the Trustee for the benefit of the Holders (in accordance with the priorities set forth herein) and Financial Security against the claims and demands of all Persons whomever. CLGFA covenants that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee or Financial Security may reasonably require for the better assuring, transferring, mortgaging, pledging and hypothecating unto the Trustee all and singular the Trust Estate to the payment of the principal of, premium, if any, and interest on the Bonds.

Section 7.03. ***Payment of Principal, Premium, if Any, and Interest.*** CLGFA will promptly pay or cause to be paid the principal of, premium, if any, and interest on all Bonds issued hereunder according to the terms hereof and subject to the priorities set forth herein. The principal, premium, if any, and interest payments in respect of the Bonds are payable solely from the Trust Estate, which is hereby specifically pledged to the payment thereof in the manner, to the extent and subject to the priorities herein specified. Nothing in the Bonds or in this Indenture shall be considered or construed as pledging any funds or assets of CLGFA other than those pledged hereby or creating any liability of CLGFA's members, employees or other agents.

Section 7.04. ***Conditions Precedent.*** As of the Closing Date, CLGFA hereby covenants that all conditions, acts and things required by the Constitution or statutes of the State or by the Act or by this Indenture to exist, to have happened or to have been performed to make this Indenture an enforceable instrument against CLGFA shall exist, have happened and have been performed.

Section 7.05. ***Filing of Certain Continuation Statements.*** From time to time, the Trustee shall at the expense of the Owner file or cause to be filed continuation statements for the purpose of continuing without lapse the effectiveness of (a) those financing statements which shall have been filed at or prior to the issuance of the Bonds in connection with the security for the Bonds and (b) any previously filed continuation statements which shall have been filed as herein required. CLGFA and the Owner shall sign and deliver to the Trustee or its designee such continuation statements as may be requested of it from time to time by the Trustee. Upon the filing of any such continuation statement, the Trustee shall immediately notify CLGFA and the Controlling Party that the same has been accomplished.

CLGFA agrees that the Trustee, as assignee of the Pledge Agreement, shall (subject to the provisions of this Indenture) enforce, in its name or in the name of CLGFA, all rights of CLGFA and all obligations and liabilities of the Pledgor under and pursuant to the Pledge Agreement for and on behalf of the Holders of the Subordinate Bonds, whether or not CLGFA is in default hereunder.

Section 7.06. ***[Reserved].***

Section 7.07. ***Protection of Trust Estate.***

(a) CLGFA may, with the prior written consent of the Controlling Party, and at the request of the Controlling Party, shall, from time to time execute and deliver all such supplements and amendments hereto and all such financing statements, continuation statements, instruments of further assurance and other instruments and will take such other action as may be necessary or advisable to:

- (i) grant more effectively all or any portion of the Trust Estate;
- (ii) maintain or preserve the lien of this Indenture or carry out more effectively the purposes hereof;
- (iii) perfect, publish notice of or protect the validity of any grant made or to be made by this Indenture;
- (iv) enforce any of the Mortgage Loan Documents;
- (v) preserve and defend title to the Trust Estate and the rights of Trustee and of Bondholders in the Mortgage Loan Documents and the other property held as part of the Trust Estate against the claims of all persons and parties; or
- (vi) pay all taxes or assessments, if any, levied or assessed upon the Trust Estate when due.

(b) CLGFA hereby designates the Trustee its agent and attorney in fact to execute any financing statement, continuation statement or other instrument required pursuant to this Section 7.07; provided, however, that in no event shall such designation permit the Trustee to pledge any property, revenues or other asset, whether tangible or intangible, of CLGFA other than as contemplated by this Indenture. Such power of attorney is coupled with an interest and is irrevocable, and CLGFA hereby ratifies and confirms all that the Trustee may do by virtue hereof.

Section 7.08. ***Rights Under the Loan Agreement.*** CLGFA will observe all of the obligations, terms and conditions required on its part to be observed or performed under the Loan Agreement. CLGFA and the Trustee agree that wherever in the Loan Agreement it is stated that CLGFA will notify the Trustee, whenever the Loan Agreement gives CLGFA or the Trustee some right or privilege, or in any way attempts to confer upon CLGFA or the Trustee the ability for CLGFA or the Trustee to protect the security for payment of the Bonds, that such part of the Loan Agreement shall be as though it were set out in this Indenture in full.

CLGFA agrees that the Trustee, as assignee of the Loan Agreement and the Notes, shall (subject to the provisions of this Indenture) enforce, in its name or in the name of CLGFA, all rights of CLGFA and all obligations and liabilities of the PAC and the Owner under and pursuant to the Loan Agreement and the Mortgage Loan Documents for and on behalf of the Holders of the Bonds and Financial Security, whether or not CLGFA is in default hereunder; provided, however, that the Trustee may exercise and enforce such rights and obligations only with the consent of the Controlling Party and (subject to the provisions of this Indenture) will exercise and enforce such rights and obligations at the direction of the Controlling Party.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. ***Events of Default.*** Each of the following events shall constitute an Event of Default

under this Indenture:

(a) failure to make or cause to be made any payment, in accordance with this Indenture, of the principal of, premium, if any, or interest on any Senior Bond after the same shall become due and payable, whether at maturity, by mandatory redemption, acceleration or otherwise or any claim is made under the Policy;

(b) there are insufficient funds on deposit in the Revenue Fund on the first Business Day following any Allocation Date to permit the Trustee to make the payments and transfers specified in Section 5.03(b)(i) through (xiii) hereof or Section 5.03(c) hereof or the amount on deposit in the Senior Debt Service Reserve Fund is less than the Senior Reserve Requirement;

(c) after the date on which no Senior Bonds remain Outstanding and no amounts remain due and payable to Financial Security hereunder or under the Insurance Agreement, (i) failure to make or cause to be made any payment in accordance with this Indenture of the principal of, premium, if any, or interest on any Subordinate Bond after the same shall become due and payable, whether at maturity, by mandatory redemption, acceleration or otherwise or (ii) an "Event of Default" exists under the Loan Agreement with respect to the Subordinate Loan;

(d) default in the performance or observance of any of the covenants, agreements or conditions on the part of CLGFA, the Owner or the PAC contained in this Indenture or in the Bonds and not described in another paragraph of this Section 8.01, which failure shall continue for a period of 30 days after knowledge by CLGFA, the Owner or the PAC, as applicable, or written notice is given to CLGFA, the Owner or the PAC, as applicable, by the Trustee or the Controlling Party, provided that, if such failure shall be of a nature that it cannot be cured within 30 days, such failure shall not constitute an Event of Default hereunder if within such 30 day period CLGFA, the Owner or the PAC, as applicable, shall have given notice to the Trustee and the Controlling Party of corrective action it proposes to take, which corrective action is agreed in writing by the Controlling Party to be satisfactory and CLGFA, the Owner or the PAC, as applicable, shall thereafter pursue such corrective action diligently until such default is cured;

(e) after the date on which no Senior Bonds remain Outstanding and no amounts remain due and payable to Financial Security hereunder or under the Insurance Agreement, any default or event of default exists under the Pledge Agreement;

(f) the Trustee receives notice from Financial Security that an "Event of Default" exists under the Insurance Agreement;

(g) any "Event of Default" exists under the Loan Agreement with respect to the Senior Loan;

(h) an assertion by any Holder of Subordinate Bonds, or a determination by a court of competent jurisdiction to the effect that the provisions of the Mortgage Loan Documents that subordinate the rights of the Subordinate Bondholders to those of the Senior Bondholders and Financial Security are not enforceable;
or

(i) CLGFA shall fail to pay its debts generally as they come due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or shall institute any proceeding seeking to adjudicate CLGFA insolvent or seeking a liquidation, or shall take advantage of any insolvency act, or shall commence a case or other proceeding naming CLGFA as debtor under the United States Bankruptcy Code or similar law, domestic or foreign, or a case or other proceeding shall be commenced against CLGFA under the United States Bankruptcy Code or similar law, domestic or foreign, or any proceeding shall be instituted against CLGFA seeking liquidation of CLGFA's assets and CLGFA shall fail to take appropri-

ate action resulting in the withdrawal or dismissal of such proceeding within 30 days or there shall be appointed, or CLGFA shall consent to, or acquiesce in, the appointment of, a receiver, liquidator, conservator, trustee or similar official in respect of CLGFA or the whole or any substantial part of its properties or assets or CLGFA shall take any corporate action in furtherance of any of the foregoing.

The Trustee shall give notice to Financial Security and the Subordinate Bondholders of any Event of Default within one Business Day or as soon as reasonably practicable thereafter after the Trustee has actual notice of such Event of Default.

AS LONG AS ANY SENIOR BONDS REMAIN OUTSTANDING OR ANY AMOUNTS ARE DUE AND PAYABLE TO FINANCIAL SECURITY HEREUNDER OR UNDER THE INSURANCE AGREEMENT, NO EVENT OF DEFAULT HEREUNDER WILL EXIST OR MAY BE DECLARED WITH RESPECT TO ANY SUBORDINATE BONDS.

Section 8.02. *Remedies.*

(a) Upon the occurrence and continuance of an Event of Default, the Trustee may, only with the prior written consent of the Controlling Party, and shall, at the direction of the Controlling Party, declare the principal of and accrued interest on all Senior Bonds to be immediately due and payable. The Trustee shall give notice thereof pursuant to Section 9.15 hereof to the Holders of the Bonds, CLGFA, the Owner, the PAC, Financial Security, Moody's and S&P. Upon any such declaration, the principal of and accrued interest on the accelerated Senior Bonds shall become due and payable immediately, and the Trustee shall make demand for payment upon the Owner and the PAC in an amount sufficient to pay principal of and interest accrued on the accelerated Senior Bonds to the date established for payment thereof pursuant to Section 8.05 hereof.

In the event the Trustee shall declare the Senior Bonds immediately due and payable, Financial Security may, in its sole discretion, elect to pay an amount equal to the principal and interest accrued on the Senior Bonds to the date of acceleration and the Trustee agrees to accept such payment. The Policy provides that upon such payment Financial Security's obligations under the Policy shall be discharged.

Upon the occurrence of an Event of Default, Subordinate Bonds shall, only with the prior written consent of Financial Security while the Senior Bonds are Outstanding or any amounts are owed to Financial Security hereunder or under the Insurance Agreement, be accelerated by the Trustee at the written direction of 100% of the Holders of the Subordinate Bonds then Outstanding. The Holders of the Subordinate Bonds shall have no right to pursue or direct any remedy available to the Trustee hereunder while the Senior Bonds are Outstanding or any amounts are owed to Financial Security hereunder or under the Insurance Agreement; provided, however, that the Trustee shall have the right to enforce the provisions of the Pledge Agreement, but at no expense of the Trust Estate, for the benefit of the Holders of the Subordinate Bonds. The Holders of the Subordinate Bonds expressly acknowledge and agree that the Senior Bonds may be accelerated without any corresponding acceleration of the Subordinate Bonds.

(b) Subject to Sections 8.06 and 8.07 hereof, the Trustee, as pledgee and assignee hereunder of all of the right, title and interest of CLGFA and the Owner in and to the Trust Estate (except those rights under the Loan Agreement reserved to CLGFA), shall, upon compliance with applicable requirements of law and except as otherwise set forth in this Article VIII, be the sole real party in interest and shall have standing, exclusive of the Holders of Bonds, to enforce each and every right granted to CLGFA with respect to any part or all of the Trust Estate. Prior to exercising any rights of the Trustee, the Bondholders or CLGFA hereunder or under any Mortgage Loan Document, the Trustee will give written notice to Financial Security and the Controlling Party. The Trustee shall exercise only such rights and take only such actions as are directed or approved in writing by the Controlling Party and shall refrain from exercising any rights as directed by the Controlling Party;

provided, however, that the Trustee may exercise its rights under the Pledge Agreement without any direction or approval by the Controlling Party. Subject to the preceding sentence, the Trustee may exercise such rights with or without joinder of, but if necessary in the name of, CLGFA. The Trustee shall give written notice to the Subordinate Bondholders of its exercise of remedies. The Holders of the Subordinate Bonds expressly acknowledge and agree that any action taken by the Trustee for the Senior Bonds or Financial Security at the direction of Financial Security, as the Controlling Party, may benefit the Senior Bonds or Financial Security without benefitting the Holders of the Subordinate Bonds and may adversely affect the Holders of the Subordinate Bonds. Financial Security, as the Controlling Party, and the Trustee have no obligation to consider whether remedies taken would have a material adverse effect on the possibility that Holders of Subordinate Bonds will be paid amounts in respect of such Subordinate Bonds or to consider any effect that a remedy may have on the Holders of Subordinate Bonds.

Subject to Sections 8.06, 8.07 and 9.05 hereof, in addition to any other remedies given to the Trustee hereunder or now or hereafter existing at law or in equity, the Trustee may, only with the prior written consent of the Controlling Party, and shall, at the direction of the Controlling Party upon receipt of indemnity as provided herein, take any or all of the following actions upon the occurrence of an Event of Default:

(i) (A) accelerate all of the Senior Bonds, (B) with the consent of the Subordinate Bondholders accelerate all of the Subordinate Bonds, and, (C) if no Senior Bonds are Outstanding and no amounts are owed to Financial Security hereunder or under the Insurance Agreement, upon the occurrence of an Event of Default with respect to the Subordinate Bonds, at the written direction of all of the Holders of the Subordinate Bonds then Outstanding, accelerate all of the Subordinate Bonds;

(ii) by mandamus or other suit, action or proceeding at law or in equity, enforce the provisions of one or more Series of the Bonds, this Indenture, the Pledge Agreement (for the benefit of the Subordinate Bondholders only), the Loan Agreement, the Mortgage or any of the other Mortgage Loan Documents;

(iii) by action or suit in equity, enjoin any acts or things that may be unlawful or in violation of the rights of the Holders of the Bonds;

(iv) appoint a receiver or receivers of the rights and remedies pledged hereby, and of the revenues, issues, payments and profits thereof, with such powers as the court making such appointment shall confer;

(v) take such other steps to protect and enforce its rights and the rights of Financial Security and the Holders of the Bonds, whether by action, suit or proceeding in aid of the execution of any power herein granted or for the enforcement of any other appropriate legal or equitable remedy; or

(vi) to apply funds in the Senior Cashtrap Account in accordance with Section 5.04 hereof as directed by the Controlling Party

(c) No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or the Controlling Party is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Controlling Party hereunder or now or hereafter existing at law or in equity or by statute.

