

Park Acquisition Corporation of Marin Valley Mobile Country Club

172 Marin Valley Drive, Novato, Ca 94949-6716, Phone (415) 883 3275 FAX (415) 884 2562

CORPORATION

Directors

Owen V. Haxton
President and CEO
Catherine Carpino
Vice President
Burton Vreeland
Corporate Secretary
Liz Delfino
Corporate Treasurer
Kevin Bray
Member at Large

To: Residents of Marin Valley

Date: July 12, 1997

From: Owen Haxton, President and CEO

Subject: Documents

Info: none

Pages: one

This notebook contains a portion of the "closing transcript" as provided by Kutak Rock of Denver.

These are the FINAL DOCUMENTS.

CORPORATION

Advisors

P. A. Hoon and Co., Inc.
Phillip Hoon
Program Manager

David G. Kenyon,
Attorney at Law
Corporate Counsel

Feel free to make copies of any of the pages for your personal use. It would be appreciated if you would take precautions not to mistreat this notebook or the contents as other residents will also wish to avail themselves of this information. In addition, you are reminded that the servicing and maintaining of the copier and the supplies for the copier are a cost to the park. A five cent donation per copy is appreciated.

PARK MANAGEMENT

Storz Management Company

Gina Roberts
Douglas K. Grass
Property Supervisor

It is hoped that the information contained herein will enable you to achieve a better understanding of our contractual obligations and of the potential benefits of a resident organization being responsible for the operation of the park.

OK

RESIDENT Organizations

G. S. M. O. L.
Robert A. Telder
President

**Home Owners
League**
Norm Lane
President

MAR - VAL
Robert Piel
President

VOL

I

MARIN

VALLEY

PROJECT

CLOSING INDEX

1. Closing Memorandum and List of Financing Participants (Bond Counsel).
2. Certified copy of Resolution No. 97-1 of CLGFA, adopted February 19, 1997. (CLGFA)
3. Certified copy of Resolution No. 27-97 of the City, adopted March 4, 1997. (City)
4. Certified copy of Resolution No. 97-1 of the Owner, adopted February 21, 1997. (Owner)
5. Certified copy of Resolution No. R-3-97 of the Agency, adopted March 4, 1997. (Agency)
6. Certified copy of Resolution No. 97-224 of the PAC, adopted February 24, 1997. (PAC)
7. Trust Indenture, dated as of March 1, 1997 (the "Indenture"), by and between CLGFA and the Trustee. (Bond Counsel)
8. Loan Agreement, dated as of March 1, 1997 (the "Loan Agreement"), by and among CLGFA, the Owner and the PAC. (Bond Counsel)
9. The Notes executed by the Owner. (Bond Counsel)
10. Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997, by and among the Agency, the PAC and the Owner. (Bond Counsel)
11. Letter of Determination, dated as of March 1, 1997, made by the Agency. (Agency Counsel)
12. Marin Valley Mobile Country Club Park Delegation Agreement, dated as of March 1, 1997, by and between the Owner and the PAC. (Bond Counsel)
13. Management Agreement, dated as of March 1, 1997, by and between the PAC and the Property Manager. (Bond Counsel)
14. In-Lieu-Of-Tax Agreement, dated as of March 1, 1997, by and among the City, the PAC and the Owner. (Bond Counsel)

15. Deposit Only Account Agreement, dated as of March 1, 1997, by and among the Property Manager, Bank of Marin, the PAC and the Trustee. (Bond Counsel)
16. Capital Improvements Agreement, dated March 13, 1997, and executed by the Owner and the PAC. (Bond Counsel)
17. Insurance and Indemnity Agreement, dated as of March 1, 1997, by and among Financial Security, the PAC and the Owner. (Insurer Counsel)
18. Indemnity Agreement, dated as of March 1, 1997, by and among CLGFA, the Owner and the Agency. (Owner Counsel)
19. Preliminary Offering Statement, dated March 5, 1997. (Bond Counsel)
20. Rule 15c2-12 Certificate. (Bond Counsel)
21. Final Offering Statement, dated March 10, 1997. (Bond Counsel)
22. Final Private Placement Memorandum, dated March 12, 1997. (Bond Counsel)
23. Purchase Contract, dated March 10, 1997, by and between the Owner and Sutro & Co. Incorporated, as representative of the underwriters (the "Underwriter"), together with Park Acquisition Corporation of Marin Valley Mobile Country Club Letter of Representation and California Local Government Finance Authority Letter of Representation. (Bond Counsel)
24. Continuing Disclosure Agreement relating to the Senior Bonds, dated as of March 1, 1997. (Bond Counsel)
25. Continuing Disclosure Agreement relating to the Subordinate Bonds, dated as of March 1, 1997. (Bond Counsel)
26. Specimen Bonds. (Bond Counsel)
27. Initial Loan Payment Schedule. (Insurer Counsel)
28. Certified copy of Joint Powers Agreement, dated as of July 1, 1993. (CLGFA)
29. Incumbency and Signature Certificate. (Bond Counsel)
30. Closing Certificate of CLGFA. (Bond Counsel)
31. Tax Compliance Certificate. (Bond Counsel)

32. Form 8038-G. (Bond Counsel)
33. Plan of Inquiry. (CLGFA Financial Advisor)
34. Fee Letter. (CLGFA)
35. Certified copy of the Joint Exercise of Powers Agreement, dated October 15, 1996, as amended on November 4, 1996, by and between the City and the Agency. (Owner)
36. Instructions to the Trustee. (Bond Counsel)
37. Requisition to the Trustee to pay Costs of Issuance. (Bond Counsel)
38. Requisition to the Trustee to pay Purchase Price. (Bond Counsel)
39. Incumbency and Signature Certificate. (Bond Counsel)
40. Closing Certificate of Owner. (Bond Counsel)
41. Deferred Fee Letter. (Owner Counsel)
42. Incumbency and Signature Certificate. (Bond Counsel)
43. Closing Certificate of Agency. (Bond Counsel)
44. Incumbency and Signature Certificate. (Bond Counsel)
45. Certified copy of the PAC's Articles of Incorporation and Bylaws. (PAC Counsel)
46. Certificate of Good Standing. (PAC Counsel)
47. Closing Certificate of the PAC. (Bond Counsel)
48. Incumbency and Signature Certificate. (Bond Counsel)
49. Certified copy of Ordinance No. 1341 of the City. (City)
50. Affidavit of Publication of Public Hearing. (City)
51. Certified Copy of Minutes of Public Hearing. (City)
52. Certified Copy of Public Approval Resolution. (City)

53. Incumbency and Signature Certificate. (Bond Counsel)
54. Closing Certificate of the Property Manager. (Bond Counsel)
55. Initial Capital Plan. (Property Manager)
56. Initial Operating Budget. (Property Manager)
57. Evidence of Insurance as required by Section of 9(j)(vii) of the Purchase Contract. (Property Manager)
58. An Appraisal Report of the Project prepared by Palmer Groth & Pietka, Inc.
59. Phase I Environmental Assessment prepared by Dames & Moore.
60. Deferred Consultant Cost Letter. (PAC Counsel)
61. Incumbency and Signature Certificate. (Trustee Counsel)
62. Closing Certificate of Trustee. (Bond Counsel)
63. Trustee's Receipt of Purchase Price. (Bond Counsel)
64. Fee Letter. (Trustee)
65. Receipt of the Underwriter. (Bond Counsel)
66. Blue Sky Memoranda. (Bond Counsel)
67. Municipal Bond Insurance Policy. (Financial Security)
68. Closing Certificate of Financial Security. (Financial Security)
69. Qualified Guarantee Certificate of Financial Security. (Financial Security)
70. Certificate as to Official Statement. (Financial Security)
71. Waiver letter regarding property insurance provider. (Insurer Counsel)
72. Rating Letters from Moody's and Standard & Poor's. (Financial Security)
73. Premium Letter, dated March 13, 1997, from Financial Security to the Owner, acknowledged by the Owner. (Insurer Counsel)

74. Approving Opinion of Bond Counsel relating to the Senior Bonds. (Bond Counsel)
75. Approving Opinion of Bond Counsel relating to the Subordinate Bonds. (Bond Counsel)
76. Reliance Letters of Bond Counsel to the Underwriter, CLGFA, Owner, Trustee and Financial Security. (Bond Counsel)
77. Supplemental Opinion of Bond Counsel to the Underwriter, Financial Security and CLGFA. (Bond Counsel)
78. Opinion of Trustee's Counsel. (Trustee Counsel)
79. Opinion of Bond Counsel with respect to CLGFA. (Bond Counsel)
80. Opinion of Bond Counsel to Financial Security with respect to certain real estate matters. (Bond Counsel)
81. Opinion of Owner Counsel. (Owner Counsel)
82. Opinion of City Counsel. (City Counsel)
83. Opinion of Agency Counsel. (Agency Counsel)
84. Opinion of PAC Counsel. (PAC Counsel)
85. Opinion of Property Manager Counsel. (Property Manager Counsel)
86. Opinion of Bond Counsel to Underwriter, CLGFA and Financial Security required by Section (9)(j)(xviii). (Bond Counsel)
87. Opinion of Associate General Counsel to Financial Security. (Kevin J. Lyons, Esq)
88. Opinion of Special Counsel re: Ad Valorem Tax Status. (Special Counsel)
89. Opinion of Special Counsel re: Rent Control Ordinance. (Special Counsel)
90. Agreement for Exchange of Real Property, as amended, between the Owner and the Sades (the "Seller"). (Owner)
91. Purchase Agreement, dated as of February 21, 1997, by and between the PAC and the Owner. (City Counsel)

92. Grant Deed from the Seller to the Owner, together with Certificate of Acceptance by the Owner (recorded with the Marin County Recorder). (PAC Counsel)
93. Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of March 1, 1997 (the "Mortgage"), by and among the Owner, the Trustee and Consolidated Title Services Inc. (Insurer Counsel)
94. Assignment of Rental Agreements from the Seller to the PAC. (City Counsel)
95. Assignment of Rental Agreements from the PAC to the Owner. (City Counsel)
96. UCC-1 Financing Statements. (Insurer Counsel)
97. Title Insurance Policy. (Insurer Counsel)
98. Blanket Letter of Representations to The Depository Trust Company. (Bond Counsel)
99. Preliminary and Final CDAC Reports. (Bond Counsel)
100. Appraiser's Consent Letter. (Bond Counsel)
101. Property Manager's Consent Letter. (Bond Counsel)
102. Subordinate Bondholder Investor Letter. (Bond Counsel)
103. Investment Agreement.
104. GIC Broker Certificate.
105. Investment Agreement Provider's Certificate.
106. Opinion of Counsel to Investment Agreement Provider.
107. Opinion of Foreign Counsel to Investment Agreement Provider.
108. Consent of FSA.

Marin Valley Mobile Country Club
Financing Program for the Park Acquisition Corporation

DISTRIBUTION LIST

CLGFA

Ms. Marcia Basque
Regional Council of Rural
Counties
Suite 200-A
1020 12th Street
Sacramento, CA 95814
(916) 447-4806
(916) 448-3154 (FAX)

PAC

Mr. Owen Haxton, President
Park Acquisition Corporation of
Marin Valley Mobile Country Club
172 Marin Valley Drive
Novato, CA 94949-6716
(415) 883-3275
(415) 884-2562 (FAX)

PAC Counsel

David G. Kenyon, Esq.
Suite 302
950 Northgate Drive
San Rafael, CA 94903
(415) 507-0188
(415) 507-0198 (FAX)

Financial Advisor to PAC

Mr. Philip A. Hoon
P. A. Hoon & Company
Suite 204
201 San Anselmo
San Anselmo, CA 94904
(415) 454-5131
(415) 454-5661 (FAX)

Bond Counsel

Scott H. Beck, Esq.
Wendy W. Wolfe, Esq.
Kutak Rock
Suite 2900
717 Seventeenth Street
Denver, CO 80202
(303) 297-2400
(303) 292-7799 (FAX)

Advisors to CLGFA

Robert Doty, Esq.
American Government Financial
Services
Suite 330-A
2500 Marconi Avenue
Sacramento, CA 95821
(916) 483-7378
(916) 483-7565 (FAX)

Mr. Daniel Fred
Fred Consulting Associates
Suite 140
505-A San Marin Drive
Novato, CA 94945

Local Agency

Ms. Sonia Seeman
Deputy Redevelopment Director
(415) 897-4301

Mr. Richard Hill
Director of Finance
(415) 897-4311

City of Novato
900 Sherman Avenue
Novato, CA 94945
(415) 897-4354 (FAX)

City Attorney

Jeffrey Walter, Esq.
Walter & Pistole
670 W. Napa Street
Suite F
Sonoma, CA 95476
(707) 996-9690
(707) 996-9603 (FAX)

Local Agency Counsel

Steve Melikian, Esq.
Nossaman, Guthner, Knox &
Elliott
50 California Street
Suite 3400
San Francisco, CA 94111
(415) 438-7218
(415) 398-2438 (FAX)

Independent Financial Advisor for Agency

Ms. Emily Wagner
E. Wagner & Associates, Inc.
Suite 103
5990 Stoneridge Drive
Pleasanton, CA 94588
(510) 416-1200
(510) 416-1296 (FAX)

Underwriters

Mr. Doug Charchenko
(415) 445-8642

Mr. Chris Woodruff
(415) 445-6337

Sutro & Co. Incorporated
201 California Street
San Francisco, CA 94111
(415) 392-1753 (FAX)

Mr. Marc P. Paskulin
George K. Baum & Company
Suite 460
660 J Street
Sacramento, CA 95814
(916) 443-5525
(916) 443-7749 (FAX)

Redevelopment Agency Counsel

Joseph E. Coomes, Jr., Esq.
McDonough, Holland and Allen
Suite 950
555 Capitol Mall
Sacramento, CA 95814
(916) 444-3900
(916) 444-8334 (FAX)

Trustee

Ms. Leticia Sabiniano
First Trust of California,
National Association
Suite 400
One California Street
San Francisco, CA 94111
(415) 273-4517
(415) 273-4590 (FAX)

Trustee's Counsel

Dennis Wong, Esq.
Dorsey & Whitney
Suite 500
550 South Hope Street
Los Angeles, CA 90071
(213) 533-8735
(213) 533-8736 (FAX)

Insurer

Mr. Dana Mayo
(212) 339-3572

Mr. Kevin Lyons
(212)

Financial Security Assurance
13th Floor
350 Park Avenue
New York, NY 10022
(212) 339-3547 (FAX)

Insurer's Counsel

Patricia A. Burdyny, Esq.
Kutak Rock
1650 Farnam Street
Omaha, NE 68102
(402) 346-6000
(402) 346-1148 (FAX)

Insurer's Real Estate Counsel

Daniel T. Haug, Esq.
Kutak Rock
Sixteenth Floor
3300 North Central Avenue
Phoenix, AZ 85012-2516
(602) 285-1700
(602) 285-1868 (FAX)
(Real Estate Documents Only)

Property Manager

Mr. Ken Waterhouse
Storz Management Company
Suite 3
9152 Greenback Lane
Orangevale, CA 95662
(916) 989-5333
(916) 989-1393 (FAX)

Subordinate Investor

Mr. Steven M. Permut
The Benham Group
1665 Charleston Road
Mountainview, CA 94043
(415) 967-9682

Counsel to Subordinate Investor

Ana Marie del Rio
Orrick, Herrington & Sutcliffe
400 Sansome Street
San Francisco, CA 94111
(415) 392-1122
(415) 773-5759 (FAX)

\$15,485,000

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

\$1,585,000

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

CLOSING MEMORANDUM

Closing on Thursday, March 13, 1997, at 8:00 a.m. at the offices of Nossaman, Guthner, Knox & Elliott LLP, San Francisco, California and preclosing on Tuesday, March 11, 1997, at 11:00 a.m. and continuing on Wednesday, March 12, 1997, at 8:00 a.m., at the offices of Nossaman, Guthner, Knox & Elliott LLP, San Francisco, California.

PARTIES

California Local Government Finance Authority ("CLGFA")

Novato Financing Authority (the "Owner")

City of Novato (the "City")

Redevelopment Agency of the City of Novato (the "Agency")

Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC")

Kutak Rock, Denver, Colorado ("Bond Counsel")

First Trust of California, National Association (the "Trustee")

Financial Security Assurance Inc. ("Financial Security")

The Benham Group (the "Subordinate Bondholder")

Storz Management Company, Inc. (the "Property Manager")

Nossaman, Guthner, Knox & Elliott, LLP ("Owner Counsel")

David Kenyon, Esq. ("PAC Counsel")

Walter & Pistole ("City Counsel")

McDonough, Holland and Allen ("Agency Counsel")

Dorsey & Whitney ("Trustee Counsel")

Wagner Kirkman & Blaine ("Property Manager Counsel")

P.A. Hoon & Company, Inc. ("P.A. Hoon")

E. Wagner & Associates, Inc. ("Wagner")

American Government Financial Services Company ("CLGFA Financial Advisor")

Sutro & Co. Incorporated, as representative to the underwriters (the "Underwriter")

Kutak Rock, Omaha, Nebraska ("Insurer Counsel")

Orrick, Herrington & Sutcliffe LLP ("Subordinate Bondholder Counsel")

Sabo & Green ("Special Counsel")

Ten executed originals of the following documents and instruments are to be delivered at or prior to the closing (by the party noted in parenthesis) prior to delivery of and payment for the Bonds.

A. BASIC LEGAL DOCUMENTS

1. List of Financing Participants (Bond Counsel).
2. Certified copy of Resolution No. 97-1 of CLGFA, adopted February 19, 1997. (CLGFA)
3. Certified copy of Resolution No. 27-97 of the City, adopted March 4, 1997. (City)
4. Certified copy of Resolution No. 97-1 of the Owner, adopted February 21, 1997. (Owner)
5. Certified copy of Resolution No. R-3-97 of the Agency, adopted March 4, 1997. (Agency)
6. Certified copy of Resolution No. 97-224 of the PAC, adopted February 24, 1997. (PAC)

7. Trust Indenture, dated as of March 1, 1997 (the "Indenture"), by and between CLGFA and the Trustee. (Bond Counsel)
8. Loan Agreement, dated as of March 1, 1997 (the "Loan Agreement"), by and among CLGFA, the Owner and the PAC. (Bond Counsel)
9. The Notes executed by the Owner. (Bond Counsel)
10. Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997, by and among the Agency, the PAC and the Owner. (Bond Counsel)
11. Letter of Determination, dated as of March 1, 1997, made by the Agency. (Agency Counsel)
12. Marin Valley Mobile Country Club Park Delegation Agreement, dated as of March 1, 1997, by and between the Owner and the PAC. (Bond Counsel)
13. Management Agreement, dated as of March 1, 1997, by and between the PAC and the Property Manager. (Bond Counsel)
14. In-Lieu-Of-Tax Agreement, dated as of March 1, 1997, by and among the City, the PAC and the Owner. (Bond Counsel)
15. Deposit Only Account Agreement, dated as of March 1, 1997, by and among the Property Manager, Bank of Marin, the PAC and the Trustee. (Bond Counsel)
16. Capital Improvements Agreement, dated March 13, 1997, and executed by the Owner and the PAC. (Bond Counsel)
17. Insurance and Indemnity Agreement, dated as of March 1, 1997, by and among Financial Security, the PAC and the Owner. (Insurer Counsel)
18. Indemnity Agreement, dated as of March 1, 1997, by and among CLGFA, the Owner and the Agency. (Owner Counsel)
19. Preliminary Offering Statement, dated March 5, 1997. (Bond Counsel)
20. Rule 15c2-12 Certificate. (Bond Counsel)
21. Final Offering Statement, dated March 10, 1997. (Bond Counsel)

22. Final Private Placement Memorandum, dated March 12, 1997. (Bond Counsel)
23. Purchase Contract, dated March 10, 1997, by and between the Owner and Sutro & Co. Incorporated, as representative of the underwriters (the "Underwriter"), together with Park Acquisition Corporation of Marin Valley Mobile Country Club Letter of Representation and California Local Government Finance Authority Letter of Representation. (Bond Counsel)
24. Continuing Disclosure Agreement relating to the Senior Bonds, dated as of March 1, 1997. (Bond Counsel)
25. Continuing Disclosure Agreement relating to the Subordinate Bonds, dated as of March 1, 1997. (Bond Counsel)
26. Specimen Bonds. (Bond Counsel)
27. Initial Loan Payment Schedule. (Insurer Counsel)

B. ITEMS TO BE FURNISHED BY CLGFA

1. Certified copy of Joint Powers Agreement, dated as of July 1, 1993. (CLGFA)
2. Incumbency and Signature Certificate. (Bond Counsel)
3. Closing Certificate of CLGFA. (Bond Counsel)
4. Tax Compliance Certificate. (Bond Counsel)
5. Form 8038-G. (Bond Counsel)
6. Plan of Inquiry. (CLGFA Financial Advisor)
7. Fee Letter. (CLGFA)

C. ITEMS TO BE FURNISHED BY THE OWNER

1. Certified copy of the Joint Exercise of Powers Agreement, dated October 15, 1996, as amended on November 4, 1996, by and between the City and the Agency. (Owner)
2. Instructions to the Trustee. (Bond Counsel)

3. Requisition to the Trustee to pay Costs of Issuance. (Bond Counsel)
4. Requisition to the Trustee to pay Purchase Price. (Bond Counsel)
5. Incumbency and Signature Certificate. (Bond Counsel)
6. Closing Certificate of Owner. (Bond Counsel)
7. Deferred Fee Letter. (Owner Counsel)

D. ITEMS TO BE FURNISHED BY THE AGENCY

1. Incumbency and Signature Certificate. (Bond Counsel)
2. Closing Certificate of Agency. (Bond Counsel)

E. ITEMS TO BE FURNISHED BY THE PAC

1. Incumbency and Signature Certificate. (Bond Counsel)
2. Certified copy of the PAC's Articles of Incorporation and Bylaws. (PAC Counsel)
3. Certificate of Good Standing. (PAC Counsel)
4. Closing Certificate of the PAC. (Bond Counsel)

F. ITEMS TO BE FURNISHED BY THE CITY

1. Incumbency and Signature Certificate. (Bond Counsel)
2. Certified copy of Ordinance No. 1341 of the City. (City)
3. Affidavit of Publication of Public Hearing. (City)
4. Certified Copy of Minutes of Public Hearing. (City)
5. Certified Copy of Public Approval Resolution. (City)

G. ITEMS TO BE FURNISHED BY THE PROPERTY MANAGER

1. Incumbency and Signature Certificate. (Bond Counsel)
2. Closing Certificate of the Property Manager. (Bond Counsel)

3. Initial Capital Plan. (Property Manager)
4. Initial Operating Budget. (Property Manager)
5. Evidence of Insurance as required by Section of 9(j)(vii) of the Purchase Contract. (Property Manager)

H. ITEMS TO BE FURNISHED BY P.A. HOON

1. An Appraisal Report of the Project prepared by Palmer Groth & Pietka, Inc.
2. Phase I Environmental Assessment prepared by Dames & Moore.
3. Deferred Consultant Cost Letter. (PAC Counsel)

I. ITEMS TO BE FURNISHED BY THE TRUSTEE

1. Incumbency and Signature Certificate. (Trustee Counsel)
2. Closing Certificate of Trustee. (Bond Counsel)
3. Trustee's Receipt of Purchase Price. (Bond Counsel)
4. Fee Letter. (Trustee)

J. ITEMS TO BE FURNISHED BY THE UNDERWRITER

1. Receipt of the Underwriter. (Bond Counsel)
2. Blue Sky Memoranda. (Bond Counsel)

K. ITEMS TO BE FURNISHED BY FINANCIAL SECURITY

1. Municipal Bond Insurance Policy. (Financial Security)
2. Closing Certificate of Financial Security. (Financial Security)
3. Qualified Guarantee Certificate of Financial Security. (Financial Security)
4. Certificate as to Official Statement. (Financial Security)
5. Waiver letter regarding property insurance provider. (Insurer Counsel)

6. Rating Letters from Moody's and Standard & Poor's. (Financial Security)
7. Premium Letter, dated March 13, 1997, from Financial Security to the Owner, acknowledged by the Owner. (Insurer Counsel)

L. OPINIONS

1. Approving Opinion of Bond Counsel relating to the Senior Bonds. (Bond Counsel)
2. Approving Opinion of Bond Counsel relating to the Subordinate Bonds. (Bond Counsel)
3. Reliance Letters of Bond Counsel to the Underwriter, CLGFA, Owner, Trustee and Financial Security. (Bond Counsel)
4. Supplemental Opinion of Bond Counsel to the Underwriter, Financial Security and CLGFA. (Bond Counsel)
5. Opinion of Trustee's Counsel. (Trustee Counsel)
6. Opinion of Bond Counsel with respect to CLGFA. (Bond Counsel)
7. Opinion of Bond Counsel to Financial Security with respect to certain real estate matters. (Bond Counsel)
8. Opinion of Owner Counsel. (Owner Counsel)
9. Opinion of City Counsel. (City Counsel)
10. Opinion of Agency Counsel. (Agency Counsel)
11. Opinion of PAC Counsel. (PAC Counsel)
12. Opinion of Property Manager Counsel. (Property Manager Counsel)
13. Opinion of Bond Counsel to Underwriter, CLGFA and Financial Security required by Section (9)(j)(xviii). (Bond Counsel)
14. Opinion of Associate General Counsel to Financial Security. (Kevin J. Lyons, Esq)
15. Opinion of Special Counsel re: Ad Valorem Tax Status. (Special Counsel)

16. Opinion of Special Counsel re: Rent Control Ordinance. (Special Counsel)

M. REAL ESTATE MATTERS

1. Agreement for Exchange of Real Property, as amended, between the Owner and the Sades (the "Seller"). (Owner)
2. Purchase Agreement, dated as of February 21, 1997, by and between the PAC and the Owner. (City Counsel)
3. Grant Deed from the Seller to the Owner, together with Certificate of Acceptance by the Owner (recorded with the Marin County Recorder). (PAC Counsel)
4. Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of March 1, 1997 (the "Mortgage"), by and among the Owner, the Trustee and Consolidated Title Services Inc. (Insurer Counsel)
5. Assignment of Rental Agreements from the Seller to the PAC. (City Counsel)
6. Assignment of Rental Agreements from the PAC to the Owner. (City Counsel)
7. UCC-1 Financing Statements. (Insurer Counsel)
8. Title Insurance Policy. (Insurer Counsel)

N. MISCELLANEOUS

1. Blanket Letter of Representations to The Depository Trust Company. (Bond Counsel)
2. Preliminary and Final CDAC Reports. (Bond Counsel)
3. Appraiser's Consent Letter. (Bond Counsel)
4. Property Manager's Consent Letter. (Bond Counsel)
5. Subordinate Bondholder Investor Letter. (Bond Counsel)
6. Investment Agreement.

7. GIC Broker Certificate.
8. Investment Agreement Provider's Certificate.
9. Opinion of Counsel to Investment Agreement Provider.
10. Opinion of Foreign Counsel to Investment Agreement Provider.
11. Consent of FSA.

**Regional Council of
Rural Counties**



1020 12th Street
Suite 400
Sacramento, CA 95814
(916) 447-4806
(916) 448-3154 (fax)

PRESIDENT
KEN MARKS
Tuolumne County

FIRST VICE PRESIDENT
RICHARD DICKERSON
Shasta County

TREASURER
RAYMOND J. NUTTING
El Dorado County

SECRETARY
CLAUD R. NEELY
Lassen County

EXECUTIVE COMMITTEE
LINDA ARCULARIUS
Inyo County
EDWARD T. BAMERT
Amador County
JERRY GIARDINO
Siskiyou County
ROBERT A. MEACHER
Plumas County
BILL MERRIMAN
Lake County
JOE RIVERO
Merced County

IMMEDIATE PAST PRESIDENT
NANCY J. HUFFMAN
Modoc County

DIRECTOR EMERITUS
PATTI MATTINGLY
Siskiyou County

RCRC STAFF
MARCIA L. BASQUE
Executive Director
LES H. COHEN
Legislative Advocate
ANTHONY W. FARRINGTON
Special Projects Coordinator
VALERIE JUSTICE
Executive Secretary

MEMBER COUNTIES
ALPINE MERCED
AMADOR MODOC
CALAVERAS MONO
COLUSA NEVADA
DEL NORTE PLACER
EL DORADO PLUMAS
GLENN SAN BENITO
INYO SHASTA
LAKE SIERRA
LASSEN SISKIYOU
MADERA TEHAMA
MARIPOSA TRINITY
TUOLUMNE

**CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY
RESOLUTION 97-1**

RESOLUTION AUTHORIZING THE FACILITATION BY THE CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY OF THE ISSUANCE OF SENIOR REVENUE BONDS AND SUBORDINATE REVENUE BONDS FOR THE NOVATO FINANCING AUTHORITY.

RESOLUTION APPROVING THE FORMS OF AND AUTHORIZING THE FACILITATION BY CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY OF THE ISSUANCE OF SENIOR REVENUE BONDS, SERIES 1997A (MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT) AND SUBORDINATE REVENUE BONDS, SERIES 1997B (MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT) TO FINANCE THE ACQUISITION OF THE MARIN VALLEY MOBILE COUNTRY CLUB PARK BY THE NOVATO FINANCING AUTHORITY; APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, LOAN AGREEMENT, APPENDIX C TO BOND PURCHASE AGREEMENT, AND APPENDIX E TO THE OFFERING STATEMENT AND PRIVATE PLACEMENT MEMORANDUM; APPROVING THE EXECUTION AND DELIVERY OF BOTH SERIES OF THE BONDS; ADOPTING RULES AND REGULATIONS, INCLUDING THE PLAN OF INQUIRY; AUTHORIZING THE EXECUTION AND DELIVERY OF AND APPROVING OTHER RELATED DOCUMENTS; AUTHORIZING AND APPROVING THE AMENDMENT TO THE JOINT EXERCISE OF POWERS AGREEMENT; APPROVING THE CITY OF NOVATO AS A MEMBER OR ASSOCIATE MEMBER OF THE AUTHORITY; AND AUTHORIZING AND APPROVING OTHER RELATED ACTIONS IN CONNECTION THEREWITH.

