

March 13, 1997

Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022

First Trust of California,
National Association
Suite 400
One California Street
San Francisco, CA 94111

Re: Capital Improvements Agreement

Ladies and Gentlemen:

This letter (this "Agreement") sets forth the agreement of the Novato Financing Authority (the "Owner") and the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") made in connection with the related \$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 (the "Series 1997A Bonds") and \$1,565,000 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 (the "Series 1997B Bonds" and together with the Series 1997A Bonds, the "Bonds") to be issued pursuant to the Trust Indenture dated as of March 1, 1997 (the "Indenture"), by and between the California Local Government Finance Authority ("CLGFA") and First Trust of California, National Association, as trustee (the "Trustee"), pursuant to which the Trustee agrees, among other things, to hold and administer various funds on behalf of the registered owners of the Bonds and Financial Security Assurance Inc.

The PAC and the Owner agree to cause the repairs and improvements (the "Improvements") related to the Project (as defined in the Indenture) listed on the Improvements Schedule attached to this Agreement as Exhibit A to be completed in a manner consistent with good workmanship, standards characteristic of projects of this type and the requirements of the Mortgage Loan Documents (as such term is defined in the Indenture). The Improvements shall at all times be subject to the reasonable approval of Financial Security. On or before the date hereof, the Authority shall cause to be remitted solely from proceeds of the Bonds to the Trustee immediately available funds equal to \$238,790 to be deposited in the Capital Improvement Subaccount created pursuant to the Indenture.

The PAC shall submit, or cause the Property Manager (as such term is defined in the Indenture) to submit, to Financial Security such evidence as Financial Security shall reasonably require to demonstrate completion of such Improvements, together with a requisition, substantially in the form attached hereto as Exhibit B, to the Trustee to transfer funds sufficient to pay such invoices from the Capital Improvements Subaccount to the Property Manager. Requisitions shall not be submitted more frequently than one time per month. Upon receipt and approval of such evidence, together with invoices for such improvements, Financial Security will approve payment of such invoices by giving its written consent on the requisition and will promptly send the approved requisition to the Trustee. The Property Manager will pay the invoices from the amounts so transferred.

The PAC and the Owner agree that all Improvements shall be made no later than April 1, 1998, or such later date as may be approved by Financial Security in its sole discretion. If the Improvements are not completed by April 1, 1998, the Improvements may be made at the direction of Financial Security, at the expense of the Owner, but solely from amounts on deposit in the Capital Improvements Subaccount and the Replacement Reserve Fund.

All parties hereto, including you, 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 transactions; 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.

Under no circumstances shall the City of Novato or the Redevelopment Agency of the City of Novato, or their respective officers, agents, employees or representatives, or the officers, agents, employees or representatives of the Owner, be liable under this Agreement.

[Remainder of page intentionally left blank]

Terms used herein and not otherwise defined in this Capital Improvements Agreement shall have the meanings assigned to such terms in the Indenture.

Very truly yours,

NOVATO FINANCING AUTHORITY

By

Name Patricia Eklund
Title Chair

PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB

By _____
Name Owen V. Haxton
Title President

EXHIBIT A

MARIN VALLEY MOBILE COUNTRY CLUB PARK CAPITAL IMPROVEMENTS AGREEMENT

Sources of Improvements Funds:

1997 Budgeted Amount from Revenues	\$ 40,000
Amount from Bond Proceeds	<u>238,790</u>
Total Improvement Sources	\$278,790

Year One Improvement Items:

Category of Improvement

Action

Cost

Sub Totals

Sewer

Replace back-up generators for lift stations

Camera all sewer lines in park

Repair broken sewer line

Clean main sewer lines

\$40,000

7,000

5,000

3,000

\$55,000

Electrical

Replace 25 light fixtures

Replace transformer at Marin entrance

7,500

4,000

11,500

Water

Tie water risers to cathodic protection system

11,650

11,650

Gas	
Phase I of cathodic protection system	10,440
Phase II of cathodic protection system	14,200
Locate and service key inground valves	<u>10,000</u>
	34,640

Garbage

Purchase trash compactor	<u>28,000</u>
	28,000

Geotechnical improvements, slopes and drainage
Retaining walls pavement

Repair slopes and drainage for 45 Scenic
17, 34, 51, and 55 Marin Valley

Replace 30 retaining walls
100,000 square feet of pavement petro-mat
overlay

55,000

15,000

68,000

138,000

Total Budgeted Improvement Items in Year One

\$278,790

\$278,790

EXHIBIT B

**FORM FOR REQUISITION OF PAYMENT FROM
CAPITAL IMPROVEMENTS SUBACCOUNT**

First Trust of California,
National Association
San Francisco, CA

The Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") hereby requests and directs that you release from the Capital Improvements Subaccount created under the Trust Indenture dated as of March 1, 1997 the amount of \$_____ and transfer such amount to Storz Management Company, Inc. (the "Property Manager"), Account # _____, established at _____ . Such released amounts will be used by the Property Manager to pay invoices for improvements completed pursuant to the Capital Improvements Agreement, dated March __, 1997, from the PAC and the Novato Financing Authority in favor of Financial Security Assurance Inc. and First Trust of California, National Association.

PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY
CLUB

By

Name _____
Title _____

REQUISITION APPROVED on behalf of:

FINANCIAL SECURITY ASSURANCE INC.

By _____
Name _____
Managing Director

Date _____