(d) No delay or failure to exercise any right or power accruing under any Mortgage Loan Document upon the occurrence of any Event of Default or otherwise shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and

as often as may be deemed expedient. In order to entitle the Trustee or the Controlling Party to exercise any remedy reserved to the Trustee or the Controlling Party in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article, and, with respect to remedies under other Mortgage Loan Documents, such notices as are required therein.

(e) If any proceeding has been commenced to enforce any right or remedy under this Agreement, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or the Controlling Party, then and in every such case the parties hereto shall, to the extent permitted, not prohibited or required by the outcome of such proceeding, be restored to their respective former positions hereunder, and, thereafter, all rights and remedies of the Controlling Party shall continue as though no such proceeding had been instituted.

(f) Further, in the event the Trustee fails to pay the Subordinate Bondholders scheduled payments on the Subordinate Bonds from funds rightfully on deposit in the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account, or the Trustee is not properly allocating the Revenues and other funds constituting the Trust Estate to the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Bonds Pledged Funds Account, the Subordinate Bonds Debt Service Reserve Fund and the Subordinate Cashtrap Account in accordance with the priorities set forth in, and the terms and provisions hereof, the Subordinate Bondholders shall have the right by mandamus or other suit, action or proceeding at law or in equity to compel the Trustee to make such payments or allocations in accordance with the priorities set forth in, and the terms and the provisions hereof and to enforce the Pledge Agreement, provided that, except as expressly set forth herein, such action shall not be at the expense of the Trust Estate.

Section 8.03. ***Enforceability by Trustee.*** All rights of action under this Indenture or under any of the Bonds secured hereby which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name, as Trustee, or, if necessary, in the name of CLGFA or the Owner, for the equal and ratable benefit of Financial Security and the Holders of the Bonds, subject to the subordination of the Subordinate Bonds to the Senior Bonds as herein provided.

Section 8.04. ***Delays; Omissions; Waivers.*** No delay or omission by the Trustee, by Financial Security or by any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein, and every power and remedy given by this Article to the Trustee, to Financial Security and to the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default hereunder, whether by the Trustee or by Financial Security, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

The Controlling Party shall have the right, to be exercised in its complete discretion, to waive any covenant, Default or Event of Default by a writing setting forth the terms, conditions and extent of such waiver signed by the Controlling Party and delivered to the other parties hereto. Any such waiver may only be effected in writing duly executed by the Controlling Party, and no other course of conduct shall constitute a waiver of any provision hereof. Unless such writing expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence so waived and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

Section 8.05. ***Application of Moneys.*** Upon the occurrence of an Event of Default, all moneys received by the Trustee pursuant to any action taken under the provisions of this Article VIII and held in the Accounts

created hereunder (except the Policy Payments Account and the Rebate Fund), after payment of the reasonable costs and expenses of the proceedings resulting in the collection of such moneys and the Trustee's Fee pursuant to Section 9.04 hereof, shall be deposited in the Revenue Fund and, together with all moneys so deposited in the Revenue Fund during the continuance of an Event of Default (other than moneys for the payment of Senior Bonds which have matured or otherwise become payable prior to such Event of Default or for the payment of interest due on Senior Bonds prior to such Event of Default) shall be applied as follows (provided, however, that all amounts rightfully on deposit in the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Pledged Funds Account, the Subordinate Cashtrap Account and the Subordinate Debt Service Reserve Fund as of the first day immediately preceding the date of occurrence of the Event of Default, and all amounts received from the Pledgor pursuant to the Pledge Agreement, shall not be available to pay principal of or interest on any of the Senior Bonds):

(a) (i) As long as any Senior Bonds remain Outstanding or any amounts are due and payable to Financial Security hereunder or under the Insurance Agreement, unless the principal of all the Senior Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

first, to the payment to the persons entitled thereto of all installments of interest then due on the Senior Bonds, in the direct order of the maturity of the installments of such interest and, if the amounts available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

second, to the payment to the persons entitled thereto of the unpaid principal on any of the Senior Bonds which shall have become due (other than Senior Bonds which have matured or otherwise become payable prior to such Event of Default and moneys for the payment of which are held in the Senior Bonds Principal Account or otherwise held by the Trustee), with (if not paid pursuant to clause *first* above) interest on such principal from the respective dates upon which the same became due and, if the amount available shall not be sufficient to pay in full the amount of principal and the interest due on any particular date, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons entitled thereto, without any discrimination or privilege;

third, to make the payments and allocations set forth in Sections 5.03(b)(iii), (iv), (v), (vi), (vii), (viii) and (xiii) hereof, in the order set forth in such Sections;

fourth, to Financial Security any amounts payable thereto hereunder or pursuant to the Insurance Agreement as evidenced by a certificate from Financial Security filed with the Trustee and not otherwise paid pursuant to Clauses First and Second above;

fifth, to make the payments set forth in Sections 5.03(b)(xi) and (xii) hereof;

sixth, to the payment of the amounts payable to CLGFA, including, without limitation, all fees, costs and expenses incurred by CLGFA or its counsel or representatives in connection with taking any action or enforcing any rights or remedies hereunder or under the Mortgage Loan Documents, as evidenced by a certificate from CLGFA filed with the Trustee; and

seventh, any remaining amounts to the Senior Cashtrap Account.

(ii) If no Senior Bonds remain Outstanding and no amounts are due and payable to Financial Security hereunder or under the Insurance Agreement, unless the principal of all the Subordinate Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

first, to make the payments and allocations set forth in Sections 5.03(b)(iv), (v), (vi), (vii), (xi), (xii) and (xiii) hereof;

second, to the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Bonds, in the direct order of the maturity of the installments of such interest and, if the amounts available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

third, to the payment to the persons entitled thereto of the unpaid principal of any of the Subordinate Bonds which shall have become due (other than Subordinate Bonds which have matured or otherwise become payable prior to such Event of Default and moneys for the payment of which are held in the Subordinate Bonds Principal Account or otherwise held by the Trustee), with (if not paid pursuant to clause First above) interest on such principal from the respective dates upon which the same became due and, if the amount available shall not be sufficient to pay in full the amount of principal and the interest due on any particular date, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons entitled thereto, without any discrimination or privilege;

fourth, to make the payments set forth in Sections 5.03(b)(xvii), (xviii) and (xix) hereof;

fifth, to the payment of the amounts payable to CLGFA, including, without limitation, all fees, costs and expenses incurred by CLGFA or its counsel or representatives in connection with taking any action or enforcing any rights or remedies hereunder or under the Mortgage Loan Documents, as evidenced by a certificate from CLGFA filed with the Trustee;

sixth, to the payment of any unpaid Deferred Issuance Costs; and

seventh, any remaining amounts to the Subordinate Cashtrap Account.

(b) If the principal of all of the Senior Bonds or of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied,

first, to the payment of the principal of and interest then due and unpaid upon the Senior Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Bond over any other Senior Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege;

second, to payment of all amounts payable to Financial Security hereunder and under the Insurance Agreement and not otherwise paid pursuant to clause first above;

third, to CLGFA, any fees and expenses due to CLGFA as evidenced by a certificate from the respective party to the Trustee;

fourth, to the payment of the principal of, premium, if any, and interest then due and unpaid upon the Subordinate Bonds;

fifth, to the Pledgor, for payment of all amounts payable to the Pledgor under the Pledge Agreement as certified to the Trustee by the Pledgor;

sixth, to the payment of any unpaid Deferred Issuance Costs; and

seventh, to the Owner the surplus, if any.

Whenever moneys are to be applied pursuant to the provisions of this Section 8.05, such moneys shall be applied at such time, and from time to time, as the Trustee, with the prior written consent of the Controlling Party, shall have determined, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall (i) fix the date (which shall be an Interest Payment Date unless the Controlling Party directs otherwise, or if no Controlling Party, the Trustee deems another date more suitable) upon which such application is to be made and on such date interest on the amount of principal to be paid on such date shall cease to accrue and (ii) on or before such date set aside from the appropriate Accounts created under this Indenture the moneys necessary to effect such application. The Trustee shall not be required to make payment to the Holder of any Bond until such Bond shall be presented for appropriate endorsement or for cancellation if fully paid.

Section 8.06. ***Controlling Party; Right To Make Payment.*** Notwithstanding any other provision of this Indenture, the Controlling Party shall control the exercise of any remedies hereunder if an Event of Default shall occur and be continuing; provided, however, that the Trustee may, without limitation, exercise its rights under the Pledge Agreement at no expense to the Trust Estate. Financial Security, so long as it shall be the Controlling Party, may waive in writing to the Trustee any Event of Default under this Indenture at its sole discretion. Notwithstanding any other provision hereof, Financial Security shall have the right to advance any payment required to be made by CLGFA, the Owner or the PAC in order to prevent an Event of Default hereunder, and the Trustee shall be required to accept such advance. Any such advance shall be repaid to Financial Security by the PAC or the Owner pursuant to the Insurance Agreement or pursuant to Section 5.03 hereof.

Section 8.07. ***Power of Bondholders To Direct Proceedings.*** Anything in this Indenture to the contrary notwithstanding, if Financial Security is not the Controlling Party, the Holders of a majority in aggregate principal amount of the Senior Bonds then Outstanding hereunder shall have the right, or if there are no Senior Bonds Outstanding and no amounts are due and payable to Financial Security hereunder or under the Insurance Agreement, the Holders of a majority in principal amount of the Subordinate Bonds then Outstanding hereunder shall have the right, by an instrument in writing executed and delivered to the Trustee and upon offer of security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder; provided, however, that the Holders of a majority in aggregate principal amount of the Subordinate Bonds then Outstanding shall have the right at all times, by an instrument in writing executed and delivered to the Trustee and upon offer of security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred therein or thereby, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder against the Pledgor or otherwise concerning the Pledge Agreement. The Trustee hereby is authorized to effectuate such remedial proceedings on behalf of such Holders; provided, however, that if Financial Security is not the Controlling Party, the Trustee may not accelerate any of the Senior Bonds due to any Event of Default other than an Event of Default described in Section 8.01(a) unless directed by the Holders of a majority in aggregate principal amount of Senior Bonds then Outstanding.

ARTICLE IX

THE TRUSTEE

Section 9.01. ***Acceptance of Trusts.*** Subject to the provisions of this Article IX, the Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform the same. The Trustee agrees to hold

the Policy in trust on behalf of the Holders of the Senior Bonds and shall hold any proceeds of any claim thereunder in trust in the Policy Payments Account, solely for the use and benefit of the Holders of the Senior Bonds. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts, powers or otherwise.

Section 9.02. ***Recitals; Representations.*** The recitals, statements and representations contained in this Indenture or in the Bonds, except only the Trustee's authentication upon the Bonds, the Trustee's representations of trust powers and the Trustee's acceptance of the trusts hereunder, shall be taken and construed as made by and on the part of CLGFA, the PAC or the Owner, and not by the Trustee, and the Trustee does not assume and shall not have any responsibility or obligation for the correctness of any thereof.

Section 9.03. ***Performance Through Attorneys, Agents, Receivers or Employees.*** The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, receivers or employees and shall be entitled to the advice of counsel concerning all matters of trust and its duties hereunder. The Trustee may act upon the opinion or advice of counsel (who, unless required to be independent, may be the attorney or attorneys for CLGFA, the Owner or the PAC) approved by the Trustee in the exercise of reasonable care, and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Trustee in good faith and in reliance thereon, unless such advice is contrary to express provisions of this Indenture. The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture or for anything whatever in connection with the trusts hereby created except only for willful misconduct or negligence.

Section 9.04. ***Expenses, Charges, Other Disbursements and Indemnification.*** The Owner shall pay or cause to be paid to the Trustee solely from moneys deposited by or on behalf of the Owner pursuant to Section 4.03(e) of the Loan Agreement, the Trustee's Fee and all reasonable expenses incurred by the Trustee. In default of such payment, the Trustee may deduct the same from any moneys coming into its hands and comprising a portion of the Trust Estate; provided, however, the Trustee's rights to payment hereunder shall be subordinate to payment of the Senior Bonds Outstanding hereunder, except that if an Event of Default described in Section 8.01(a) hereof exists, the Trustee shall have a prior lien upon the Trust Estate for its reasonable fees and expenses. The PAC and the Owner, to the extent permitted by law, but solely from the Trust Estate, shall indemnify the Trustee, its directors, officers, employees and agents, and hold them harmless against any loss, claim, liability, expenses or advances, including, but not limited to fees and expenses of counsel and other experts, incurred or made without negligence or willful misconduct on the part of the Trustee arising out of: (a) the Trustee's acceptance or administration of the trust under the Indenture and the Mortgage Loan Documents, or the exercise or performance of any of its powers or duties hereunder or thereunder; (b) the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of the Project or any part thereof; or (c) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the Bonds. No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any material financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers without indemnity reasonably satisfactory to it.

Section 9.05. ***Obligation To Take Action.*** The Trustee shall be under no obligation to take any action in respect of any Event of Default (other than an acceleration of the Senior Bonds as directed by Financial Security), or to institute, appear in or defend any suit or other proceedings in connection therewith, unless (a) requested in writing so to do by Financial Security and provided with indemnity reasonably satisfactory to the Trustee for its reasonable fees and expenses, if no Financial Security Default exists or (b) if a Financial Security Default exists, requested in writing to do so by the Holders of at least a majority in aggregate principal amount

of the Senior Bonds then Outstanding, or if there are no Senior Bonds Outstanding and Financial Security has been paid all amounts owing to it hereunder and under the Insurance Agreement, the Holders of a majority in aggregate principal amount of the Subordinate Bonds then Outstanding and unless furnished with security and indemnity reasonably satisfactory to it; provided, however, that the Holders of a majority in aggregate principal amount of the Subordinate Bonds then Outstanding may request the Trustee in writing, upon furnishing the Trustee with security and indemnity reasonably satisfactory to it, to take any action with respect to any matters relating to the Pledge Agreement and the Pledgor. The foregoing provisions are intended only for the protection of the Trustee, and, subject to Sections 8.06 and 8.07 hereof, shall not affect any discretion or power given by any provisions of this Indenture to the Trustee to take action in respect of any Event of Default without such notice or request from the Bondholders, or without such security or indemnity. The permissive rights of the Trustee under this Indenture shall not be construed as duties and the Trustee shall not be answerable for other than its negligence or willful misconduct.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of a majority (or other percentage provided herein) of the Senior Bonds, Subordinate Bonds then Outstanding or Financial Security, as appropriate, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

Notwithstanding anything to the contrary herein, the Trustee shall not be required to enter, take possession of, foreclose or take any other action whatsoever with respect to the Project unless it shall be satisfied that it will not be subject to liability for the existence of, or contamination by environmentally hazardous substances of any kind whatsoever or other discharges, emissions or release thereof with respect to the Project.