WHEREAS, certain counties (collectively, the "Members") have entered into a Joint Exercise of Powers Agreement, dated as of July 1, 1993 (the "Agreement") pursuant to which the Authority was organized; and

WHEREAS, the Agreement was entered into in order to enable the Authority to issue bonds and other obligations to provide funds for the financing of, among other things, public capital improvements or projects whenever there are significant public benefits and to make loans to and enter into other agreements with its Members and other local agencies for public capital improvements undertaken by such Members and other local agencies; and

WHEREAS, the Novato Financing Authority (the "Financing Authority"), a joint exercise of powers authority created between the City of Novato (the "City") and the Redevelopment Agency of the City of Novato (the "Agency"), intends to acquire and improve the Marin Valley Mobile Country Club Park (the "Project"), a 315 space mobilehome park located within the City; and

WHEREAS, the seller of the Project has stated that time is of the essence with respect to the consummation of the sale of the Project to the Financing Authority; and

WHEREAS, pursuant to the provisions of the Joint Powers Act (commencing with Section 6500 of the Government Code of the State of California) (the "Act") and the Agreement, the Authority is authorized to facilitate the issuance of revenue bonds and to loan the proceeds thereof to the Financing Authority for the acquisition of the Project; and

WHEREAS, the assistance requested is the facilitation by the Authority of the issuance of tax-exempt limited obligation bonds in two series as more fully described below which will enable the Financing Authority to more economically acquire the Project; and

WHEREAS, the Authority intends to facilitate the issuance of Senior Revenue Bonds, Series 1997A (Marin Valley Mobile Country Club Park Acquisition Project) (the "Senior Bonds"), and Subordinate Revenue Bonds, Series 1997B (Marin Valley Mobile Country Club Park Acquisition Project) (the "Subordinate Bonds") (collectively, the "Bonds") pursuant to the terms of a Trust Indenture (the "Indenture") by and between the Financing Authority, the Authority and First Trust of California, National Association, as trustee (the "Trustee"); and

WHEREAS, the Authority will lend the proceeds of the Bonds to the Financing Authority pursuant to the terms of a Loan Agreement (the "Loan Agreement") by and among the Financing Authority, the Authority and the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "Park Corporation"); and

WHEREAS, it is expected that the payment of principal of and interest on the Senior Bonds will be secured by a municipal bond insurance policy issued by Financial Security Assurance, Inc. ("FSA"); and

WHEREAS, the Senior Bonds shall be issued only if a municipal bond insurance policy securing the Bonds is issued by FSA; and

WHEREAS, it is expected that the Subordinate Bonds will be issued in minimum authorized denominations of no less than \$100,000 and sold to qualified institutional buyers only that meet the approval of the Authority (the "Investors") and that each such Investor shall execute and deliver a private placement letter; and

WHEREAS, the Subordinate Bonds shall be issued only if such Subordinate Bonds are issued in minimum authorized denominations of no less than \$100,000, and sold to Investors that execute and deliver private placement letters acceptable to the Authority; and

WHEREAS, the Authority's financial advisor, American Government Financial Services Company (the "Financial Advisor") has prepared a form of Plan of Inquiry (the "Plan of Inquiry") with respect to the Authority's participation with the issuance of the Bonds; and

WHEREAS, the Authority desires to amend the Agreement by providing for Associate Members to the Authority and by permitting the Authority to assist the financing of projects to be owned by nonprofit corporations; and

WHEREAS, the City shall either (i) execute the Agreement and become a City Member (as defined in the Agreement) or (ii) become an Associate Member of the Authority if the Agreement is amended to provide for Associate Members; and

WHEREAS, in connection with the sale, issuance, and delivery of the Bonds, the Authority wishes to authorize the execution and delivery of certain other related documents and agreements; and

WHEREAS, there has been presented to this meeting the following documents and agreements:

- (1) A proposed form of the Trust Indenture;
- (2) A proposed form of Loan Agreement;
- (3) A proposed form of the Purchase Contract;
- (4) A proposed form of Preliminary Offering Statement to be used in connection with the offering of the Senior Bonds; and
- (5) A proposed form of Preliminary Private Placement Memorandum to be used in connection with the offering of the Subordinate Bonds; and
- (6) Plan of Inquiry

WHEREAS, prior to the issuance of the Bonds, a number of outstanding issues with respect to the Bonds will need to be resolved to the satisfaction of staff of the Authority, upon consultation with its Financial Advisor; and

WHEREAS, it is expected that the Investors will propose certain changes to the documents described above; and

WHEREAS, the Senior Bonds will be issued only if the Subordinate Bonds are issued, and the Subordinate Bonds will be issued only if the Senior Bonds are issued; and

WHEREAS, the City Council of the City is the applicable elected representative which is qualified to approve the issuance, execution and delivery of the Bonds and the Loan Agreement of the Authority pursuant to Section 147(f) of the Internal Revenue Code of 1986, and said City Council conducted a public hearing on Monday, the 21st day of October, 1996, and adopted a resolution approving the Bonds and the Loan Agreement on October 24, 1996, and

WHEREAS, the Governing Board (the "Board") of the Authority finds and declares that it is a public purpose for the Authority to participate in the issuance of the Bonds and to loan the proceeds thereof to the Financing Authority to permit the Financing Authority to acquire the Project pursuant to the Act, in order to provide land and mobile home sites within the geographical boundaries of the City primarily for persons and families of low or moderate income; and

WHEREAS, the Authority desires at this time to provide for the borrowing of money for such purpose through the issuance of the Bonds as authorized by the Act; and

WHEREAS, this Board has been given the opportunity to review the documents referred to herein and certain other documents related to the Bonds, and to ask questions to the staff of the Authority, the Financial Advisor and other professionals involved in the issuance of the Bonds, and

WHEREAS, this Board hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act; and

WHEREAS, all acts, conditions and things required by the Act, and by all other laws of the State of California, to exist, to have happened and to have been performed precedent to and in connection with the issuance of the Bonds as contemplated by this Resolution and the documents referred to herein exist, have happened, and have been performed in regular and due time, form and manner as required by the laws of the State of California, including the Act, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to participate in the issuance of the Bonds for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED by the Governing Board of the California Local Government Finance Authority as follows:

Section 1. The foregoing recitals are true and correct and the Authority hereby so finds and determines.

Section 2. Pursuant to the Act and the Indenture, two series of revenue bonds, are designated as "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" in an aggregate principal amount not to exceed \$18,000,000, and "Subordinate Revenue Bonds, Series 1997B (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" in an aggregate principal amount not to exceed \$2,500,000, are hereby authorized to be issued. The Bonds shall be executed by the manual or facsimile signatures of the Chair, the Vice Chair or the Executive Director (each a "Designated Officer") of the Authority and attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Authority, in the forms set forth in and otherwise in accordance with the Indenture. The proceeds of the Bonds shall be loaned to the Financing Authority for the acquisition of the Project and for such other purposes as set forth in the Indenture.

Section 3. The Board hereby acknowledges the appointment of First Trust of California, National Association, as trustee under the Indenture (the "Trustee") for the Authority and the holders of the Bonds, with the powers and duties of such trustee, as set forth in the Indenture.

Section 4. The Board hereby acknowledges the appointment of Sutro & Co. Incorporated and George K. Baum & Company as underwriter (the "Underwriter") for the Senior Bonds and placement agent (the "Placement Agent") for the Subordinate Bonds.

Section 5. The Board hereby acknowledges the appointment of Kutak Rock as Bond Counsel with respect to the Bonds ("Bond Counsel").

Section 6. The proposed form of Indenture pertaining to the Bonds by and among the Financing Authority, the Authority and the Trustee, presented to the Authority at this meeting and on file with the Secretary, is hereby approved. Each and any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Indenture in substantially such form, with any changes, additions and completions thereto as may be required or approved by the officer executing said Indenture (provided that such changes, additions and completions shall not authorize an aggregate principal amount of Bonds in excess of \$19,500,000 or final maturity of the Bonds later than 35 years from the date of issuance or result in a stated interest rate on the Bonds in excess of 9% per annum), such approval to be conclusively evidenced by the execution and delivery thereof (as finally executed and delivered, the "Indenture"). The date, maturity dates, interest rates, interest payment dates, denominations, form, registration, privileges, manner of execution, place of payment, terms of redemption and other terms of the Bonds shall be as provided in said Indenture.

Section 7. The proposed form of Loan Agreement to be entered into with the Financing Authority and the Park Corporation, presented to the Authority at this meeting and on file with the Secretary, is hereby approved. Each and any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Loan Agreement in substantially such form, with any changes, additions and completions thereto as may be required or approved by the officer executing said Loan Agreement, such approval to be conclusively evidenced by the execution and delivery thereof (as finally executed and delivered, the "Loan Agreement").

Section 8. Appendix C to the proposed form of Bond Purchase Agreement to be entered into by and between the Financing Authority and the Underwriter for the Senior Bonds, presented to the Authority at this meeting and on file with the Secretary, is hereby approved. Each and any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver Appendix C to the Bond Purchase Agreement in substantially such form, with any changes, additions and completions thereto as may be required or approved by the officer executing said Appendix C to the Bond Purchase Agreement, such approval to be conclusively evidenced by the execution and delivery thereof (as finally executed and delivered, the "Purchase Agreement").

Section 9. The execution and delivery of the Bonds, payable on the dates (not later than thirty five years from their dated date) and in the amounts (collectively not to exceed \$18,500,000 in aggregate principal amount) and bearing interest at the rates not to exceed 9% per annum specified in the Indenture as finally executed and delivered, is hereby authorized and approved.

Section 10. The proposed form of Appendix E to the Preliminary Offering Statement relating to the Senior Bonds (the "Preliminary Offering Statement") presented to the Authority at this meeting and on file with the Secretary is hereby approved. Each and any designated Officer is hereby authorized and directed, at or after the time of the sale of the Senior Bonds, for and in the name and on behalf of the Authority, to approve the Appendix E for inclusion in a Final Offering Statement (the "Final Offering Statement") in substantially the form of Appendix E to the Preliminary Official Statement presented to this meeting, with such additions thereto or changes therein as are required or approved by the officer approving said Appendix E to the Final Offering Statement. The Underwriter is hereby authorized to distribute copies of said Appendix E to the Preliminary Offering Statement to potential purchasers of the Senior Bonds and other interested persons.

Section 11. The proposed form of Appendix E to the Preliminary Private Placement Memorandum relating to the Subordinate Bonds (the "Preliminary Private Placement Memorandum") presented to the Authority at this meeting and on file with the Secretary, is hereby approved. Each and any Designated Officer is hereby authorized and directed, at or after the time of the sale of the Subordinate Bonds, for and in the name and on behalf of the Authority, to approve the Appendix E for inclusion in a Final Private Placement Memorandum (the "Final Private Placement Memorandum") in substantially the form of Appendix E to the Preliminary Private Placement Memorandum presented to this meeting, with such additions thereto or changes therein as are required or approved by the officer approving said Appendix E to the Final Private Placement Memorandum. The Placement Agent is hereby authorized to distribute copies of said Appendix E to the Preliminary Private Placement Memorandum to potential purchasers of the Subordinate Bonds and other interested persons.

Section 12. The proposed form of Indemnity Agreement to be entered into with the Financing Authority and the Agency, presented to the Authority at this meeting and on file with the Secretary, is hereby approved. Each and any Designated Officer is hereby authorized and directed for and in the name and on behalf of the Authority, to execute and deliver the Indemnity Agreement in substantially such form, with any changes, additions and completions thereto as may be required or approved by the officer executing said Indemnity Agreement, such approval to be conclusively evidenced by the execution and delivery thereof (as finally executed and delivered, the "Indemnity Agreement").

Section 13. The Senior Bonds shall be issued only if FSA insures payment of the principal of and interest on the Senior Bonds.

Section 14. The Subordinate Bonds shall be issued only if the following criteria are met:

(1) The Subordinate Bonds initially will be placed with a fund or funds in The Benham Group, who will be required to execute and deliver an investor letter substantially in the form contained in the Indenture; and

(2) The Subordinate Bonds may be transferred provided that the new purchaser executes and delivers an investor letter substantially in the form contained in the Indenture.

Section 15. The proposed Plan of Finance presented to the Authority at this meeting and on file with the Secretary, is hereby approved. Each and any Designated Officer, together with the Financial Advisor, is hereby authorized and directed to follow and comply with the Plan of Finance with respect to the Bonds in substantially the form presented to this meeting, with such additions thereto or changes therein as may be required or approved by a Designated Officer upon consultation with the Financial Advisor.

Section 16. The Bonds, when executed on behalf of the Authority pursuant to Section 2 hereof, shall be delivered to the Trustee, as bond registrar, for authentication. The Trustee is authorized and directed, upon payment of the respective purchase price therefor, to authenticate and deliver, the Senior Bonds to the Underwriter in accordance with the Bond Purchase Agreement and the Indenture, and the Subordinate Bonds to the Investors in accordance with the Placement Agreement and the Indenture.

Section 17. If, in the judgment of each or any of the Designated Officers executing any of the documents authorized to be executed by this Resolution, any one or more of such documents differs substantially from the proposed form presented to the Authority at this meeting, the Executive Board (as defined in the Agreement) is hereby authorized to call and hold a meeting for the purpose of approving such changes.

Section 18. The form of the amendment to the Agreement presented to the Authority at this meeting and on file with the Secretary, is hereby approved. Each and any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to take all action necessary to effect the amendment to the Agreement in substantially such form, with any changes, additions and completions thereto as may be required or approved by said officer, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 19. The Board hereby approves the City of Novato as a City Member of the Authority; provided however, that when the amendment to the Agreement referenced in Section 18 is effective, the City of Novato shall become an Associate Member of the Authority.

Section 20. All actions heretofore taken by the officers and agents of the Authority with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified. The proper officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things, including the expenditure of any funds for the Authority, and take any and all actions and execute and deliver any and all

certificates, agreements and other documents, including, but not limited to, those described in the Indenture, and the other documents herein approved, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution.

Section 21. The provisions of this Resolution are hereby declared to be severable and if any section, phrase or provision shall for any reason be declared to be invalid, such sections, phrases and provisions shall not affect any other provision of this Resolution.

Section 22. This resolution shall take effect immediately from and after its adoption.

PASSED, APPROVED AND ADOPTED by the Governing Board of the California Local Government Finance Authority, the 19th day of February, 1997, by the following vote, to wit:

AYES: 6

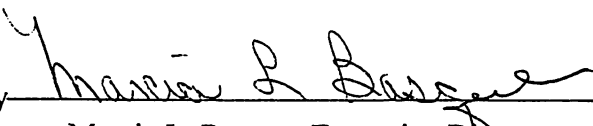
NOES: 0

ABSENT: 3

EXCUSED: 0

CALIFORNIA LOCAL GOVERNMENT FINANCE
AUTHORITY

By



Marcia L. Basque, Executive Director

\\clgfa\res971

STATE OF CALIFORNIA)
CITY OF SACRAMENTO)
COUNTY OF SACRAMENTO)

I, Les H. Cohen

Secretary of the California Local Government Finance Authority, hereby certify that I have compared the foregoing copy with the original Resolution No. 97-1 passed and adopted by said Authority at a [regular/special] meeting thereof, at the time and by the vote therein stated, which original resolution is now on file in my office, and that the same is a full, true and correct copy thereof.

WITNESS by my hand this 12th day of March, 1997.

Les H. Cohen
Secretary, California Local Government
Finance Authority

Les H. Cohen

02/126335.2

CITY COUNCIL OF THE CITY OF NOVATO

RESOLUTION NO. 27-97

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NOVATO APPROVING THE ISSUANCE OF REVENUE BONDS FOR THE ACQUISITION OF MARIN VALLEY MOBILE COUNTRY CLUB PROJECT; APPROVING THE EXECUTION OF A PLEDGE AGREEMENT BY THE REDEVELOPMENT AGENCY; APPROVING THE EXECUTION OF A IN-LIEU-OF-TAX AGREEMENT; AND MAKING CERTAIN FINDINGS WITH RESPECT TO THE ACQUISITION OF THE MARIN VALLEY MOBILE COUNTRY CLUB BY THE NOVATO FINANCING AUTHORITY

WHEREAS, the City of Novato (the "City") and the Redevelopment Agency of the City of Novato (the "Redevelopment Agency") have entered into a Joint Exercise of Powers Agreement (the "Agreement") under Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") creating the Novato Financing Authority (the "Financing Authority") to assist in financing the acquisition, the operation and maintenance of mobile home parks in the City in order to provide affordable housing and stimulate economic development in the City; and

WHEREAS, the California Local Government Finance Authority ("CLGFA") is empowered by the laws of the State of California to perform all powers common to its members, including the power to facilitate the issuance of bonds to finance the acquisition and improvement of mobile home parks which constitute public improvements; and

WHEREAS, the Financing Authority has requested CLGFA to facilitate the issuance of revenue bonds to finance the acquisition of the Marin Valley Mobile Country Club (the "Project") and CLGFA is expected to approve facilitating the issuance of not to exceed \$20,500,000 of Revenue Bonds (Marin Valley Mobile Country Club Acquisition Project) in one or more series (the "1997 Bonds"); and

WHEREAS, the City has determined to approve a Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997 (the "Pledge Agreement"), by and among the Financing Authority, the Park Acquisition Corporation of Marin Valley Mobile Country Club and the Redevelopment Agency, for the purpose of pledging certain tax-increment revenues of the Redevelopment Agency from the Low and Moderate Income Housing Fund (as defined in Section 33334.3 of the Health & Safety Code) (the "Pledged Tax Revenues") as additional security for payment on one or more series of the 1997 Bonds; and

WHEREAS, the acquisition of the Project shall be funded solely by the sales proceeds from the 1997 Bonds; and

WHEREAS, the Project will be owned by an entity exempt from ad valorem property taxes; and

WHEREAS, to compensate the City and the Redevelopment Agency for its time and expense associated with the Project, a proposed form of In-Lieu-of-Tax Agreement has been presented to the City Council;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Novato, as follows:

Section 1. The City Council has determined that:

(a) The Project to be financed through the 1997 Bonds and through a pledge of tax increment revenues under the Pledge Agreement to the 1997 Bonds is of benefit to the City and the Novato Redevelopment Project Area, as it promotes and enhances economic development and preserves land and mobile home sites for low and moderate income residents within the City;

(b) No other reasonable means of financing is available, as the revenues generated by the Project to be financed will be insufficient to pay the costs of the Project, and would therefore constitute an unreasonable drain on the general fund of the City if the housing set-aside portion of the tax increment from the Novato Redevelopment Project Area is not used to offset the cost of the Project;

(c) Payment of funds for such Project will provide land and mobile home sites for low or moderate income persons, and is consistent with the implementation plans adopted pursuant to California Health and Safety Code Section 33490; and

(d) The Project to be financed through the 1997 Bonds constitutes "redevelopment" as prescribed in California Health and Safety Code Sections 33020 and 33021, and none of the proceeds of the Pledge Agreement shall be used for the purpose of paying for employee or contractual services of any local governmental commission other than services directly related to the redevelopment purposes authorized by such sections.

Section 2. The City Council hereby approves the issuance of the Bonds to be facilitated by CLGFA, the entering into of the Pledge Agreement by the Redevelopment Agency and the pledge of Pledged Tax Revenues as contemplated by the Pledge Agreement.

Section 3. The proposed form of the In-Lieu-of-Tax Agreement on file with the City Clerk of the City is hereby approved. The City Manager and Finance Director (or the written designee of either of them) are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver such Agreement and to make or approve such changes therein or additions thereto as shall be necessary or appropriate to complete such Agreement.

Section 4. The City Council hereby finds and declares that the acquisition by the Financing Authority of the mobile home park land and facilities thereon constituting the Project does not constitute the acquisition, construction or development of a low rent housing project within the meaning of Article XXXIV of the California Constitution inasmuch as (i) the Financing Authority is not acquiring any structures constituting housing units, (ii) the housing which is situated at the Project is intended for owner-occupancy, as provided in Section 37001 of the Health and Safety Code, and (iii) no more than 49 percent of the privately owned mobile home units situated at the mobile home park will be required to be occupied by persons of low income, as provided by said Section 37001.

Section 5. The City finds and declares that the actions of the Financing Authority in this case consist of (a) the acquisition of real property constituting the Marin Valley Mobile Country Club Park (the "Park") and any structures, site improvements, facilities and fixtures on or part of the real property, exclusive of any mobile homes thereon; and (b) the operation by the Financing Authority of the Park, structures, site improvements, facilities and fixtures after acquisition exactly as that operation was conducted prior to acquisition by the Financing Authority. The City finds that the actions of the Financing Authority are exempt from the California Environmental Quality Act ("CEQA") for the following reasons: (1) the activity is not a project as defined in Section 15378 of the CEQA Guidelines because it has no potential for resulting in a physical change in the environment, directly or indirectly, and (2) it can be seen with certainty that there is no possibility that the actions of the Financing Authority will result in significant impacts because there will be no change in or expansion of use or change in operations of the Park. (CEQA Guidelines Section 15061(b)(1),(3)).

The City further finds and declares that the actions of the Financing Authority are also categorically exempt from CEQA under Class 1 of the Categorical Exemptions from CEQA. Class 1 consists of the operation, repair, maintenance or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that previously existing. (CEQA Guidelines, Section 15301.) (Emphasis added.) In this case, the actions of the Financing Authority will involve no expansion of use beyond that previously existing.

Section 6. This Resolution shall take effect from and after its adoption.

I HEREBY CERTIFY that the foregoing resolution was duly and regularly adopted by the City Council of the City of Novato, California, at a meeting hereof, held on the 4th day of March, 1997, by the following vote, to wit:

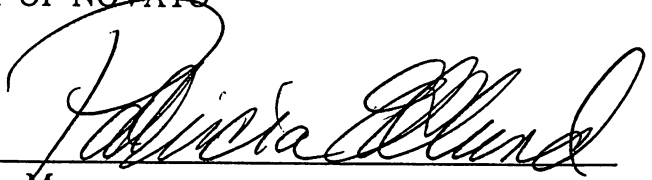
AYES: Councilmembers: Digiorgio, Dillion-Knutson,
Gray, Eklund, Murray

NOES: Councilmembers:

ABSENT: Councilmembers:

Approved:

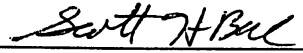
CITY OF NOVATO

By 
Mayor

Attest:

By 
City Clerk

Approved as to form:

By 
Bond Counsel

STATE OF CALIFORNIA }
COUNTY OF MARIN } ss.
CITY OF NOVATO }

I, Shirley Gremmels, City Clerk of the City of Novato, hereby certify that I have compared the foregoing copy with the original Resolution No. 27-97 passed and adopted by the City Council of the City of Novato at a regular meeting thereof, at the time and by the vote therein stated, which original resolution is now on file in my office, and that the same is a full, true and correct copy thereof.

WITNESS by my hand this 12th day of March, 1997.

CITY OF NOVATO

By Shirley Gremmels
City Clerk

RESOLUTION NO. 97-1

RESOLUTION OF THE NOVATO FINANCING AUTHORITY AUTHORIZING AND APPROVING THE ISSUANCE AND SALE OF NOT TO EXCEED \$18,000,000 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, AND NOT TO EXCEED \$2,500,000 SUBORDINATE REVENUE BONDS, SERIES 1997B (MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT), ISSUED FOR THE BENEFIT OF THE NOVATO FINANCING AUTHORITY, FACILITATED BY THE CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY, APPROVING DISTRIBUTION OF THE OFFERING STATEMENT AND PRIVATE PLACEMENT MEMORANDUM RELATING THERETO, AUTHORIZING AND APPROVING THE LOAN AGREEMENT, THE DELEGATION AGREEMENT, THE HOUSING ASSISTANCE PLEDGE AGREEMENT, THE ASSIGNMENT AGREEMENT, THE CAPITAL IMPROVEMENTS AGREEMENT, THE CONTINUING DISCLOSURE AGREEMENTS, THE PURCHASE CONTRACT, THE INDEMNITY AGREEMENT AND THE INSURANCE AGREEMENT, AUTHORIZING THE ACQUISITION OF THE MARIN VALLEY MOBILE COUNTRY CLUB, AUTHORIZING AND APPROVING THE ASSIGNMENT AGREEMENT, AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

WHEREAS, the City of Novato (the "City") and the Redevelopment Agency of the City of Novato (the "Redevelopment Agency") have entered into a Joint Exercise of Powers Agreement (the "Agreement") under Articles 1 through 3 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") creating the Novato Financing Authority (the "Financing Authority") to assist in financing the acquisition and the operation and maintenance of mobilehome parks in the City in order to provide affordable housing and stimulate economic development in the City; and

WHEREAS, the California Local Government Finance Authority ("CLGFA") is empowered by the laws of the State of California to perform all powers common to its members, including the power to issue its bonds to finance the acquisition and improvement of mobile home parks which constitute public improvements; and

WHEREAS, the Financing Authority has requested CLGFA to assist it by facilitating the issuance of revenue bonds to finance the acquisition of the Marin Valley Mobile Country Club (the "Project") and CLGFA is expected to approve facilitating the issuance and the sale of Not to exceed \$18,000,000 Senior Revenue Bonds, Series 1997A (Marin Valley Mobile Country Club Park Acquisition Project), Issued for the Benefit of the Novato Financing Authority,

a Preliminary Private Placement Memorandum relating to the Subordinate Bonds (collectively, the "Offering Documents") to be submitted to the Financing Authority for approval for distribution to prospective purchasers of the Bonds;

WHEREAS, the Underwriter will purchase the Senior Bonds for reoffering pursuant to the terms of a Purchase Contract (the "Purchase Contract") with the Financing Authority; and

WHEREAS, in order to induce CLGFA to facilitate the issuance and sale of the Bonds, the Financing Authority will enter into an Indemnity Agreement dated as of March 1, 1997 (the "Indemnity Agreement") with the Redevelopment Agency and CLGFA;

NOW THEREFORE, BE IT RESOLVED by the Board of the Novato Financing Authority as follows:

Section 1. The foregoing recitals are true and correct and this Financing Authority so finds and determines.

Section 2. The proposed forms of the below-enumerated agreements (collectively, the "Documents"), on file with the Secretary of the Financing Authority are hereby approved:

- (a) the Loan Agreement;
- (b) the Delegation Agreement;
- (c) the Pledge Agreement;
- (d) the Insurance Agreement;
- (e) the Purchase Contract;
- (f) the Indemnity Agreement;
- (g) the Capital Improvements Agreement with the PAC addressed to Financial Security and First Trust of California, National Association (the "Trustee"); and
- (h) the Continuing Disclosure Agreements relating to the Bonds dated as of March 1, 1997 (collectively, the "Continuing Disclosure Agreements");

The Chairperson and the Secretary (or the written designee of either of them) of the Financing Authority are hereby authorized and directed, for and in the name and on behalf of the Financing Authority, to execute and deliver each of the Documents and to make or approve such changes therein or additions thereto as shall be necessary, appropriate and in the best interest of the Financing Authority to complete them with respect to the terms and conditions under which the Financing Authority is to acquire the Project, interest rates, maturities and amortization and the

purchase price of the Bonds; provided, however, that the aggregate principal amount of the Bonds shall not exceed \$20,000,000, the stated aggregate average annual interest rate payable with respect to the Bonds shall not exceed eight and one-half percent (8.5%), and that the purchase price paid by the Underwriter for the purchase of each series of Bonds shall not be less than 98% of the par amount of each series of Bonds, excluding any original issue discount.

Section 3. The proposed forms of the Offering Documents relating to the Bonds on file with the Secretary of the Financing Authority, together with such amendments and supplements as shall be necessary or convenient to accurately describe said Bonds in accordance with the Documents, this Resolution and the other related proceedings and documents, are hereby approved for distribution to such broker-dealers, banking institutions and other persons as may be interested in purchasing the Bonds. The Financing Authority hereby deems the Offering Documents "final" as of their respective dates pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, prior to their respective distributions by the Underwriter. The form of final Offering Documents, together with such amendments and supplements as shall be necessary or convenient to accurately describe the Bonds in accordance with the Documents, this Resolution and the other related proceedings and documents, is hereby approved for distribution to the purchasers of the Bonds.

Section 4. All actions heretofore taken by the officers and agents of the Financing Authority with respect to the Bonds are hereby approved, confirmed and ratified. The Chairperson and the Secretary and any and all other officers of the Financing Authority are hereby authorized and directed, for and in the name and on behalf of the Financing Authority, to do any and all things and take any and all actions, including execution and delivery of any and all deeds of trust, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, including any continuing disclosure agreements pursuant to Rule 15c2-12 of the Securities and Exchange Commission, which they, or any of them, may deem necessary or advisable in order to consummate the issuance and sale of the Bonds pursuant to the Documents approved herein.

Section 5. The Board hereby finds and declares that the acquisition by the Financing Authority of the mobile home park land and facilities thereon constituting the Project does not constitute the acquisition, construction or development of a low rent housing project within the meaning of Article XXXIV of the California Constitution inasmuch as (i) the Financing Authority is not acquiring any structures constituting housing units, (ii) the housing which is situated at the Project is intended for owner-occupancy, as provided in Section 37001 of the Health and Safety Code, and (iii) no more than 49 percent of the privately owned mobile home units situated at the mobile home park will be required to be occupied by persons of low income, as provided by said Section 37001.

Section 6. The Board finds and declares that the actions of the Financing Authority in this case consist of (a) the acquisition of real property constituting the Marin Valley Mobile Country Club Park (the "Park") and any structures, site improvements, facilities and fixtures on or part of the real property, exclusive of any mobile homes thereon (except two which will be

used by the property manager for the Park); and (b) the operation by the Financing Authority of the Park, structures, site improvements, facilities and fixtures after acquisition exactly as that operation was conducted prior to acquisition by the Financing Authority. The Board finds that the actions of the Financing Authority are exempt from the California Environmental Quality Act ("CEQA") for the following reasons: (1) the activity is not a project as defined in Section 15378 of the CEQA Guidelines because it has no potential for resulting in a physical change in the environment, directly or indirectly, and (2) it can be seen with certainty that there is no possibility that the actions of the Financing Authority will result in significant impacts because there will be no change in or expansion of use or change in operations of the Park. (CEQA Guidelines Section 1506(b)(1),(3)).

The Board further finds and declares that the actions of the Financing Authority are also categorically exempt from CEQA under Class 1 of the Categorical Exemptions from CEQA. Class 1 consists of the operation, repair, maintenance or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that previously existing. (CEQA Guidelines, Section 15301.) In this case, the actions of the Financing Authority will involve no expansion of use beyond that previously existing.

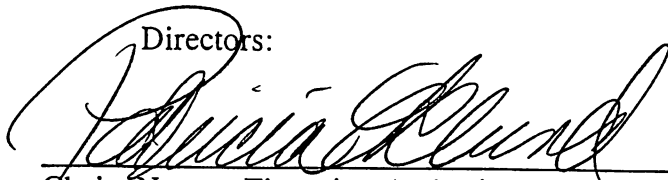
Section 7. This resolution shall take effect from and after its adoption and the adoption by the City Council of the City of Novato and the Board of the Redevelopment Agency of the City of Novato of their respective resolutions approving the issuance of the Bonds; provided that in no event shall the Bonds be issued unless and until the conditions specified in the Documents and in Section 4 of the Assignment Agreement have been satisfied or waived by the Financing Authority.

PASSED, APPROVED AND ADOPTED by the Financing Authority, at a special meeting thereof, this 21st day of February, 1997, by the following vote, to wit:

AYES: Directors: Eklund, Seeman, Brown

NOES: Directors:

ABSENT: Directors:



Chair, Novato Financing Authority

Attest:



Secretary, Novato Financing Authority

STATE OF CALIFORNIA)
CITY OF NOVATO) ss.
COUNTY OF MARIN)

I, Sonia Seeman, Secretary of the Novato Financing Authority, hereby certify that I have compared the foregoing copy with the original Resolution No. 97-1 passed and adopted by said Financing Authority at a special meeting thereof, at the time and by the vote therein stated, which original resolution is now on file in my office, and that the same is a full, true and correct copy thereof.

WITNESS by my hand this 12 day of March, 1997.

Sonia Seeman
Secretary, Novato Financing Authority

REDEVELOPMENT AGENCY OF THE CITY OF NOVATO

RESOLUTION NO. R-3-97

RESOLUTION OF REDEVELOPMENT AGENCY OF THE CITY OF NOVATO AUTHORIZING AND APPROVING A PLEDGE OF TAX INCREMENT REVENUES TO BE PAID AS SECURITY FOR SUBORDINATE REVENUE BONDS, SERIES 1997B (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; AUTHORIZING AND APPROVING THE PLEDGE AGREEMENT, THE INDEMNITY AGREEMENT AND THE CONTINUING DISCLOSURE AGREEMENT RELATED TO THE BONDS AND MAKING CERTAIN FINDINGS WITH RESPECT TO THE ACQUISITION OF THE MARIN VALLEY MOBILE COUNTRY CLUB BY THE NOVATO FINANCING AUTHORITY

WHEREAS, the Redevelopment Agency of the City of Novato (the "Redevelopment Agency") is a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (consisting of Part 1 of Division 24, commencing with Section 33000, as amended, of the California Health and Safety Code), and the powers of the Redevelopment Agency include the power to enter into agreements for any of its corporate purposes; and

WHEREAS, the City of Novato (the "City") and the Redevelopment Agency have entered into a Joint Exercise of Powers Agreement (the "Agreement") under Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") creating the Novato Financing Authority (the "Financing Authority") to assist in financing the acquisition, the operation and maintenance of mobile home parks in the City in order to preserve and provide land and mobile home sites for low or moderate income residents within the City and stimulate economic development in the City; and

WHEREAS, the California Local Government Finance Authority ("CLGFA") is empowered by the laws of the State of California to perform all powers common to its members, including the power to facilitate the issuance of bonds to finance the acquisition and improvement of mobile home parks which constitute public improvements; and

WHEREAS, the Financing Authority has requested CLGFA to facilitate the issuance of revenue bonds to finance the acquisition of the Marin Valley Mobile Country Club (the "Project") and CLGFA is expected to approve the issuance of two series of revenue bonds, designated as "Senior Revenue Bonds, Series 1997A (Marin Valley Mobile Country Club

Acquisition Project), Issued for the Benefit of the Novato Financing Authority, Facilitated by the California Local Government Finance Authority" in an aggregate principal amount not to exceed \$18,000,000 (the "Senior Bonds"), and "Subordinate Revenue Bonds, Series 1997B (Marin Valley Mobile Country Club Acquisition Project), Issued for the Benefit of the Novato Financing Authority, Facilitated by the California Local Government Finance Authority" in an aggregate principal amount not to exceed \$2,500,000 (the "Subordinate Bonds" and collectively, the "Bonds"); and

WHEREAS, as consideration for CLGFA's financing of the acquisition and improvement of the Project that will preserve land and mobile home sites to low and moderate income residents in the City of Novato, the Redevelopment Agency desires to enter into a Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997 (the "Pledge Agreement"), by and among the Redevelopment Agency, the Financing Authority and the Park Acquisition Corporation of Marin Valley Mobile Country Club, for the purpose of pledging certain tax increment revenues deposited in the Low and Moderate Housing Fund (as required to be established in Section 33334.3 of the Health & Safety Code) (the "Pledged Tax Revenues") to be paid to the Trustee of the Subordinate Bonds as additional security for the payment on Subordinate Bonds;

WHEREAS, the Redevelopment Agency will enter into an Indemnity Agreement, dated as of March 1, 1997 (the "Indemnity Agreement") with CLGFA and the Financing Authority to induce CLGFA to issue the Bonds;

NOW, THEREFORE, BE IT RESOLVED by the Board of the Redevelopment Agency of the City of Novato, as follows:

Section 1. The Redevelopment Agency has found and determined that:

(a) The Project to be financed through the Bonds and through a pledge of tax increment revenues under the Pledge Agreement to the Subordinate Bonds is of benefit to the City and the Novato Redevelopment Project Area, as it promotes and enhances economic development and preserves land and mobile home sites for low and moderate income residents within the City;

(b) No other reasonable means of financing is available, as the revenues generated by the Project to be financed will be insufficient to pay the costs of the Project, and would therefore constitute an unreasonable drain on the general fund of the City if the housing set-aside portion of the tax increment from the Novato Redevelopment Project Area is not used to offset a portion of the cost of the Project;

(c) Payment of funds for such Project will preserve land and mobile home sites for low or moderate income persons, and is consistent with the implementation plans adopted pursuant to California Health and Safety Code Section 33490; and

(d) The Project to be financed through the Bonds constitutes "redevelopment" as prescribed in California Health and Safety Code Sections 33020 and 33021, and none of the proceeds of the Pledge Agreement shall be used for the purpose of paying for employee or contractual services of any local governmental commission other than services directly related to the redevelopment purposes authorized by such sections.

Section 2. The Redevelopment Agency hereby finds and declares that the acquisition by the Financing Authority of the mobile home park land and facilities constituting the Project does not constitute the acquisition, construction or development of a low-rent housing project within the meaning of Article XXXIV of the California Constitution inasmuch as (a) the Financing Authority is not acquiring any structures constituting housing units, (b) the housing which is situated at the Project is intended for owner-occupancy, as provided in Section 37001 of the Health and Safety Code, and (c) no more than 49% of the privately-owned mobile home units situated at the mobile home park will be required to be occupied by persons of low income, as provided by said Section 37001.

Section 3. The Redevelopment Agency finds and declares that the actions of the Financing Authority in this case consist of (a) the acquisition of real property constituting the Marin Valley Mobile Country Club Park (the "Park") and any structures, site improvements, facilities and fixtures on or part of the real property, exclusive of any mobile homes thereon; and (b) the operation by the Financing Authority of the Park, structures, site improvements, facilities and fixtures after acquisition exactly as that operation was conducted prior to acquisition by the Financing Authority. The Redevelopment Agency finds that the actions of the Financing Authority are exempt from the California Environmental Quality Act ("CEQA") for the following reasons: (1) the activity is not a project as defined in Section 15378 of the CEQA Guidelines because it has no potential for resulting in a physical change in the environment, directly or indirectly, and (2) it can be seen with certainty that there is no possibility that the actions of the Financing Authority will result in significant impacts because there will be no change in or expansion of use or change in operations of the Park. (CEQA Guidelines Section 15061(b)(1),(3)).

The Redevelopment Agency further finds and declares that the actions of the Financing Authority are also categorically exempt from CEQA under Class 1 of the Categorical Exemptions from CEQA. Class 1 consists of the operation, repair, maintenance or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that previously existing. (CEQA Guidelines, Section 15301.) (Emphasis added.) In this case, the actions of the Financing Authority will involve no expansion of use beyond that previously existing.

Section 4. The proposed form of the Pledge Agreement on file with the Secretary of the Redevelopment Agency is hereby approved, subject to the changes authorized by the Board in adopting the Resolution. The Chairperson and the Secretary (or the written designee of either of them) of the Redevelopment Agency are hereby authorized and directed, for and in the name and on behalf of the Redevelopment Agency, to execute and deliver the Pledge Agreement and

to make or approve such changes therein or additions thereto as shall be necessary or appropriate to complete the Pledge Agreement. The Redevelopment Agency hereby finds and declares that the declaration of restrictive covenants in the Pledge Agreement requiring a portion of the residents of the Project to qualify as low or moderate income residents shall be subordinated to the liens created by the Bonds, including, without limitation, the maintenance of a 1.50x Senior Debt Service Coverage Ratio as no other economically feasible alternative method of financing the Project on substantially comparable terms and conditions, but without subordination, exists.

Section 5. The proposed form of the Indemnity Agreement on file with the Secretary of the Redevelopment Agency is hereby approved. The Chairperson and the Secretary (or the written designee of either of them) of the Redevelopment Agency are hereby authorized and directed, for and in the name and on behalf of the Redevelopment Agency, to execute and deliver the Indemnity Agreement and to make or approve such changes therein or additions thereto as shall be necessary or appropriate to complete the Indemnity Agreement.

Section 6. The proposed form of the Continuing Disclosure Agreement on file with the Secretary of the Redevelopment Agency is hereby approved. The Chairperson and the Secretary (or the written designee of either of them) of the Redevelopment Agency are hereby authorized and directed, for and in the name and on behalf of the Redevelopment Agency, to execute and deliver the Continuing Disclosure Agreement and to make or approve such changes therein or additions thereto as shall be necessary or appropriate to complete the Continuing Disclosure Agreement.

Section 7. All actions heretofore taken by the officers and agents of the Redevelopment Agency with respect to the Pledge Agreement, the Indemnity Agreement and the Continuing Disclosure Agreement are hereby approved, confirmed and ratified. The Chairperson and the Secretary and any and all other officers of the Redevelopment Agency are hereby authorized and directed, for and in the name and on behalf of the Redevelopment Agency to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents which they, or any of them, may deem necessary or advisable in order to consummate the Pledge Agreement and the pledge of the Pledged Tax Revenues to the Subordinate Bonds, and to consummate the Indemnity Agreement and the Continuing Disclosure Agreement. The Redevelopment Agency and its officers and employees are further directed to provide relevant financial, statistical and other information regarding the Redevelopment Agency to the Financing Authority for inclusion in an offering document related to the sale of the Subordinate Bonds secured by the Pledge Agreement.

Section 8. This resolution shall take effect from and after its adoption.

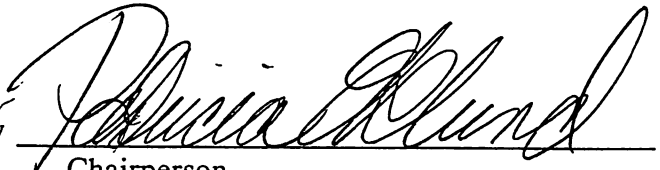
I HEREBY CERTIFY that the foregoing resolution was duly and regularly adopted by the Redevelopment Agency of the City of Novato, Marin County, California, at a meeting hereof, held on the 4th day of March 1997, by the following vote, to wit:

AYES: Directors: DiGiorgio, Dillion-Knutson, Gray, Eklund, Murray

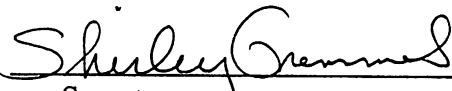
NOES: Directors:

ABSENT: Directors:

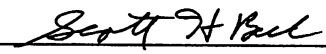
REDEVELOPMENT AGENCY OF THE CITY OF NOVATO

By 
Chairperson

Attest:

By 
Secretary

Approved as to form:

By 
Bond Counsel

STATE OF CALIFORNIA }
COUNTY OF MARIN } ss
CITY OF NOVATO }

I, Shirley Gremmels, Secretary of the Redevelopment Agency of the City of Novato, do hereby certify that I have compared the foregoing copy with the original Resolution No. R-3-97 passed and adopted by said Redevelopment Agency at a regular meeting thereof, at the time and by the vote therein stated, which original resolution is now on file in my office, and that the same is a full, true and correct copy thereof.

WITNESS by my hand this 12th day of March, 1997.

REDEVELOPMENT AGENCY OF THE CITY OF
NOVATO

By Shirley Gremmels
Secretary

RESOLUTION NO. 97-224

RESOLUTION OF THE PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB AUTHORIZING AND APPROVING THE ISSUANCE AND SALE OF NOT TO EXCEED \$18,000,000 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 AND NOT TO EXCEED \$2,500,000 SUBORDINATE REVENUE BONDS, SERIES 1997B (MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT) ISSUED FOR THE BENEFIT OF THE NOVATO FINANCING AUTHORITY FACILITATED BY THE CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY, APPROVING DISTRIBUTION OF THE OFFERING STATEMENT AND PRIVATE PLACEMENT MEMORANDUM RELATING THERETO, AUTHORIZING AND APPROVING THE LOAN AGREEMENT, THE IN-LIEU-OF-TAX AGREEMENT, THE DEPOSIT ONLY ACCOUNT AGREEMENT, THE MANAGEMENT AGREEMENT, THE DELEGATION AGREEMENT, THE HOUSING ASSISTANCE PLEDGE AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS, THE ASSIGNMENT AGREEMENT, THE CONTINUING DISCLOSURE AGREEMENTS, THE INSURANCE AGREEMENT AND THE LETTER AGREEMENT WITH THE PAC'S CONSULTANTS, AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

WHEREAS, the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "Corporation") was incorporated as a nonprofit mutual benefit corporation for the purpose of assisting in the acquisition of the Marin Valley Mobile Country Club (the "Project"); and

WHEREAS, the City of Novato (the "City") and the Redevelopment Agency of the City of Novato (the "Redevelopment Agency") have entered into a Joint Exercise of Powers Agreement (the "Agreement") under Articles 1 through 3 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") creating the Novato Financing Authority (the "Financing Authority") to assist in financing the acquisition and the operation and maintenance of mobilehome parks in the City in order to provide affordable housing and stimulate economic development in the City; and

WHEREAS, the California Local Government Finance Authority ("CLGFA") is empowered by the laws of the State of California to perform all powers common to its members, including the power to facilitate the issuance of revenue bonds to finance the acquisition and improvement of mobile home parks which constitute public improvements; and

WHEREAS, the Financing Authority and the Corporation have requested CLGFA to facilitate the issuance of revenue bonds to finance the acquisition of the Project and CLGFA is expected to approve the issuance of two series of revenue bonds, designated as "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" in an aggregate principal amount not to exceed \$18,000,000 (the "Senior Bonds") and "Subordinate Revenue Bonds, Series 1997B (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" in an aggregate principal amount not to exceed \$2,500,000 (the "Subordinate Bonds," and, collectively with the Senior Bonds, the "Bonds") to Sutro & Co. Incorporated and George K. Baum & Company (collectively, the "Underwriter"); and

WHEREAS, the Financing Authority intends to borrow the proceeds of the Bonds from CLGFA for the purpose of providing the permanent financing for the acquisition of the Project pursuant to a Loan Agreement, dated as of March 1, 1997 (the "Loan Agreement"), by and among CLGFA, the Financing Authority and the Corporation; and

WHEREAS, in order to induce the Financing Authority to acquire the Project, the Corporation will agree to perform certain duties and incur certain obligations with respect to the Project; and

WHEREAS, the Corporation will operate the Project pursuant to the terms of the Marin Valley Mobile Country Club Park Delegation Agreement, dated as of March 1, 1997 (the "Delegation Agreement"), by and between the Financing Authority and the Corporation; and

WHEREAS, the Corporation will enter into an Insurance and Indemnity Agreement, dated as of March 1, 1997 (the "Insurance Agreement") with the Financing Authority and Financial Security Assurance Inc. ("Financial Security") to induce Financial Security to issue its municipal bond insurance policy to guarantee the scheduled payments of the principal of and interest on the Senior Bonds; and

WHEREAS, the Corporation intends to enter in a Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997 (the "Pledge Agreement") with the Financing Authority and the Redevelopment Agency, whereby the Redevelopment Agency, in consideration for the Financing Authority's acquisition and operation of mobile home spaces for low and moderate income residents within the City, pledges certain tax increment revenues deposited in the Low and Moderate Housing Fund (as required to be established in Section 33334.3 of the Health & Safety Code) to be paid to the Trustee of the Subordinate Bonds as additional security for the payment on the Subordinate Bonds; and

WHEREAS, the Underwriter has caused a Preliminary Offering Statement relating to the Senior Bonds and a Preliminary Private Placement Memorandum relating to the Subordinate

Bonds (collectively, the "Offering Documents") to be submitted to the Corporation for approval for distribution to prospective purchasers of the Bonds;

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Park Acquisition Corporation of Marin Valley Mobile Country Club as follows:

Section 1. The foregoing recitals are true and correct and this Board so finds and determines.

Section 2. The proposed forms of the below-enumerated agreements (collectively, the "Documents"), on file with the Secretary of the Corporation are hereby approved:

- (a) the Loan Agreement;
- (b) the Delegation Agreement;
- (c) the Pledge Agreement;
- (d) the Insurance Agreement;
- (e) the Continuing Disclosure Agreement relating to the Senior Bonds dated as of March 1, 1997, by and among the Corporation, the Financing Authority and First Trust of California, National Association;
- (f) the Continuing Disclosure Agreement relating to the Subordinate Bonds dated as of March 1, 1997, by and among the Corporation, the Financing Authority, the Redevelopment Agency and First Trust of California, National Association;
- (g) the In-Lieu-of-Tax Agreement dated as of March 1, 1997, by and among the Financing Authority, the Corporation and the City;
- (h) the Assignment Agreement dated as of March 1, 1997, by and between the Financing Authority and the Corporation;
- (i) the Deposit Only Account Agreement dated as of March 1, 1997, by and among the Trustee, the Corporation, Storz Management Company, Inc. (the "Property Manager") and Bank of Marin;
- (j) the Management Agreement dated as of March 1, 1997, by and between the Corporation and the Property Manager; and
- (k) the Letter Agreement to be entered into with David Kenyon, Esq. and P.A. Hoon & Company, Inc. (collectively, the "PAC Consultants") and the Financing Authority.

The President or the Secretary (or the written designee of either of them) of the Corporation is hereby authorized and directed, for and in the name and on behalf of the Corporation, to execute and deliver each of the Documents and to make or approve such changes therein or additions thereto as shall be necessary, appropriate and in the best interest of the Corporation to complete them with respect to interest rates, maturities and amortization and the purchase price of the Bonds; provided, however, that the aggregate principal amount of the Bonds shall not exceed \$20,500,000, the stated aggregate average annual interest rate payable with respect to the Bonds shall not exceed eight and one-half percent (8.50%), and that the purchase price paid by the Underwriter for the purchase of the Senior Bonds and by the purchaser for the purchase of the Subordinate Bonds shall not be less than 98% of the par amount of each series of Bonds, excluding any original issue discount.

Section 3. The proposed forms of the Offering Documents relating to the Bonds on file with the Secretary of the Corporation, together with such amendments and supplements as shall be necessary or convenient to accurately describe said Bonds in accordance with the Documents, this Resolution and the other related proceedings and documents, is hereby approved for distribution to such broker-dealers, banking institutions and other persons as may be interested in purchasing the Bonds. The Corporation hereby deems the Offering Documents "final" as of their respective dates pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, prior to their respective distributions by the Underwriter. The form of final Offering Documents, together with such amendments and supplements as shall be necessary or convenient to accurately describe the Bonds in accordance with the Documents, this Resolution and the other related proceedings and documents, is hereby approved for distribution to the purchasers of the Bonds.

Section 4. All actions heretofore taken by the officers and agents of the Corporation with respect to the Bonds are hereby approved, confirmed and ratified. The President and the Secretary and any and all other officers of the Corporation are hereby authorized and directed, for and in the name and on behalf of the Corporation, to do any and all things and take any and all actions, including execution and delivery of any and all deeds of trust, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, including any continuing disclosure agreements pursuant to Rule 15c2-12 of the Securities and Exchange Commission, which they, or any of them, may deem necessary or advisable in order to consummate the issuance and sale of the Bonds pursuant to the Documents approved herein.

Section 5. This resolution shall take effect from and after its adoption.

PASSED, APPROVED AND ADOPTED by the Corporation, at a [regular/special] meeting thereof, this 24th day of February, 1997, by the following vote, to wit:

AYES: 4

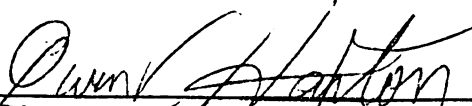
NOES: 0

ABSENT: 1

Directors: OWEN HAYTON, ROBERT TELDER,
BURT VREELAND, CATHERINE CARPINO

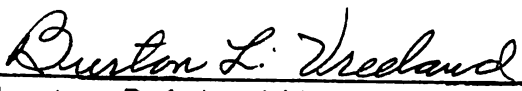
Directors:

Directors: SIM HARALS



President, Park Acquisition Corporation of Marin
Valley Mobile Country Club

Attest:



Secretary, Park Acquisition Corporation
of Marin Valley Mobile Country Club

STATE OF CALIFORNIA
CITY OF NOVATO
COUNTY OF MARIN

)
) ss.
)

I, BURTON L. VREELAND Secretary of the Park Acquisition Corporation of Marin Valley Mobile Country Club hereby certify that I have compared the foregoing copy with the original Resolution No. 97-224 passed and adopted by said Corporation at a [regular/special] meeting thereof, at the time and by the vote therein stated, which original resolution is now on file in my office, and that the same is a full, true and correct copy thereof.

WITNESS by my hand this 24 day of FEBRUARY, 1997.

Burton L. Vreeland
Secretary, Park Acquisition Corporation
of Marin Valley Mobile Country Club

RESOLUTION NO. 97-224

RESOLUTION OF THE PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB AUTHORIZING AND APPROVING THE ISSUANCE AND SALE OF NOT TO EXCEED \$18,000,000 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 AND NOT TO EXCEED \$2,500,000 SUBORDINATE REVENUE BONDS, SERIES 1997B (MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT) ISSUED FOR THE BENEFIT OF THE NOVATO FINANCING AUTHORITY FACILITATED BY THE CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY, APPROVING DISTRIBUTION OF THE OFFERING STATEMENT AND PRIVATE PLACEMENT MEMORANDUM RELATING THERETO, AUTHORIZING AND APPROVING THE LOAN AGREEMENT, THE IN-LIEU-OF-TAX AGREEMENT, THE DEPOSIT ONLY ACCOUNT AGREEMENT, THE MANAGEMENT AGREEMENT, THE DELEGATION AGREEMENT, THE HOUSING ASSISTANCE PLEDGE AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS, THE ASSIGNMENT AGREEMENT, THE CONTINUING DISCLOSURE AGREEMENTS, THE INSURANCE AGREEMENT AND THE LETTER AGREEMENT WITH THE PAC'S CONSULTANTS, AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

WHEREAS, the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "Corporation") was incorporated as a nonprofit mutual benefit corporation for the purpose of assisting in the acquisition of the Marin Valley Mobile Country Club (the "Project"); and

WHEREAS, the City of Novato (the "City") and the Redevelopment Agency of the City of Novato (the "Redevelopment Agency") have entered into a Joint Exercise of Powers Agreement (the "Agreement") under Articles 1 through 3 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") creating the Novato Financing Authority (the "Financing Authority") to assist in financing the acquisition and the operation and maintenance of mobilehome parks in the City in order to provide affordable housing and stimulate economic development in the City; and

WHEREAS, the California Local Government Finance Authority ("CLGFA") is empowered by the laws of the State of California to perform all powers common to its members, including the power to facilitate the issuance of revenue bonds to finance the acquisition and improvement of mobile home parks which constitute public improvements; and

WHEREAS, the Financing Authority and the Corporation have requested CLGFA to facilitate the issuance of revenue bonds to finance the acquisition of the Project and CLGFA is expected to approve the issuance of two series of revenue bonds, designated as "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" in an aggregate principal amount not to exceed \$18,000,000 (the "Senior Bonds") and "Subordinate Revenue Bonds, Series 1997B (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" in an aggregate principal amount not to exceed \$2,500,000 (the "Subordinate Bonds," and, collectively with the Senior Bonds, the "Bonds") to Sutro & Co. Incorporated and George K. Baum & Company (collectively, the "Underwriter"); and

WHEREAS, the Financing Authority intends to borrow the proceeds of the Bonds from CLGFA for the purpose of providing the permanent financing for the acquisition of the Project pursuant to a Loan Agreement, dated as of March 1, 1997 (the "Loan Agreement"), by and among CLGFA, the Financing Authority and the Corporation; and

WHEREAS, in order to induce the Financing Authority to acquire the Project, the Corporation will agree to perform certain duties and incur certain obligations with respect to the Project; and

WHEREAS, the Corporation will operate the Project pursuant to the terms of the Marin Valley Mobile Country Club Park Delegation Agreement, dated as of March 1, 1997 (the "Delegation Agreement"), by and between the Financing Authority and the Corporation; and

WHEREAS, the Corporation will enter into an Insurance and Indemnity Agreement, dated as of March 1, 1997 (the "Insurance Agreement") with the Financing Authority and Financial Security Assurance Inc. ("Financial Security") to induce Financial Security to issue its municipal bond insurance policy to guarantee the scheduled payments of the principal of and interest on the Senior Bonds; and

WHEREAS, the Corporation intends to enter in a Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997 (the "Pledge Agreement") with the Financing Authority and the Redevelopment Agency, whereby the Redevelopment Agency, in consideration for the Financing Authority's acquisition and operation of mobile home spaces for low and moderate income residents within the City, pledges certain tax increment revenues deposited in the Low and Moderate Housing Fund (as required to be established in Section 33334.3 of the Health & Safety Code) to be paid to the Trustee of the Subordinate Bonds as additional security for the payment on the Subordinate Bonds; and

WHEREAS, the Underwriter has caused a Preliminary Offering Statement relating to the Senior Bonds and a Preliminary Private Placement Memorandum relating to the Subordinate

Bonds (collectively, the "Offering Documents") to be submitted to the Corporation for approval for distribution to prospective purchasers of the Bonds;

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Park Acquisition Corporation of Marin Valley Mobile Country Club as follows:

Section 1. The foregoing recitals are true and correct and this Board so finds and determines.

Section 2. The proposed forms of the below-enumerated agreements (collectively, the "Documents"), on file with the Secretary of the Corporation are hereby approved:

- (a) the Loan Agreement;
- (b) the Delegation Agreement;
- (c) the Pledge Agreement;
- (d) the Insurance Agreement;
- (e) the Continuing Disclosure Agreement relating to the Senior Bonds dated as of March 1, 1997, by and among the Corporation, the Financing Authority and First Trust of California, National Association;
- (f) the Continuing Disclosure Agreement relating to the Subordinate Bonds dated as of March 1, 1997, by and among the Corporation, the Financing Authority, the Redevelopment Agency and First Trust of California, National Association;
- (g) the In-Lieu-of-Tax Agreement dated as of March 1, 1997, by and among the Financing Authority, the Corporation and the City;
- (h) the Assignment Agreement dated as of March 1, 1997, by and between the Financing Authority and the Corporation;
- (i) the Deposit Only Account Agreement dated as of March 1, 1997, by and among the Trustee, the Corporation, Storz Management Company, Inc. (the "Property Manager") and Bank of Marin;
- (j) the Management Agreement dated as of March 1, 1997, by and between the Corporation and the Property Manager; and
- (k) the Letter Agreement to be entered into with David Kenyon, Esq. and P.A. Hoon & Company, Inc. (collectively, the "PAC Consultants") and the Financing Authority.

The President or the Secretary (or the written designee of either of them) of the Corporation is hereby authorized and directed, for and in the name and on behalf of the Corporation, to execute and deliver each of the Documents and to make or approve such changes therein or additions thereto as shall be necessary, appropriate and in the best interest of the Corporation to complete them with respect to interest rates, maturities and amortization and the purchase price of the Bonds; provided, however, that the aggregate principal amount of the Bonds shall not exceed \$20,500,000, the stated aggregate average annual interest rate payable with respect to the Bonds shall not exceed eight and one-half percent (8.50%), and that the purchase price paid by the Underwriter for the purchase of the Senior Bonds and by the purchaser for the purchase of the Subordinate Bonds shall not be less than 98% of the par amount of each series of Bonds, excluding any original issue discount.

Section 3. The proposed forms of the Offering Documents relating to the Bonds on file with the Secretary of the Corporation, together with such amendments and supplements as shall be necessary or convenient to accurately describe said Bonds in accordance with the Documents, this Resolution and the other related proceedings and documents, is hereby approved for distribution to such broker-dealers, banking institutions and other persons as may be interested in purchasing the Bonds. The Corporation hereby deems the Offering Documents "final" as of their respective dates pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, prior to their respective distributions by the Underwriter. The form of final Offering Documents, together with such amendments and supplements as shall be necessary or convenient to accurately describe the Bonds in accordance with the Documents, this Resolution and the other related proceedings and documents, is hereby approved for distribution to the purchasers of the Bonds.

Section 4. All actions heretofore taken by the officers and agents of the Corporation with respect to the Bonds are hereby approved, confirmed and ratified. The President and the Secretary and any and all other officers of the Corporation are hereby authorized and directed, for and in the name and on behalf of the Corporation, to do any and all things and take any and all actions, including execution and delivery of any and all deeds of trust, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, including any continuing disclosure agreements pursuant to Rule 15c2-12 of the Securities and Exchange Commission, which they, or any of them, may deem necessary or advisable in order to consummate the issuance and sale of the Bonds pursuant to the Documents approved herein.

Section 5. This resolution shall take effect from and after its adoption.

PASSED, APPROVED AND ADOPTED by the Corporation, at a [regular/special] meeting thereof, this 24th day of February, 1997, by the following vote, to wit:

AYES: 4

NOES: 0

ABSENT: 1

Directors: *HAMES Hinton, Ireland*

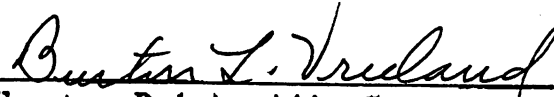
Directors: *Carpino, Telder*

Directors: *Harays*



President, Park Acquisition Corporation of Marin
Valley Mobile Country Club

Attest:



Secretary, Park Acquisition Corporation
of Marin Valley Mobile Country Club

STATE OF CALIFORNIA)
CITY OF NOVATO) ss.
COUNTY OF MARIN)

I, BURTON L. VRELAND Secretary of the Park Acquisition Corporation of Marin Valley Mobile Country Club hereby certify that I have compared the foregoing copy with the original Resolution No. 97-224 passed and adopted by said Corporation at a [regular/special] meeting thereof, at the time and by the vote therein stated, which original resolution is now on file in my office, and that the same is a full, true and correct copy thereof.

WITNESS by my hand this 24 day of FEBRUARY, 1997.