Section 9.06. **Reliance by Trustee.** The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe (a) to be genuine and (b) to have been passed or signed by the proper board, body or person or (c) to have been prepared and furnished pursuant to any of the provisions of this Indenture or any Mortgage Loan Document, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as a Holder of any Bond or to take any action at such person's request unless such Bond shall be deposited with the Trustee or evidence satisfactory to the Trustee of the ownership of such Bond shall be furnished to the Trustee.

Section 9.07. **Co-Trustee.** Upon the occurrence of an event of default under the Pledge Agreement or upon the failure of the Trustee to pay the Subordinate Bondholders scheduled payments on the Subordinate Bonds from funds rightfully on deposit in the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account, or to properly allocate the Revenues and other funds constituting the Trust Estate to the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Bonds Pledged Funds Account, the Subordinate Bonds Debt Service Reserve Fund and the Subordinate Cashtrap Account in accordance with the priorities and the terms and provisions hereof, holders of a majority in aggregate principal amount of Subordinate Bonds then Outstanding may appoint one or more additional individuals or institutions as separate or co-trustees by written instrument, which written instrument shall prescribe the powers, duties and rights of each separate or co-trustee, which shall be limited strictly to enforcing the provisions contained in the Pledge Agreement or to compel the Trustee to make such rightful payments or allocations, as applicable, and may remove any such separate or co-trustee. Each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture and the Pledge Agreement to be exercised by or vested in or conveyed to the Trustee under the Pledge

Agreement with respect to the obligations of the Pledgor thereunder, and under this Indenture, but solely with respect to the failure of the Trustee to pay the Subordinate Bondholders from funds rightfully on deposit in the Subordinate Bonds Interest Account, the Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account, or to properly allocate the Revenues and other funds constituting the Trust Estate to the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Bonds Pledged Funds Account, the Subordinate Bonds Debt Service Reserve Fund and the Subordinate Cashtrap Account in accordance with the priorities and the terms and provisions hereof, shall, to the extent provided by the holders of a majority in aggregate principal amount of Subordinate Bonds then Outstanding, be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable the separate or co-trustee to exercise the powers, rights and duties so provided with respect to the Pledge Agreement or to compel the Trustee to make such payments or allocations, as applicable, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either the Trustee or such separate or co-trustee. The fees and expenses of such co-trustee shall not be payable from Revenues or the Trust Estate.

Should any deed, conveyance or other instrument from the Owner or CLGFA be required by the separate trustee or co-trustee so appointed for more fully and certainly vesting trusts, duties and obligations, any and all such deeds, conveyances and other instruments shall on request, be executed, acknowledged and delivered by the Owner or CLGFA, as appropriate. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

Section 9.08. **Resignation by Trustee.** The Trustee may resign and be discharged of the trusts created by this Indenture by executing an instrument in writing resigning such trust and specifying the date when such resignation is expected to take effect and filing the same with CLGFA, the Owner and Financial Security not less than 90 days before the date specified in such instrument when such resignation is expected to take effect unless a successor has accepted appointment. Upon receiving such notice of resignation, the Owner shall promptly appoint a successor Trustee approved in writing by the Controlling Party and CLGFA, by written instrument, in duplicate, executed by an Authorized Owner Representative, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. If such appointment is not made within 60 days of receipt of such notice of resignation, a replacement trustee may be appointed by the Controlling Party; provided, however, that if there is no Controlling Party while any Senior Bonds are Outstanding, a replacement trustee may be appointed by a majority of the Holders of the Bonds. Notice of a successor Trustee shall be given to the Bondholders. If no successor Trustee shall have been so appointed and have accepted appointment within 120 days after the mailing of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee or the Controlling Party, or any Bondholder may, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor Trustee. No resignation of any Trustee shall become effective until acceptance of appointment by the successor Trustee.

Section 9.09. **Removal of Trustee.** The Trustee may be removed at any time by an instrument in writing, filed with the Trustee so removed and executed by (a) the Owner, with consent of the Controlling Party, (b) the Controlling Party, (c) Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding with the prior written consent of the Controlling Party or (d) if there are no Senior Bonds Outstanding and Financial Security is not owed any amounts hereunder or under the Insurance Agreement, the Holders of not less than a majority in aggregate principal amount of the Subordinate Bonds then Outstanding; provided that no such removal will take effect prior to the receipt by CLGFA, the PAC, the Owner, the Financial Security and the Holders of the Bonds of written notice thereof, in writing and in no event prior to the acceptance of appointment by the successor Trustee.

Section 9.10. *Appointment of Successor Trustee.*

(a) In the event the Trustee shall be dissolved, or if its property or affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith and *ipso facto* exist in the office of the Trustee and, within a period of 60 days thereafter, a successor shall be promptly appointed by the Owner with the prior written consent of the Controlling Party and CLGFA. If the Owner shall fail to make such appointment within 60 days, the Controlling Party shall appoint such successor; provided, however, that if there is no Controlling Party while any Senior Bonds are Outstanding, a replacement trustee may be appointed by a majority of the Holders of the Senior Bonds then Outstanding. If no successor is appointed within 120 days, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall appoint such successor. Appointments made under this Section shall be made by an instrument or instruments in writing filed at the offices of CLGFA and signed by the Controlling Party or such Bondholders or by their attorneys in fact duly authorized or by the Owner, as the facts may require. Copies of each instrument shall be promptly delivered by the Owner to the predecessor Trustee and to the Trustee so appointed and to Financial Security, the Controlling Party, CLGFA and the Holders of the Bonds.

(b) Until a successor Trustee shall be appointed as herein authorized, the Owner, by a written order, may, with the consent of the Controlling Party, appoint a temporary Trustee to fill such vacancy. Such appointment shall be effective upon the giving of notice in writing thereof to the PAC and CLGFA. Any new Trustee so appointed by the Owner shall immediately and without further act be superseded by a Trustee appointed in the manner above provided.

Section 9.11. *Qualifications of Successor Trustee.* Every successor in the trust hereunder appointed pursuant to the foregoing provisions shall be a trust company or a bank with trust powers, having a minimum capitalization of at least \$50,000,000, if such trust company or bank with trust powers willing and able to accept the trust on customary terms can, with reasonable effort, be located.

Section 9.12. *Concerning Successor Trustee.* Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to CLGFA, the Owner, the PAC, Financial Security and the Controlling Party an instrument accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become duly vested with all the estates, property, rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Trustee. Upon request of such successor Trustee, the Trustee, ceasing to act, and CLGFA shall execute and deliver an instrument transferring to such successor Trustee all the estates, property, rights, powers and trusts hereunder of the Trustee so ceasing to act, and the Trustee so ceasing to act shall pay over or deliver to the successor Trustee all moneys, appropriate related records and other assets at the time held by it hereunder.

Section 9.13. *Merger of Trustee.* So long as it meets the requirements set forth in Section 9.11 hereof, any corporation into which any Trustee hereunder may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which any Trustee hereunder shall be a party or, with the consent of Financial Security (if it is the Controlling Party), any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall be a successor Trustee, paying agent and Registrar under this Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

Section 9.14. *Conduct of Trustee.* Notwithstanding any other provisions of this Article IX, the Trustee shall, during the existence of an Event of Default or a Trigger Event of which the Trustee has received written notice or is deemed to have notice as provided in Section 9.15 hereof, exercise such of the rights and powers

vested in it by this Indenture and use the same degree of skill and care in their exercise as a prudent man would use and exercise under the circumstances in the conduct of his own affairs.

Section 9.15. **Notice of Event of Default or Trigger Event.** The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default hereunder or under any of the Mortgage Loan Documents or any Trigger Event, except (a)an Event of Default under Section8.01(a), (b) or (c) hereof; (b)an Event of Default or Trigger Event of which the Trustee has received written notice from the Controlling Party, CLGFA, the Owner, the PAC or the Holders of not less than 25% in aggregate principal amount of Senior Bonds then Outstanding (or, if no Senior Bonds remain Outstanding from the Holders of not less than 25% in aggregate principal amount of Subordinate Bonds then Outstanding); or (c)an Event of Default or Trigger Event of which a responsible corporate trust officer of the Trustee assigned to administer this Indenture has actual knowledge. "Actual knowledge," with respect to a Trigger Event, includes receipt by the Trustee of a certificate pursuant to Section2.02(p) of the Insurance Agreement that indicates that any of the covenants addressed therein have been breached, and (b)failure by the Trustee to receive from the Owner any certificate required to be delivered pursuant to Section2.02(p) of the Insurance Agreement within the required time period.

All notices or other instruments required by this Indenture to be delivered to the Trustee shall be delivered at the Principal Office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no default or Event of Default or Trigger Event except as aforesaid. Upon the occurrence of an Event of Default or Trigger Event of which the Trustee has received written notice or is deemed to have notice as aforesaid, the Trustee shall give written notice thereof to Financial Security and by firstclass mail to each Holder at the respective addresses set forth on the Bond Register and to CLGFA, the Owner and the PAC unless such Event of Default or Trigger Event shall have been cured or waived by the Controlling Party before the giving of such notice.

Section 9.16. **Intervention by Trustee.** In any judicial proceeding to which CLGFA or the Owner is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of all of the Holders, the Trustee may intervene, with the consent of the Controlling Party, on behalf of the Holders and shall intervene at the direction of the Controlling Party or, with the consent of the Controlling Party, if requested in writing by the Holders of at least 25% in aggregate principal amount of Senior Bonds then Outstanding or if no Senior Bonds are Outstanding, if requested in writing by the Holders of at least 25% in aggregate principal amount of Subordinate Bonds then Outstanding, if permitted by the court having jurisdiction in the premises.

Section 9.17. **Duties Determined Solely by Indenture.** The duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, the Loan Agreement, the Pledge Agreement and the Mortgage, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, the Loan Agreement, the Pledge Agreement and the Mortgage, and no implied covenants or obligations shall be read into this Indenture, the Loan Agreement, the Pledge Agreement and the Mortgage against the Trustee. The Trustee is authorized and directed to execute in its capacity as Trustee the Deposit Only Account Agreement. In taking any action or exercising any rights under the foregoing agreements, the Trustee shall be entitled to the provisions of this Indenture including without limitation this Article IX.

Section 9.18. **Survival of Trustee's Rights.** The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its reasonable fees and expenses shall survive its resignation or removal and final payment or defeasance of the Bonds. All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

Section 9.19. **Trustee Disclaimer.** The Trustee shall have no responsibility, opinion, or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material

prepared or distributed with respect to the issuance of the Bonds.

Section 9.20. *No Liability of CLGFA for Trustee Performance.* CLGFA shall not have any obligation or liability to any of the other parties or to the Bondholders with respect to the performance or nonperformance by the Trustee of any duty imposed upon it under this Indenture.

ARTICLE X

CONDITIONS CONCERNING THE POLICY AND FINANCIAL SECURITY REGARDING THE SENIOR BONDS

Section 10.01. *Claims Upon a Policy; Payment Default Claim Provisions.*

(a) If, on the fourth Business Day prior to any Interest Payment Date, there is not on deposit with the Trustee in the Senior Bonds Principal Account and the Senior Bonds Interest Account (after giving effect to any transfer of funds from the Senior Debt Service Reserve Fund pursuant to Section 5.07A hereof), moneys sufficient to pay the principal of and interest due on the Senior Bonds on such date, the Trustee shall give notice to Financial Security, to CLGFA, to the Owner, to the PAC and to the Fiscal Agent, if any, by telephone or telecopy of the amount of such deficiency by 12:00noon, New York City time, on such Business Day. If, on the third Business Day prior to the Interest Payment Date, there continues to be a deficiency in the amount available to pay the principal and interest on the Senior Bonds on such date, the Trustee shall make a claim under the Policy and give notice by telephone to Financial Security and the Fiscal Agent, if any, of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Senior Bonds and the amount required to pay principal of the Senior Bonds, confirmed in writing to Financial Security and the Fiscal Agent, if any, by 12:00noon, New York City time, on such third Business Day.

(b) At the time of the execution and delivery of this Indenture, and for the purposes of this Indenture, the Trustee shall establish a separate special purpose trust account for the benefit of the Holders of the Senior Bonds referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Policy in trust on behalf of the Holders of the Senior Bonds and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Holders of the Senior Bonds in the same manner as principal and interest payments are to be made with respect to the Senior Bonds under Section 3.03 hereof regarding payment of Senior Bonds contained in this Indenture. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. However, the amount of any payment of principal of or interest on the Senior Bonds to be paid from the Policy Payments Account shall be noted as provided in Subsection (f) below. Funds held in the Policy Payments Account shall not be invested by the Trustee unless otherwise specified in writing by Financial Security and may not be applied to satisfy any costs, expenses or liabilities of the Trustee or any other entity or to make any payment on any Subordinate Bond.

(c) In the event the Senior Bonds are subject to mandatory sinking fund redemption pursuant to Section 4.01(c), upon receipt of the moneys due, affected Bondholders shall surrender their Senior Bonds to the Trustee who shall authenticate and deliver to such Bondholder a new Senior Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Senior Bond surrendered, and upon maturity or other advancement of maturity and receipt of the moneys due, Bondholders shall surrender their Senior Bonds for cancellation. The Trustee shall designate any portion of payment of principal on Senior Bonds paid by Financial Security, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Senior Bonds registered to the then current Bondholder,

whether DTC or its nominee or otherwise, and shall authenticate and deliver a replacement Senior Bond to Financial Security, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to Authorized Denominations), provided that the Trustee's failure to so designate any payment or issue any replacement Senior Bond shall have no effect on the amount of principal or interest payable hereunder on any Senior Bond or the subrogation rights of Financial Security.