Burton L. Vreland
Secretary, Park Acquisition Corporation
of Marin Valley Mobile Country Club

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**

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01.	Definitions	5
Section 1.02.	Rules of Construction	19

ARTICLE II

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

Section 2.01.	Authorization of Bonds	20
Section 2.02.	Source of Payment	21
Section 2.03.	Execution, Authentication and Retirement	22
Section 2.04.	Forms of Bonds	22
Section 2.05.	Authentication and Delivery of Bonds	23
Section 2.06.	Registration and Transfer	23
Section 2.07.	Cancellation	24
Section 2.08.	Temporary Bonds	25
Section 2.09.	Replacement Bonds	25
Section 2.10.	Book-Entry-Only System	26

ARTICLE III

PAYMENTS ON THE BONDS; SUBORDINATION

Section 3.01.	Interest Payment Dates, Interest Rates and Maturity Dates of the Bonds	27
Section 3.02.	Notification of Amounts Due	29
Section 3.03.	Medium and Place of Payment	29
Section 3.04.	Ownership	30
Section 3.05.	Subordination of Subordinate Bonds	30

ARTICLE IV

BOND REDEMPTION PROVISIONS

Section 4.01.	Circumstances of Redemption	34
Section 4.02.	Partial Redemption	38
Section 4.03.	Selection of Bonds To Be Redeemed	38
Section 4.04.	Notice of Redemption; Procedure for Selection	39
Section 4.05.	Deposit Prior to Redemption and Payment Upon Redemption	39
Section 4.06.	Effect of Redemption	40

ARTICLE V

REVENUES, FUNDS AND ACCOUNTS

Section 5.01.	Application of Bond Proceeds	40
Section 5.02.	Costs of Issuance Fund; Project Fund; Deferred Costs Fund	41
Section 5.03.	Revenue Fund	43
Section 5.04.	Shortfalls; Cashtrap Accounts	52
Section 5.05.	Bond Fund	54
Section 5.06.	Subordinate Pledged Funds Account	55
Section 5.07A.	Senior Debt Service Reserve Fund	56
Section 5.07B.	Subordinate Debt Service Reserve Fund	58
Section 5.08.	Expense Fund	59
Section 5.09.	Insurance Reserves; Escrow Account	59
Section 5.10.	Replacement Reserve Fund	61
Section 5.11.	Rebate Fund	62
Section 5.12.	Temporary Funds and Accounts; Policy Payments Account	63
Section 5.13.	Lapse of Payment	64

ARTICLE VI

SECURITY AND INVESTMENTS

Section 6.01.	Moneys Held in Trust as Security	64
Section 6.02.	Investments	64

ARTICLE VII

SPECIAL COVENANTS

Section 7.01.	Performance of Covenants	67
Section 7.02.	Ownership; Instruments of Further Assurance	68
Section 7.03.	Payment of Principal, Premium, if Any, and Interest	68

Section 7.04.	Conditions Precedent	68
Section 7.05.	Filing of Certain Continuation Statements	68
Section 7.06.	[Reserved]	69
Section 7.07.	Protection of Trust Estate	69
Section 7.08.	Rights Under the Loan Agreement	69

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01.	Events of Default	70
Section 8.02.	Remedies	72
Section 8.03.	Enforceability by Trustee	75
Section 8.04.	Delays; Omissions; Waivers	75
Section 8.05.	Application of Moneys	75
Section 8.06.	Controlling Party; Right To Make Payment	78
Section 8.07.	Power of Bondholders To Direct Proceedings	79

ARTICLE IX

THE TRUSTEE

Section 9.01.	Acceptance of Trusts	79
Section 9.02.	Recitals; Representations	79
Section 9.03.	Performance Through Attorneys, Agents, Receivers or Employees	80
Section 9.04.	Expenses, Charges, Other Disbursements and Indemnification	80
Section 9.05.	Obligation To Take Action	80
Section 9.06.	Reliance by Trustee	81
Section 9.07.	Co-Trustee	82
Section 9.08.	Resignation by Trustee	83
Section 9.09.	Removal of Trustee	83
Section 9.10.	Appointment of Successor Trustee	83
Section 9.11.	Qualifications of Successor Trustee	84
Section 9.12.	Concerning Successor Trustee	84
Section 9.13.	Merger of Trustee	84
Section 9.14.	Conduct of Trustee	84
Section 9.15.	Notice of Event of Default or Trigger Event	85
Section 9.16.	Intervention by Trustee	85
Section 9.17.	Duties Determined Solely by Indenture	85
Section 9.18.	Survival of Trustee's Rights	86
Section 9.19.	Trustee Disclaimer	86
Section 9.20.	No Liability of CLGFA for Trustee Performance	86

ARTICLE X

**CONDITIONS CONCERNING THE POLICY
AND FINANCIAL SECURITY REGARDING THE SENIOR BONDS**

Section 10.01.	Claims Upon a Policy; Payment Default Claim Provisions	86
Section 10.02.	Subrogation; Effect of Payments by Financial Security	89
Section 10.03.	Preservation of the Rights of Financial Security	89
Section 10.04.	Access to Records; Delivery of Information to Financial Security	89
Section 10.05.	Surrender of Policy	90
Section 10.06.	Payment of Bonds	90

ARTICLE XI

OTHER COVENANTS

Section 11.01.	Rights Under the Pledge Agreement	90
Section 11.02.	Extension of Payment of Bonds	90
Section 11.03.	Against Encumbrances, Sales and Disposition	90
Section 11.04.	Power To Issue Bonds and Make Pledge and Assignment	91
Section 11.05.	Accounting Records and Financial Statements	91
Section 11.06.	[Reserved]	91
Section 11.07.	[Reserved]	91
Section 11.08.	No Additional Obligations	91
Section 11.09.	Observance of Laws and Regulations	91
Section 11.10.	Prosecution and Defense of Suits	91
Section 11.11.	Further Assurances	91

ARTICLE XII

INSTRUMENTS EXECUTED BY HOLDERS

Section 12.01.	Proof of Ownership	92
Section 12.02.	Effect of Execution	92

ARTICLE XIII

MODIFICATION OF INDENTURE AND PLEDGE AGREEMENT

Section 13.01.	Modification	92
Section 13.02.	Supplemental Indentures	92
Section 13.03.	Consent of Bondholders	94
Section 13.04.	Effect of Supplemental Indenture	95
Section 13.05.	Amendment to Pledge Agreement	95

Section 13.06.	Effect of Financial Security's Rights	95
Section 13.07.	Notice to Rating Agencies	96

ARTICLE XIV

DISCHARGE OF INDENTURE

Section 14.01.	Discharge	96
Section 14.02.	Trustee's Rights Reserved	97

ARTICLE XV

MISCELLANEOUS

Section 15.01.	Successors of CLGFA	98
Section 15.02.	Purpose; Exclusive Benefit; Third-party Beneficiary	98
Section 15.03.	Severability	98
Section 15.04.	No Personal Liability or Accountability	98
Section 15.05.	Notice Addresses	98
Section 15.06.	Conduit Facilitator	100
Section 15.07.	Limited Liability	100
Section 15.08.	Counterparts	100
Section 15.09.	Governing Law	101
EXHIBIT A—Form of Senior Bonds		A-1
EXHIBIT B—Form of Subordinate Bonds		B-1
EXHIBIT C—List of Eligible Investments		C-1
EXHIBIT D—Form of Transferee Letter		D-1

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 set-aside 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 book-entry 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 tax-exempt revenue bonds under the exemption provided under Section 103 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 Section 5.05 hereof.

"*Bond Law*" means the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the California Government Code.

"*Bond Register*" shall have the meaning set forth in Section 2.06 hereof.

"*Bond Year*" means any twelve-month period extending from October 1 in one calendar year to September 30 of the succeeding calendar year, both inclusive, provided that the initial Bond Year shall extend from the Closing Date and extend to September 30, 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 New York 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 New York 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 In-Lieu-Of-Tax 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 deposited 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 February 19, 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 Section 5.03 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 Section 5.05(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 Section 5.05(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 Section 5.04 of this Indenture.

"Senior Debt Service" means, with respect to a calendar month, one-twelfth 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 Section 5.03(b) of this Indenture.

"Sinking Fund Redemption Date" means any date on which either (a) Senior Bonds are required to be redeemed pursuant to Section 4.01(c) of this Indenture or (b) Subordinate Bonds are expected to be redeemed pursuant to Section 4.01(e) of this Indenture.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill 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 moneys, 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. *Book-Entry-Only 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 360-day year of twelve 30-day 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 SUBORDINATE 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.

<u>Year of Maturity</u>	<u>Principal Amount Maturing</u>	<u>Interest Rate</u>
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	5.60
Term Bonds:		
2020	4,275,000	5.80
2027	6,735,000	5.85
Total:	<u>\$15,485,000</u>	

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 10:00 a.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 post-petition 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 <u>(both dates inclusive)</u>	Redemption <u>Price</u>
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 twenty-fifth 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(€) 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 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 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 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);

(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 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 Section 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 Sections 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 one-twelfth 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 long-term 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 appropriate 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 of 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 remedied 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 Section 8.01(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 Section 2.02(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 Section 2.02(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 first-class 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 teletype of the amount of such deficiency by 12:00 noon, 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 12:00 noon, 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 Article XII 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 Article XIII.

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 first-class 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; Third-party 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 third-party 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
For Operations and
presentation of Bonds
for payment: First Trust of California, National Association
c/o First Trust National Association
180 East Fifth Street
St. Paul, MN 55164

To Financial Security: Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022
Attention: Surveillance Department
Telephone: (212) 826-0100
FAX: (212) 339-3518
(212) 339-3529

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.

**CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY**

(SEAL)

ATTEST:

By Thomas L. Bogue
Name: Thomas L. Bogue
Title: Executive Director

By _____
Name: _____
Title: _____

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

By _____
Name: _____
Title: _____

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.

CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY

By _____
Name _____
Title _____

FIRST TRUST OF CALIFORNIA, NATIONAL
ASSOCIATION, as Trustee

By Leticia Sabiniano
Name Leticia Sabiniano
Title Trust Officer

ATTEST:

By Kerri S. Jones
Name Kerri Jones
Title Asst. Vice President

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 respective 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:

<u>Redemption Period</u> <u>(Dates Inclusive)</u>	<u>Redemption Prices</u>
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:

<u>Sinking Fund Redemption Dates (October 1)</u>	<u>Principal Amount To Be Redeemed</u>	<u>Sinking Fund Redemption Dates (October 1)</u>	<u>Principal Amount To Be Redeemed</u>
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:

<u>Sinking Fund Redemption Dates (October 1)</u>	<u>Principal Amount To Be Redeemed</u>	<u>Sinking Fund Redemption Dates (October 1)</u>	<u>Principal Amount To Be Redeemed</u>
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

By _____
Executive Director

By _____
Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Senior 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 within-registered 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 Agreement 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:

<u>Redemption Period (Dates Inclusive)</u>	<u>Redemption Prices</u>
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:

<u>Sinking Fund Redemption Dates (October 1)</u>	<u>Principal Amount To Be Redeemed</u>	<u>Sinking Fund Redemption Dates (October 1)</u>	<u>Principal Amount To Be Redeemed</u>
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 within-registered 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 government-sponsored 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 system-wide bonds and notes

-Federal Home Loan Banks (FHL Banks)

Consolidated debt obligations

-Federal National Mortgage Association (FNMA)

Senior debt obligations

Mortgage-backed 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 short-term obligations of which are rated at least "A-1" 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 "A-1+" by S&P and "Prime-1" by Moody's.

7. Money market funds rated at least "Aam" or "Aam-G" 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 unsecured general obligation debt is so rated.

(b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P and "Prime-1" 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 broker-dealer with "retail customers" which has, or the parent company of which has, long-term unsecured debt rated at least "AA" by S&P and at least "Aa" by Moody's, which broker-dealer 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 first-priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(v) The transferor represents that the collateral is free and clear of any third-party 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

Frequency of Valuation	<u>Remaining maturity</u>				
	<u>1 year or less</u>	<u>5 years or less</u>	<u>10 years or less</u>	<u>15 years or less</u>	<u>30 years or less</u>
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 Cashtap 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 _____

PAC

EXECUTION COPY

**FIRST AMENDMENT TO
TRUST INDENTURE**

Dated as of September 1, 2003

between

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

and

**U.S. BANK NATIONAL ASSOCIATION (SUCCESSOR TO U.S. BANK
TRUST NATIONAL ASSOCIATION, FORMERLY KNOWN AS FIRST
TRUST OF CALIFORNIA, NATIONAL ASSOCIATION),
as Trustee**

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**

FIRST AMENDMENT TO TRUST INDENTURE

THIS FIRST AMENDMENT TO TRUST INDENTURE, dated as of September 1, 2003 (this "Amendment"), is made to amend the Trust Indenture, dated as of March 1, 1997 (the "Original Indenture" and, as amended by this Amendment, the "Indenture"), both 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 under the Indenture, "CLGFA"), and **U.S. BANK NATIONAL ASSOCIATION** (as successor to U.S. Bank Trust National Association, formerly known as First Trust of California, National Association), as trustee (together with any successor trustee under the Indenture, the "Trustee"). Capitalized terms used herein have the meanings set forth in Article I of the Original Indenture, unless the intent clearly requires otherwise.

PREAMBLE

WHEREAS, pursuant to the Indenture, CLGFA has issued 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 original 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 original aggregate principal amount of \$1,585,000; and

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

WHEREAS, Section 13.02 of the Original Indenture provides that the Original Indenture may, under certain circumstances, be amended without the consent of Bondholders, but with the written approval of Financial Security; and the Novato Financing Authority, which consent is attached hereto (the "Consent") and

NOW, THEREFORE, CLGFA and the Trustee hereby agree to amend the Original Indenture as set forth in this Amendment.

Section 1. AMENDMENT TO ORIGINAL INDENTURE.

The definition of Maximum Annual Senior Debt Service is hereby amended and restated to provide as follows:

"*Maximum Annual Senior Debt Service*" means, as of any date of calculation, (a) the greatest amount in the then current or any future Fiscal Year of principal of and interest due on the Senior Bonds, minus (b) the amount on deposit in the Senior Debt Service Reserve Fund.

Section 2. MISCELLANEOUS.

(a) *Counterparts.* This Amendment and the Consent attached hereto may be executed in counterparts by the parties hereto, and all such counterparts shall constitute one and the same instrument.

(b) *Headings.* The headings of articles and sections contained in this Amendment are provided for convenience only. They form no part of this Amendment and shall not affect its construction or interpretation.

(c) *Entire Agreement.* The Original Indenture, as amended by this Amendment, sets forth the entire agreement between the parties with respect to the subject matter thereof, and the Original Indenture (as amended by this Amendment) supersedes and replaces any agreement or understanding that may have existed between the parties prior to the date hereof in respect of such subject matter.

(d) *Full Force and Effect.* All other provisions of the Original Indenture, except to the extent amended by this Amendment, remain in full force and effect.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, CLGFA has caused this First Amendment to Trust 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 First Amendment to Trust Indenture to be signed in its name by one of its authorized officers, all as of the day and year first above written.

CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY

By *[Signature]*
Name Jeanette Kopics
Title V.P. Assistant Secretary

ATTEST:

By *[Signature]*
Name Sandra Lick
Title Assistant Secretary

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Name _____
Title _____

IN WITNESS WHEREOF, CLGFA has caused this First Amendment to Trust 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 First Amendment to Trust Indenture to be signed in its name by one of its authorized officers, all as of the day and year first above written.

CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY

By _____
Name _____
Title _____

ATTEST:

By _____
Name _____
Title _____

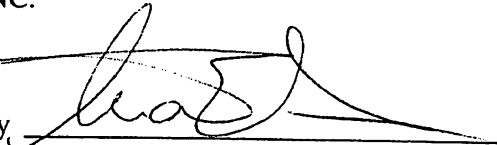
U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By *F. Rickett*
Name Francine Rickett
Title Vice President

CONSENT

Financial Security Assurance Inc. and the Novato Financing Authority consent to execution of the First Amendment to Trust Indenture, dated as of September 1, 2003, between the California Local Government Finance Authority and U.S. Bank National Association, as Trustee.

FINANCIAL SECURITY ASSURANCE
INC.

By 
Maria E. Cheng,
Director

NOVATO FINANCING AUTHORITY

By _____
Name: _____
Title: _____

CONSENT

Financial Security Assurance Inc. and the Novato Financing Authority consents consent to execution of the First Amendment to Trust Indenture, dated as of September 1, 2003, between the California Local Government Finance Authority and U.S. Bank, National Association, as Trustee.

FINANCIAL SECURITY ASSURANCE INC.

By

Maria E. Cheng,
Director

NOVATO FINANCING AUTHORITY

By

Name:

Title:

Pat Eklund
Chair, NFA

LOAN AGREEMENT

among

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY,

NOVATO FINANCING AUTHORITY,

and

**PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB**

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**

All of the right, title and interest of the California Local Government Finance Authority (other than the fees and other amounts payable to or for the benefit of the California Local Government Finance Authority for its own purposes and the rights of the California Local Government Finance Authority to indemnification under Article VII hereof) in and to this Loan Agreement have been assigned to First Trust of California, National Association, as Trustee, as security for the above-referenced bonds pursuant to a certain Trust Indenture dated as of March 1, 1997.

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITION OF TERMS AND RULES OF CONSTRUCTION

Section 1.01. Definitions	2
Section 1.02. Rules of Construction	3

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.01. General Representations and Warranties of CLGFA; Exclusion of Other Warranties	4
Section 2.02. General Representations and Warranties of the Owner	5
Section 2.03. General Representations and Warranties of the PAC	8
Section 2.04. Covenants of the Owner	10
Section 2.05. Covenants of the PAC.	11

ARTICLE III

THE BONDS; THE INDENTURE

Section 3.01. Delivery of the Bonds	12
Section 3.02. Indenture Approval and Requirements	12

ARTICLE IV

THE LOAN; PREPAYMENTS; ASSIGNMENTS

Section 4.01. Loan by CLGFA; Payment of Principal, Premium, if Any, and Interest	13
Section 4.02. Payment of Principal, Premium, if Any, and Interest	13
Section 4.03. Loan Payments	14
Section 4.04. Subordination	18
Section 4.05. Optional Prepayments	20
Section 4.06. Extraordinary Mandatory Prepayment	21
Section 4.07. Assignments to Trustee	21

ARTICLE V

ADDITIONAL COVENANTS OF THE OWNER

Section 5.01. Transfer of Project 22
Section 5.02. Accounting Records and Financial Statements 23
Section 5.03. Indenture 24
Section 5.04. Continuing Disclosure 24

ARTICLE VI

ADDITIONAL COVENANTS

Section 6.01. Payment of Costs of Issuance 24
Section 6.02. Capital Plan 25
Section 6.03. Replacement Reserve Fund 25
Section 6.04. Permits and Licenses 26
Section 6.05. Governmental Charges 26
Section 6.06. Insurance 26
Section 6.07. Maintenance; Recording 28
Section 6.08. Accounting Records and Financial Statements 29
Section 6.09. Collection of Rents; No Free Service 29
Section 6.10. Operation of Project 29
Section 6.11. Payment of Claims 29
Section 6.12. Indenture 29
Section 6.13. Continuing Disclosure 29

ARTICLE VII

EVENTS OF DEFAULT

Section 7.01. Events of Default 30
Section 7.02. Remedies; Waivers 31
Section 7.03. Discontinuance of Proceedings 32
Section 7.04. Remedies Cumulative 32
Section 7.05. Reimbursement of Expenses 32
Section 7.06. Waiver of Defenses 32

ARTICLE VIII

INDEMNIFICATION 33

ARTICLE IX

MISCELLANEOUS

Section 9.01. Payment in Full; Amounts Remaining in Funds and Accounts . . .	35
Section 9.02. Limited Obligation of the Owner, CLGFA, the PAC and the Trustee	36
Section 9.03. Amendment of Loan Agreement, Notes and Mortgage	36
Section 9.04. Counterparts	37
Section 9.05. Severability	37
Section 9.06. Survival of Certain Provisions	37
Section 9.07. Notice of Changes in Fact	37
Section 9.08. Notices	37
Section 9.09. Applicable Law	39
Section 9.10. Agreement for Benefit of Parties Hereto	39
Section 9.11. Successors and Assigns	39
Section 9.12. No Petition	39
EXHIBIT A—Project and Legal Description	A-1
EXHIBIT B—Form of Loan Payment Schedule	B-1
EXHIBIT C—Form of Senior Note	C-1
EXHIBIT D—Form of Subordinate Note	D-1

LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Loan Agreement") is made and entered into as of the 1st day of March, 1997 among the California Local Government Finance Authority ("CLGFA"), a joint powers authority duly organized and existing under the Constitution and laws of the State of California, the Novato Financing Authority (the "Owner"), a joint powers authority duly organized and existing under the Constitution and laws of the State of California, and the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC"), a California nonprofit, mutual benefit corporation duly organization and existing under the laws of the State of California.

W I T N E S S E T H:

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

WHEREAS, certain counties and the City of Novato (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 and to make loans to and enter into other agreements with its Members and other local agencies; and

WHEREAS, CLGFA is authorized by the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended, a resolution adopted by CLGFA on February 19, 1997 (the "Resolution") and the terms of the Trust Indenture dated as of March 1, 1997 (the "Indenture") by and between CLGFA and First Trust of California, National Association (the "Trustee") to issue \$15,485,000 aggregate principal amount of 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"), and \$1,585,000 aggregate principal amount of 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" and with the Senior Bonds, the "Bonds"); and

WHEREAS, the Owner desires to borrow the proceeds of the Bonds from CLGFA (the "Loan") for the purpose of providing the permanent financing for the acquisition and improvement of the Marin Valley Mobile Country Club Park by the Owner as further described in Exhibit A hereto (the "Project"); and

WHEREAS, the PAC will undertake certain obligations with respect to the Project pursuant to the terms of the Marin Valley Mobile Country Club Park Delegation Agreement (the "Delegation Agreement"); and

WHEREAS, in order to establish and declare the terms and conditions upon which the Loan is to be made and secured, the Owner, the PAC and CLGFA wish to enter into this Loan Agreement; and

WHEREAS, all acts and proceedings required by law necessary to make this Loan Agreement, when executed by the Owner, the PAC and CLGFA, the valid, binding and legal obligation of the Owner, the PAC and CLGFA, and to constitute this Loan Agreement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Loan Agreement have been in all respects duly authorized by the respective parties;

NOW, THEREFORE, CLGFA, the Owner and the PAC, each in consideration of the representations, covenants and agreements of the others as set forth herein, mutually represent, covenant and agree as follows, to wit:

ARTICLE I

DEFINITION OF TERMS AND RULES OF CONSTRUCTION

Section 1.01. *Definitions.* Unless the context requires otherwise, the capitalized terms used herein which are included as defined terms in the Indenture shall have the same meanings assigned to them in the Indenture. Additionally, for the purposes of this Loan Agreement, the following additional defined terms shall have the following meanings:

"*Act of Bankruptcy*" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Owner or the PAC, under any applicable bankruptcy, insolvency or similar law as now or hereafter in effect.

"*Delegation Agreement*" means the Delegation Agreement dated as of March 1, 1997, by and between the PAC and the Owner, together with any amendments or supplements thereto.

"*Event of Default*" means any event of default specified in Section 7.01 of this Loan Agreement.

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

"*Loan*" means, collectively, the Senior Loan and the Subordinate Loan, each from CLGFA, as lender, to the Owner, as borrower, with respect to the Project, in a principal amount equal to the initial aggregate principal amount of the Bonds, as evidenced by the Notes.

"*Loan Agreement*" means this Loan Agreement, dated as of March 1, 1997, and any and all amendments and supplements hereto made in accordance with Section 9.03 hereof.

"*Loan Payment Schedule*" means the Loan Payment Schedule, a form of which is attached as Exhibit B to this Loan Agreement, as such schedule is amended from time to time in accordance with Section 4.03 of this Loan Agreement.

"*Rent Adjustment Ordinance*" means Ordinance No. 1341 adopted on February 22, 1996, by the City Council of the City of Novato as amended from time to time.

"*Revenues*" means all amounts received by or on behalf of the Owner with respect to rents of the Project, operating and nonoperating revenues derived from the Project, Insurance Proceeds, condemnation proceeds relating to the Project, payments by the Pledgor under the Pledge Agreement, and liquidation proceeds under the Mortgage.

"*Senior Debt*" means the meaning set forth in Section 4.04(a)(i) hereof.

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

"*Senior Note*" means the promissory note of the Owner, dated as of the Closing Date, evidencing the portion of the Loan payable on a senior basis to the Subordinate Note and representing amounts related to the Senior Bonds.

"*Senior Termination Date*" means the meaning set forth in Section 7.01(b) hereof.

"*Subordinate Debt Service*" means, with respect to the Project and any calendar month, one-twelfth of the maximum annual amount of principal of and interest due and payable on the Subordinate Bonds.

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

"*Subordinate Note*" means the promissory note of the Owner, dated as of the Closing Date, evidencing the portion of the Loan payable on a subordinate basis to the Senior Note and representing amounts related to the Subordinate Bonds.

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

Section 1.02. ***Rules of Construction.*** The following rules shall apply to the construction of this Loan Agreement 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 Loan Agreement. The term "heretofore" means before the date of this Loan Agreement and the term "hereafter" means after the date of this Loan Agreement.

(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 Loan Agreement 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 Loan Agreement.

(e) The headings herein are solely for convenience of reference and shall not constitute a part of this Loan Agreement nor shall they affect its meaning, construction or effect.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.01. *General Representations and Warranties of CLGFA; Exclusion of Other Warranties.* CLGFA makes the following representations and warranties as the basis for the undertakings on the part of the Owner and the PAC herein contained and for the benefit of Financial Security:

(a) CLGFA is a joint powers authority, duly organized and existing under the Constitution and laws of the State, is authorized by the Act to execute and deliver the Mortgage Loan Documents to which it is a party and to issue the Bonds and to perform its obligations hereunder and thereunder, and by proper action has duly authorized the execution and delivery of the Mortgage Loan Documents to which it is a party, the issuance of the Bonds, the assignment of CLGFA's right, title and interest in this Loan Agreement and the Notes to the Trustee to the extent stated in the Indenture, and the performance by CLGFA of all of its obligations hereunder and thereunder.

(b) CLGFA has duly executed and delivered the Mortgage Loan Documents to which it is a party, and such documents are the legal, valid and binding obligations of CLGFA, enforceable against CLGFA in accordance with their respective terms except as the enforceability thereof may be subject to (i) the exercise of judicial discretion in accordance with general equitable principles and (ii) applicable bankruptcy, insolvency,

reorganization, moratorium and other similar laws for the relief of debtors heretofore or hereafter enacted and except that enforceability of indemnification and contribution provisions may be limited, in whole or in part, by applicable securities laws or public policy.

(c) The execution and delivery of the Mortgage Loan Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby and the issuance of the Bonds do not conflict with or constitute a breach of or a default under the Act or, to the best knowledge of CLGFA, any other law or regulation applicable to CLGFA or under the terms and conditions of any agreement or instrument to which CLGFA is a party or by which CLGFA is bound.

(d) CLGFA has determined that the issuance of the Bonds to obtain funds to provide financing for the Owner's acquisition of the Project will be in the public interest of CLGFA and will further the purposes of the Act.

CLGFA makes no other warranties, either, express or implied, as to the Project or the financing thereof, of any nature or kind.

Section 2.02. *General Representations and Warranties of the Owner.* The Owner hereby represents and warrants as follows:

(a) The Owner (i) is a joint powers authority duly organized and validly existing under the laws of the State, and is in good standing and duly authorized to do business in the State; (ii) is duly authorized and has full power and authority under its organizational documents and the laws of the State to execute and deliver the Mortgage Loan Documents to which it is a party and to assume the obligations set forth in the Mortgage Loan Documents, to be bound by the terms of the Indenture and to perform its obligations hereunder and thereunder; and (iii) has duly authorized the execution and delivery of the Mortgage Loan Documents to which it is a party, and, when duly executed and delivered by the other parties thereto, such documents, to the extent applicable to the Owner, will constitute legal, valid and binding agreements of the Owner, enforceable against the Owner in accordance with their respective terms, except as the enforceability thereof may be subject to (A) the exercise of judicial discretion in accordance with general equitable principles and (B) applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws for the relief of debtors heretofore or hereafter enacted and except that enforceability of indemnification and contribution provisions may be limited, in whole or in part, by applicable securities laws or public policy.

(b) There are no actions, suits or proceedings pending or threatened against or affecting the Owner, or involving the validity or enforceability of the Bonds or, to the Owner's knowledge, any of the Mortgage Loan Documents, or the first priority lien of the Mortgage, at law or in equity, or before or by any governmental authority.

(c) The Owner is not in default in any material respect under any mortgage, deed of trust, lease, loan or credit agreement, partnership agreement or other instrument to which it is a party or by which it is bound.

(d) The execution, delivery and performance of the Mortgage Loan Documents to which it is a party, and the consummation of the transactions herein and therein contemplated, will not violate in any material respect any law, regulation, ordinance, judgment or court order of any federal, state or local government applicable to the Owner or, to the Owner's knowledge, the Project, and do not conflict in any material respect with or constitute a material breach of or a material default under the organizational documents of the Owner or under the terms and conditions of any instrument, document, agreement, commitment, indenture, security agreement, mortgage, lease or other writing to which the Owner is a party or by which the Owner or a substantial portion of the assets of the Owner is bound.

(e) Based solely on the information disclosed in the Title Insurance Policy, the Owner has fee simple title to the Project, free and clear of all liens and encumbrances of record not disclosed by the Title Insurance Policy, except for (i) liens for taxes and assessments not yet due, (ii) the lien created by the Mortgage Loan Documents and (iii) Permitted Encumbrances.

(f) Any certificate signed by an Authorized Owner Representative and delivered in connection with this Loan Agreement or otherwise in connection with the Loan, the Project or the Bonds shall be deemed to be a representation and warranty by the Owner as to the statements made therein for the benefit of, and to be relied upon by, CLGFA, Financial Security and the PAC, and their successors and assigns.

(g) To the Owner's knowledge, the Owner is not a party to any contract, agreement, lease or other instrument which would materially adversely affect the Project or the Owner's ability to perform its obligations under the Mortgage Loan Documents to the extent applicable to the Owner. The Owner is not in default under any contract, agreement, lease or other instrument to which it is a party and which is material to the Project, and no event of default or occurrence that, with the giving of notice, the passage of time or both, would constitute an event of default thereunder has occurred and is continuing.

(h) To the Owner's knowledge, the Owner has complied in all material respects with all applicable laws and requirements of governmental authorities relating to the use and operation of the Project. No authorization or approval or other action by, and no notice to or filing with, any federal, state or local government body, agency or authority is required for the due execution, delivery and performance by the Owner of the Mortgage Loan Documents.

(i) No Event of Default exists under this Loan Agreement with respect to the Owner.

(j) The Owner has filed all federal, state and local income tax returns, which are required at this time to be filed by it, and has paid all taxes as shown on said returns and all assessments received by the Owner to the extent that such taxes have become due and payable by it.

(k) To the Owner's knowledge, no substantial loss, damage, destruction or taking of any of the real or personal property of all or a portion of the Project has occurred which has not been fully restored or replaced or which is not fully covered by insurance, less applicable deductibles.

(l) (i) The Owner has not received any notice that it is not in compliance with all provisions of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"); the Resource Conservation and Recovery Act; the Superfund Amendments and Reauthorization Act of 1986; the Toxic Substances Control Act and all environmental laws of the State, or with any rules, regulations and administrative orders of any governmental agency, or with any judgments, decrees or orders of any court of competent jurisdiction with respect thereto (the "Environmental Laws"), and (ii) the Owner has not received any assessment, notice of (primary or secondary) liability or notice of financial responsibility and no notice of any action, claim or proceeding to determine such liability or responsibility, or the amount thereof, or to impose civil penalties with respect to the Project under any Environmental Law, nor has the Owner received notification that any hazardous substances (as defined under CERCLA) that it has disposed of have been found in any site at which any governmental agency is conducting an investigation or other proceeding under any Environmental Law.

(m) Subject to and consistent with the Delegation Agreement and the Management Agreement, the Project will be managed and operated by the Property Manager on behalf of the PAC and the Owner to provide land and a portion of the mobile home sites located on the Project for persons and families of low or moderate income as public capital improvements (as defined in the Act).

(n) "To the Owner's knowledge" shall mean the actual knowledge, without inquiry, of the City Manager of the City of Novato and the Deputy Redevelopment Director of the Pledgor.

(o) Subject to the Rent Adjustment Ordinance, the Owner shall, at all times while any of the Bonds remain Outstanding, fix, prescribe and collect rents, fees and charges in connection with the Project so as to yield Revenues at least sufficient, based on the Operating Budget for the succeeding Fiscal Year, after making reasonable allowances for contingencies and errors in estimates, to pay all amounts payable by the

Owner under this Loan Agreement, the Notes, the Insurance Agreement, the In-Lieu-Of Tax Agreement and the Pledge Agreement.

(p) The Owner may make adjustments from time to time in such rents, fees and charges and may make any such classifications thereof as it deems necessary, but shall not reduce the rents, fees and charges then in effect unless (i) the Senior Debt Service Coverage Ratio was at least 1.50x for the previous Fiscal Year (as confirmed by the audit required by the Insurance Agreement) and (ii) after taking the reduced rents into account, the Senior Debt Service Coverage Ratio is and will at all times be at least 1.50x for the succeeding Fiscal Year based on the Operating Budget for such Fiscal Year.

Section 2.03. *General Representations and Warranties of the PAC.* The PAC hereby represents and warrants as follows:

(a) The PAC (i) is a nonprofit, mutual benefit corporation, duly organized and validly existing under the laws of the State, and is in good standing and duly authorized to do business in the State; (ii) is duly authorized and has full power and authority under its organizational documents and the laws of the State to execute and deliver the Mortgage Loan Documents to which it is a party and to assume the obligations set forth in the Mortgage Loan Documents, to be bound by the terms of the Mortgage Loan Documents and to perform its obligations hereunder and thereunder; and (iii) has duly authorized the execution and delivery of the Mortgage Loan Documents to which it is a party, and, when duly executed and delivered by the other parties thereto, such documents, to the extent applicable to the PAC, will constitute legal, valid and binding agreements of the PAC, enforceable against the PAC in accordance with their respective terms, except as the enforceability thereof may be subject to (A) the exercise of judicial discretion in accordance with general equitable principles and (B) applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws for the relief of debtors heretofore or hereafter enacted and except that enforceability of indemnification and contribution provisions may be limited, in whole or in part, by applicable securities laws or public policy.

(b) The execution, delivery and performance of the Mortgage Loan Documents to which it is a party, and the consummation of the transactions herein and therein contemplated, will not violate in any material respect any law, regulation, ordinance, judgment or court order of any federal, state or local government applicable to either the Project or the PAC and do not conflict in any material respect with or constitute a material breach of or a material default under the organizational document of the PAC or under the terms and conditions of any instrument, document, agreement, commitment, indenture, security agreement, mortgage, lease or other writing to which the PAC is a party or by which the PAC or a substantial portion of the assets of the PAC is bound.

(c) There are no actions, suits or proceedings pending or, to the knowledge of the PAC, threatened against or affecting the PAC, or involving the validity or

enforceability of the Bonds or any of the Mortgage Loan Documents, or the first priority lien of the Mortgage, respectively, at law or in equity, or before or by any governmental authority. The PAC is not in default in any material respect under any mortgage, deed of trust, lease, loan or credit agreement, partnership agreement or other instrument to which it is a party or by which it is bound.

(d) Any certificate signed by an Authorized PAC Representative and delivered in connection with this Loan Agreement or otherwise in connection with the Loan, the Project or the Bonds shall be deemed to be a representation and warranty by the PAC as to the statements made therein for the benefit of, and to be relied upon by, CLGFA, Financial Security and the Owner, and their successors and assigns.

(e) The PAC is not (i) a party to any contract, agreement, lease or other instrument which would materially adversely affect the Project or the PAC's ability to perform its obligations under the Mortgage Loan Documents to the extent applicable to the PAC or (ii) in default under any contract, agreement, lease or other instrument to which it is a party and which is material to the Project, and no event of default or occurrence that, with the giving of notice, the passage of time or both, would constitute an event of default thereunder has occurred and is continuing.

(f) The PAC has complied in all material respects with all applicable laws and requirements of governmental authorities relating to the use and operation of the Project. No authorization or approval or other action by, and no notice to or filing with, any federal, state or local government body, agency or authority is required for the due execution, delivery and performance by the PAC of the Mortgage Loan Documents.

(g) The PAC is in full compliance with the terms and conditions of the Mortgage Loan Documents to which it is a party

(h) The PAC has filed all federal, state and local income tax returns, which are required at this time to be filed by it, and has paid all taxes as shown on said returns and all assessments received by the PAC to the extent that such taxes have become due and payable by it.

(i) No substantial loss, damage, destruction or taking of any of the real or personal property of all or a portion of the Project, has occurred which has not been fully restored or replaced or which is not fully covered by insurance, less applicable deductibles.

(j) (i) The PAC has not received any notice that it is not in compliance with all provisions of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended; the Resource Conservation and Recovery Act; the Superfund Amendments and Reauthorization Act of 1986; the Toxic Substances Control Act and all environmental laws of the State, or with any rules, regulations and

administrative orders of any governmental agency, or with any judgments, decrees or orders of any court of competent jurisdiction with respect thereto (the "Environmental Laws"), and (ii) the PAC has not received any assessment, notice of (primary or secondary) liability or notice of financial responsibility and no notice of any action, claim or proceeding to determine such liability or responsibility, or the amount thereof, or to impose civil penalties with respect to the Project under any Environmental Law, nor has the PAC received notification that any hazardous substances (as defined under CERCLA) that it has disposed of have been found in any site at which any governmental agency is conducting an investigation or other proceeding under any Environmental Law.

(k) Subject to and consistent with the Delegation Agreement and the Management Agreement, certain duties and obligations related to the Project will be performed by the PAC on behalf of the Owner. The Project will provide land and a portion of the mobile home sites located on the Project for persons and families of low or moderate income as public capital improvements (as defined in the Act).

Section 2.04. *Covenants of the Owner.* The Owner hereby covenants and agrees that:

(a) It will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof or the Project if such action or omission would cause the interest on the Bonds to be included in gross income for federal income tax purposes. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the Owner in fulfilling the above covenant under the Code have been met.

(b) Without limiting the foregoing, the Owner covenants that, notwithstanding any other provision of this Loan Agreement or any other instrument, it will neither make nor cause to be made or permit any investment or other use of the proceeds of the Loan or any property or investment property financed or refinanced thereby which use would cause any of the Bonds to be an "arbitrage bond" under Section 148(a) of the Code and that it will comply with the requirements of such Section, including, without limitation, the requirement to make arbitrage rebate payments pursuant to Section 148(f) of the Code to the extent required therein.

(c) It will take such action or actions, including amending this Loan Agreement, the Notes and the Pledge Agreement, as may be necessary, in the opinion of Bond Counsel, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service pertaining to obligations issued under Section 103 of the Code to prevent the inclusion of interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

(d) The Owner shall in good faith and with due diligence rent and operate the Project subject to the Pledge Agreement as provided in, and otherwise comply with the

requirements of, the Pledge Agreement. The Owner hereby covenants to include such requirements and restrictions in any documents transferring any interest in the Project to another person to the end that such transferee has notice of and is bound by the restrictions in the Pledge Agreement to the extent and for the period provided therein and to obtain the agreement from any transferee to so abide.

(e) The Owner will not incur any indebtedness other than nonrecourse unsecured obligations ("Owner Indebtedness"). Any Owner Indebtedness payable from Revenues shall be payable solely from amounts received by the Owner pursuant to Section 5.03(b)(xx) of the Indenture; provided that the Owner shall receive the prior written consent of Financial Security and Financial Security shall approve the form of documentation relating to such Owner Indebtedness prior to the incurrence of any such unsecured Owner Indebtedness.

(f) Subject to and consistent with the Delegation Agreement and the Management Agreement, the Owner will provide for certain obligations and duties related to the Project to be performed by the PAC on behalf of the Owner. The Project will provide, and so long as any Bonds remain Outstanding and the Owner is the owner of the Project will continue to provide, land and a portion of the mobile home sites for persons and families of low or moderate income as public capital improvements (as defined in the Act) for redevelopment purposes.

(g) The Owner will undertake to require that each of the leases entered into with a resident of the Project shall comply with the following: (i) the lessee shall be one or more natural persons, and (ii) the lease shall contain a covenant prohibiting the resident from using the premises in a trade or business and providing that a remedy for violation of such covenant is termination of the lease by the Owner upon sixty (60) days notice to such lessee.

(h) It will execute and file of record appropriate amendments to the Pledge Agreement and assure the recording of such document and take any other steps as are necessary, in the opinion of Bond Counsel, in order to ensure that the requirements and restrictions of the Pledge Agreement and this Article II will be binding upon all affected residents of the Project. The Owner hereby covenants to include such requirements and restrictions in any documents transferring any interest in the Project to another person to the end that such transferee has notice of and is bound by such restrictions to the extent and for the period provided therein and to obtain the agreement from any transferee to so abide.

Section 2.05. *Covenants of the PAC.* The PAC hereby covenants and agrees that:

(a) It will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof or the Project if such action or omission would cause the interest on the Bonds to be included in gross income for federal income tax purposes. The foregoing covenant shall remain in full force and effect notwithstanding the payment

in full or defeasance of the Bonds until such date on which all obligations of the PAC in fulfilling the above covenant under the Code have been met.

(b) Without limiting the foregoing, the PAC covenants that, notwithstanding any other provision of this Loan Agreement or any other instrument, it will neither make nor cause to be made or permit any investment or other use of the proceeds of the Loan or any property or investment property financed or refinanced thereby which use would cause any of the Bonds to be an "arbitrage bond" under Section 148(a) of the Code and that it will comply with the requirements of such Section, including, without limitation, the requirement to make arbitrage rebate payments pursuant to Section 148(f) of the Code to the extent required therein.

(c) The PAC will undertake to cause the Project to be operated as a "Public Capital Improvement" within the meaning of the Act, so long as the Bonds remain Outstanding, and shall in good faith and with due diligence rent and operate the Project on behalf of the Owner in accordance with the Delegation Agreement and the Pledge Agreement.

(d) It will take such action or actions, including amending this Loan Agreement and the Pledge Agreement, as may be necessary, in the opinion of Bond Counsel, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service pertaining to obligations issued under Section 103 of the Code to prevent the inclusion of interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

ARTICLE III

THE BONDS; THE INDENTURE

Section 3.01. *Delivery of the Bonds.* CLGFA has caused to be delivered the Bonds issued pursuant to the Indenture as provided therein.

Section 3.02. *Indenture Approval and Requirements.* The execution of this Loan Agreement shall constitute conclusive evidence of approval of the Indenture by the Owner and the PAC. Additionally, the Owner and the PAC agree that, to the extent that the Indenture by its terms imposes a duty or obligation upon the Owner or the PAC, such duty or obligation shall be binding upon it to the same extent as if it were an express party to the Indenture, and the Owner and the PAC hereby agree to carry out and perform all of their obligations thereunder.

The Owner and the PAC agree that the principal of, premium, if any, and interest on the Bonds shall be payable in accordance with the provisions, and subject to the priorities, of the Indenture. The Owner and the PAC further acknowledge, consent and agree that this Loan Agreement and the Notes and the payments to be made hereunder and thereon shall be assigned

and pledged to the Trustee to secure the payment of the Bonds and amounts due to Financial Security.

The Owner and the PAC consent to such pledge and assignment and agree that this Loan Agreement and the Notes and all of the rights, interests, powers, privileges and benefits accruing to or vested in CLGFA under this Loan Agreement and the Notes may be protected and enforced in conformity with the terms of the Indenture and may be exercised, protected and enforced for or on behalf of the Bondholders and Financial Security in conformity with the provisions of, and priorities set forth in, this Loan Agreement and the Indenture.

ARTICLE IV

THE LOAN; PREPAYMENTS; ASSIGNMENTS

Section 4.01. *Loan by CLGFA; Payment of Principal, Premium, if Any, and Interest.* CLGFA hereby makes the Senior Loan to the Owner in the amount of \$15,485,000 and the Subordinate Loan to the Owner in the amount of \$1,585,000 by disbursing the proceeds of the sale of the Bonds in accordance with the provisions of the Indenture. The Owner has executed and delivered this Loan Agreement and the Notes to evidence the Owner's obligation to repay the Loan and any and all other amounts specified under this Loan Agreement but solely from Revenues and the Trust Estate.

Section 4.02. *Payment of Principal, Premium, if Any, and Interest.* The Owner will duly and punctually pay the principal of, premium, if any, and interest on the Notes at the dates and the places and in the manner provided in the Notes, in this Loan Agreement and in the Loan Payment Schedule, according to the true intent and meaning thereof and hereof and subject to the priorities set forth herein and therein. Notwithstanding any schedule of payments under this Loan Agreement, in the Notes or in the Loan Payment Schedule, but subject to the terms and provisions of Section 4.04 hereof regarding priority of the Senior Note over the Subordinate Note, the Owner agrees to make payments hereunder and upon such Notes and be liable therefor at such times and in such amounts equal to (a) the principal of and interest on the Bonds, whether as regularly scheduled interest or principal payments, at maturity or by mandatory or optional redemption, acceleration or otherwise but subject to the provisions and terms set forth in Section 3.05 of the Indenture, and (b) any premium on the Bonds payable pursuant to the Indenture as a result of any prepayment of the Loan by the Owner. Notwithstanding the foregoing, the Owner's obligation to make payments hereunder and pursuant to the Notes shall be limited to Revenues and the Trust Estate, which are hereby assigned and pledged to the payment of principal, premium, if any, and interest on the Notes and the Loan. Except for Revenues and the Trust Estate, no funds or properties of the Owner shall be pledged, or otherwise liable for the payment of principal, premium, if any, or interest on the Notes or the Loan.

Any amounts remaining outstanding and unpaid under the Senior Note will be due and payable on October 1, 2027; any amounts remaining outstanding and unpaid under the

Subordinate Note will be due and payable on October 1, 2024; provided, however, that any failure to pay any amounts outstanding and due and payable on either the Subordinate Note or the Subordinate Bonds shall not constitute an Event of Default until after the Senior Termination Date (as defined in Section 7.01(b) hereof).

Section 4.03. *Loan Payments.* CLGFA directs the Owner, and the Owner agrees, to pay or cause to be paid to the Trustee all payments required pursuant to this Loan Agreement, including, without limitation, all payments on the Loan. The Owner and the PAC agree and covenant that, for so long as any of the Bonds are Outstanding, any and all Revenues and other amounts derived from the Project shall be delivered to the Trustee in accordance with the provisions of the Deposit Only Agreement or as otherwise required by the Mortgage Loan Documents, for deposit in accordance with the Indenture.

(a) *Loan Payment Schedule.* The Owner covenants and agrees that, each month during the term of this Loan Agreement, the scheduled payments of principal of and interest due on the Loan shall be paid to the Trustee in accordance with the applicable Loan Payment Schedule but solely from Revenues and the Trust Estate. The initial Loan Payment Schedule shall be for the months from and including April 1997 through June 1998 and shall be delivered by the Property Manager on behalf of the Owner to the Trustee and Financial Security on the Closing Date.

The Property Manager on behalf of the Owner shall, not later than 60 days prior to the beginning of each Fiscal Year after 1997, deliver to the Controlling Party a proposed Loan Payment Schedule for such Fiscal Year, revised to reflect the required level payments to be made for each month of the related Fiscal Year with respect to subsections (b), (c), (d), (e), (f), (g), (h) and (i) below. The proposed Loan Payment Schedule shall be submitted to the Controlling Party with a notice that failure of the Controlling Party to respond within 60 days constitutes approval of the Loan Payment Schedule by the Controlling Party. The Controlling Party shall approve or require changes to such Loan Payment Schedule within 60 days of its submission and shall advise the Owner, the Property Manager and the PAC in writing of any changes to be made therein.

The PAC shall, not later than five days prior to the beginning of the first calendar month after any prepayment of the Loan pursuant to Section 4.05 or Section 4.06, deliver to the Controlling Party a new Loan Payment Schedule, revised to reflect the required level payments to be made for each month remaining in the related Fiscal Year with respect to subsections (b), (c), (d), (e), (f), (g), (h) and (i) below. The PAC shall make any corrections to the proposed Loan Payment Schedule as required by the Controlling Party, and within five Business Days provide a revised Loan Payment Schedule to the Controlling Party for approval. The proposed Loan Payment Schedule submitted by the PAC shall be deemed to be approved by the Controlling Party if the Controlling Party does not give any comments in writing within 60 days after receipt. Upon receipt from the Controlling Party of written approval of the proposed Loan Payment Schedule (or,

if earlier, such date as the Controlling Party is deemed to have approved such Loan Payment Schedule), the Loan Payment Schedule shall be provided by the PAC to the Trustee and the Owner within two Business Days.

The Owner acknowledges and agrees that, notwithstanding the schedule of payments on the Loan or any Loan Payment Schedule required hereby, but subject to the terms and provisions of Section 4.04 hereof regarding priority of the Senior Debt over the Subordinate Note, it is the intent of the Owner to make and the Owner agrees to make payments required under this Loan Agreement and be liable therefor in such amounts, and at such times, as shall be sufficient to pay the principal of, premium, if any, and interest on the Bonds when and as due and payable on any Interest Payment Date or other date on which any amounts are due, whether by maturity, redemption or acceleration, but solely from Revenues and the Trust Estate.

(b) *Payments and Priorities.* The Owner shall pay as repayment of the Loan, until the principal of, premium, if any, and interest on the Senior Bonds and other Senior Debt shall have been paid or provision for the payment thereof shall have been made in accordance with the Indenture, by remitting to the Trustee for deposit into the Revenue Fund on or before each Allocation Date during the term of this Loan Agreement, commencing April 12, 1997, the following amounts in the following order of priority:

(i) *first*, interest on the Senior Loan in the amount set forth in Column A of the applicable Loan Payment Schedule;

(ii) *second*, principal of the Senior Loan in the amount set forth in Column B of the applicable Loan Payment Schedule;

(iii) *third*, amounts required to replenish the Senior Debt Service Reserve Fund to an amount equal to the Senior Reserve Requirement.

(iv) *fourth*, amounts required to be paid for utility expenses of the Project for the prior month;

(v) *fifth*, amounts required to be paid pursuant to paragraph (d) below;

(vi) *sixth*, amounts required to be paid pursuant to paragraph (c) below;

(vii) *seventh*, amounts required to be paid pursuant to paragraph (e) below;

(viii) *eighth*, amounts required to be paid pursuant to paragraph (f) below;

(ix) *ninth*, amounts required to be paid pursuant to paragraph (g) below;

(x) *tenth*, amounts required to be paid pursuant to paragraph (h) below; and

(xi) *eleventh*, the Required Rebate Deposit;

(c) *Reserve Costs*. The Owner shall remit or cause to be remitted, but solely from Revenues and the Trust Estate, to the Trustee sufficient funds to pay all Reserve Costs due and payable with respect to the Project, in accordance with this subsection (c). The Owner shall remit or cause to be remitted, but solely from Revenues and the Trust Estate, to the Trustee for deposit into the Revenue Fund, on or before the Allocation Date of each month, commencing on April 12, 1997, the amount set forth in Column C of the applicable Loan Payment Schedule. Each Loan Payment Schedule shall require such payments to be in equal installments in amounts that, when aggregated, are sufficient to pay on the dates when due the amount of the premiums for insurance required to be maintained with respect to the Project pursuant to Section 6.06 hereof and any other Reserve Costs. The Owner agrees that if the funds on deposit in the Escrow Account are insufficient to make such payments on the dates when due, the Owner shall remit or cause to be remitted, but solely from Revenues and the Trust Estate, to the Trustee, immediately upon receipt of notice of such deficiency, the amount by which the Escrow Account is deficient. Such amounts shall be disbursed as provided in Section 5.09 of the Indenture.

(d) *Replacement Reserve Fund*. Commencing on April 12, 1997, and on or before the Allocation Date of each month thereafter, the Owner shall remit or cause to be remitted, but solely from Revenues and the Trust Estate, to the Trustee for deposit to the Revenue Fund an amount, as set forth in Column D of the applicable Loan Payment Schedule, equal to one-twelfth of \$130 per unit per annum or such greater amount as determined pursuant to Section 6.02 of this Loan Agreement. The Owner agrees that, if the Trustee has notified the Owner of a deficiency in the Replacement Reserve Fund, it will, within two Business Days, remit or cause to be remitted, but solely from Revenues and the Trust Estate, to the Trustee for credit to the Replacement Reserve Fund an amount equal to such deficiency. Such amounts shall be disbursed as provided in Section 5.10 of the Indenture.

(e) *Fees*. The Owner shall remit or cause to be remitted, but solely from Revenues and the Trust Estate, to the Trustee for deposit in the Revenue Fund, on or before the Allocation Date of each month commencing on April 12, 1997, an amount, as set forth in Column E of the applicable Loan Payment Schedule, equal to (i) one-twelfth of (A) the annual fees, if any, of any rating agency approved by the Controlling Party whose rating on the Senior Bonds is then in effect, (B) the Trustee's Fee, (C) CLGFA's Fee and (ii) the monthly Premium due to Financial Security.

(f) *Redemption of Senior Bonds.* Prior to the date on which notice of redemption is given in connection with any redemption of the Senior Bonds, the Owner shall (i) pay or cause to be paid, but solely from Revenues and the Trust Estate, to the Trustee as repayment of the Senior Loan for deposit into the Revenue Fund an amount of money which, together with other moneys available therefor in accordance with the terms of the Indenture, is sufficient to pay the principal of and premium, if any, on the Senior Bonds called for redemption and (ii) pay or cause to be paid, but solely from Revenues and the Trust Estate, to the Trustee for deposit into the Revenue Fund an amount of money which, together with other moneys available therefor in accordance with the terms of the Indenture, is sufficient to pay the interest accrued to the redemption date on the Senior Bonds called for redemption. If on any Allocation Date (after making all required transfers of funds from the Revenue Fund) the amount held by the Trustee in the Senior Bonds Interest Account and the Senior Bonds Principal Account is insufficient to make any payments required by Section 4.01 of the Indenture, the Owner shall forthwith pay or cause to be paid such deficiency as repayment of the Senior Loan for deposit into the Revenue Fund.

(g) *Other Payments.* The Owner shall remit or cause to be remitted, but solely from Revenues and the Trust Estate, to the Trustee or Financial Security, as applicable, any amounts which may be due and payable to such entity pursuant to the Mortgage Loan Documents and not set forth in another paragraph of this Section 4.03, such amounts to be paid in the priority set forth in Section 5.03(b)(vii), (viii), (ix) and (x) of the Indenture.

(h) *Property Manager.* The Owner shall remit or cause to be remitted, but solely from Revenues and the Trust Estate, to the Trustee for deposit in the Revenue Fund on or before the Allocation Date of each month, commencing on April 12, 1997, the amounts payable to the Property Manager as its Management Fee for the prior calendar month and monthly operating expenses in accordance with the related Operating Budget as set forth in Section 5.03(b)(xi) and (xii) of the Indenture.

(i) *Subordinate Loan.* CLGFA, the PAC and the Owner agree that, except from moneys rightfully on deposit in the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account and any funds transferred thereto from the Subordinate Debt Service Reserve Fund, Subordinate Cashtrap Account and Subordinate Pledged Funds Account, no payments will be due and payable or made with respect to the Subordinate Loan until all payments set forth in paragraphs (i) through (viii) above have been made and the terms and provisions of Section 4.04 hereof are satisfied in full. If the terms and provisions of Section 4.04 are satisfied and no Event of Default under the Indenture or Trigger Event exists, after making the payments set forth in paragraphs (a) through (h) above, the Trustee shall deposit in the appropriate fund or account, on or before the Allocation Date of each month during the term of this Loan Agreement, commencing April 12, 1997, (i) due interest on the Subordinate Loan in the amount set forth in Column G of the applicable Loan Payment Schedule, (ii) due

principal of the Subordinate Loan in the amount set forth in Column H of the applicable Loan Payment Schedule, (iii) the amount required to be deposited in the Subordinate Debt Service Reserve Fund pursuant to the Indenture, (iv) the amount required to be deposited in the Subordinate Pledged Funds Account pursuant to the Indenture, (v) the amount required to reimburse the Pledgor for any payments made by the Pledgor under the Pledge Agreement, together with interest accrued thereon, (vi) the Monthly Payment required to be paid to the City of Novato under the In-Lieu-Of Tax Agreement and (vii) the amount required to be paid to the Owner to satisfy any unsecured obligations of the Owner incurred pursuant to Section 2.04(e).

(j) *Unconditional Obligation.* CLGFA, the Owner and the PAC agree that the Owner shall bear all risk of damage, destruction or loss of title in whole or in part of the Project or any part thereof, including without limitation any loss, complete or partial, or interruption in the use, occupancy or operation of the Project, or any manner or thing which for any reason interferes with, prevents or renders burdensome the use or occupancy of the Project or the compliance by the Owner and the PAC with any of the terms of this Loan Agreement. The obligation of the Owner to make the Loan Payments and other payments required to be made under subsections (ii), (iii), (iv), (v), (vi), (vii), (viii) and (ix) above including payments due by reason of acceleration of the Owner's obligations hereunder pursuant to Article VII, and to perform and observe its other agreements contained herein, shall be absolute and unconditional and shall not be subject to abatement, diminution, postponement or deduction, or to any defense other than payment, or to any right of setoff, counterclaim or recoupment arising out of any breach under this Loan Agreement or the Indenture or otherwise by CLGFA, the Trustee, any Holder of Bonds or any other person, or out of any obligation or liability at any time owing to the Owner by any of the foregoing or to any termination of this Loan Agreement for any reason whatsoever; provided, however, that no payments shall be due and payable or made pursuant to paragraph (i) except in accordance with the terms and provisions of Section 4.04 hereof. Nothing herein contained, however, shall be interpreted to abridge the right of the Owner to seek judicial remedy for any breach of covenant of contract in a separate legal proceeding.

Section 4.04. *Subordination.*

(a) Notwithstanding any provisions of this Loan Agreement to the contrary, CLGFA, the Owner and the PAC, and any holder of the Subordinate Note (by acceptance of such Note) hereby covenant and agree for the benefit of Financial Security and the Holders of the Senior Bonds that:

(i) all payments of principal of, premium, if any, and interest due on the Subordinate Loan as well as other loans, advances or costs incurred at any time or times under any agreements evidencing the Subordinate Loan whether now existing or hereafter acquired shall be and hereby are subordinated in priority and in right and time of payment to payments and reservations for payments of

(A) the Senior Loan and the Senior Bonds; (B) amounts due and payable pursuant to Sections 4.03(b) through (h) hereof; and (C) any other fees, costs or expenses related thereto and any indebtedness and obligations of the Owner due under the Insurance Agreement (collectively, the "Senior Debt"); provided, however, that the foregoing shall not impose any limitation on the use of moneys rightfully on deposit in the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Debt Service Reserve Fund, the Subordinate Pledged Funds Account or the Subordinate Cashtrap Account to make payments on the Subordinate Bonds pursuant to the Indenture;

(ii) all payments of principal of, premium, if any, and interest on the Subordinate Bonds are subordinated in priority and in right and time of payment as provided in this Section 4.04 and otherwise in this Loan Agreement and the Indenture; provided, however, that amounts rightfully on deposit in the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Debt Service Reserve Fund, the Subordinate Pledged Funds Account and the Subordinate Cashtrap Account shall be available solely for payment of the Subordinate Bonds; and

(iii) payments of the Subordinate Loan are due and payable only to the extent of available funds rightfully on deposit in the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account and from moneys transferred from the Subordinate Debt Service Reserve Fund, the Subordinate Pledged Funds Account and the Subordinate Cashtrap Account.

(b) Notwithstanding any other provision of this Loan Agreement, the Note, the Mortgage or the Indenture, no payment shall be due and payable or made on the Subordinate Loan except from moneys rightfully on deposit in the Subordinate Bonds Interest Account and Subordinate Bonds Principal Account, including moneys transferred thereto from the Subordinate Debt Service Reserve Fund, the Subordinate Pledged Funds Account and the Subordinate Cashtrap Account.

(c) Each holder of the Subordinate Note and the Subordinate Bonds, by acceptance of its Note or Bond, as applicable, covenants that it will not, as long as any Senior Debt remains unpaid, (i) commence, or join in the commencement of, whether directly or indirectly, an insolvency or similar proceeding with respect to the Owner, CLGFA or the PAC for any reason, provided that neither the Owner, CLGFA nor the PAC is, at the time, the subject of any insolvency or similar proceeding or (ii) declare a default under the Subordinate Note or the Subordinate Bonds or commence any judicial proceeding or action against the PAC, CLGFA or the Owner, its properties, the Project or the Trust Estate to enforce or collect any payment of the Subordinate Note or the Subordinate Bonds. If any holder of the Subordinate Note in violation of this Loan Agreement shall commence, prosecute or participate in any suit, action or proceeding against the PAC, CLGFA or the Owner, its properties, the Project or the Trust Estate,

the PAC or the Owner may interpose as a defense or plea the making of this Loan Agreement, and Financial Security may intervene and interpose such defense or plea in Financial Security's name or in the name of the PAC, CLGFA or the Owner. If any holder of the Subordinate Note or the Subordinate Bonds shall in violation of this Loan Agreement attempt to enforce any security agreements, real estate mortgages or any lien instruments or other encumbrances against the Trust Estate, Financial Security may, by virtue of this Agreement, restrain the enforcement thereof in Financial Security's name or in the name of the PAC, CLGFA or the Owner. If any holder of the Subordinate Note or the Subordinate Bonds in violation of this Loan Agreement obtains any of the Trust Estate as a result of any administrative, legal or equitable action or otherwise, the holder of the Subordinate Note or the Subordinate Bonds agrees to forthwith pay, deliver and assign to the Trustee on behalf of Financial Security and the Holders of Senior Bonds such part of the Trust Estate to be held as security for or applied to the payment of amounts now or hereafter owing with respect to the Senior Debt.

(d) Notwithstanding anything contained herein to the contrary, the Holders of the Subordinate Bonds and the holder of the Subordinate Note shall have the right, at their own expense and not at the expense of the Trust Estate, to enforce the provisions of the Pledge Agreement without limitation and without the direction or approval by the Controlling Party.

Section 4.05. *Optional Prepayments.*

(a) No prepayment of the Loan may be made except to the extent and in the manner expressly permitted by this Loan Agreement and as contemplated by Section 4.01 of the Indenture.

(b) The Owner shall have the option to prepay the outstanding principal balance of the Loan (and with respect to the Senior Loan only, subject to the prior written consent of Financial Security), in whole or in part, on the dates that the Bonds are subject to optional redemption pursuant to Section 4.01(b) and Section 4.01(d) of the Indenture at a prepayment price equal to the applicable redemption price of the Bonds of the applicable Series then Outstanding, plus accrued interest to the date fixed for such redemption.