(d) Any funds remaining in the Policy Payments Account following an Interest Payment Date shall promptly be remitted to Financial Security except for funds held for the payment of Senior Bonds pursuant to Section 5.13 hereof.

(e) Subject to and conditioned upon payment of any interest or principal with respect to the Senior Bonds by or on behalf of Financial Security, each Bondholder, by its purchase of Senior Bonds, hereby assigns to Financial Security, but only to the extent of all payments made by Financial Security, all rights to the payment of interest or principal on the Senior Bonds, including, without limitation, any amounts due to the Bondholders in respect of securities law violations arising from the offer and sale of the Bonds, which are then due for payment. Financial Security may exercise any option, vote, right, power or the like with respect to Senior Bonds to the extent it has made a principal payment pursuant to the Policy. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to Financial Security in respect of such payments. The Trustee shall take such action and deliver such instruments as may be reasonably requested or required by Financial Security to effectuate the purpose or provisions of this Subsection (e).

(f) The Trustee shall keep a complete and accurate record of all funds deposited by Financial Security into the Policy Payments Account and the allocation of such funds to payment of interest on and principal paid in respect of any Senior Bond. Financial Security shall have the right to inspect such records at reasonable times upon one Business Day's prior notice to the Trustee.

(g) The Trustee shall mark on each Senior Bond presented for payment at maturity and upon acceleration (i) the date to which interest has been paid on such Senior Bond, (ii) all payments of principal made on such Senior Bond and (iii) if all or any portion of any payment of principal on such Senior Bond was made with funds paid by Financial Security under the Policy, the legend "\$[insert applicable amount] paid by Financial Security," provided that the Trustee's failure to mark any Senior Bond shall have no effect on the amount of principal or interest payable by CLGFA on any Senior Bond or the subrogation rights, if any, of Financial Security.

(h) The Trustee shall promptly notify Financial Security of either of the following as to which it has actual knowledge: (i) the commencement of any proceeding by or against CLGFA, the Owner or the PAC commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") and (ii) the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer (a "Preference Claim") of any payment of principal of, or interest on, the Senior Bonds. Each Holder, by its purchase of Bonds, and the Trustee hereby agree Financial Security, so long as Financial Security is the Controlling Party, may, at any time during the continuation of an Insolvency Proceeding direct all matters relating to such Insolvency Proceeding, including, without limitation (i) any matters relating to any Preference Claim, (ii) the direction of any appeal of any order relating to any Preference Claim and (iii) the posting of any surety, supersedeas or performance bond pending any such appeal. In addition, and without limitation of the foregoing, Financial Security, so long as Financial Security is the Controlling Party, shall be subrogated to, and each Holder and the Trustee hereby delegate and assign, to the fullest extent permitted by law, the rights of the Trustee and each Holder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Insolvency Proceeding.

Section 10.02. ***Subrogation; Effect of Payments by Financial Security***. Financial Security shall, to the extent it makes any payment with respect to the Senior Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy. Neither CLGFA, the Owner nor the PAC shall be discharged from their respective obligations hereunder or under the other Mortgage Loan Documents upon payment of principal of and interest on the Senior Bonds by Financial Security under the Policy.

Section 10.03. ***Preservation of the Rights of Financial Security***. Without limiting the provisions of Article VIII or Article IX hereof or the rights or interests of the Holders as otherwise set forth herein, the Trustee shall cooperate in all respects with any reasonable request by Financial Security for action to preserve or enforce Financial Security's rights or interests under this Indenture, including, without limitation, upon the occurrence and continuance of an Event of Default, a request to take any one or more of the following actions:

- (a) institute proceedings for the collection of all amounts then payable on the Bonds, or under this Indenture in respect to the Bonds, enforce any judgment obtained and collect from the PAC and Owner moneys adjudged due;
- (b) institute proceedings from time to time for the complete or partial foreclosure of this Indenture; and
- (c) exercise any remedies of a secured party under the Uniform Commercial Code and take any other appropriate action to protect and enforce the rights and remedies of Financial Security hereunder.

Section 10.04. ***Access to Records; Delivery of Information to Financial Security***. The registration records and other books and records of the Trustee relating to the Bonds shall be made available to CLGFA, Financial Security, the Owner, the PAC or their agents designated in writing to the Trustee during regular business hours upon written request, for purposes of inspection and copying.

The Trustee shall distribute to Financial Security on an annual basis (or quarterly, if Financial Security shall so request in writing) a listing of the names and addresses of the Holders of the Bonds. The Trustee shall also supply, at the sole expense of the PAC, such additional reports and information regarding the cash flows in the Accounts and a breakdown of cash flows received by the Trustee for deposit in the Accounts as is reasonably requested by Financial Security.

The Trustee shall provide to Financial Security upon its written request copies of the Trustee's most recent financial statements.

Section 10.05. ***Surrender of Policy***. The Trustee shall surrender the Policy to Financial Security within five Business Days after the date on which no Senior Bonds remain Outstanding hereunder.

Section 10.06. ***Payment of Bonds***. Financial Security shall be entitled to pay principal or interest on the Senior Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment (as such capitalized terms are defined in the Policy) by CLGFA and any amounts due on the Senior Bonds as a result of acceleration of the maturity thereof in accordance with this Indenture, whether or not Financial Security has received a Notice (as defined in the Policy) of Nonpayment or a claim upon the Policy.

ARTICLE XI

OTHER COVENANTS

Section 11.01. ***Rights Under the Pledge Agreement.*** The Owner will observe all of the obligations, terms and conditions required on its part to be observed or performed under the Pledge Agreement. The Owner and the Trustee agree that wherever the Pledge Agreement states that the Owner will notify the Trustee, gives the Owner or the Trustee some right or privilege, or in any way attempts to confer upon the Owner or the Trustee the ability for the Owner or the Trustee to protect the security for payment of the Subordinate Bonds, that such part of the Pledge Agreement shall be as though it were set out in this Indenture in full.

Section 11.02. ***Extension of Payment of Bonds.*** Neither the Owner nor CLGFA shall directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of CLGFA to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 11.03. ***Against Encumbrances, Sales and Disposition.*** Neither the Owner nor CLGFA shall create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Trust Estate while any of the Bonds are Outstanding, except Permitted Encumbrances. Subject to this limitation, CLGFA expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes, provided that all such obligations are nonrecourse to CLGFA and its assets.

Section 11.04. ***Power To Issue Bonds and Make Pledge and Assignment.*** CLGFA is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Trust Estate under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of CLGFA in accordance with their terms, and CLGFA and the Trustee (subject to the provisions of Article IX) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of the Trust Estate and all the rights of the Holders and Financial Security under this Indenture against all claims and demands of all Persons whomsoever.

Section 11.05. ***Accounting Records and Financial Statements.*** The Trustee shall keep appropriate accounting records in which complete and correct entries shall be made of all transactions made by it relating to the Bonds, which records shall be available for inspection by Financial Security and the Trustee at reasonable hours and under reasonable conditions upon reasonable notice.

Section 11.06. ***[Reserved].***

Section 11.07. ***[Reserved].***

Section 11.08. ***No Additional Obligations.*** CLGFA covenants that no additional bonds, notes or other indebtedness shall be issued or incurred by it which are payable out of the Trust Estate in whole or in part.

Section 11.09. ***Observance of Laws and Regulations.*** CLGFA will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by CLGFA, including its right to exist and carry on business, to the end that

such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 11.10. ***Prosecution and Defense of Suits.*** The Trustee promptly, with the consent of Financial Security so long as any Senior Bonds are then Outstanding or any amounts are owing to Financial Security hereunder or under the Insurance Agreement, from time to time may take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Trust Estate or any part thereof, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose subject to receipt of indemnity as provided herein.

Section 11.11. ***Further Assurances.*** CLGFA will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto Financial Security and the Holders of the Bonds the rights and benefits provided herein.

ARTICLE XII

INSTRUMENTS EXECUTED BY HOLDERS

Section 12.01. ***Proof of Ownership.*** Any request, direction, consent or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner: the fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution.

Section 12.02. ***Effect of Execution.*** Nothing contained in this ArticleXII shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the Holder of any Bond shall bind every future Holder of the same Bond in respect of anything done by the Trustee in pursuance of such request or consent.

ARTICLE XIII

MODIFICATION OF INDENTURE AND PLEDGE AGREEMENT

Section 13.01. ***Modification.*** This Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this ArticleXIII.

Section 13.02. ***Supplemental Indentures.*** CLGFA and the Trustee may, with the written approval of the Controlling Party and the Owner, from time to time and at any time, without the consent of or notice to Holders of the Bonds, execute and deliver indentures supplemental to this Indenture for the following purposes:

(a) To specify and determine any matters and things relative to the Bonds which are not contrary to or inconsistent with this Indenture and which shall not materially adversely affect the interests of the Holders of Bonds;

(b) To cure any defect, omission, conflict or ambiguity in this Indenture or between the terms and provisions hereof and any other document executed or delivered in connection herewith;

(c) To grant to or confer upon the Trustee for the benefit of the Holders of the Bonds any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(d) To add to the covenants and agreements of CLGFA or the Owner in this Indenture, other covenants and agreements to be observed by CLGFA and the Owner which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(e) To add to the limitations and restrictions in this Indenture, other limitations and restrictions to be observed by CLGFA and the Owner which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(f) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by this Indenture of the revenues arising from the pledge of any moneys, securities, funds or other parts of the Trust Estate;

(g) To amend or modify any provisions of this Indenture so long as such amendment or modification does not materially adversely affect the interests of the Holders of the Bonds which may be evidenced by an Opinion of Counsel delivered to the Trustee; or

(h) To preserve and protect, in such manner as set forth in an opinion of Bond Counsel, in form and substance acceptable to the Controlling Party as long as any Senior Bonds are Outstanding, the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Before the Trustee shall execute any supplemental indenture pursuant to this Section 13.02, there shall have been filed with the Trustee and Financial Security an Opinion of Counsel addressed to CLGFA, the Owner, the PAC, Financial Security and the Trustee stating that such supplemental indenture (i) is authorized or permitted by this Indenture and complies with its terms, (ii) will be valid and binding upon CLGFA in accordance with its terms after its execution by CLGFA and the Trustee and (iii) will comply with the Act and will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Section 13.03. *Consent of Bondholders.*

(a) With the consent of the Holders of not less than a majority of the aggregate principal amount of Bonds of each Series then Outstanding, CLGFA and the Trustee may, with the prior written consent of the Owner and, if any Senior Bonds remain Outstanding or any amounts are owed to Financial Security hereunder or under the Insurance Agreement, Financial Security from time to time and at any time, execute and deliver indentures supplemental to this Indenture for the purposes of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that nothing herein contained shall permit, or be construed as permitting without the prior written consent of Financial Security and of the Holders of all Bonds then Outstanding and affected by such proposed change (i) a change in the times, priorities, amounts or currency of payment of the principal of, premium, if any, or interest on any Outstanding Bond, or a reduction in the principal amount or redemption price, or the dates or terms of redemption of any Outstanding Bond or the rate of interest thereon, (ii) the creation of a claim or lien upon, or a pledge of the Trust Estate (other than the liens created by the Mortgage Loan Documents or permitted to be created pursuant to Section 2.04(e) of the Loan Agreement), (iii) a preference or priority of any Bond or Bonds of a Series over any other Bond or Bonds of such Series, (iv) any change adversely affecting the tax exempt status of

any Bond, (v) a reduction in the aggregate principal amount of the Bonds of a Series required for consent under this Indenture or (vi) any amendment to this Section.

(b) If at any time CLGFA and the Trustee shall determine to execute and deliver any Supplemental Indenture for any of the purposes of this Section 13.03, unless waived by the Holders of not less than the percentage of Bonds then Outstanding required by Section 13.03(a), the Trustee shall mail by first class mail a notice of such amendment to each Holder of the affected Series of Bonds, the PAC, the Owner and to Financial Security. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Bondholders.

(c) Within one year after the date of such notice or at such other date as is specified in such notice, CLGFA may execute and deliver, and the Trustee may accept such Supplemental Indenture in substantially the form described in such notice only if there shall have first been filed with the Trustee and Financial Security (i) the written consents of Holders of not less than the percentages required by Section 13.03(a) of the Bonds of each Series Outstanding, (ii) the written consent of the Controlling Party and (iii) an Opinion of Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and complies with its terms, and that upon enactment it will be valid and binding upon CLGFA in accordance with its terms. A written consent by any Holder of any Bond executed on or subsequent to the date of such notice shall be binding upon any subsequent Holder of such Bond.

(d) If the Holders of not less than the percentages of Bonds required by this Section 13.03 shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the execution, delivery and acceptance of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain CLGFA from adopting the same or from taking any action pursuant to the provisions thereof.

(e) The Trustee may in its discretion, but shall not be obligated to, enter into any such supplemental indenture authorized by this Article XIII which adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 13.04. ***Effect of Supplemental Indenture.*** Upon the execution, delivery and acceptance of any Supplemental Indenture pursuant to the provisions of this Article XIII, this Indenture shall be, and be deemed to be, modified, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under this Indenture of CLGFA, the Owner, the Trustee, Financial Security and all Holders of Bonds then Outstanding shall be thereafter determined, exercised and enforced under this Indenture subject in all respects to such modifications and amendments.

Section 13.05. ***Amendment to Pledge Agreement.*** The Trustee shall consent to any amendment, change or modification of the Pledge Agreement, which does not materially adversely affect the interests of the Holders of the Subordinate Bonds, without giving notice to and receiving the prior written consent of such Holders. All other amendments, changes or modifications to the Pledge Agreement shall require the prior written consent of 100% of the Holders of the Subordinate Bonds (and shall not require the consent of any Holders of the Senior Bonds or Financial Security except as provided in the Pledge Agreement).