(c) The Owner shall, not less than 20 days prior to the date on which such prepayment is to occur and at least 5 days prior to the date the Trustee must mail notice of such redemption, cause written notice to be given to the Trustee, CLGFA and Financial Security of its election to prepay or cause to be prepaid all or a portion of the Loan pursuant to this Section 4.04 or Section 4.01 of the Indenture. The Owner shall be obligated to cause any optional prepayment of (i) the Senior Loan and the corresponding Senior Bonds to be made to the Trustee with Available Moneys no later than the Business Day prior to the Trustee's mailing of notice of redemption and (ii) the Subordinate Loan and the corresponding Subordinate Bonds to be made to the Trustee

with immediately available funds sufficient to make the redemption payment not later than the Business Day prior to the Trustee's mailing of notice of redemption.

As an alternative to delivery of Available Moneys to the Trustee as described above, the Owner may prepay the Senior Loan in whole 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 to the effect that proceeds of a drawing under such Letter of Credit will constitute Available Moneys. The Trustee will make a drawing under the Letter of Credit to make the Loan prepayment.

Section 4.06. *Extraordinary Mandatory Prepayment.* The Loan is subject to extraordinary mandatory prepayment, as a whole or in part, subject to the provisions of Section 4.01(a) of the Indenture, and if in part in increments of \$5,000, at a prepayment price equal to the principal amount of the Loan then outstanding to be so prepaid, plus accrued interest to the date fixed for redemption of the Bonds relating to such prepayment, without premium, upon the occurrence of any of the following events with respect to the Project:

(a) the Project or any portion thereof is so demolished, destroyed or damaged that, in the judgment of the Controlling Party or, if Financial Security is not the Controlling Party, the Owner, it cannot be restored or rebuilt with available funds to a profitable condition within a reasonable period of time;

(b) the Project shall have been taken under the exercise of the power of eminent domain by any governmental authority or so much of the Project is taken or the Project is so diminished in value or a title defect exists which causes the value of the Project to be so diminished, that the remainder thereof cannot, in the judgment of the Controlling Party or, if Financial Security is not the Controlling Party, the Owner, continue to be operated profitably for the purpose for which it was being used immediately prior to such taking or diminution; or

(c) the Project or any portion thereof shall have been sold by the Owner pursuant to Section 5.01(a) hereof.

The prepayment price (in Available Moneys or a Letter of Credit with respect to the Senior Loan or in immediately available funds with respect to the Subordinate Loan) must be delivered to the Trustee by the Business Day prior to the Trustee's mailing of notice of such redemption.

Section 4.07. *Assignments to Trustee.* It is understood and agreed that all right, title and interest of CLGFA in and to this Loan Agreement (except the fees and other amounts payable to or for the benefit of CLGFA for its own purposes and the rights of CLGFA to indemnification under Article VII hereof) are to be pledged and assigned by CLGFA to the Trustee as security for the Holders of the Bonds and Financial Security under and pursuant to

the Indenture. The Owner and the PAC consent to such pledge and assignment and agree that this Loan Agreement and the Notes and all of the rights, interests, powers, privileges and benefits accruing to or vested in CLGFA under this Loan Agreement and the Notes may be protected and enforced in conformity with the Indenture and may be exercised, protected and enforced for or on behalf of the Bondholders and Financial Security in conformity with the provisions of this Loan Agreement and the Indenture. CLGFA directs the Owner, and the Owner agrees, to pay or cause to be paid to the Trustee all payments required pursuant to this Loan Agreement, including, without limitation, all payments on the Loan.

ARTICLE V

ADDITIONAL COVENANTS OF THE OWNER

Section 5.01. *Transfer of Project.*

(a) So long as any of the Senior Bonds remain Outstanding or any amounts are due and payable to Financial Security under the Indenture or the Insurance Agreement, the Owner shall not sell, transfer, assign or otherwise dispose of its interest in the Project or any part therein or enter into any agreement relating thereto without the prior written consent of Financial Security; provided that all of the net proceeds from a sale of the Project or any portion thereof shall be immediately delivered to the Trustee and held by the Trustee in the Revenue Fund and applied to the redemption of Bonds as provided, and subject to the priorities set forth, in the Indenture and provided further that no sale of the Project or any part of the Project shall be permitted without delivery to Financial Security and the Trustee of an opinion of Bond Counsel that interest on the Bonds will continue to be excluded from gross income for federal tax purposes after such sale.

(b) Nevertheless, without being obligated to prepay the Loan, the Owner may, but has no obligation to, assign or transfer its interest in the Project or any part therein and thereby release the Owner from its obligations and duties contained herein to the extent of such conveyance or assignment to a nonprofit, public benefit corporation recognized as a 501(c)(3) corporation under the Code with the prior written consent of Financial Security and the PAC, provided that any such assignment or conveyance shall, in addition to the prior written consent of Financial Security, be subject to all of the following conditions:

(i) no assignment of the Project or any part of the Project shall be permitted without delivery to Financial Security and the Trustee of an opinion of Bond Counsel in form and substance satisfactory to Financial Security that interest on the Bonds will continue to be excluded from gross income for federal income tax purposes after such assignment and that such assignment or conveyance is permitted under the laws of the State of California;

(ii) the 501(c)(3) corporation shall assume the obligations and duties of the Owner and the PAC hereunder and under the Mortgage Loan Documents to the extent of the interest conveyed or assigned pursuant to documentation satisfactory to Financial Security;

(iii) the 501(c)(3) corporation shall furnish or cause to be furnished to Financial Security, the Trustee and the PAC a true and complete copy of such conveyance or assignment and an Opinion of Counsel in form and substance satisfactory to Financial Security regarding the enforceability of such assignment or conveyance;

(iv) the 501(c)(3) corporation shall be qualified and licensed, to the extent required by applicable law, to own and operate the Project;

(v) the 501(c)(3) corporation is a single-purpose, bankruptcy remote entity whose organizational structure and organizational documents are in form and substance acceptable to Financial Security in its discretion;

(vi) the 501(c)(3) corporation shall furnish or cause to be furnished to Financial Security, the Trustee and the PAC an Opinion of Counsel in form and substance satisfactory to Financial Security as to the 501(c)(3) status of such corporation and other matters reasonably required by Financial Security;

(vii) after taking the transfer into account, the Senior Debt Service Coverage Ratio for the Project equals or exceeds 1.50X (A) after adjusting the Project's most recent audited annual NOI by 110% of any ongoing ad valorem tax liability resulting from such proposed transfer of title and (B) after adjusting the Project's most recent audited gross Revenues to take into account any reduction in rents due to Section 52100 *et seq.*, of the California Health and Safety Code, or any other applicable law of the State of California then applicable to a nonprofit corporation owning a mobilehome park financed with bonds issued by CLGFA;

(viii) no Trigger Event or Event of Default under the Indenture exists; and

(ix) any requirements of the Insurance Agreement are satisfied.

Section 5.02. *Accounting Records and Financial Statements.* The Owner shall keep appropriate accounting records in which complete and correct entries shall be made of all transactions related to the Project, which records shall be available for inspection by Financial Security and the Trustee at reasonable hours and under reasonable conditions.

Section 5.03. *Indenture*. The Owner hereby agrees to all of the terms and provisions of the Indenture and accepts each of its obligations expressed or implied thereunder. The Owner hereby approves the initial appointment under the Indenture of the Trustee.

Section 5.04. *Continuing Disclosure*. The Owner hereby covenants and agrees to enter into an agreement or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure for the benefit of the Holders of Bonds of each Series as required by Paragraph (b)(5)(i) of the Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240 § 240.15c2-12) (the "Disclosure Requirements"), to the extent such Series of Bonds at any time is not exempt from the Disclosure Requirements.

ARTICLE VI

ADDITIONAL COVENANTS

Section 6.01. *Payment of Costs of Issuance*.

(a) The Owner shall be responsible, but solely from Bond proceeds and Revenues of the Project, for payment of all Costs of Issuance with respect to the Bonds, and the Owner shall not be entitled to any reimbursement therefor from CLGFA, the Trustee, Financial Security or the Holders of any of the Bonds, nor shall the Owner be entitled to any diminution in or postponement of the payments required to be paid by it under this Loan Agreement.

Moneys deposited in the Cost of Issuance Fund may be disbursed therefrom to pay Costs of Issuance of the Bonds upon the written direction of an Authorized Owner Representative to the Trustee as provided in Section 5.02 of the Indenture. Unless and until so disbursed, moneys in the Cost of Issuance Fund and other moneys or investments in any Account established under the Indenture (other than the Policy Payments Account established pursuant to Section 10.01(b) of the Indenture and the Rebate Fund established pursuant to Section 5.06 of the Indenture) shall be trust funds pledged to and held solely for the security and benefit of Financial Security and the Holders of the Bonds in the priority and the manner set forth in the Indenture, subject to the provisions hereof and of the Indenture permitting the investment or use of such moneys. No amounts remitted to the Trustee and deposited in the Cost of Issuance Fund shall be deemed to satisfy any portion of the Owner's obligation to repay the Loan.

(b) The Owner further agrees to be liable and pay for, but solely from Bond proceeds, any commitment and other financing costs, recording expenses, trustee's acceptance fees, title insurance costs, legal fees, printing expenses and other fees and fair and customary expenses incurred or to be incurred by or on behalf of CLGFA, the Owner and the PAC in connection with or as an incident to the issuance and sale of the Bonds.

Section 6.02. *Capital Plan.*

(a) Not later than May 1 of each year, commencing May 1, 1998, the Owner or the PAC on the Owner's behalf shall prepare (or cause the Property Manager to prepare) and submit to the Controlling Party and the Controlling Party's consulting engineer a proposed capital expenditure plan (the "Capital Plan") detailing the planned capital expenditures for the Project for the ensuing three-fiscal-year period and estimating the required annual contribution to the Replacement Reserve Fund. The proposed Capital Plan shall be submitted to the Controlling Party with a notice that failure of the Controlling Party to respond within 30 days constitutes approval of the plan by the Controlling Party. The Controlling Party shall approve or require changes to such plan within 30 days of its submission and shall advise the PAC in writing of any changes to be made therein. Failure of the Controlling Party to approve or require changes to such plan within 30 days of its submission shall be deemed to be approval of the Capital Plan. The Owner or the PAC on the Owner's behalf will make (or cause the Property Manager to make) any changes, including an increase to the amount of required monthly contributions to the Replacement Reserve Fund, required by the Controlling Party within five Business Days, and the Owner or the PAC on the Owner's behalf will provide copies of the approved Capital Plan to the Trustee, the Property Manager and the Controlling Party within two Business Days after receipt of approval from the Controlling Party. In no event shall the required monthly contribution to the Replacement Reserve Fund be less than \$130 per unit per year. If an increase is required in the required monthly contribution to the Replacement Reserve Fund and the Owner wants to implement a capital pass-through charge to cover such increased contribution, the Owner will notify residents by July 1 that the Owner is applying for a rent increase, and such increased amount to the Replacement Reserve Fund shall commence on the earlier of (i) implementation of the capital pass-through charge as described in the immediately succeeding sentence or (ii) the immediately following October 1.

(b) During the last fiscal quarters of 2007 and 2017, the Controlling Party's consulting engineer, at the expense of the Owner, shall conduct a new 10-year physical needs reserve analysis with respect to the Project. Findings of each such analysis shall be set forth in a written report (the "Physical Needs Report") delivered to the Controlling Party, the PAC, CLGFA, the Trustee, the Owner and the Property Manager. The Owner and the Property Manager shall prepare successive Capital Plans based upon the findings in the Physical Needs Report. All reasonable fees of the Controlling Party's consulting engineer shall be an operating expense of the Project. Anything contained in this Section notwithstanding, if Financial Security is not the Controlling Party, the functions under this Section need not be performed.

Section 6.03. *Replacement Reserve Fund.* The PAC and the Owner agree that amounts held in the Replacement Reserve Fund, subject to the terms of the Indenture, shall be used solely for payment or reimbursement of capital expenditures identified in the Capital Plan and certified

by the Owner or the PAC on the Owner's behalf to the Trustee in an Authorized PAC Representative Certificate to be such a capital expenditure.

Section 6.04. *Permits and Licenses.* The Owner represents that it has obtained or caused to be obtained all necessary occupancy and operating permits and licenses currently required with respect to the Project and agrees to obtain or cause to be obtained in the name of the Owner all such permits and licenses required in the future. The PAC and the Owner covenant and agree that in the operation of the Project they will each comply with all federal, state and local statutes, laws, lawful ordinances, building codes, regulations and rulings which apply to the Project.

Section 6.05. *Governmental Charges.* The Owner agrees to pay all governmental charges of any kind lawfully levied against or with respect to the Project in accordance with the Mortgage Loan Documents and Section 5.03 of the Indenture.

Section 6.06. *Insurance.* The Owner agrees to insure the Project as follows:

(a) insurance against loss or damage to infrastructure of the Project, including all structures, roads, above-ground and underground utilities damaged by "all perils" including earthquake, landslide and flood and the so-called "difference in conditions" insurance; insurance against loss or damage to the Project by or from fire, lightning, windstorm, explosion, riot, riot attending a strike, civil commotion, aircraft and vehicles, smoke and such other hazards as are presently included in the so-called "fire and extended coverage" insurance; vandalism, malicious mischief and such other hazards as are presently included in the so-called "all risks to physical loss" insurance; damage to the infrastructure, including roads, structures, above-ground and underground utilities, from earthquakes, floods or landslides in the so-called "all perils" insurance and such other insurable hazards, as, under good insurance practices, from time to time are insured against for property having similar functions and uses in the area where the Project is located, in an amount which shall not be less than the greater of (i) 100% of the "full replacement cost" of the Project, without deduction for physical depreciation, or (ii) an amount sufficient to prevent the Trustee, the Owner and the PAC from becoming co-insurers within the terms of the applicable policies; the term "full replacement cost" shall mean the actual cost of replacing the Project, exclusive of the cost of the Land;

(b) comprehensive general liability insurance on an "occurrence basis" against claims for bodily injury, death or property damage occurring on or about the Project and on or in the streets adjoining the same, to afford protection in a "single limit" of not less than \$8,000,000 in the event of bodily and personal injury to or death of any number of persons or of damage to property arising out of one occurrence;

(c) policies of flood insurance in an amount which shall not be less than the amount available under the National Flood Insurance Act of 1986, and, if available under

other policies issued by other sources, then in such additional amounts as the Controlling Party may reasonably require or if there is no Controlling Party, as determined by a qualified insurance consultant;

(d) business interruption insurance and insurance against loss of "rental value" for a period of 12 months, in such amounts as are satisfactory to the Controlling Party or, if Financial Security is not the Controlling Party, as determined by a qualified insurance consultant;

(e) such other insurance with respect to the Project in such amounts as may from time to time be required by the Controlling Party or, if there is no Controlling Party, as determined by a qualified insurance consultant against other insurable hazards or casualties which at the time a prudent lender would require with respect to other property similarly situated, due regard being given to the height and type of buildings and improvements, their construction, location, use and occupancy; and

(f) an American Land Title Association policy of title insurance, or an endorsement to such policy, at the time of and dated as of the date of delivery of the Bonds, in an amount not less than the aggregate principal amount of the Bonds, payable to the Trustee, insuring the Owner's valid ownership interest in the site of the Project, subject only to Permitted Encumbrances, issued by a title insurance company qualified to do business in the State of California and acceptable to the Controlling Party.

If Financial Security is not the Controlling Party, the PAC shall annually on or before March 13 deliver to the Trustee a certificate from a qualified insurance consultant to the effect that the insurance carried with respect to the Project is of the type and amount that would be carried under prudent insurance practices for similar property having similar functions and uses.

All policies of insurance shall be subject to the approval of the Controlling Party as to insurance companies, amounts, expiration dates, form and content and shall name the Trustee and Financial Security as additional insureds and loss payees as their interests may appear. Each insurance company providing policies of insurance shall have a claims-paying ability of at least "A" by S&P or "A2" by Moody's Investors Service unless otherwise consented to in writing by the Controlling Party. Each insurance policy issued shall provide by way of endorsements, riders or otherwise that (i) the coverage of the Trustee shall not be terminated, reduced or affected in any manner regardless of any breach or violation by the Owner or the PAC of any warranties, declarations or conditions in such policy; (ii) no such insurance policy shall be canceled, endorsed, altered or reissued to effect a change in coverage for any reason and to any extent whatsoever unless such insurer shall have first given the Trustee and Financial Security 30 days' prior written notice thereof; and (iii) the Trustee and Financial Security may, but shall not be obligated to, make premium payments to prevent any cancellation, endorsement, alteration or reissuance, and such payments shall be accepted by the insurer

to prevent the same. The Trustee shall be furnished with the original (or other evidence of the maintenance of) of each such initial policy coincident with the execution of this Loan Agreement and the original (or other evidence of the maintenance of) of each renewal policy not less than 30 days prior to the expiration of the initial or each immediately succeeding renewal policy, together with receipts or other evidence that the premiums thereupon have been paid. Neither the Owner nor the PAC shall take out separate insurance with respect to the Project concurrent in form or contributing in the event of loss with that required by this Loan Agreement unless the same shall contain a standard noncontributory lender's loss payable endorsement in favor of and in scope and form satisfactory to the Controlling Party. In the event the rating assigned to the claims-paying ability of any insurance provider hereunder is reduced or below "A" or "A2," as applicable, the PAC will, on the next renewal date, replace the insurance provider as soon as reasonably possible with a provider having the required ratings unless the Controlling Party shall otherwise consent in writing.

Notwithstanding the foregoing, the Owner may provide insurance coverage by causing inclusion of the Project in a blanket or master insurance policy meeting the foregoing requirements with the prior written consent of Financial Security.

All proceeds of the insurance carried pursuant to clauses (a), (c) and (e) of this Section 6.06, proceeds of any Title Insurance Policy obtained pursuant to Section 6.06(f) and proceeds of any condemnation awards with respect to the Project shall be paid immediately upon receipt by the Owner or other named insured parties to the Trustee for deposit in the Revenue Fund to be applied as set forth in Section 5.03(d) of the Indenture. All proceeds of insurance carried pursuant to clause (d) of this Section 6.06(f) shall be paid by the insurance company directly to the Trustee for deposit in the Revenue Fund to be applied as set forth in Section 5.03 of the Indenture.

Section 6.07. **Maintenance; Recording.** The Owner will, at its expense, take all necessary action to maintain and preserve this Loan Agreement so long as any Note is outstanding. The Owner will, forthwith after the execution and delivery of this Loan Agreement and thereafter from time to time, cause this Loan Agreement and all documents securing this Loan Agreement or any document securing the Notes and any financing statements in respect thereof to be filed, registered and recorded in such manner and in such places as may be required by law in order to publish notice hereof and thereof and fully to perfect and protect the lien of the Indenture upon the Trust Estate or any part thereof and, from time to time, will perform or cause to be performed any other act as provided by law and will execute or cause to be executed any and all continuation statements and further instruments that may be requested by CLGFA, the Owner or the Controlling Party for such publication, perfection and protection. The Owner will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with

the execution and delivery of this Loan Agreement, the Notes, the Mortgage, the Pledge Agreement, the Assignment of Rents and such instruments of further assurance.

Section 6.08. *Accounting Records and Financial Statements.* The Owner shall keep (or cause the Property Manager to keep) appropriate accounting records in which complete and correct entries shall be made of all transactions related to the Project, which records shall be available for inspection by Financial Security, the Bondholders and the Trustee at reasonable hours and under reasonable conditions. The Owner shall submit audited financial statements of the Project to the Trustee and Financial Security annually on or before December 1 of each year, commencing December 1, 1997. The Trustee shall have no duty to review such financial statements.

Section 6.09. *Collection of Rents; No Free Service.* The Owner shall have in effect at all times rules and regulations for the payment of rent on the Project, which rules and regulations shall provide for a due date and a delinquency date. The Owner and the PAC shall not permit any part of the Project to be used or taken advantage of free of charge by any authority, firm or person, or by any public agency (including the United States of America, the State of California or any authority, county, district, political subdivision, public authority or any agency thereof).

Section 6.10. *Operation of Project.* The Project shall be managed and operated by the Property Manager on behalf of the Owner pursuant to and in accordance with the Management Agreement. Additionally, the PAC shall perform certain obligations with respect to the Project on behalf of the Owner pursuant to and in accordance with the Delegation Agreement. The PAC and the Owner shall comply with all applicable provisions of the Housing Law, the Redevelopment Law and the Pledge Agreement, and all applicable requirements of the Code, relating to the operation of the Project during the term of this Loan Agreement.

Section 6.11. *Payment of Claims.* The Owner shall pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Trust Estate (as defined in the Indenture) or any part thereof or on any funds in the hands of the Trustee which might impair the security for the Bonds, but the Owner shall not be required to pay such claims if the validity thereof shall be contested in good faith and the Owner has received the prior written consent of Financial Security.

Section 6.12. *Indenture.* The PAC hereby agrees to all of the terms and provisions of the Indenture and accepts each of its obligations expressed or implied thereunder. The PAC hereby approves the initial appointment under the Indenture of the Trustee.

Section 6.13. *Continuing Disclosure.* The PAC hereby covenants and agrees to enter into an agreement or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure for the benefit of the Holders of each Series of Bonds as required by Paragraph (b)(5)(i) of the Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240 § 240.15c2-12) (the "Disclosure

Requirements"), to the extent such Series of Bonds at any time is not exempt from the Disclosure Requirements.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.01. *Events of Default.* An "Event of Default" shall exist under this Loan Agreement if:

(a) any amount required to be paid or caused to be paid by the Owner hereunder is not paid on the date when due and payable, except amounts due and payable in respect of the Subordinate Loan with respect to which the provisions of Section 7.01(b) below shall govern;

(b) after the later of the date on which no Senior Debt remains outstanding and the date on which no amounts are due and payable to Financial Security under the Indenture or the Insurance Agreement (such later date, the "Senior Termination Date"), any amount required or scheduled to be paid in respect of the Subordinate Loan prior to the Senior Termination Date remains unpaid or, if due after the Senior Termination Date, is not paid when due;

(c) the Owner or the PAC shall fail to perform or observe any covenant or agreement contained in any of the Mortgage Loan Documents (other than a breach of a covenant which, in and of itself, constitutes a Trigger Event or which is described in either (a) or (b) of this Section 7.01), and such failure shall continue for a period of 30 days after written notice is given to the Owner or the PAC, as applicable, 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, the Owner or the PAC as applicable, shall have given notice to 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 the Owner or the PAC shall thereafter pursue such corrective action diligently until such default is cured;

(d) any "Event of Default" occurs under the Indenture, the Mortgage or the Insurance Agreement; or

(e) after the Senior Termination Date, any "Event of Default" occurs under the Pledge Agreement;

PROVIDED, however, that, notwithstanding any other provision of this Agreement or the Notes, prior to the Senior Termination Date no Event of Default will exist for any reason or may be declared with respect to the Subordinate Loan.

Section 7.02. *Remedies; Waivers.*

(a) Upon the occurrence of an Event of Default, the Trustee may, with the prior written consent of the Controlling Party, and shall, at the written direction of the Controlling Party, subject to the provisions of the Indenture,

(i) declare all or a portion of the amounts due under this Loan Agreement to be immediately due and payable, and the date of payment thereof shall be as specified in the notice of acceleration; provided that any amounts due and payable hereunder with respect to the Subordinate Loan and the Subordinate Bonds shall be accelerated only with the written consent of all of the Owners of Subordinate Bonds then Outstanding; and

(ii) take whatever action at law or in equity as may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce performance of any obligation of the Owner or the PAC hereunder.

The amounts due under this Loan Agreement with respect to the Senior Loan may be declared immediately due and payable without any declaration of the Subordinate Loan to be immediately due and payable, which may be declared immediately due and payable only as provided in clause (i) immediately above and only after the Senior Termination Date unless Financial Security otherwise consents in writing in its sole discretion. Any acceleration of amounts due under this Loan Agreement may be rescinded only with the prior written consent of the Controlling Party and shall be at the direction of the Controlling Party; in such event the parties shall be restored to the same position as though no such Event of Default had occurred.

(b) 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 and to Financial Security (if it is not the Controlling Party). 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.

(c) As long as any Senior Debt remains Outstanding, no holder of the Subordinate Note or any Holder of a Subordinate Bond will have any right to direct or consent to any action taken pursuant to this Article VII other than to consent to any acceleration of payments due under the Subordinate Note and Subordinate Bonds; and provided, further, that the holder of the Subordinate Note acknowledges and agrees that the Controlling Party has no obligation to consider the effects of any action taken

pursuant to this Article VII on the holder of the Subordinate Note or the Holders of the Subordinate Bonds.

Section 7.03. *Discontinuance of Proceedings.* In case any proceeding taken by the Trustee or the Controlling Party or their assigns on account of any failure to perform under this Loan Agreement shall have been discontinued or determined adversely to CLGFA, the Trustee or the Controlling Party or their assigns, then and in every case CLGFA, the Trustee and the Controlling Party and their assigns shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of CLGFA, the Trustee and the Controlling Party and their assigns shall continue as though no such proceeding had been taken.

Section 7.04. *Remedies Cumulative.* No remedy conferred upon or reserved to the Controlling Party or the Trustee by this Loan Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Mortgage Loan Documents now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any failure to perform under this Loan Agreement shall impair any such right or power or shall be construed to be a waiver thereof. To entitle the Controlling Party or the Trustee to exercise any remedy reserved to it in this Loan Agreement, it shall not be necessary to give any notice other than as otherwise specified in this Loan Agreement.

Section 7.05. *Reimbursement of Expenses.*

(a) If, upon or after the occurrence of any Event of Default hereunder, the Controlling Party, the Trustee or CLGFA shall employ attorneys or incur other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Owner or the PAC contained herein, the Owner or the PAC, as the case may be, will on demand therefor reimburse the Controlling Party, the Trustee or CLGFA, as applicable, for reasonable fees of such attorneys and such other reasonable expenses so incurred; provided that such reimbursement shall be limited to Revenues and the Trust Estate.

(b) The Owner and the PAC may with the consent of the Controlling Party, and shall at the direction of the Controlling Party, prosecute or defend any action or proceeding or take any other action involving any defaulting supplier, contractor, subcontractor or surety thereof, and in such event CLGFA agrees to cooperate fully with the Owner and the PAC to the extent it may lawfully do so, in any such action or proceeding, subject to the provisions of Section 9.02 hereof.

Section 7.06. *Waiver of Defenses.* The Owner, the PAC and any and all others who are now or may become liable for all or part of the obligations of the Owner or the PAC under this Loan Agreement agree to be bound by this Loan Agreement and (a) to the extent permitted by law, waive and renounce any and all redemption and exemption rights and the benefit of all valuation and appraisal privileges against the indebtedness and obligations under this Loan

Agreement or by any extension or renewal thereof; (b) waive presentment and demand for payment, notices of nonpayment and of dishonor, protest of dishonor and notice of protest; (c) waive all notices in connection with the delivery and acceptance hereof and all other notices in connection with the performance, default or enforcement of any payment hereunder except as expressly required by this Loan Agreement; (d) waive all rights of abatement, diminution, postponement or deduction, or to any defense other than payment, or to any right of setoff or recoupment arising out of any breach under this Loan Agreement, by any party thereto or any beneficiary thereof, or out of any obligation at any time owing by CLGFA, the Trustee or Financial Security to the Owner or the PAC; (e) agree that its liabilities hereunder shall be unconditional and without regard to any setoff, counterclaim or the liability of any person for the payment thereof; (f) agree that any consent, waiver or forbearance hereunder with respect to an event shall operate only for such event and not for any subsequent event; (g) consent to any and all extensions of time that may be granted by CLGFA, the Trustee or the Controlling Party with respect to any payment hereunder or other provisions hereof and to the release of any security at any time given for any payment hereunder, or any part thereof, with or without substitution, and to the release of any person or entity liable for any such payment; and (h) consent to the addition of any and all other makers, endorsers, guarantors and other obligors for any payment hereunder, and to the acceptance of any and all other security for any payment hereunder, and agree that the addition of any such obligors or security shall not affect the liability of the parties hereto for any payment hereunder. Nothing herein shall be construed as prohibiting the Owner or the PAC from pursuing any rights or remedies it may have against any person in a separate legal proceeding.

The Owner and the PAC hereby waive as a defense to the performance of any obligation hereunder the existence of any claim, setoff, defense, reduction, abatement or other right which any of the parties hereto may have at any time against Financial Security or any other person.

ARTICLE VIII

INDEMNIFICATION

The PAC and the Owner hereby covenant and agree, to the extent permitted by law, as follows:

(a) to protect, indemnify and save CLGFA, the Trustee and their respective incorporators, members, commissioners, officers, agents and employees harmless from and against all liability, losses, damages, costs, expenses (including reasonable attorneys' fees), taxes, causes of action, suits, claims, demands and judgments of any nature or form, by or on behalf of any person arising in any manner from the transaction of which this Loan Agreement is a part or arising in any manner in connection with the Project or the acquisition, financing or refinancing of the Project, including, without limiting the generality of the foregoing, arising from (i) the work done on the Project or the operation of the Project during the term of this Loan Agreement, including, without limitation, any liability for any loss or damage to property or any injury to or death of any person that

may be occasioned by any cause whatsoever pertaining to the Project, (ii) any violation of contract, agreement or restriction relating to the Project except with respect to the payment of the principal and interest on the Bonds from Revenues received by CLGFA or the Trustee, as applicable, (iii) any violation of law, ordinance or regulation affecting the Project or any part thereof or the ownership or occupancy or use thereof, (iv) the issuance, offering, sale, remarketing, delivery or payment of the Bonds or the interest thereon or (v) any written statements or representations made by any underwriter or remarketing agent to any purchaser of the Bonds or any other person or entity with respect to the Owner, the Agency, the Project, CLGFA, the Trustee or the Bonds, including, but not limited to, statements or representations of facts or financial information except with respect to CLGFA, any statements made by CLGFA which are not made in good faith, and, except with respect to the Trustee, any statements made by the Trustee;

(b) promptly after receipt by an Indemnified Party (as defined below) of notice of the commencement of any action in respect of which indemnification may be sought pursuant to subsection (a) of this Section, the person in respect of which indemnification may be sought (the "Indemnified Party") shall promptly notify the person against whom such indemnification may be sought (the "Indemnifying Party") in writing, but the omission to so notify the Indemnifying Party will not relieve the Indemnifying Party from any liability which it may have to any Indemnified Party otherwise than under this Section nor affect any rights it may have otherwise than under this Section to participate in and/or assume the defense of any action brought against any Indemnified Party. In case such action is brought against any Indemnified Party, and it notifies the Indemnifying Party of the commencement thereof, the Indemnifying Party will be entitled to participate in and, to the extent that it chooses so to do, to assume the investigation and defense thereof (including the employment of counsel reasonably satisfactory to such Indemnified Party), and the Indemnifying Party shall assume the payment of all fees and expenses relating to such investigation and defense and shall have the right to negotiate and consent to settlement thereof. Any one or more of the Indemnified Parties shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but after notice from the Indemnifying Party to such Indemnified Party of its election to assume the defense thereof, the fees and expenses of such separate counsel shall be at the expense of such Indemnified Party unless the Indemnified Party reasonably determines that a conflict of interest exists between such party and the Indemnifying Party in connection with such action or that the Indemnified Party may reasonably have liabilities extending beyond the financial capacity of the Indemnifying Party and in such event the Indemnifying Party shall pay the reasonable fees and expenses of the minimum number of such separate counsel necessary to resolve the conflict. The Indemnifying Party shall not be liable for any settlement of any such action effected without its consent, or that the Indemnified Party may reasonably have liabilities extending beyond the financial capacity of the Indemnifying Party, but, if settled with the consent of the Indemnifying Party or if there be a final judgment for the plaintiff in any such action as to which the Indemnifying Party has received notice in writing as hereinabove required,

the Indemnifying Party agrees to indemnify and hold harmless the Indemnified Party from and against any loss or liability by reason of such settlement or judgment to the extent provided in subsection (a) above;

(c) in order to provide for just and equitable contribution in circumstances in which the indemnification provided for in paragraph (a) is applicable but for any reason is held to be unavailable from the PAC and the Owner, the PAC, the Owner and the Indemnified Party shall contribute to the aggregate losses, claims, damages and liabilities (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claims asserted, but after deducting any contribution received by the PAC, the Owner from persons other than the Indemnified Party, such as persons who control the PAC, the Owner within the meaning of the Act) to which the PAC, the Owner and the Indemnified Party may be subject; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect to which a claim for contribution may be made against another party or parties under this paragraph (c), notify such party or parties from whom contribution may be sought, but the omission to so notify such party from whom contribution may be sought shall not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under this paragraph (c). No party shall be liable for contribution with respect to any action or claim settled without consent; and

(d) notwithstanding the previous provisions of this Article, the PAC and the Owner shall not be liable for or obligated to indemnify or hold CLGFA, the Trustee and their members, commissioners, officers, agents and employees, harmless against any loss or damage to property or injury or death to any person or any other loss or liability if such loss, damage, liability, injury or death results from the gross negligence or willful misconduct of CLGFA, the Trustee and their members, commissioners, officers, agents or employees which was not made in good faith by such party.

Any amounts payable pursuant to this Article are payable only from moneys released from the lien of the Indenture.

ARTICLE IX

MISCELLANEOUS

Section 9.01. *Payment in Full; Amounts Remaining in Funds and Accounts.* At such time as the principal of, premium, if any, and interest on all Outstanding Bonds shall have been paid, or shall be deemed to be paid in accordance with the Indenture, and all other sums payable by the Owner or the PAC under each Mortgage Loan Document and the Indenture shall have

been paid, the Loan shall be deemed to be fully paid, and the Owner, upon request, shall be entitled to receive acknowledgment of such payment in full from the Trustee. Any amounts remaining in any fund or account established under the Indenture (other than the Policy Payments Account and the Rebate Fund) after (a) payment of the Bonds in full (including interest, principal and premium, if any, thereon) or provision for payment thereof having been made in accordance with the provisions of the Indenture, (b) payment of all obligations owing to Financial Security under the Insurance Agreement, and (c) payment of all other obligations owing to CLGFA, Financial Security or the Trustee under any Mortgage Loan Document or the Indenture shall belong to, and be paid by the Trustee to, the Owner in accordance with the provisions of the Indenture.

Section 9.02. *Limited Obligation of the Owner, CLGFA, the PAC and the Trustee.* This Loan Agreement shall inure to the benefit of and shall be binding upon CLGFA, the Owner, the PAC and the Trustee for the benefit of the Bondholders (subject to the priorities set forth in the Indenture) and Financial Security, and their respective successors and assigns, subject to the limitation that any obligation of CLGFA created by or arising out of this Loan Agreement shall be a limited obligation of CLGFA, the PAC and the Owner, payable solely out of the revenues arising from the pledge and assignment of the Loan and the other funds held or set aside under the Indenture and shall never constitute the debt or indebtedness of CLGFA or the Owner, the State or any political subdivision of the State within the meaning of any provision or limitation of the constitution or statutes of the State and shall not constitute nor give rise to a pecuniary liability of CLGFA, the Owner, the State or any political subdivision of the State or a charge against the general credit or taxing powers of such entities. Notwithstanding anything to the contrary stated herein, no officer, director, agent or employee of the Owner shall be personally liable to CLGFA, Financial Security or any other Person, nor shall the personal assets of said officers, directors, agents or employees be subject to any claim or attachment, levy or otherwise by CLGFA, Financial Security or any other Person as a result of the Owner's and/or PAC's activities, performance or lack of performance hereunder. Under no circumstances shall the City of Novato, or its officers, agents, employees or representatives, or the officers, agents, employees or representatives of the Pledgor, be liable under this Loan Agreement.

Section 9.03. *Amendment of Loan Agreement, Notes and Mortgage.* With the prior written consent of the Controlling Party, CLGFA, the Owner, the PAC and the Trustee may, without the consent of the Holders of the Bonds, consent to any amendment, change or modification of this Loan Agreement, the Notes and the Mortgage as may be required (a) for the purpose of curing any ambiguity or formal defect or omission or (b) in connection with any other change therein if CLGFA, Financial Security, the Owner, the PAC and the Trustee receive an opinion of Bond Counsel acceptable to the Controlling Party, to the effect that such amendment will not impair the exclusion of interest on the Bonds from gross income for federal income tax purposes and which does not materially adversely affect the interests of the Holders of the Bonds which may be evidenced to the Trustee by an Opinion of Counsel. Except as provided in the preceding sentence, any other amendment, change or modification of this Loan

Agreement, the Notes or the Mortgage shall be governed by the provisions of Section 13.02 of the Indenture.

No act or course of dealing shall be deemed to constitute an amendment, modification or termination hereof.

Section 9.04. *Counterparts.* This Loan Agreement 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 Agreement, and, in making proof of this Loan Agreement, it shall not be necessary to produce or account for more than one such counterpart.

Section 9.05. *Severability.* In the event that any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, the parties hereto agree that such holding shall not invalidate or render unenforceable any other provision hereof. The parties hereto further agree that the holding by any court of competent jurisdiction that any remedy pursued by any party hereto is unavailable or unenforceable shall not affect in any way the ability of such party to pursue any other remedy available to it.

Section 9.06. *Survival of Certain Provisions.* All representations and warranties by the Owner and the PAC set forth in Article II hereof and all covenants of the Owner and the PAC contained in Article V, Article VI and Article VII hereof shall survive the termination of this Loan Agreement.

Section 9.07. *Notice of Changes in Fact.* The PAC will notify CLGFA, Financial Security, the Controlling Party, the Owner and the Trustee promptly after the PAC becomes aware of (a) any change in any material fact or circumstance represented or warranted by the Owner or the PAC in this Loan Agreement or in connection with the issuance of the Bonds and (b) any default or event which, with notice or lapse of time or both, could become an Event of Default under the Indenture or any other Mortgage Loan Document to which the Owner or the PAC is a party, specifying in each case the nature thereof and what action the PAC has taken, is taking and/or proposes to take with respect thereto.

Section 9.08. *Notices.* Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or sent by registered or certified mail, postage prepaid, or by facsimile:

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: 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 Financial Security: Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022
Attention: Surveillance Department
Telephone: (212) 826-0100
FAX: (212) 339-3518
(212) 339-3529

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

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be duly executed as of the day and year first written above.

CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY

By Marcia L. Basque
Name: Marcia L. Basque
Title: Executive Director

NOVATO FINANCING AUTHORITY

By _____
Name: _____
Title: _____

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB

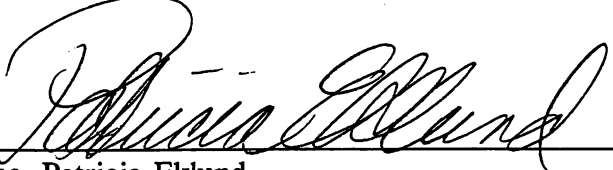
By _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be duly executed as of the day and year first written above.

CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY

By _____
Name Marcia Basque
Title _____

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
PROJECT AND LEGAL DESCRIPTION

EXHIBIT A

LEGAL DESCRIPTION
PARCEL 1

COMMENCING FOR REFERENCE at a found open 2-inch iron pipe accepted as that monument shown on Record of Survey filed July 10, 1969 in Book 8 of Surveys at Page 57, Marin County Records, as being the corner common to the Rancho San Jose and the Rancho San Pedro Santa Margarita y Las Gallinas, said point also being designated "S.J.1", as the same is shown upon that certain plat entitled "Plat of Rancho San Jose, July 1858", filed for record in Book A of Patents on Page 1, Marin County Records; said point being the northwest corner of Survey No. 5 in Township 2 North, Range 6 West, Mount Diablo Meridian;

thence along the boundary of said Rancho San Jose and the westerly line of said 8 O.S. 57, North $31^{\circ}38'57''$ West, 141.51 feet to the TRUE POINT OF BEGINNING;

thence leaving said Rancho boundary and said westerly line of 8 O.S. 57, North $58^{\circ}21'03''$ East, 56.66 feet; thence North $32^{\circ}44'43''$ West, 112.90 feet; thence South $56^{\circ}52'57''$ West, 27.67 feet; thence North $36^{\circ}18'57''$ West, 329.96 feet to a point on said aforementioned Rancho San Jose boundary and said westerly line of 8 O.S. 57;

thence along said Rancho boundary and said westerly line of 8 O.S. 57, North $31^{\circ}38'57''$ West, 257.55 feet;

thence leaving said Rancho boundary and said westerly line of 8 O.S. 57, North $12^{\circ}57'17''$ West, 443.49 feet to a point on said Rancho boundary and said westerly line of 8 O.S. 57 and which is a found, 3-inch brass capped monument, accepted as that monument shown on said 8 O.S. 57 and on that survey filed February 26, 1973 in Book 11 of Surveys at Page 70, Marin County Records and being the northeast corner thereof;

thence leaving said Rancho boundary and said westerly line of 8 O.S. 57, along the North line of said 11 O.S. 70, North $74^{\circ}45'51''$ West, 2061.07 feet; thence leaving said North line of 11 O.S. 70, South $28^{\circ}17'33''$ West, 307.47 feet; thence South $31^{\circ}34'45''$ East, 176.63 feet; thence South $11^{\circ}14'44''$ West, 299.74 feet; thence South $25^{\circ}35'52''$ West, 22.40 feet; thence South $35^{\circ}06'40''$ West 174.62 feet; thence North $21^{\circ}35'02''$ West, 60.08 feet to the beginning of a 100.00 foot radius, tangent curve to the right; thence along said curve, through a central angle of $45^{\circ}39'21''$, an arc distance of 79.68 feet; thence North $24^{\circ}04'19''$ East, 95.85 feet to the beginning of a 200.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of $68^{\circ}23'02''$, an arc distance of 238.70 feet; thence North $44^{\circ}18'43''$ West, 377.64 feet to the beginning of a 275.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of $56^{\circ}50'36''$, an arc distance of 272.83 feet to the point of reverse curvature of a 375.00 foot radius, tangent curve to the right; thence along said curve, through a central angle of

56°44'18", an arc distance of 371.35 feet, to the point of compound curvature of a 175.00 foot radius, tangent curve to the right; thence along said compound curve, through a central angle of 25°31'51", an arc distance of 77.98 feet to a point bearing South 6°18'59" East, 215.67 feet from the most northerly corner of that certain parcel of land granted to the City of Novato by deed recorded September 11, 1968 in Book 2239 of Official Records at Page 176, Marin County Records;

thence South 71°06'50" West, 100.00 feet to the beginning of a 275.00 foot radius, non-tangent curve, the radius point of which bears North 71°06'50" East; thence southeasterly along said curve, through a central angle of 25°31'51", an arc distance of 122.54 feet to the point of compound curvature of a 475.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of 56°44'18", an arc distance of 470.38 feet to the point of reverse curvature of a 175.00 foot radius, tangent curve to the right; thence along said curve, through a central angle of 56°50'36", an arc distance of 173.62 feet; thence South 44°18'43" East, 377.64 feet to the beginning of a 100.00 foot radius, tangent curve to the right; thence along said curve, through a central angle of 68°23'02", an arc distance of 119.35 feet; thence South 24°04'19" West, 95.85 feet to the beginning of a 200.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of 45°39'21", an arc distance of 159.37 feet; thence South 21°35'02" East, 196.43 feet, to the beginning of a 140.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of 82°00'37", an arc distance of 200.39 feet; thence South 61°58'24" East, 168.41 feet; thence North 46°47'31" East, 307.04 feet; thence North 22°43'48" East, 306.30 feet; thence North 88°49'28" East, 208.66 feet; thence North 73°09'47" East, 534.21 feet; thence South 30°31'33" East, 50.00 feet; thence South 59°28'27" West, 360.08 feet; thence South 49°17'13" West, 154.78 feet; thence South 40°34'04" East, 363.14 feet; thence North 45°42'44" East, 372.01 feet; thence North 76°56'09" East, 148.75 feet; thence South 63°52'01" East, 28.35 feet; thence South 26°07'59" West, 237.85 feet; thence South 74°20'31" West, 205.01 feet; thence South 8°31'26" West, 107.69 feet; thence South 53°07'25" West, 214.67 feet; thence South 68°43'49" West, 279.73 feet; thence South 41°06'02" West, 223.36 feet; thence South 35°40'28" East, 139.99 feet; thence South 76°17'06" East, 318.47 feet; thence North 80°54'38" East, 85.65 feet; thence North 72°36'03" East, 330.41 feet; thence North 82°11'38" East, 370.72 feet; thence South 74°25'36" East, 456.94 feet; thence North 58°21'03" East, 439.01 feet to the TRUE POINT OF BEGINNING and containing 63.00 acres, more or less.

DPH:BFL



EXHIBIT B

LEGAL DESCRIPTION
PARCEL 2

COMMENCING FOR REFERENCE at the most northerly corner of that certain parcel of land granted to the City of Novato by deed recorded September 11, 1968 in Book 2239 of Official Records at Page 176, Marin County Records and the beginning of a 126.00 foot radius curve, the radius point of which bears North $85^{\circ}48'12''$ East; thence along the exterior line of said 2239 O.R. 176 the following courses and distances: southerly along said curve, through a central angle of $4^{\circ}30'46''$, an arc distance of 9.92 feet to the point of compound curvature of a 33.19 foot radius, tangent curve to the left; thence along said curve, through a central angle of $49^{\circ}21'16''$, an arc distance of 28.59 feet to the point of reverse curvature of a 50.00 foot radius, tangent curve to the right, and thence along said curve, through a central angle of $111^{\circ}56'04''$, an arc distance of 97.68 feet to the TRUE POINT OF BEGINNING, being the North end point of a 175.00 foot radius curve, the radius point of which bears South $76^{\circ}08'44''$ East; thence leaving said exterior line of 2239 O.R. 176, southerly along said curve, through a central angle of $32^{\circ}44'26''$, an arc distance of 100.00 feet; thence South $71^{\circ}06'50''$ West, 100.00 feet to the beginning of a 275.00 foot radius curve, the radius point of which bears North $71^{\circ}06'50''$ East; thence northerly along said curve, through a central angle of $30^{\circ}41'42''$, an arc distance of 147.33 feet to a point on the easterly line of that land granted to the State of California by deed recorded February 3, 1961 in Book 1433 of Official Records at Page 353, Marin County Records; thence along said easterly line, North $23^{\circ}07'24''$ East, 1.33 feet to a point on said exterior line of 2239 O.R. 176; thence leaving said easterly line of 1433 O.R. 353, along said exterior line of 2239 O.R. 176, South $66^{\circ}52'36''$ East, 53.97 feet to the beginning of a 50.00 foot radius, tangent curve to the left, and thence along said curve, through a central angle of $59^{\circ}15'10''$, an arc distance of 51.71 feet to the TRUE POINT OF BEGINNING and containing 0.27 acres, more or less.

DPH:BFL

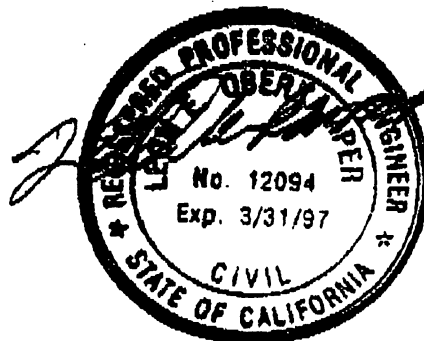


EXHIBIT C

LEGAL DESCRIPTION
PARCEL 3

COMMENCING FOR REFERENCE at a found open 2-inch iron pipe accepted as that monument shown on Record of Survey filed July 10, 1969 in Book 8 of Surveys at Page 57, Marin County Records, as being the corner common to the Rancho San Jose and the Rancho San Pedro Santa Margarita y Las Gallinas, said point also being designated "S.J.1", as the same is shown upon that certain plat entitled "Plat of Rancho San Jose, July 1858", filed for record in Book A of Patents on Page 1, Marin County Records, said point being the northwest corner of Survey No. 5 in Township 2 North, Range 6 West, Mount Diablo Meridian;

thence along the boundary of said Rancho San Jose and the westerly line of said 8 O.S. 57, North $31^{\circ}38'57''$ West, 141.51 feet; thence leaving said Rancho boundary and said westerly line of 8 O.S. 57, North $58^{\circ}21'03''$ East, 56.66 feet; thence North $32^{\circ}44'43''$ West, 112.90 feet to the TRUE POINT OF BEGINNING;

thence North $56^{\circ}52'57''$ East, 39.54 feet to the beginning of a 45.59 foot radius, tangent curve to the left; thence along said curve, through a central angle of $222^{\circ}19'36''$, an arc distance of 176.90 feet; thence South $14^{\circ}33'21''$ West, 52.70 feet; thence South $36^{\circ}18'57''$ East, 43.88 feet; thence North $56^{\circ}52'57''$ East, 27.67 feet to the TRUE POINT OF BEGINNING and containing 0.19 acres, more or less.

DPH:BFL

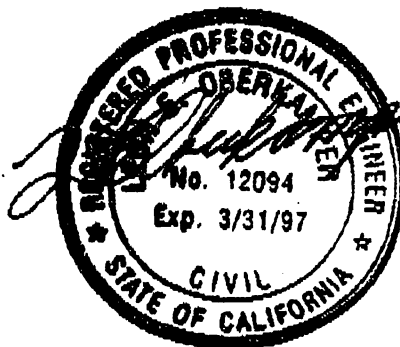


EXHIBIT D

LEGAL DESCRIPTION
PARCEL 4

A 20-FOOT WIDE STRIP OF LAND lying 10 feet either side of the following described line:

COMMENCING FOR REFERENCE at a found open 2-inch iron pipe accepted as that monument shown on Record of Survey filed July 10, 1969 in Book 8 of Surveys at Page 57, Marin County Records, as being the corner common to the Rancho San Jose and the Rancho San Pedro Santa Margarita y Las Gallinas, said point also being designated "S.J.1", as the same is shown upon that certain plat entitled "Plat of Rancho San Jose, July 1858", filed for record in Book A of Patents on Page 1, Marin County Records; said point being the northwest corner of Survey No. 5 in Township 2 North, Range 6 West, Mount Diablo Meridian;

thence along the boundary of said Rancho San Jose and the westerly line of said 8 O.S. 57, North $31^{\circ}38'57''$ West, 687.55 feet to the TRUE POINT OF BEGINNING, said point being on the approximate centerline of an existing drainage ditch; thence along said approximate ditch centerline North $78^{\circ}33'04''$ East, 493.10 feet to a point on the westerly right of way line of the Northwestern Pacific Railroad Company, a California corporation, as described by deed recorded May 15, 1908 in Book 114 of Deeds at Page 376, Marin County Records.

The sidelines of this easement shall be lengthened or shortened to intersect said westerly line of 8 O.S. 57 and said westerly right of way line of 114 Deeds 376.

DPH:BFL

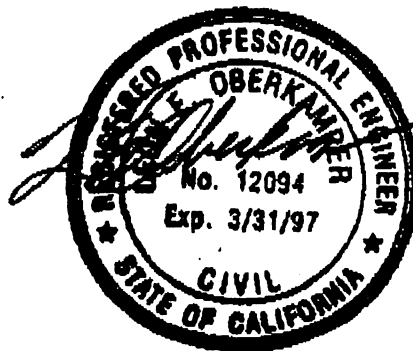


EXHIBIT B

FORM OF LOAN PAYMENT SCHEDULE

\$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
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
FACILITATED BY THE
CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY**

FORM OF LOAN PAYMENT SCHEDULE

[INSERT BOND CAPTION]

Effective Period: [Mo./Yr. through Mo./Yr.]

A	B	C	D	E	F	G ⁽²⁾⁽⁵⁾	H ⁽²⁾⁽⁵⁾	I
Monthly Interest Payment on Senior <u>Bonds</u> ⁽²⁾	Monthly Principal Payment on Senior <u>Bonds</u> ⁽¹⁾⁽²⁾	<u>Insurance</u> ⁽³⁾	Replacement Reserve <u>Fund</u> ⁽⁴⁾	<u>Fees and Expenses</u>	Management Fee and Monthly <u>Operating Expenses</u>	Monthly Interest Payment <u>on Subordinate Bonds</u>	Monthly Principal Payment <u>on Subordinate Bonds</u>	<u>Total</u>
		Insurance:		[Trustee, CLGFA, FSA premium, other]	Management Fee: Expenses ⁽⁶⁾			

⁽¹⁾ First payment due _____, 1997.

⁽²⁾ If amounts change during year, indicate month of change and new amounts.

⁽³⁾ Insurance will change in [Mo./Yr.].

⁽⁴⁾ Units at \$130 per unit per annum (Updated Capital Plan due May 1, 1998).

⁽⁵⁾ Subject to terms and provisions of Loan Agreement and Indenture.

⁽⁶⁾ Updated Operating Budget due May 1998.

EXHIBIT C

FORM OF SENIOR NOTE

AFTER THE ENDORSEMENT AS HEREON PROVIDED AND PLEDGE OF THIS NOTE, THIS NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO AN ASSIGNEE OF THE TRUSTEE REFERRED TO IN THE AGREEMENT REFERRED TO HEREIN.

PROMISSORY NOTE

Novato, California

March __, 1997

FOR VALUE RECEIVED, Novato Financing Authority, a joint powers authority organized and validly existing under the laws of the State of California (the "Owner"), by this promissory note hereby promises to pay to the order of California Local Government Finance Authority ("CLGFA") the principal sum of _____ Million Dollars (\$ _____) payable on April 1, 2027 except as otherwise provided in Sections 4.02 and 4.03 of the Agreement (as hereinafter defined) in accordance with the Loan Payment Schedule (as defined in the Agreement) which generally provides for the scheduled repayment of principal and the payment of interest from the date hereof on the unpaid principal amount hereof monthly on the first (1st) day of each month commencing April 1, 1997, at the respective rates of interest per annum with respect to the respective principal amounts as set forth on such Loan Payment Schedule (such amounts, being the amounts that CLGFA is required to pay as the principal of and premium, if any, and interest on the Bonds described in the Agreement. This Note may be prepaid at the option of the Owner pursuant to Section 4.05 of the Agreement, and shall be prepaid by the Owner as required by Section 4.06 of the Agreement.

If no prepayment of the principal hereof is made, the payment of the outstanding principal hereof and interest hereon shall become due and payable on April 1, 2027. All such payments shall be made in funds which shall be immediately available on the due date of such payments and in lawful money of the United States of America at the principal office of the Trustee, or at such other place as directed by the Trustee in accordance with the Indenture.

This promissory note is the "Senior Note" referred to in the Loan Agreement, dated as of March 1, 1997 (the "Agreement"), between the Owner, CLGFA and Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") and is subject to the terms, conditions and covenants of, and secured by the collateral described in the Agreement.

The Owner may at its option, and may under certain circumstances be required to, prepay all or any part of the unpaid balance of this Note, together with accrued interest and any applicable premium, as provided in the Agreement.

Upon the occurrence of an Event of Default specified in the Agreement, the unpaid principal hereof and all accrued but unpaid interest may be declared to be forthwith due and payable as provided in the Agreement.

The Owner, subject to the provisions of Section 9.02 of the Agreement, hereby promises to pay costs of collection and reasonable attorneys' fees in case of default on this Note.

The Owner hereby waives presentment for payment, demand, protest, notice of protest and notice of dishonor and any and all lack of diligence or delays in the collection of indebtedness evidence hereby.

In addition to, and not in limitation of any limitation on liability provided by law, the recourse of the holder of this Note as the Beneficiary under the Deed of Trust securing this Note and the Agreement (the "Deed of Trust") or under any other instrument securing this Note, for default or breach under this Note or Deed of Trust or such other instrument shall be limited to the rights provided therein against the encumbered property and other collateral subject thereto; and without limitation on the generality of the foregoing, neither the Owner nor any present or future director, officer, agent, employee or partner of the Owner or of any successor or assign of the Owner shall have personal liability for the indebtedness evidenced by this Note or under or by reason of any obligations, covenants or agreements contained in the Deed of Trust or any other instrument securing payment of this Note. This Note is payable only out of the property described in the Agreement and the Deed of Trust and such other instruments securing the payment of this Note, by the enforcement of the provisions contained in the Agreement and the Deed of Trust or such other instruments. No personal liability shall be asserted or be enforceable against the Owner or any other person interested beneficially or otherwise in the property described in the Deed of Trust or such other instrument given to secure the payment of this Note because or in respect of this Note or the making or issuing thereof, all such liability, if any, being expressly waived by the CLGFA.

This Note shall be governed by and construed in accordance with the laws of the State of California.

NOVATO FINANCING AUTHORITY

By: _____
Chairperson

ENDORSEMENT

Pay to the order of First Trust of California, National Association, without recourse, as Trustee of the Bonds referred to in the within-mentioned Agreement, as security for said Bonds. This endorsement is given without any warranty as to the authority or genuineness of the signature of the maker of the Note.

**CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY**

By: _____
Executive Director

EXHIBIT D

FORM OF SUBORDINATE NOTE

AFTER THE ENDORSEMENT AS HEREON PROVIDED AND PLEDGE OF THIS NOTE, THIS NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO AN ASSIGNEE OF THE TRUSTEE REFERRED TO IN THE AGREEMENT REFERRED TO HEREIN.

PROMISSORY NOTE

Novato, California

March __, 1997

FOR VALUE RECEIVED, Novato Financing Authority, a joint powers authority organized and validly existing under the laws of the State of California (the "Owner"), by this promissory note hereby promises to pay to the order of California Local Government Finance Authority ("CLGFA") the principal sum of _____ Million Dollars (\$_____) payable on April 1, 2023 except as otherwise provided in Sections 4.02 and 4.03 of the Agreement (as hereinafter defined) in accordance with the Loan Payment Schedule (as defined in the Agreement) which generally provides for the scheduled repayment of principal and the payment of interest from the date hereof on the unpaid principal amount hereof monthly on the first (1st) day of each month commencing April 1, 1997, at the respective rates of interest per annum with respect to the respective principal amounts as set forth on such Loan Payment Schedule (such amounts, being the amounts that CLGFA is required to pay as the principal of and premium, if any, and interest on the Bonds described in the Agreement. This Note may be prepaid at the option of the Owner pursuant to Section 4.05 of the Agreement, and shall be prepaid by the Owner as required by Section 4.06 of the Agreement.

If no prepayment of the principal hereof is made, the payment of the outstanding principal hereof and interest hereon shall become due and payable on April 1, 2023. All such payments shall be made in funds which shall be immediately available on the due date of such payments and in lawful money of the United States of America at the principal office of the Trustee, or at such other place as directed by the Trustee in accordance with the Indenture.

This promissory note is the "Subordinate Note" referred to in the Loan Agreement, dated as of March 1, 1997 (the "Agreement"), between the Owner, CLGFA and Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") and is subject to the terms, conditions and covenants of, and secured by the collateral described in the Agreement.

The Owner may at its option, and may under certain circumstances be required to, prepay all or any part of the unpaid balance of this Note, together with accrued interest and any applicable premium, as provided in the Agreement.

Upon the occurrence of an Event of Default specified in the Agreement, the unpaid principal hereof and all accrued but unpaid interest may be declared to be forthwith due and payable as provided in the Agreement.

The Owner, subject to the provisions of Section 9.02 of the Agreement, hereby promises to pay costs of collection and reasonable attorneys' fees in case of default on this Note.

The Owner hereby waives presentment for payment, demand, protest, notice of protest and notice of dishonor and any and all lack of diligence or delays in the collection of indebtedness evidenced hereby.

In addition to, and not in limitation of any limitation on liability provided by law, the recourse of the holder of this Note as the Beneficiary under the Deed of Trust securing this Note and the Agreement (the "Deed of Trust") or under any other instrument securing this Note, for default or breach under this Note or Deed of Trust or such other instrument shall be limited to the rights provided therein against the encumbered property and other collateral subject thereto; and without limitation on the generality of the foregoing, neither the Owner nor any present or future director, officer, agent, employee or partner of the Owner or of any successor or assign of the Owner shall have personal liability for the indebtedness evidenced by this Note or under or by reason of any obligations, covenants or agreements contained in the Deed of Trust or any other instrument securing payment of this Note. This Note is payable only out of the property described in the Agreement and the Deed of Trust and such other instruments securing the payment of this Note, by the enforcement of the provisions contained in the Agreement and the Deed of Trust or such other instruments. No personal liability shall be asserted or be enforceable against the Owner or any other person interested beneficially or otherwise in the property described in the Deed of Trust or such other instrument given to secure the payment of this Note because or in respect of this Note or the making or issuing thereof, all such liability, if any, being expressly waived by the CLGFA.

This Note shall be governed by and construed in accordance with the laws of the State of California.

NOVATO FINANCING AUTHORITY

By: _____
Chairperson

ENDORSEMENT

Pay to the order of First Trust of California, National Association, without recourse, as Trustee of the Bonds referred to in the within-mentioned Agreement, as security for said Bonds. This endorsement is given without any warranty as to the authority or genuineness of the signature of the maker of the Note.

**CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY**

By: _____
Executive Director

The Senior Note

AFTER THE ENDORSEMENT AS HEREON PROVIDED AND PLEDGE OF THIS NOTE, THIS NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO AN ASSIGNEE OF THE TRUSTEE REFERRED TO IN THE AGREEMENT REFERRED TO HEREIN.

PROMISSORY NOTE

Novato, California

March 1, 1997

FOR VALUE RECEIVED, Novato Financing Authority, a joint powers authority organized and validly existing under the laws of the State of California (the "Owner"), by this promissory note hereby promises to pay to the order of California Local Government Finance Authority ("CLGFA") the principal sum of FIFTEEN MILLION FOUR HUNDRED EIGHTY-FIVE THOUSAND DOLLARS (\$15,485,000) and interest thereon, and all other amounts due and payable with respect to the Senior Bonds under the Agreement (as hereinafter defined) which generally provides for the scheduled repayment of principal and the payment of interest from the date hereof on the unpaid principal amount hereof monthly on the first (1st) day of each month commencing April 1, 1997, at the respective rates of interest per annum with respect to the respective principal amounts as set forth on the Loan Payment Schedule (as defined in the Agreement) (such amounts being the amounts that CLGFA is required to pay as the principal of and premium, if any, and interest on the Bonds described in the Agreement). This Note may be prepaid at the option of the Owner pursuant to Section 4.05 of the Agreement, and shall be prepaid by the Owner as required by Section 4.06 of the Agreement, together with accrued interest and any applicable premium, as provided in the Agreement.