Section 13.06. ***Effect of Financial Security's Rights.*** The rights granted to Financial Security under this Indenture or any related document to request, consent or direct any action are rights granted to Financial Security in consideration of its issuance of the Policy. Any exercise by Financial Security of such rights is merely an exercise of Financial Security's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Holders of the Bonds nor does such action evidence any position of Financial

Security, positive or negative, as to whether Bondholder consent is required in addition to consent of Financial Security.

During any time that Financial Security is not the Controlling Party, Financial Security's rights to give consents and approvals under this Indenture shall be suspended, except for consents and approvals under Sections 13.02, 13.03 and 14.01 (but, in such event, Financial Security's consent shall not be unreasonably withheld); provided, however, that Financial Security's rights to receive reports and notices shall continue at all times while any Senior Bonds are Outstanding and Financial Security's subrogation rights shall continue if any amounts have been paid under the Policy and remain unreimbursed.

Section 13.07. *Notice to Rating Agencies.* The Trustee shall send by firstclass mail copies of any instrument modifying or amending this Indenture, the Loan Agreement or the Mortgage to each Rating Agency at least 15 days prior to the effective date thereof.

ARTICLE XIV

DISCHARGE OF INDENTURE

Section 14.01. *Discharge.* If and when the whole amount of the principal, premium, if any, and interest due and payable upon all of Bonds shall be paid, or provision shall have been made for the payment of the same, by or on behalf of CLGFA, the Owner and the PAC, together with all other sums payable hereunder, under the Loan Agreement and under the Insurance Agreement, then and in that case, the right, title and interest of the Trustee in and to the Trust Estate, including all covenants, agreements and other obligations of CLGFA, the Owner and the PAC to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied, except for right of payment for the Bonds. In such event, the Trustee shall surrender the Trust Estate to the Owner, and shall deliver to the Owner, or to such person, body or authority as may be entitled to receive the same, any balance remaining in any fund or account created herein. The Trustee shall execute such documents as may be reasonably required to effect such assignments and transfers. There shall be deemed to be such due payment or provision for a Series of Bonds when there has been placed in trust with the Trustee, cash and Government Securities (not callable prior to the time necessary to meet all requirements of the Outstanding Series of Bonds) sufficient (including the known minimum yield available without reinvestment for such purpose from Government Securities in which such amount wholly or in part may be initially invested) to make all payments due on the Outstanding Series of Bonds, as the same become due at the final maturities of the Series of Bonds or upon any redemption date as of which the PAC shall have directed the Trustee to exercise optional redemption of a Series of Bonds and to pay all scheduled fees and expenses related to the Series of Bonds. The Government Securities shall become due prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule independently verified as to the sufficiency of the deposit at the time of the creation of the escrow or trust.

Anything in this Indenture to the contrary notwithstanding, a Series of Bonds shall not be deemed to have been paid pursuant to this Section 14.01 until (a) the Trustee has received the written consent of the Controlling Party (with respect to the Senior Bonds); (b) the Trustee and Financial Security (so long as any Senior Bonds are Outstanding or any amounts are payable to Financial Security hereunder and under the Insurance Agreement) have received a certificate, addressed to them, of an independent firm of nationally recognized certified public accountants acceptable to Financial Security (so long as any Senior Bonds are Outstanding and any amounts are payable to Financial Security hereunder and under the Insurance Agreement) that the cash or Government Securities deposited hereunder will be sufficient to make all remaining payments when due on the Series of Bonds and other amounts payable hereunder and under the Insurance Agreement when due; (c) the Trustee and Financial Security (so long as any Senior Bonds are Outstanding or any amounts are payable to Financial Security hereunder and under the Insurance Agreement) have received all fees, charges and expenses

due or to be due under this Indenture or the Insurance Agreement, as applicable; and (d) CLGFA, Financial Security (so long as any Senior Bonds are Outstanding or any amounts are payable to Financial Security hereunder and under the Insurance Agreement) and the Trustee have received an Opinion of Counsel, addressed to them, which is in form and substance acceptable to Financial Security (so long as any Senior Bonds are Outstanding or any amounts are payable to Financial Security hereunder and under the Insurance Agreement), to the effect that upon receipt by the Trustee of such deposit, the Series of Bonds will be deemed to be paid within the meaning of this Section 14.01 and that such transaction and deposit: (i) would not constitute an investment company requiring registration under the Investment Company Act of 1940; (ii) is permitted under the terms and provisions of this Indenture; (iii) would not constitute an avoidable preference under Section 547 of the United States Bankruptcy Code in the event of the filing of a petition for relief under the United States Bankruptcy Code by or against CLGFA, any party providing any funds for such defeasance or the Owner; (iv) the Government Securities and cash, if any, would not be part of the bankruptcy estate under Section 541 of the United States Bankruptcy Code or be subject to the automatic stay under Section 362 of the United States Bankruptcy Code in the event of a filing of a petition for relief under the United States Bankruptcy Code by or against CLGFA, any party providing any funds for such defeasance or the Owner; and (v) would not adversely affect the exclusion of interest on the Series of Bonds from the gross income of the Holders thereof for federal and state income tax purposes. Further, no sale, transfer or substitution of the cash or Government Securities deposited pursuant to this paragraph shall take place without the requirements set forth in (a), (b) and (c) of this paragraph having been satisfied.

The foregoing provisions notwithstanding, Senior Bonds which shall have been paid, or for which provision shall have been made, by a payment from Financial Security pursuant to the Policy shall continue to be Outstanding under this Indenture, and Financial Security shall become the Holder of such Senior Bonds for all purposes of this Indenture; provided, however, that if the Owner shall make or cause to be made payment to Financial Security in reimbursement of any payments of principal of and interest on the Senior Bonds, the obligation of CLGFA with respect to payment of such Senior Bonds shall cease to the extent of such reimbursement, and, if such reimbursement shall be sufficient to pay the principal of and interest due on such Senior Bonds and all other amounts payable to Financial Security hereunder or under the Insurance Agreement, such Senior Bonds shall no longer be deemed Outstanding for purposes of this Indenture.

If the Subordinate Bonds at any time are deemed paid pursuant to this Section 14.01, the Subordinate Bonds shall no longer be entitled to, or have any rights to receive, any funds pursuant to Section 5.03 herein.

Section 14.02. ***Trustee's Rights Reserved.*** Any discharge under this Article XIV shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it hereunder and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of the trusts hereby created and the performance of its powers and duties hereunder.

ARTICLE XV

MISCELLANEOUS

Section 15.01. ***Successors of CLGFA.*** In the event of the dissolution of CLGFA, all the covenants, stipulations, promises and agreements contained in this Indenture by or on behalf of, or for the benefit of, CLGFA, shall bind or inure to the benefit of the successors of CLGFA from time to time and any entity, governing body, board, commission, agency or instrumentality to whom or to which any power or duty of CLGFA shall be transferred. In the event no successor shall exist, then all rights and duties of CLGFA may be exercised and such duties fulfilled by the Trustee, but the Trustee shall be under no obligation to exercise and fulfill such rights and duties.

Section 15.02. **Purpose; Exclusive Benefit; Thirdparty Beneficiary.** Except as herein otherwise specifically provided, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon any person, firm or corporation, other than CLGFA, the Trustee, the Holders, Financial Security, the Controlling Party, the Pledgor and their successors in interest, any right, remedy or claim under or by reason of this Indenture, this Indenture being intended to be for the sole and exclusive benefit of such parties and their successors in interest. Financial Security and the Pledgor shall be thirdparty beneficiaries to the provisions of this Indenture, entitled to enforce the provisions of this Indenture directly as if a party hereto.

Section 15.03. **Severability.** In case any one or more of the provisions of this Indenture or of the Bonds for any reason is held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Indenture or the Bonds, and this Indenture and the Bonds shall be construed and enforced to the end that the transactions contemplated hereby be effected and the obligations contemplated hereby be enforced as if such illegal or invalid provisions had not been contained therein. The parties hereto further agree that the holding of any court of competent jurisdiction that any remedy pursued by the Trustee hereunder is unavailable or unenforceable shall not affect in any way the ability of the Trustee to pursue any other remedy available to it.

Section 15.04. **No Personal Liability or Accountability.** No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any agent, officer or employee of CLGFA or the State, in his or her individual capacity, and neither the members of the Board of Directors of CLGFA or its Chair, any official or employee of CLGFA nor any official or employee executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 15.05. **Notice Addresses.** The following addresses shall constitute the principal office of the following persons for the purpose of receiving notice pursuant to this Indenture, unless such person designates a different address in writing to the Trustee and to each of the other parties listed below:

To CLGFA: California Local Government Finance Authority
c/o Regional Council of Rural Counties
1020 12th Street
Suite 400
Sacramento, CA 95814
Telephone: (916) 447-4806
FAX: (916) 448-3154
Attention: Executive Director

To the Trustee,
Registrar and
Paying Agent
For Administration: First Trust of California, National Association
Suite 400
One California Street
San Francisco, CA 94111
Telephone: (415) 273-4517
FAX: (415) 273-4590
Attention: Corporate Trust Department

To the Trustee First Trust of California, National Association
For Operations and c/o First Trust National Association

presentation of Bonds 180 East Fifth Street
for payment: St. Paul, MN 55164

To Financial Security: Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022
Attention: Surveillance Department
Telephone: (212) 8260100
FAX: (212) 3393518
(212) 3393529

To the PAC: Park Acquisition Corporation
of Marin Valley Mobile Country Club
100 Marin Valley Drive
Novato, CA 94949-6716
Telephone: (415) 883-5911
Attention: President

To the Owner: Novato Financing Authority
c/o Redevelopment Agency of the City of Novato
900 Sherman Avenue
Novato, CA 94945
Telephone: (415) 897-4301
FAX: (415) 897-4354
Attention: Deputy Director of Redevelopment

To the Pledgor: Redevelopment Agency of the City of Novato
900 Sherman Avenue
Novato, CA 94945
Telephone: (415) 897-4301
FAX: (415) 897-4354
Attention: Deputy Director of Redevelopment

In each case in which notice or other communication to Financial Security refers to an Event of Default or Trigger Event, a claim on the Policy or with respect to which failure on the part of Financial Security to respond shall be deemed to constitute consent or acceptance, then copies of such notice or other communication should also be sent to the attention of the General Counsel and the Head Financial Guaranty Group marked "URGENT MATERIAL ENCLOSED!"

All demands, notices and other communications to be given under this Indenture shall be in writing (except as otherwise specifically provided herein), shall be effective upon receipt and shall be mailed by registered mail or personally delivered or telexed or telecopied (in which case, telephone or mechanical confirmation is required) to each recipient.

Section 15.06. **Conduit Facilitator.** All parties hereto recognize and agree that CLGFA is acting in the transactions contemplated herein solely in a conduit facilitating role to assist the substantive parties in achieving their goals; CLGFA is not a substantive party to such transaction; and CLGFA's agreements and obligations hereunder are solely for the purpose of passing through funds and substantive agreements and obligations of such substantive parties.

Section 15.07. **Limited Liability.** Under no circumstances shall the City or the Agency, or their respective officers, agents, employees or representatives, or the officers, agents, employees or representatives of the Owner, be liable under this Indenture.

Section 15.08. **Counterparts.** This Indenture may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one and the same Indenture, and, in making proof of this Indenture, it shall not be necessary to produce or account for more than one such counterpart.

Section 15.09. **Governing Law.** Notwithstanding the place of execution, the laws of the State shall govern the construction of this Indenture and of all Bonds issued hereunder.

IN WITNESS WHEREOF, CLGFA has caused this Indenture to be signed in its name and its seal to be hereunto affixed and attested by its duly authorized officers, and the Trustee has caused this Indenture to be signed in its name by one of its authorized officers, and the same to be attested by an authorized officer, all as of the day and year first above written.

ITY CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHOR-

By _____
Name _____
Title _____

as Trustee FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION,

ATTEST: By _____
Name _____
Title _____

By _____
Name _____
Title _____

EXHIBIT A

FORM OF SENIOR BOND

No. R- \$ _____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**SENIOR REVENUE BONDS, SERIES 1997A
(MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT)
ISSUED FOR THE BENEFIT OF THE
NOVATO FINANCING AUTHORITY
FACILITATED BY THE
CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY**

INTEREST RATE:

MATURITY DATE:

DATED DATE:

CUSIP:

_____%

October 1, _____

March 1, 1997

REGISTERED OWNER: CEDE & CO.

Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT:

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY IS ACTING IN THE TRANSACTIONS CONTEMPLATED HEREIN SOLELY IN A CONDUIT FACILITATING ROLE TO ASSIST THE SUBSTANTIVE PARTIES IN ACHIEVING THEIR GOALS; CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY IS NOT A SUBSTANTIVE PARTY TO SUCH TRANSACTION; AND CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY'S AGREEMENTS AND OBLIGATIONS HEREUNDER ARE SOLELY FOR THE PURPOSE OF PASSING THROUGH FUNDS AND SUBSTANTIVE AGREEMENTS AND OBLIGATIONS OF SUCH SUBSTANTIVE PARTIES.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York Corporation ("DTC"), to the California Local Government Finance Authority or its agent for registration, transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or to such other

entity as is requested by an authorized representative of DTC (and any payment if made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

California Local Government Finance Authority, a joint exercise of powers agency duly organized and validly existing under the laws of the State of California ("CLGFA"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (collectively, the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon at the Interest Rate specified above in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless (a) this Bond is authenticated on or before September 15, 1997, in which event it shall bear interest from March 1, 1997, (b) this Bond is authenticated after the fifteenth (15th) day of the month preceding an Interest Payment Date, but prior to such Interest Payment Date, in which event it shall bear interest from and including such Interest Payment Date, or (c) this Bond is authenticated upon an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date; provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has been paid), payable semiannually on April 1 and October 1 in each year, commencing October 1, 1997 (each an "Interest Payment Date"), until the Maturity Date stated above. Interest on the Bonds shall be payable semiannually in arrears on each Interest Payment Date until the Principal Amount is paid and shall be calculated on the basis of a 360-day year of twelve 30-day months. The Principal Amount hereof is payable at the corporate trust office (the "Principal Office") of First Trust of California, National Association, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"), as defined in the Indenture hereinafter referred to. Interest hereon is payable by check mailed on the Interest Payment Date by first class mail to the Registered Owner hereof at the Registered Owner's address as it appears on the register (the "Bond Register") of the Trustee as of the fifteenth (15th) day of the month preceding each Interest Payment Date, or, upon written instruction (which instruction shall remain in effect until revoked by subsequent written instruction) filed with the Trustee prior to the fifteenth (15th) day of the month preceding each Interest Payment Date by a Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer of immediately available funds to the bank account number included in such written instruction, upon payment of any costs therefor.

This Bond is a special limited obligation of CLGFA payable solely from the Trust Estate (as defined in the Indenture) available for payment of this Bond pursuant to the terms of the Indenture, and is not a debt of the City of Novato, California (the "City"), the Novato Financing Authority (the "Owner"), or the State of California or any of its political subdivisions, and neither the City, the Owner nor the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation provisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties other than the Trust Estate and other funds held under the Indenture available for payment of this Bond pursuant to the terms of the Indenture. CLGFA has no taxing power. This Bond shall have no right or interest in or to any amounts rightfully held by the Trustee in the Subordinate Bonds Interest Account, Subordinate Bonds Principal Account, Subordinate Pledged Funds Account, Subordinate Debt Service Reserve Fund and Subordinate Cashtrap Account.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Bond Law (as defined hereinbelow) and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of CLGFA does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

This Bond is one of a duly authorized issue of bonds designated as the SENIOR REVENUE BONDS, SERIES 1997A (MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT) ISSUED FOR THE BENEFIT OF THE NOVATO FINANCING AUTHORITY FACILITATED BY THE CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY (the "Bonds") of an aggregate principal amount of FIFTEEN MILLION FOUR HUNDRED EIGHTY-FIVE THOUSAND DOLLARS (\$15,485,000.00) all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 (commencing with Section 6584) of Chapter 5, Division 7 of Title 1 of the California Government Code (the "Bond Law"), and pursuant to a Trust Indenture, dated as of March 1, 1997, by and between CLGFA and the Trustee (the "Indenture"), and a resolution of the Owner adopted on February 19, 1997, authorizing the issuance of the Bonds. No additional obligations, other than Subordinate Bonds (as defined in the Indenture), which will be issued concurrently with the Bonds, or certain limited subordinate obligations of the Owner which may be incurred pursuant to the Loan Agreement (as hereinafter defined), will be issued or incurred which are payable out of the Trust Estate in whole or in part.

The Bonds have been issued to provide funds to be used by the Owner in connection with the purchase of Marin Valley Mobile Country Club Park (exclusive of any structures, improvements, facilities or fixtures thereon, the "Project") and the structures, site improvements, roads, building facilities, fixtures and equipment on the Project, but excluding the mobile homes and personal property of the residents of the Project (the "Improvements").

This Bond and the interest hereon and all other Bonds and the interest thereon (to the extent set forth in the Indenture) are special limited obligations payable solely from, and are equally and ratably secured by a charge and lien on, certain revenues to be derived from payments to be made by the Owner to the Trustee pursuant to the Loan Agreement and certain other funds described in the Indenture; provided that the Bonds shall have no interest in amounts rightfully on deposit in the funds held by the Trustee under the Indenture which are for the sole and exclusive benefit of the owners of the Subordinate Bonds. The Bonds will be additionally secured by the Mortgage encumbering the Project delivered with respect to the Bonds to the Trustee, and granting a first lien on and security interest in the Project and the gross rents thereto. Reference is hereby made to the Indenture, the Loan Agreement and the Mortgage (copies of which are on file at the office of the Trustee) and all supplements thereto and to the Bond Law for a description of the terms on which the Bonds are issued and secured, the provisions with regard to the nature and extent of the Trust Estate, as that term is defined in the Indenture, and the rights thereunder of the registered owners of the Bonds and the rights, duties and immunities of the Trustee and the respective rights and obligations of CLGFA and the Owner thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds are subject to redemption at the direction of Financial Security Assurance Inc. ("Financial Security"), if it is the Controlling Party (as defined in the Indenture), or the Owner, if Financial Security is not the Controlling Party, in whole or in part on the earliest date following the date for which notice of redemption can be given as provided in the Indenture, at a price equal to the principal amount of Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium, from proceeds of insurance (including title insurance) or condemnation awards not used to repair or replace the Project and any amounts paid by the Owner, or the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") pursuant to the Loan Agreement dated as of March 1, 1997 (the "Loan Agreement") by and among CLGFA, the PAC and the Owner.

The Bonds maturing before October 1, 2008, are not subject to optional redemption prior to their respec-

tive stated maturities. The Bonds maturing on or after October 1, 2008, are subject to optional redemption at the direction of the Owner, with the prior written consent of Financial Security, if it is the Controlling Party, in whole or in part on any date on or after October 1, 2007, from Available Moneys (as defined in the Indenture) or from other sources as provided in the Loan Agreement upon payment of the respective redemption prices (expressed as a percentage of the principal amount to be redeemed) as set forth in the following table, together with accrued interest thereon to the date fixed for redemption:

Redemption Period
(Dates Inclusive)

Redemption Prices

October 1, 2007 through September 30, 2008

102%

October 1, 2008 through September 30, 2009

101

October 1, 2009 and thereafter

100

Prior to giving any notice of redemption which shall occur pursuant to the preceding paragraph, there will be deposited with the Trustee Available Moneys or a Letter of Credit (as defined in the Indenture) sufficient to make the necessary redemption payment.

The Bonds maturing on October 1, 2020 (the "2020 Term Bonds"), are also subject to mandatory sinking fund redemption prior to maturity in part (the actual 2020 Term Bonds of such Series or portions thereof to be redeemed to be selected by lot in such manner as may be designated by the Trustee) on October 1 in each year beginning October 1, 2013, at a redemption price equal to the principal amount to be redeemed, together with accrued interest thereon to the redemption date, without premium, as follows:

Sinking Fund
Redemption Dates
(October 1)

Principal Amount

To Be Redeemed

Sinking Fund
Redemption Dates
(October 1)

Principal Amount
To Be Redeemed

2013

\$435,000

2017

\$545,000

2014

460,000

2018

575,000

2015

490,000

2019

610,000

2016

515,000

2020

645,000

The Bonds maturing on October 1, 2027 (the "2027 Term Bonds"), are also subject to mandatory sinking fund redemption prior to maturity in part (the actual 2027 Term Bonds of such Series or portions thereof to be redeemed to be selected by lot in such manner as may be designated by the Trustee) on October 1 in each year beginning October 1, 2021, at a redemption price equal to the principal amount to be redeemed, together with accrued interest thereon to the redemption date, without premium, as follows:

Sinking Fund
Redemption Dates
(October 1)

Principal Amount
To Be Redeemed

Sinking Fund
Redemption Dates
(October 1)

Principal Amount
To Be Redeemed

2021

\$685,000

2025

\$860,000

2022

725,000

2026

910,000

2023

765,000

2027

1,980,000

2024

810,000

Upon redemption of the Bonds in part, the above schedule shall be revised by the Trustee in the amounts and at the direction of the Owner as necessary to achieve substantially level debt service on the Bonds.

On October 1, 2007, and October 1, 2017, the Senior Bonds shall be subject to mandatory redemption in whole or in part from amounts then on deposit in the Senior Cashtrap Account at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, in an amount equal to the amount on deposit in the Senior Cashtrap Account (rounded down to a multiple of \$5,000) on August 1, 2007, and August 1, 2017, respectively.

Upon (i) the existence of a Trigger Event (as defined in the Indenture), (ii) the existence of an "Event of Default" under the Indenture or (iii) receipt by the Trustee of a written notice from Financial Security that an "Event of Default" exists under the Insurance Agreement (as defined in the Indenture), any or all Bonds are subject to redemption, at the direction of Financial Security in whole or in part on any date, at a price equal to the principal amount of the Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium, in an amount designated by Financial Security, from funds on deposit with the Trustee in the Senior Cashtrap Account from amounts payable under the Policy (as defined hereinbelow), or as otherwise directed by Financial Security. In the event a partial redemption is directed by Financial Security, Financial Security shall direct the Trustee in writing as to the maturities and principal amounts of Bonds to be redeemed.

As provided in the Indenture, notice of redemption shall be mailed by first class mail (postage prepaid) not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective Registered Owners of any Bonds designated for redemption at their addresses appearing on the Bond Register of the Trustee, at least two national information services of national recognition which disseminates securities information with respect to tax-exempt securities and to Financial Security (as defined hereinbelow), but neither failure to mail such notice nor any defect in the notice so mailed shall affect the validity of the redemption of other Bonds with respect to which no such failure or defect has occurred.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Bonds are issuable only as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, fully registered Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount and maturity of fully registered Bonds of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by his duly authorized representative in writing, at the Principal Office of the Registrar (as defined in the Indenture), but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity, will be issued to the transferee in exchange therefor. The Trustee may refuse to transfer or exchange either (i) any Bond during the period beginning on any date after the Record Date and ending on the next Interest Payment Date or (ii) the portion of any Bond which the Trustee has selected for redemption pursuant to the provisions of the Indenture.

The rights and obligations of CLGFA and the Registered Owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the registered owner of such Bond, the creation of a claim or lien upon or a pledge of the Trust Estate, a preference or priority of any Bond over any other Bond, any change adversely affecting the tax-exempt status of the Bonds, reduce the percentages of the Registered Owners required to effect any such modification or amendment, or any other amendment to this paragraph.

STATEMENT OF INSURANCE

Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to First Trust of California, National Association or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent, and a copy thereof may be obtained from the Paying Agent.

[TESTIMONIAL AND SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, California Local Government Finance Authority has caused this Senior Bond to be executed in its name and on its behalf with the manual or facsimile signature of its Executive Director and attested to by the manual or facsimile signature of its Secretary, all as of the Dated Date specified above.

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

ITY

By _____
Executive Director

By _____
Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Senior Bonds described in the within-mentioned Indenture.

Dated: March __, 1997

AS TRUSTEE FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION,

By _____
Authorized Signatory

[FORM OF ASSIGNMENT]

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the withinregistered Bond and do(es) hereby irrevocably constitute and appoint, attorney, to transfer the same on the registration books of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor.

NOTICE: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

FORM OF SUBORDINATE BOND

THIS BOND IS SUBORDINATE TO ALL OF THE SENIOR BONDS REFERRED TO HEREIN TO THE EXTENT DESCRIBED IN THE INDENTURE REFERRED TO HEREIN.

No. R-

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY
SUBORDINATE REVENUE BONDS, SERIES 1997B
(MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT)

INTEREST RATE:

MATURITY DATE:

DATED DATE:

CUSIP:

_____%

April 1, _____

March 1, 1997

[FOLLOWING LEGEND TO BE USED WHILE BOND REQUIRED TO BE IN AUTHORIZED DENOMINATIONS OF AT LEAST \$100,000]

THIS BOND MAY BE SOLD OR TRANSFERRED ONLY TO QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING SET FORTH IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. TRANSFEREES ARE REQUIRED TO EXECUTE A TRANSFEREE LETTER, THE FORM OF WHICH MAY BE OBTAINED FROM THE TRUSTEE, AND TRANSFER OF THIS BOND MAY NOT BE MADE UNLESS THE TRANSFEREE COMPLIES WITH THE PROVISIONS OF THE INDENTURE REQUIRING SUCH TRANSFEREE TO EXECUTE A TRANSFEREE LETTER IN THE FORM ATTACHED AS EXHIBIT D TO THE INDENTURE, EXCEPT AS OTHERWISE PROVIDED IN THE INDENTURE.

REGISTERED OWNER:

PRINCIPAL AMOUNT:

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY IS ACTING IN THE TRANSACTIONS CONTEMPLATED HEREIN SOLELY IN A CONDUIT FACILITATING ROLE TO ASSIST THE SUBSTANTIVE PARTIES IN ACHIEVING THEIR GOALS; CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY IS NOT A SUBSTANTIVE PARTY TO SUCH TRANSACTION; AND CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY'S AGREEMENTS AND OBLIGATIONS HEREUNDER ARE SOLELY FOR THE PURPOSE OF PASSING THROUGH FUNDS AND SUBSTANTIVE AGREEMENTS AND OBLIGATIONS OF SUCH SUBSTANTIVE PARTIES.

California Local Government Finance Authority, a joint exercise of powers agency duly organized and validly existing under the laws of the State of California ("CLGFA"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (collectively, the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon at the Interest Rate specified above in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless (a) this Bond is authenticated on or before September 15, 1997, in which event it shall bear interest from March 13, 1997, (b) this Bond is authenticated after the fifteenth (15th) day of the month preceding an Interest Payment Date, but prior to such Interest Payment Date, in which event it shall bear interest from and including such Interest Payment Date, or (c) this Bond is authenticated upon an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date; provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has been paid), payable semiannually on April 1 and October 1 in each year, commencing October 1, 1997 (each an "Interest Payment Date"), until the Maturity Date stated above. Interest on the Bonds shall be payable semiannually in arrears on each Interest Payment Date until the Principal Amount is paid and shall be calculated on the basis of a 360-day year of twelve 30-day months. The Principal Amount hereof is payable at the corporate trust office (the "Principal Office") of First Trust of California, National Association, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"), as defined in the Indenture hereinafter referred to. Interest hereon is payable by check mailed on the Interest Payment Date by first class mail to the Registered Owner hereof at the Registered Owner's address as it appears on the register (the "Bond Register") of the Trustee as of the fifteenth (15th) day of the month preceding each Interest Payment Date, or, upon written instruction (which instruction shall remain in effect until revoked by subsequent written instruction) filed with the Trustee prior to the fifteenth (15th) day of the month preceding each Interest Payment Date by a Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer of immediately available funds to the bank account number included in such written instruction, upon payment of any costs therefor.

EXCEPT TO THE EXTENT OTHERWISE SPECIFICALLY PROVIDED IN THE INDENTURE, THE SENIOR BONDS (AS DEFINED IN THE INDENTURE) ARE SUPERIOR TO AND HAVE PRIORITY OVER THE BONDS, AND THE BONDS ARE JUNIOR AND SUBORDINATE IN ALL RESPECTS TO THE SENIOR BONDS. PAYMENT OF THE BONDS SHALL NOT BE MADE FROM FUNDS REQUIRED TO PAY OR TO BE RESERVED TO PAY THE SENIOR BONDS, ANY EXPENSES, COSTS OR FEES RELATING THERETO, ANY OTHER AMOUNTS DUE UNDER THE INDENTURE OR UNDER THE LOAN AGREEMENT IN RESPECT OF THE SENIOR BONDS AND THE SENIOR LOAN AND ANY AMOUNTS PAYABLE UNDER THE INSURANCE AGREEMENT.

This Bond is a special limited obligation of CLGFA payable solely from the Trust Estate (as defined in the Indenture) available for payment of this Bond pursuant to the terms of the Indenture, and is not a debt of the City of Novato, California (the "City"), the Redevelopment Agency of the City of Novato (the "Agency"), the Novato Financing Authority (the "Owner"), or the State of California or any of its political subdivisions, and neither the City, the Agency, the Owner nor the State of California or any of its political subdivisions, within the

meaning of any constitutional or statutory debt limitation provisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties other than the Trust Estate and other funds held under the Indenture available for payment of this Bond pursuant to the terms of the Indenture. CLGFA has no taxing power. This Bond shall have no right or interest in or to any amounts held by the Trustee under the Indenture other than amounts rightfully on deposit in the Subordinate Bonds Interest Account, Subordinate Bonds Principal Account, Subordinate Pledged Funds Account, Subordinate Debt Service Reserve Fund and Subordinate Cashtrap Account.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Bond Law (as defined hereinbelow) and the laws of the State of California and that the amount of this bond, together with all other indebtedness of CLGFA, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

This Bond is one of a duly authorized issue of bonds designated as the SUBORDINATE REVENUE BONDS, SERIES 1997B (MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT) ISSUED FOR THE BENEFIT OF THE NOVATO FINANCING AUTHORITY FACILITATED BY CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY (the "Bonds") of an aggregate principal amount of ONE MILLION FIVE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS (\$1,585,000) all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 (commencing with Section 6584) of Chapter 5, Division 7 of Title 1 of the California Government Code (the "Bond Law"), and pursuant to a Trust Indenture, dated as of March 1, 1997, by and between CLGFA and the Trustee (the "Indenture"), and a resolution of CLGFA adopted on February 19, 1997, authorizing the issuance of the Bonds. No additional obligations, other than the Senior Bonds, which will be issued concurrently with the Bonds, or certain limited subordinate obligations of the Owner which may be incurred pursuant to the Loan Agreement (as hereinafter defined), will be issued or incurred which are payable out of the Trust Estate in whole or in part.

The Bonds have been issued to provide funds to be used by the Owner in connection with the purchase of Marin Valley Mobile Country Club Park (exclusive of any structures, improvements, facilities or fixtures thereon, the "Project") and the structures, site improvements, roads, building facilities, fixtures and equipment on the Project, but excluding the mobile homes and personal property of the residents of the Project (the "Improvements").

This Bond and the interest hereon and all other Bonds and the interest thereon (to the extent set forth in the Indenture) are special limited obligations payable solely from, and are equally and ratably secured by a charge and lien on, certain revenues to be derived from payments to be made by the Owner to the Trustee pursuant to the Loan Agreement and certain other funds held by the Trustee rightfully on deposit in the Subordinate Bonds Principal Account, the Subordinate Bonds Interest Account, the Subordinate Debt Service Reserve Fund, the Subordinate Pledged Funds Account and the Subordinate Cashtrap Account. The Bonds will be additionally secured, on a basis subordinate to the Senior Bonds, by the Mortgage encumbering the Project delivered with respect to the Senior Bonds and the Bonds to the Trustee, and subject to the priority of the Senior Bonds, granting a first lien on and security interest in the Project and the gross rents thereof. The Bonds are further secured by all of the Owner's right, title and interest in, to and under the Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997 (the "Pledge Agreement"), by

and among the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC"), the Owner and the Agency. Reference is hereby made to the Indenture, the Loan Agreement, the Mortgage and the Pledge Agreement (copies of which are on file at the office of the Trustee) and all supplements thereto and to the Bond Law for a description of the terms on which the Bonds are issued and secured, the provisions with regard to the nature and extent of the Trust Estate, as that term is defined in the Indenture, and the rights thereunder of the registered owners of the Bonds and the rights, duties and immunities of the Trustee and the respective rights and obligations of CLGFA, the Owner and the Agency thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

EXCEPT AS OTHERWISE SPECIFICALLY SET FORTH IN THE INDENTURE, PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS IS SUBORDINATE IN ALL RESPECTS TO THE PAYMENT OF PRINCIPAL OF, PREMIUM IF ANY, AND INTEREST DUE ON THE SENIOR BONDS AND TO THE PAYMENT OF CERTAIN AMOUNTS, FEES AND EXPENSES DUE UNDER THE INDENTURE, THE LOAN AGREEMENT AND THE INSURANCE AGREEMENT. The Bonds shall be and hereby are subordinated in priority and in right and time of payment to (i) all amounts due on the Senior Bonds, (ii) all amounts required to be deposited in the Senior Bonds Interest Account and the Senior Bonds Principal Account and the Senior Debt Service Reserve Fund in accordance with Section 5.03 of the Indenture, (iii) any fees, charges and expenses due and payable to CLGFA or the Trustee under the Indenture, (iv) all amounts required to be deposited in any Account created under the Indenture prior to the deposits required to be made in the Subordinate Bonds Principal Account and the Subordinate Bonds Interest Account, (v) the Management Fee and amounts required to be paid to the Property Manager pursuant to Section 5.03(b) and Section 5.03(c) of the Indenture, and (vi) any Premium or other amounts payable to Financial Security under the Insurance Agreement, except to the extent funds are rightfully on deposit in the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account for the payment thereof, including moneys transferred thereto from the Subordinate Cashtrap Account, the Subordinate Pledged Funds Account and the Subordinate Debt Service Reserve Fund in accordance with the provisions of the Indenture.

Payment of the Bonds shall be made by the Trustee only from moneys rightfully on deposit in the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account as provided in the Indenture, including moneys transferred thereto from the Subordinate Cashtrap Account, the Subordinate Pledged Funds Account and the Subordinate Debt Service Reserve Fund pursuant to the Indenture. Payment of the Bonds shall not be made from funds required to pay or to be reserved to pay the Senior Bonds, any expenses, costs or fees relating thereto, all other amounts due under the Indenture or under the Loan Agreement in respect of the Senior Bonds and the Senior Loan and any amounts payable under the Insurance Agreement. No payment shall be due and payable on the Bonds, and the Holder of this Bond, by acceptance of this Bond, expressly agrees and acknowledges that except as expressly provided in the Indenture (a) no payment shall be due and payable on the Bonds if the Trustee does not rightfully hold sufficient funds in the Subordinate Bonds Principal Account or the Subordinate Bonds Interest Account to make such payment; provided, however, that such payment shall be made to the extent of funds rightfully on deposit in the Subordinate Cashtrap Account, the Subordinate Pledged Funds Account and the Subordinate Debt Service Reserve Fund, and (b) no amounts may be deposited into the Subordinate Cashtrap Account, the Subordinate Debt Service Reserve Fund, the Subordinate Bonds Principal Account or the Subordinate Bonds Interest Account, except from transfers from the Subordinate Cashtrap Account, the Subordinate Pledged Funds Account and the Subordinate Debt Service Reserve Fund, while a Trigger Event exists.

The Bonds are subject to redemption at the direction of the Owner, in whole or in part on the earliest date following the date for which notice of redemption can be given as provided in the Indenture, at a price equal to the principal amount of Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium, from proceeds of insurance (including title insurance) or condemnation awards not used to repair or replace the Project and any amounts paid by the Owner or the PAC pursuant to the Loan Agree-

ment dated as of March 1, 1997 (the "Loan Agreement") by and among CLGFA, the PAC and the Owner; provided, however, that no Bonds shall be redeemed pursuant to this paragraph until no Senior Bonds remain Outstanding and all amounts due and payable to Financial Security have been paid in full.

The Bonds maturing on or before October 1, 2007, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after October 1, 2008, are subject to optional redemption at the direction of the Owner, in whole or in part on any date on or after October 1, 2007, solely from amounts rightfully on deposit in the Subordinate Cashtrap Account (as defined in the Indenture) upon payment of the respective redemption prices (expressed as a percentage of the principal amount to be redeemed) as set forth in the following table, together with accrued interest thereon to the date fixed for redemption:

Redemption Period
(Dates Inclusive)

Redemption Prices

October 1, 2007 through September 30, 2008

102%

October 1, 2008 through September 30, 2009

101

October 1, 2009 and thereafter

100

The Bonds maturing on October 1, 2024 (the "Term Bonds"), are also subject to sinking fund redemption prior to maturity in part (the actual Term Bonds of such Series or portions thereof to be redeemed to be selected by lot in such manner as may be designated by the Trustee) on October 1 in each year beginning October 1, 1997, at a redemption price equal to the principal amount to be redeemed, together with accrued interest thereon to the redemption date, without premium, as follows:

Sinking Fund
Redemption Dates
(October 1)

Principal Amount

Sinking Fund
Redemption Dates
(October 1)

To Be Redeemed

Principal Amount
To Be Redeemed

1997

\$10,000.00

2011

50,000.00

1998

20,000.00

2012

55,000.00

1999

20,000.00

2013

60,000.00

2000

20,000.00

2014

60,000.00

2001	25,000.00
2015	65,000.00
2002	25,000.00
2016	70,000.00
2003	30,000.00
2017	75,000.00
2004	30,000.00
2018	85,000.00
2005	30,000.00
2019	90,000.00

2006	35,000.00
2020	95,000.00
2007	35,000.00
2021	105,000.00
2008	40,000.00
2022	110,000.00
2009	45,000.00
2023	120,000.00
2010	45,000.00
2024*	135,000.00

*Final Maturity.

Failure to redeem Bonds as described in the immediately preceding paragraph shall not constitute an "Event of Default" under the Indenture. Upon redemption of Bonds in part, the above schedule shall be revised by the Trustee in the amounts and at the direction of the Owner as necessary to achieve substantially level debt service on the Bonds.

As provided in the Indenture, notice of redemption shall be mailed by first class mail (postage prepaid) not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective Registered Owners of any Bonds designated for redemption at their addresses appearing on the Bond Register of the Trustee, at least two national information services of national recognition which disseminates securities information with respect to tax-exempt securities and to Financial Security (as defined hereinbelow), but neither failure to mail such notice nor any defect in the notice so mailed shall affect the validity of the redemption of other Bonds with respect to which no such failure or defect has occurred.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Bonds are issuable only as fully registered Bonds without coupons in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, fully registered Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount and maturity of fully registered Bonds of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by his duly authorized representative in writing, at the Principal Office of the Registrar (as defined in the Indenture), but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. **No such transfer shall be made unless the transferee executes and delivers an Investor Letter, as defined in the Indenture, and the transfer complies with all other provisions of the Indenture with respect to such transfer.** Upon registration of such transfer, a new Bond or Bonds of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity, will be issued to the transferee in exchange therefor. The Trustee may refuse to transfer or exchange either (i) any Bond during the period beginning on any date after the Record Date and ending on the next Interest Payment Date or (ii) the portion of any Bond which the Trustee has selected for redemption pursuant to the provisions of the Indenture.

The rights and obligations of CLGFA and the Registered Owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the Registered Owner of such Bond, the creation of a claim or lien upon or a pledge of the Trust Estate, a preference or priority of any Bond over any other Bond, any change adversely affecting the tax-exempt status of the Bonds, reduce the percentages of the Registered Owners required to effect any such modification or amendment, or any other amendment to this paragraph.

As long as (i) any Senior Bonds are Outstanding or (ii) any amounts are due and payable to CLGFA, the

Trustee or Financial Security under the Indenture or under the Insurance Agreement, no Event of Default may be declared to exist with respect to the Bonds and the Trustee shall not, without the prior written consent of the Controlling Party, declare a default with respect to the Bonds or otherwise enforce the provisions of the Indenture relating to the Bonds; provided, however, that the Trustee shall have the right, without the prior written consent of the Controlling Party, to enforce the provisions of the Pledge Agreement for the benefit of the Holders of the Bonds. The Holders of the Bonds, by acceptance of their Bonds, expressly agree to and acknowledge that (i) whether or not the Owner, the PAC or CLGFA is insolvent, no payments will be due and payable on any Bond if the Trustee does not rightfully hold sufficient funds in the Subordinate Bonds Principal Account or the Subordinate Bonds Interest Account, or in the Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account which is rightfully available for transfer to the Subordinate Bonds Principal Account and Subordinate Bonds Interest Account, to make such payment, (ii) no Holder of a Bond will institute against, or join any other person in instituting against, CLGFA, the Owner or the PAC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any bankruptcy or similar law, until the later of: (x) the date on which no Senior Bonds remain Outstanding and no amounts are due and payable to Financial Security under the Insurance Agreement or (y) the day which is the 123rd day after the expiration of the Insurance Agreement and (iii) as long as any Senior Bonds remain Outstanding or any amounts are due and payable to Financial Security under the Indenture or under the Insurance Agreement, no default or Event of Default shall exist with respect to the Bonds.

Upon the occurrence of an Event of Default with respect to the Bonds, the principal of and accrued interest on this Bond may become or be declared due and payable before the Maturity Date in the manner, with the effect, and subject to the conditions provided in the Indenture. **THE SUBORDINATION OF THE BONDS APPLIES TO ALL PAYMENTS ON ACCOUNT OF SUCH BONDS, WHETHER THE SAME SHALL BE ON ACCOUNT OF PRINCIPAL OR INTEREST CURRENTLY DUE, OR DUE UPON ACCELERATION, REDEMPTION OR MATURITY OF THE BONDS.** The Indenture provides that the occurrences of certain events constitute Events of Default and provides certain remedies as a result of Events of Default. **SO LONG AS ANY SENIOR BONDS REMAIN OUTSTANDING OR ANY AMOUNTS ARE DUE AND PAYABLE TO FINANCIAL SECURITY UNDER THE INDENTURE OR UNDER THE INSURANCE AGREEMENT, NO EVENT OF DEFAULT WILL EXIST OR MAY BE DECLARED WITH RESPECT TO ANY BONDS. SO LONG AS ANY SENIOR BONDS REMAIN OUTSTANDING OR ANY AMOUNTS ARE DUE AND PAYABLE TO FINANCIAL SECURITY UNDER THE INDENTURE OR UNDER THE INSURANCE AGREEMENT, THE BONDS MAY NOT BE ACCELERATED WITHOUT THE CONSENT OF THE CONTROLLING PARTY AND THE HOLDERS OF THE BONDS SHALL HAVE NO RIGHT TO PURSUE OR DIRECT ANY REMEDY AVAILABLE TO THE TRUSTEE UNDER THE INDENTURE. THE HOLDERS OF THE BONDS EXPRESSLY ACKNOWLEDGE AND AGREE THAT THE SENIOR BONDS MAY BE ACCELERATED WITHOUT ANY CORRESPONDING ACCELERATION OF THE BONDS.**

The Holder of each Bond, by acceptance of such Bond, expressly agrees and acknowledges that (i) whether or not CLGFA or the Owner is insolvent, no payments will be due and payable on any Bond, if (A) the Trustee does not rightfully hold sufficient funds in the Subordinate Bonds Principal Account or the Subordinate Bonds Interest Account to make such payment, except from amounts transferred from the Subordinate Cashtrap Account, the Subordinate Pledged Funds Account and the Subordinate Debt Service Reserve Fund for the purpose of making such payment pursuant to the Indenture, (ii) no Holder of a Bond may institute against, or join any other person in instituting against, CLGFA, the Owner or the PAC, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other and

proceeding under any bankruptcy or similar law, until the later of (x) the date on which no Senior Bonds are Outstanding and no amounts are due and payable to Financial Security under the Indenture and under the Insurance Agreement, or (y) the day which is the 123rd day after the expiration of the Insurance Agreement, and (iii) so long as any Senior Bonds are Outstanding no amounts are due to Financial Security, no default or Event of

Default shall exist with respect to the Bonds. Except as provided in the Indenture, the Holder of this Bond shall have no right to enforce the provisions of the Indenture or take any action with respect to any Event of Default under the Indenture.

[TESTIMONIAL AND SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, California Local Government Finance Authority has caused this Subordinate Bond to be executed in its name and on its behalf with the manual or facsimile signature of its Executive Director and attested to by the manual or facsimile signature of its Secretary, all as of the Dated Date specified above.

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

By _____
Executive Director

By _____
Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Subordinate Bonds described in the within-mentioned Indenture.

Dated: March __, 1997

FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION,
AS TRUSTEE

By _____
Authorized Signatory

[FORM OF ASSIGNMENT]

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the withinregistered Bond and do(es) hereby irrevocably constitute and appoint, attorney, to transfer the same on the registration books of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor.

NOTICE: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT C

LIST OF ELIGIBLE INVESTMENTS

In addition to the following, each Eligible Investment must be an instrument that has a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, and, if the obligation is rated, it must not have an "r" highlighter affixed to its rating. Interest on each Eligible Investment must be payable at a fixed rate or, if payable at a variable rate, the rate must be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with that index.

1. (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

3. The obligations described below of the governmentsponsored agencies listed below which are not backed by the full faith and credit of the United States of America:

Federal Home Loan Mortgage Corporation (FHLMC)

Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

Senior Debt obligations

Farm Credit Banks (formerly Federal Land Banks, Federal

Intermediate Credit Banks and Banks for Cooperatives)

Consolidated systemwide bonds and notes

Federal Home Loan Banks (FHL Banks)

Consolidated debt obligations

Federal National Mortgage Association (FNMA)

Senior debt obligations

Mortgagebacked securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

Student Loan Marketing Association (SLMA)

Senior debt obligations (excluded are securities that do not have

a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call

date)

Financing Corporation (FICO)

Debt obligations

Resolution Funding Corporation (REFCORP)

Debt obligations (excluded are those not issued by the U.S. Treasury and stripped by the Federal Reserve Bank of New York)

4. Unsecured certificates of deposit, time deposits and bankers' acceptances (having maturities of not more than 30 days) of any bank the unsecured shortterm obligations of which are rated at least "A1" by S&P.

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

6. Commercial paper (having original maturities of not more than 270 days) rated "A1+" by S&P and "Prime1" by Moody's.

7. Money market funds rated at least "Aam" or "AamG" by S&P.

8. "State Obligations," which means:

(a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least "A3" by Moody's and "A" by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsealed general obligation debt is so rated.

(b) Direct general shortterm obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A1+" by S&P and "Prime1" by Moody's.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated at least "AA" by S&P and at least "Aa" by Moody's.

9. Prerefunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) either (i) the municipal obligations are not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in

the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest and premium, if any, due and to become due on the municipal obligations ("Verification");

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase Agreements:

(a) With any domestic bank the long term unsecured debt of which is rated at least "AA" by S&P (so long as an Opinion of Counsel is rendered that the repurchase agreement is a "repurchase agreement" and a "qualified financial contract as defined in the Financial Institution's Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and that such bank is subject to FIRREA), or any foreign bank the long term unsecured debt of which is rated at least "AA" by S&P and "Aaa" by Moody's, or "AAA" by S&P and at least "Aa" by Moody's, provided the term of such repurchase agreement is for one year or less.

(b) With (1) any brokerdealer with "retail customers" which has, or the parent company of which has, longterm unsecured debt rated at least "AA" by S&P and at least "Aa" by Moody's, which brokerdealer falls under the jurisdiction of the Securities Investors Protection Corporation (SIPC); or (2) any other entity approved by Financial Security (with respect to the Senior Bonds only), provided that:

(i) The market value of the collateral is maintained (A) for United States Treasury Securities at the levels shown below under "Collateral Levels for United States Treasury Obligations" and (B) for other collateral, at levels acceptable to the Controlling Party (with respect to the Senior Bonds only);

(ii) Failure to maintain the requisite collateral percentage will require CLGFA or the Trustee to liquidate the collateral;

(iii) CLGFA, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") has possession of the collateral, or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(iv) The repurchase agreement shall state and an Opinion of Counsel (which opinion shall be addressed to CLGFA, the Trustee and Financial Security) shall be rendered that the Holder of the Collateral has a perfected firstpriority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(v) The transferor represents that the collateral is free and clear of any thirdparty liens or claims;

(vi) An Opinion of Counsel is rendered that the repurchase agreement is a "repurchase agreement" as defined in the United States Bankruptcy Code and, if the provider is a bank, a "qualified finance contract" as defined in FIRREA and that such bank is subject to FIRREA;

(vii) There is or will be a written agreement governing every repurchase transaction;

(viii) CLGFA and the Trustee each represent that it has no knowledge of any fraud invoices in the repurchase transaction; and

(ix) CLGFA, Financial Security and the Trustee each receive the Opinion of Counsel (which opinion shall be addressed to CLGFA, the Trustee and Financial Security) that such repurchase agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms.

11. Investment agreements in form and substance approved by the Controlling Party, with an entity approved by the Controlling Party.

12. Other legal investments permitted by the laws of the State approved in writing by the Controlling Party with respect to the Senior Bonds.

Collateral Levels for United States Treasury Obligations

Remaining maturity

1 year
or less

5 years
or less

10 years
or less

15 years
or less

30 years
or less

Frequency of Valuation

Daily

102

105

106

108

114

Weekly

103

111

112

114

120

Monthly

105

117

120

125

133

Quarterly

107

120

130

133

140

Valuation Requirements

1. On each valuation date CLGFA, the Trustee or the custodian who shall confirm to CLGFA and the Trustee, shall value the market value (exclusive of accrued interest) of the collateral, which market value will be an amount equal to the requisite collateral percentage times the principal amount of the investment and unpaid accrued interest thereon that is being secured.

2. In the event the collateral level is below its collateral percentage on a valuation date, such percentage shall be restored within the following restoration periods: one business day for daily valuations, two

business days for weekly and monthly valuations and one month for quarterly valuations.

3. The Indenture must require CLGFA or the Trustee to terminate the repurchase agreement or investment agreement, as appropriate, upon a failure to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the collateral, liquidate the collateral.

Notwithstanding anything contained herein to the contrary, no opinion addressed to, or consent required of, Financial Security or the Controlling Party shall be required with respect to any investments of amounts on deposit in the Subordinate Bonds Principal Account, the Subordinate Bonds Interest Account, the Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account; provided, however, that any investments constituting investment agreements shall be substantially in form and substance to the initial investment agreement applicable to such accounts and such investment agreements shall be (i) rated by a Rating Agency in one of the top three long-term rating categories or (ii) with an entity whose long-term unsecured rating is in one of the top three long-term rating categories by a Rating Agency.

EXHIBIT D

FORM OF INVESTOR LETTER (Rule 144A Transfer)

[Date]

California Local Government
Finance Authority
Sacramento, California

Redevelopment Agency of the
City of Novato
Novato, California

Novato Financing Authority
Novato, California

First Trust of California, National
Association, as trustee under
the Indenture (defined below)
San Francisco, California

\$1,585,000
Subordinate Revenue Bonds, Series 1997B
(Marin Valley Mobile Country Club Park Acquisition Project)
Issued for the Benefit of the
Novato Financing Authority
Facilitated by
California Local Government Finance Authority

Ladies and Gentlemen:

The undersigned, purchaser of the \$_____ aggregate principal amount of the above-captioned bonds (the "Bonds") issued and delivered pursuant to that certain Trust Indenture dated as of March 1, 1997 (the "Indenture") between the California Local Government Finance Authority ("CLGFA") and First Trust of California, National Association, as trustee, hereby represents to you that:

1. The undersigned is a _____ organized as a _____ and has duly authorized, by all necessary action, the approval of the purchase of the Bonds. The undersigned is a "qualified institutional buyer" as defined in Rule 144A promulgated by the Securities and Exchange Commission in accordance with the Securities Act of 1933, as amended. The undersigned is duly authorized to execute and deliver this letter.

2. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds.

3. We are able to bear the economic risk of such investment.

4. We understand that the Bonds are special, limited revenue obligations payable from and secured by the revenues, moneys and assets pledged therefor as provided in the Indenture.

5. We have received material information with respect to the Bonds from the Authority but, in due diligence, we have made our own inquiry and analysis with respect to the Bonds and the security therefor, and the other material factors affecting the security and payment of the Bonds. We have carefully examined final copies or drafts in substantially final form of the basic legal documents relating to the Bonds, including the Indenture, the Loan Agreement, the Pledge Agreement (as all such terms are defined in the Indenture), the Private Placement Memorandum related to the Bonds and the legal opinion delivered or to be delivered by Kutak Rock as bond counsel. The Purchaser understands that, other than as specifically provided to the Purchaser upon the purchase of the Bonds, which specifically states that the Purchaser may rely on such certification or opinion, no party involved with the issuance of the Bonds, including, without limitation, the addressees hereto, is passing upon the accuracy or completeness of any of the information contained in the Private Placement Memorandum or making any investigation incident to the preparation of such Private Placement Memorandum.

6. We acknowledge that we have either been supplied with or have access to information, including financial statements and other financial information, to which we or a reasonable Investor would attach significance in making investment decisions, and we have had the opportunity to ask all of our questions and receive answers from knowledgeable individuals concerning the Bonds and the security therefor so that as a reasonable Investor, we have been able to make our decision to purchase the Bonds. In making our investment decision, we have not relied on CLGFA or its financial advisor, American Government Financial Services Company

("AGFS"), or the Novato Financing Authority (the "Authority"), in making such analysis. We acknowledge that CLGFA and AGFS have not (i) evaluated nor approved the creditworthiness of the Project, the Redevelopment Agency of the City of Novato (the "Redevelopment Agency") or the Authority, (ii) provided any information regarding the Bonds, the Project, the Redevelopment Agency, the Authority or otherwise in connection herewith and (iii) made any representations or recommendations thereto.

7. We understand that the Bonds (a) are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed on any stock or other securities exchange, (c) will not carry a rating from any rating service, and (d) will be delivered in a form which may not be readily marketable.

8. We understand that the Bonds have not been registered under the Securities Act of 1933, as amended, and that such registration is not legally required. We understand that the Indenture provides restrictions on the sale or other transfer of the Bonds. We represent to you that we are purchasing the Bonds for investment for our own account and not with a present view toward resale or the distribution thereof, in that we do not now intend to resell or otherwise dispose of all or any part of the Bonds, except as permitted by law and the Indenture and in compliance with, and subject to, all applicable federal and state securities laws and regulations thereunder and the Indenture; provided, nevertheless, that the disposition of our property shall at all times be within our control.

9. We understand that CLGFA has functioned solely as a facilitator of this transaction, and the CLGFA and AGFS have provided absolutely no information in connection with the sale of the Bonds and that no information has been derived from them. We have not looked to CLGFA or AGFS in any respect for any information or inquiry regarding the transaction, the Bonds, the Project or any other information related in any way whatsoever thereto. We hereby waive any and all claims that may otherwise be available against CLGFA or AGFS relating to the Bonds, other than CLGFA's obligation to pay debt service from funds paid to it as set forth in the Indenture.

10. We understand and acknowledge that the Bonds are subordinate to the Senior Bonds as set forth in the Indenture. Furthermore, we understand and acknowledge that only the Senior Bonds are secured by the municipal bond insurance policy issued by Financial Security Assurance Inc. and that the Bonds are not payable from or secured by any amounts received by the Trustee from such policy. We further understand that so long as any Senior Bonds are outstanding or any amounts are owed to Financial Security Assurance Inc., no event of default may be declared to exist with respect to the Bonds.

11. We have executed and delivered this letter in connection with the issuance and delivery of the Bonds as an inducement to the substantive parties to cause CLGFA to execute, deliver and sell the Bonds to us, and you may rely upon this letter in that respect.

By _____
Name _____
Title _____