If no prepayment of the principal hereof is made, the payment of the outstanding principal hereof and interest hereon shall become due and payable on October 1, 2027. All such payments shall be made in funds which shall be immediately available on the due date of such payments and in lawful money of the United States of America at the principal office of the Trustee, or at such other place as directed by the Trustee in accordance with the Indenture.

This promissory note is the "Senior Note" referred to in the Loan Agreement, dated as of March 1, 1997 (the "Agreement"), between the Owner, CLGFA and Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") and is subject to the terms, conditions and covenants of, and secured by the collateral described in the Agreement.

Upon the occurrence of an Event of Default specified in the Agreement, the unpaid principal hereof and all accrued but unpaid interest may be declared to be forthwith due and payable as provided in the Agreement.

The Owner, subject to the provisions of Section 9.02 of the Agreement, hereby promises to pay costs of collection and reasonable attorneys' fees in case of default on this Note.

The Owner hereby waives presentment for payment, demand, protest, notice of protest and notice of dishonor and any and all lack of diligence or delays in the collection of indebtedness evidence hereby.

In addition to, and not in limitation of any limitation on liability provided by law, the recourse of the holder of this Note as the Beneficiary under the Mortgage (as defined in the Indenture) securing this Note and the Agreement or under any other instrument securing this Note, for default or breach under this Note or Mortgage or such other instrument shall be limited to the rights provided therein against the encumbered property and other collateral subject thereto; and without limitation on the generality of the foregoing, neither the Owner nor any present or future director, officer, agent, employee or partner of the Owner or of any successor or assign of the Owner shall have personal liability for the indebtedness evidenced by this Note or under or by reason of any obligations, covenants or agreements contained in the Mortgage or any other instrument securing payment of this Note. This Note is payable only out of the property described in the Agreement and the Mortgage and such other instruments securing the payment of this Note, by the enforcement of the provisions contained in the Agreement and the Mortgage or such other instruments. No personal liability shall be asserted or be enforceable against the Owner or any other person interested beneficially or otherwise in the property described in the Mortgage or such other instrument given to secure the payment of this Note because or in respect of this Note or the making or issuing thereof, all such liability, if any, being expressly waived by the CLGFA.

This Note shall be governed by and construed in accordance with the laws of the State of California.

NOVATO FINANCING AUTHORITY

By: 
Chairperson

ENDORSEMENT

Pay to the order of First Trust of California, National Association, without recourse, as Trustee of the Bonds referred to in the within-mentioned Agreement, as security for said Bonds. This endorsement is given without any warranty as to the authority or genuineness of the signature of the maker of the Note.

CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY

By: *Marcia L. Basque*
Executive Director

The Subordinate Note

AFTER THE ENDORSEMENT AS HEREON PROVIDED AND PLEDGE OF THIS NOTE, THIS NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO AN ASSIGNEE OF THE TRUSTEE REFERRED TO IN THE AGREEMENT REFERRED TO HEREIN.

PROMISSORY NOTE

Novato, California

March 13, 1997

FOR VALUE RECEIVED, Novato Financing Authority, a joint powers authority organized and validly existing under the laws of the State of California (the "Owner"), by this promissory note hereby promises to pay to the order of California Local Government Finance Authority ("CLGFA") the principal sum of ONE MILLION FIVE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS (\$1,585,000) and interest thereon, and other amounts due and payable under the Agreement with respect to the Subordinate Bonds, payable in accordance with the Agreement (as hereinafter defined) which generally provides for the scheduled repayment of principal and the payment of interest from the date hereof on the unpaid principal amount hereof monthly on the first (1st) day of each month commencing April 1, 1997, at the respective rates of interest per annum with respect to the respective principal amounts as set forth on such Loan Payment Schedule (as defined in the Agreement) (such amounts being the amounts that CLGFA is required to pay as the principal of and premium, if any, and interest on the Subordinate Bonds described in the Agreement). This Note may be prepaid at the option of the Owner pursuant to Section 4.05 of the Agreement, and shall be prepaid by the Owner as required by Section 4.06 of the Agreement, together with accrued interest and any applicable premium, as provided in the Agreement.

If no prepayment of the principal hereof is made, the payment of the outstanding principal hereof and interest hereon shall become due and payable on October 1, 2024. All such payments shall be made in funds which shall be immediately available on the due date of such payments and in lawful money of the United States of America at the principal office of the Trustee, or at such other place as directed by the Trustee in accordance with the Indenture.

This promissory note is the "Subordinate Note" referred to in the Loan Agreement, dated as of March 1, 1997 (the "Agreement"), between the Owner, CLGFA and Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") and is subject to the terms, conditions and covenants of, and secured by the collateral described in the Agreement.

THE RIGHT OF THE HOLDER OF THIS SUBORDINATE NOTE TO RECEIVE PAYMENT OF PRINCIPAL, PREMIUM (IF ANY) AND INTEREST HEREUNDER IS SUBORDINATE IN ALL RESPECTS TO THE RIGHT OF THE HOLDER OF THE SENIOR NOTE TO RECEIVE PAYMENT OF PRINCIPAL, PREMIUM (IF ANY) AND INTEREST

PREMIUM (IF ANY) THEREUNDER AND TO THE PAYMENT OF CERTAIN AMOUNTS, FEES AND EXPENSES DUE UNDER THE AGREEMENT, THE INDENTURE AND THE INSURANCE AGREEMENT, ALL AS DESCRIBED IN THE AGREEMENT. THE HOLDER OF THIS SUBORDINATE NOTE, BY ITS ACCEPTANCE OF THIS SUBORDINATE NOTE, EXPRESSLY AGREES TO AND ACKNOWLEDGES THE SUBORDINATION PROVISIONS AND ALL OTHER PROVISIONS CONTAINED IN THE AGREEMENT AND THE RIGHTS OF THE CONTROLLING PARTY THEREUNDER.

This Subordinate Note is subject to all of the terms, conditions and provisions of the Agreement, including those respecting prepayment and the acceleration of maturity and the priority of payment of the Senior Loan over the Subordinate Loan as if such terms, conditions and provisions were included herein and is further subject to all of the terms, conditions and provisions of the Indenture, all as provided in the Agreement.

Upon the occurrence of an Event of Default specified in the Agreement, the unpaid principal hereof and all accrued but unpaid interest may be declared to be forthwith due and payable as provided in the Agreement.

The Owner, subject to the provisions of Section 9.02 of the Agreement, hereby promises to pay costs of collection and reasonable attorneys' fees in case of default on this Note.

The Owner hereby waives presentment for payment, demand, protest, notice of protest and notice of dishonor and any and all lack of diligence or delays in the collection of indebtedness evidence hereby.

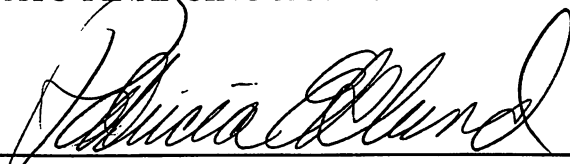
In addition to, and not in limitation of any limitation on liability provided by law, the recourse of the holder of this Note as the Beneficiary under the Mortgage (as defined in the Indenture) securing this Note and the Agreement or under any other instrument securing this Note, for default or breach under this Note or Mortgage or such other instrument shall be limited to the rights provided therein against the encumbered property and other collateral subject thereto; and without limitation on the generality of the foregoing, neither the Owner nor any present or future director, officer, agent, employee or partner of the Owner or of any successor or assign of the Owner shall have personal liability for the indebtedness evidenced by this Note or under or by reason of any obligations, covenants or agreements contained in the Mortgage or any other instrument securing payment of this Note. This Note is payable only out of the property described in the Agreement and the Mortgage and such other instruments securing the payment of this Note, by the enforcement of the provisions contained in the Agreement and the Mortgage or such other instruments. No personal liability shall be asserted or be enforceable against the Owner or any other person interested beneficially or otherwise in the property described in the Mortgage or such other instrument given to secure the payment of this Note because or in respect of this Note or the making or issuing thereof, all such liability, if any, being expressly waived by the CLGFA.

NOTWITHSTANDING ANY OTHER PROVISION OF THE AGREEMENT OR THIS SUBORDINATE NOTE, NO PAYMENT SHALL BE DUE OR PAYABLE OR MADE UNDER THIS SUBORDINATE NOTE EXCEPT TO THE EXTENT FUNDS ARE RIGHTFULLY ON DEPOSIT IN THE SUBORDINATE BONDS INTEREST ACCOUNT OR THE SUBORDINATE BONDS PRINCIPAL ACCOUNT AND FUNDS TRANSFERRED THEREIN FROM THE SUBORDINATE DEBT SERVICE RESERVE FUND; AND PROVIDED, FURTHER, THAT AS LONG AS ANY SENIOR DEBT REMAINS OUTSTANDING OR ANY AMOUNTS ARE DUE AND PAYABLE THEREON, NO EVENT OF DEFAULT WILL EXIST OR MAY BE DECLARED WITH RESPECT TO THE SUBORDINATE LOAN OR THIS SUBORDINATE NOTE.

The holder of this Subordinate Note covenants that it will not, as long as any Senior Debt remains unpaid, (i) commence, or join in the commencement of, whether directly or indirectly, an insolvency or similar proceeding with respect to the Owner for any reason, provided that the Owner is, at the time, the subject of any insolvency or similar proceeding or (ii) declare a default under the Subordinate Loan or the Subordinate Bonds or commence any judicial proceeding or action against the Owner, its properties or the Trust Estate to enforce or collect any payment of the Subordinate Loan.

This Note shall be governed by and construed in accordance with the laws of the State of California.

NOVATO FINANCING AUTHORITY

By: 
Chairperson

ENDORSEMENT

Pay to the order of First Trust of California, National Association, without recourse, as Trustee of the Bonds referred to in the within-mentioned Agreement, as security for said Bonds. This endorsement is given without any warranty as to the authority or genuineness of the signature of the maker of the Note.

CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY

By: Maria L. Baer
Executive Director

CLT

97-012683

RECORDING REQUESTED BY AND

WHEN RECORDED RETURN TO:
FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION
SUITE 400
ONE CALIFORNIA STREET
SAN FRANCISCO, CA 94111
ATTENTION: CORPORATE TRUST DEPARTMENT

PTN 150-010-41, 42, 47 + 80

**HOUSING ASSISTANCE PLEDGE AGREEMENT
AND DECLARATION OF RESTRICTIVE COVENANTS**

Dated as of March 1, 1997

by and among the

THE REDEVELOPMENT AGENCY OF THE CITY OF NOVATO

**PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB**

and the

NOVATO FINANCING AUTHORITY

Relating to

\$1,585,000

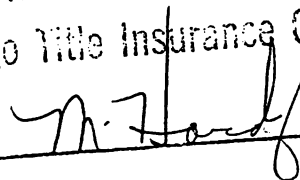
**SUBORDINATE REVENUE BONDS, SERIES 1997B
(MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT)**

Issued for the Benefit of the
NOVATO FINANCING AUTHORITY (CALIFORNIA)

Facilitated by the
CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

**CERTIFIED TO BE A TRUE COPY
Chicago Title Insurance Company**

BY



**HOUSING ASSISTANCE PLEDGE AGREEMENT
AND DECLARATION OF RESTRICTIVE COVENANTS**

THIS HOUSING ASSISTANCE PLEDGE AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS, dated as of March 1, 1997, is by and among the Redevelopment Agency of the City of Novato (the "Agency"), the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") and the Novato Financing Authority (the "Owner");

W I T N E S S E T H:

WHEREAS, the Agency is duly constituted under the laws of the State of California and pursuant to such laws proposes to proceed with the redevelopment of certain areas located within the City of Novato, California, (the "City") including without limitation the preservation of affordable housing resources within the City; and

WHEREAS, the Redevelopment Plan for the Novato Redevelopment Project Area provides for tax increment financing in accordance with the provisions of Chapter 6 of Part 1 of Division 24 of the Health and Safety Code of the State of California and Section 16 of Article XVI of the Constitution of the State of California; and

WHEREAS, the Owner desires to acquire the real and personal property (other than the mobile homes and other personal property located thereon owned by private parties) known as the Marin Valley Mobile Country Club Park (the "Project") located in the City, with the proceeds of \$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 "Senior Bonds"), 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 (the "Subordinate Bonds"); and

WHEREAS, the Agency desires to assist the Owner, in connection with the purchase of the Project, pursuant to the Agency's redevelopment purposes and in order to provide land and mobile home sites to persons and families of low or moderate income, by granting a pledge of Housing Set-Aside Revenues on deposit in the Agency's Low and Moderate Income Housing Fund (the "Housing Fund") to the Trustee for the scheduled payment of principal of and interest on the Subordinate Bonds; and

WHEREAS, in order to ensure that the Project will provide a portion of the mobile home sites to persons and families of low or moderate income, the PAC and the Owner agree to restrict a portion of the spaces to rental at an amount not to exceed Affordable Space Rent to persons or families of low or moderate income pursuant to the terms contained herein; and

WHEREAS, the PAC and the Owner have entered into the Marin Valley Mobile Country Club Park Delegation Agreement dated as of March 1, 1997 (the "Delegation Agreement") pursuant to which the PAC will perform certain functions with respect to the Project;

NOW, THEREFORE, in consideration of the mutual covenants herein contained it is agreed by and between the parties hereto as follows:

ARTICLE I

DEFINITIONS; GENERAL PROVISIONS

Section 1.01. *Definitions.* Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Agreement, have the meanings herein specified. Terms used herein but not defined herein shall have the meanings given to such terms in the Indenture.

"*Affordable Space Rent*" shall have the same meaning as "affordable housing cost" as set forth in Section 50052.5 or Section 50053 of the California Health and Safety Code, as determined pursuant to the form of Determination Letter attached hereto as Exhibit D, to be applicable to Very Low Income Spaces, Lower Income Spaces and Moderate Income Spaces rented to Very Low Income Residents, Lower Income Residents and Moderate Income Residents, respectively.

"*Agency*" means the Redevelopment Agency of the City of Novato, a public body corporate and politic duly organized and existing under the laws of the State of California.

"*Agency Fiscal Year*" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both inclusive, or any other twelve-month period hereinafter selected and designated by the Agency as its official fiscal year period.

"*Agreement*" means this Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, together with any duly authorized and executed amendments hereto.

"*Area*" means the San Francisco Primary Metropolitan Statistical Area or, with respect to the provisions of Article V hereof, the geographic area which includes the City of Novato, designated from time to time by the United States Department of Housing and Urban Development ("U.S. HUD") or the California Department of Housing and Community Development ("State HCD").

"*Average Annual Debt Service*" means average annual debt service on the Subordinate Bonds (calculated on a Bond Year).

"*Bonds*" means, collectively, the Senior Bonds and the Subordinate Bonds.

"*Bond Year*" means any twelve-month period extending from April 2 in one calendar year to April 1 of the succeeding calendar year, both inclusive, provided that the initial Bond Year shall extend from the Closing Date and extend to April 1, 1997, both inclusive.

"*Business Day*" means any day other than (a) a Saturday or Sunday, (b) a day on which (i) banking institutions in the City of New York or in the city in which the Principal Office (as defined in the Indenture) of the Trustee is located are closed, (ii) the New York 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 Agency only, a day on which the offices of the City of Novato are closed to the public.

"*Calendar Year*" means the twelve-month period extending from January 1 in one calendar year to December 31 of the same calendar year, both inclusive.

"*CLGFA*" means the California Local Government Finance Authority.

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

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Consumer Price Index*" means the Consumer Price Index for all urban consumers in the San Francisco/Oakland area published by the Bureau of Labor Statistics.

"*Financial Security*" means Financial Security Assurance Inc., a New York stock insurance company, its successors and assigns.

"*Fiscal Year*" means the twelve-month period commencing each July 1 and ending June 30 of the next calendar year, or any other twelve-month period hereinafter selected and designated by the Owner, with prior written consent of Financial Security, as the official fiscal year period for the Project; provided that the initial Fiscal Year shall commence on the Closing Date and end on June 30, 1997.

"*Housing Fund*" means the Agency's Low and Moderate Income Housing Fund established and maintained by the Agency pursuant to Sections 33334.2 and 33334.3, as applicable, of the Redevelopment Law.

"*Housing Set-Aside Revenues*" means moneys allocated to the Agency derived from that portion of taxes levied upon assessable property within the Project Area allocated to the Agency pursuant to Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California (including all payments and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) and required by Section 33334.2 of the Redevelopment Law to be placed in the Housing Fund for use in preserving, increasing and improving the supply of low and moderate income housing that benefits the City.

"*Income*" means the income of a person (together with the income of all persons who reside or intend to reside with such person in one mobile home) calculated in accordance with the definition of "income" as set forth in Section 50093 of the California Health and Safety Code.

"*Income Certification*" means a Verification of Income in the form attached hereto as Exhibit C or in such other form as may from time to time be provided by the Agency to the PAC.

"*Indemnification Agreement*" means the Indemnification Agreement dated as of March 1, 1997, by and among the Agency, the Owner and CLGFA.

"*Indenture*" means the Trust Indenture dated as of March 1, 1997, entered into between CLGFA and the Trustee relating to the Bonds, as originally executed or as thereafter amended in accordance with its terms.

"*Independent Financial Consultant*" means an independent certified public accountant experienced in municipal financial affairs and tax-exempt financing by public entities, who is selected and engaged by the Agency in its sole discretion, and (a) is in fact independent and not under domination of the Agency, the Owner or the City; (b) does not have any substantial interest, direct or indirect, with the Agency, the Owner or the City; and (c) is not connected with the Agency, the Owner or the City as an officer or employee of the Agency, the Owner or the City, but who may be regularly retained to make reports to the Agency, the Owner or the City.

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

"*Loan Agreement*" means the Loan Agreement dated as of March 1, 1997, by and among the PAC, the Owner and CLGFA.

"*Lower Income Resident*" means a resident whose Income does not exceed 80% of median gross income for the Area with adjustments for family size. The determination of a resident's status as a Lower Income Resident shall be made initially by the PAC on or prior to the Closing Date and thereafter by the PAC or the Owner upon initial occupancy of a Unit in the Project by such Resident, and annually after the Closing Date or the initial occupancy of such Unit, as the case may be, and at any time the PAC or the Owner has knowledge that the number of occupants in that Unit has increased, on the basis of an Income Certification executed by the resident.

"*Lower Income Spaces*" means the mobilehome spaces in the Project required to be rented to, or held available for occupancy by, Lower Income Residents pursuant to Article V hereof.

"Moderate Income Resident" means a resident whose Income does not exceed 120% of median gross income for the Area with adjustments for family size. The determination of a resident's status as a Moderate Income Resident shall be made initially by the PAC on or prior to the Closing Date, and thereafter by the PAC or the Owner upon initial occupancy of a Unit in the Project by such Resident, and annually after the Closing Date or the initial occupancy of such Unit, as the case may be, and at any time the PAC or the Owner has knowledge that the number of occupants in that Unit has increased, on the basis of an Income Certification executed by the resident.

"Moderate Income Spaces" means the mobile home spaces in the Project required to be rented to, or held available for occupancy by, Moderate Income Residents pursuant to Article V hereof.

"NOI for Pledge Agreement" means the gross rents for the Project for the most recently completed Fiscal Year for which audited financial statements are available less the amounts set forth in *first* through *twentieth* under Section 5.03(b) of the Indenture.

"Owner" means the Novato Financing Authority, a joint powers authority duly organized and existing under that certain Joint Exercise of Powers Agreement, dated October 15, 1996, as amended November 4, 1996, by and between the City and the Agency, together with any amendments thereof and supplements thereto, and its successors and assigns.

"PAC" means the Park Acquisition Corporation of Marin Valley Mobile Country Club, and its successors and assigns.

"Parity Lien Debt" means any bond, note, obligation, guaranty, contingent obligation, or evidence of indebtedness of the Agency made or incurred within the restrictions of Section 2.03 hereof and which is payable from or secured in whole or in part by a pledge of, a lien upon or other interest in Housing Set-Aside Revenues on a basis which is on a parity with the pledge of Pledged Tax Revenues pursuant to this Agreement.

"Pledge" means the pledge of Pledged Tax Revenues pursuant to Section 2.01 of this Agreement.

"Pledge Amount" means an amount equal to \$130,000 multiplied by a fraction which is derived by dividing the Average Annual Debt Service as of the date of calculation by the Average Annual Debt Service as of the Closing Date.

"Pledge Payment Date" means any date on which the Agency is required to transfer any Pledged Tax Revenues to the Trustee pursuant to Section 3.01.

"Pledged Tax Revenues" means for each Agency Fiscal Year, commencing with the Agency Fiscal Year from July 1, 1997, to June 30, 1998, the first Housing Set-Aside Revenues in an amount equal to the Pledge Amount for such Agency Fiscal Year.

"*Project*" means the land and improvements, excluding mobile homes located thereon other than those to be used by any property manager, described more particularly in Exhibit A attached hereto.

"*Project Area*" means the Novato Redevelopment Project Area of the Agency which is subject to the Redevelopment Plan for the Novato Redevelopment Project adopted by the City Council on November 29, 1989, by Ordinance No. 1040.

"*Project Period*" means the period extending from the Closing Date to the later of (a) payment in full of all obligations owed to the Agency hereunder, (b) the release and termination of the Agency's indemnification obligations under the Indemnification Agreement, (c) the Termination Date and (d) March 31, 2012; provided that the provisions of Article V shall continue to remain in effect for any period of extension thereof as provided in Section 5.01(n).

"*Redevelopment Agency Counsel*" means a firm of attorneys at law recognized as experienced in matters pertaining to the Redevelopment Law.

"*Redevelopment Law*" means the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California and the acts amendatory thereof and in supplement thereto. Whenever reference is made in this Agreement to the Redevelopment Law, reference is made to the Redevelopment Law as in force on the date of the execution of this Agreement, unless the context otherwise requires.

"*Rent Adjustment Ordinance*" means Ordinance No. 1341 adopted on February 22, 1996, by the City Council of the City of Novato, as amended from time to time.

"*Senior Bonds*" means the \$15,485,000 aggregate principal amount of 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, executed and delivered and any time Outstanding under the Indenture.

"*Subordinate Bonds*" means the \$1,585,000 aggregate principal amount of 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, executed and delivered and at any time Outstanding under the Indenture.

"*Subordinate Cashtrap Account*" means the account by that name created and held by the Trustee pursuant to the Indenture.

"*Subordinate Pledged Funds Account*" means the account by that name created and held by the Trustee pursuant to Section 5.06 of the Indenture.

"*Termination Date*" has the meaning set forth in Section 3.03(a) herein.

"*Trustee*" means First Trust of California, National Association, as trustee, including its successors and assigns, acting as such under the Indenture, or any other entity then performing the function of trustee under the Indenture.

"*Unit*" means a mobile home located upon a space within the Project.

"*Very Low Income Resident*" means a resident whose Income does not exceed 50% of median gross income for the Area with adjustments for family size. The determination of a resident's status as a Very Low Income Resident shall be made initially by the PAC on or prior to the Closing Date and thereafter by the PAC or the Owner upon initial occupancy of a Unit in the Project by such Resident, and annually after the Closing Date or the initial occupancy of such Unit, as the case may be, and at any time the PAC or the Owner has knowledge that the number of occupants in that Unit has increased, on the basis of an Income Certification executed by the resident.

"*Very Low Income Spaces*" means the mobile home spaces in the Project required to be rented to, or held available for occupancy by, Very Low Income Residents pursuant to Article V hereof.

Section 1.02. *Authorization; Recitals True.* Each of the parties hereby represents and warrants that the recitals in the forepart of this Agreement are true and correct and that it has full legal authority and is duly empowered to enter into this Agreement and perform its obligations hereunder, and has taken all actions necessary to authorize the execution and delivery of this Agreement by the officers and persons signing it.

Section 1.03. *Term of Agreement.* This Agreement shall take effect upon the Closing Date and shall terminate upon the end of the Project Period.

Section 1.04. *Rules of Interpretation.* Words of any gender shall be deemed and construed to include correlative words of all genders. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations, partnerships, joint ventures and associations, including public bodies, as well as natural persons. The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Agreement, refer to this Agreement. Unless the context otherwise indicates, references in this Agreement to articles, sections and paragraphs are to articles, sections and paragraphs of this Agreement.

Section 1.05. *Representations and Warranties.* The Agency represents and warrants as follows:

(a) the Agency is duly authorized and has full power and authority under the Constitution and laws of the State to execute and deliver this Agreement, to assume the

obligations set forth herein, and to perform its obligations hereunder. The Agency has duly authorized the execution and delivery of this Agreement and, when duly executed and delivered by the other parties hereto, this Agreement will constitute a legal, valid and binding agreement of the Agency, enforceable against the Agency in accordance with its terms, except as the enforceability thereof may be subject to (1) the exercise of judicial discretion in accordance with general equitable principles and (2) applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws for the relief of debtors heretofore or hereafter enacted;

(b) the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby do not conflict with or constitute a breach of or a default under the Redevelopment Law or any other law or regulation applicable to the Agency or under the terms and conditions of any agreement or instrument to which the Agency is a party or by which the Agency is bound;

(c) there is no action, suit or proceeding pending or to the best knowledge of the Agency, threatened in writing against or affecting the Agency or involving the validity or enforceability of this Agreement at law or in equity, or before or by any governmental authority. The Agency is not in default in any material respect under any mortgage, pledge agreement, deed of trust, lease, loan or credit agreement or other instrument to which it is a party or by which it or any of its properties is bound;

(d) the pledge under this Pledge Agreement is a "pledge" of "collateral" as defined in California Health & Safety Code Section 33641.5, and as such is valid and binding from and after the date of this Agreement. The Pledged Tax Revenues shall immediately be subject to the lien of such Pledge without any physical delivery thereof or further act to maintain the validity or enforceability of the Pledge, including, without limitation, any actions relating to operation of the Project in any particular manner. The lien of the Pledge shall be a first priority lien in favor of the Trustee and shall be valid and binding as against, and have priority over, all other parties, irrespective of whether such parties have notice thereof;

(e) no authorization or approval or other action by, and no notice to or filing with, any federal, state or local government body, agency or authority is required for the due execution, delivery and performance by the Agency of this Agreement which has not been obtained;

(f) the Agency shall not adopt any finding under California Health and Safety Code Section 33334.2(a)(1)-(3) during the term of this Agreement; and

(g) the Agency hereby represents and warrants that no other lien or pledge exists with respect to the Pledged Tax Revenues which is on a parity with or superior to the pledge and lien created by this Agreement.

ARTICLE II

HOUSING ASSISTANCE PLEDGE OBLIGATION

Section 2.01. *Housing Assistance Pledge Obligation of Agency.* In consideration of the Owner's acquisition of the Project and its agreement hereunder to provide a portion of the land and mobile home spaces and the Units thereon to Very Low Income Residents, Lower Income Residents and Moderate Income Residents during the Project Period as herein set forth, and the issuance of the Subordinate Bonds to partially finance such acquisition, the Agency hereby unconditionally and irrevocably pledges and assigns the Pledged Tax Revenues to the Trustee for the timely payment of principal of and interest on the Subordinate Bonds, but only to the extent expressly provided herein. Pursuant to the Indenture, the Trustee accepts such pledge and, pursuant to the Indenture, shall apply the proceeds of the Subordinate Bonds in the manner set forth in the Indenture to enable the Owner to undertake the acquisition of the Project. In addition, on the Closing Date, \$130,000 of the proceeds of the Subordinate Bonds shall be deposited into the Subordinate Pledged Funds Account held by the Trustee. Payments of the Pledged Tax Revenues to the Trustee shall be payable as set forth in Section 3.01.

The Pledge created hereby shall be valid and binding from and after the date of this Agreement and the Pledged Tax Revenues hereby pledged shall, pursuant to the Redevelopment Law, immediately be subject to the first priority lien of such Pledge without any physical delivery thereof or further act and the lien of such Pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, irrespective of whether such parties have notice thereof. The obligation of the Agency to make the payments required under Section 2.01 shall be payable solely from the Pledged Tax Revenues and no other funds or properties of the Agency shall be pledged to the satisfaction of the Agency's obligations under this Agreement.

Section 2.02. *Covenants Relating to Pledge of Pledged Tax Revenues.* The obligations of the Agency hereunder are and shall be secured by the Pledge. The Agency hereby covenants to take all actions and execute all documents as may be reasonably required to ensure the timely payment to the Trustee of all Pledged Tax Revenues to which the Agency is entitled, and to apply all Pledged Tax Revenues to the payment of its obligations hereunder, subject only to the provisions of Sections 2.03 and 2.04.

Section 2.03. *Limitation on Future Indebtedness.* The Agency hereby agrees that it shall not issue or incur any Parity Lien Debt. The foregoing provisions shall not restrict the Agency from issuing or making any obligations payable from or secured by the Housing Set-Aside Revenues which are junior and subordinate to the pledge of and lien upon Housing Set-Aside Revenues hereunder. During the term of this Agreement, the Agency shall not issue or incur any obligation payable from or secured by the Housing Set-Aside Revenues which are senior or superior to the pledge of and lien upon Pledged Tax Revenues hereunder.

Section 2.04. *Assignment to Trustee.* All of the amounts payable by the Agency under this Agreement are hereby pledged and assigned to the Trustee. The Agency hereby consents to such assignment and agrees to pay all amounts payable hereunder, when due, in immediately available funds, directly to the Trustee at its principal corporate trust office in San Francisco, California.

ARTICLE III

PAYMENT OF PLEDGED TAX REVENUES

Section 3.01. *Transfer of Pledged Tax Revenues.* By 2:00 p.m. Pacific time, on or before the August 15 or February 15, as applicable, immediately preceding each Interest Payment Date, commencing on February 15, 1998 (or the first Business Day thereafter if such day is not a Business Day), the Agency shall deliver an amount of Pledged Tax Revenues in immediately available funds to the Trustee in such amount as identified in the notice sent by the Trustee to the Agency pursuant to Section 5.06(c) of the Indenture to cause the amount on deposit in the Subordinate Pledged Funds Account to equal the Pledge Amount; provided, however, that the Agency shall not be obligated to transfer to the Trustee more than the Pledge Amount during any Bond Year.

Section 3.02. *Excess Earnings in Subordinate Pledged Funds Account.* Amounts on deposit in the Subordinate Pledged Funds Account in excess of the Pledge Amount attributable to investment earnings, including interest earnings, shall be applied by the Trustee to the Subordinate Bonds Interest Account in the Bond Fund held by the Trustee under the Indenture on the day prior to the Trustee giving written notice to the Agency, the Owner, the PAC and the Controlling Party pursuant to Section 5.06(c) of the Indenture.

Section 3.03. *Release of Pledge and Amounts on Deposit in Subordinate Pledged Funds Account.*

(a) The Agency's obligations under Articles II, III and IV of this Agreement, including the Pledge of the Pledged Tax Revenues, shall terminate and no longer be in force and effect upon the date (the "Termination Date") of the earliest to occur of the following events: (i) no Subordinate Bonds remain Outstanding under the Indenture, and (ii) November 29, 2023.

(b) On each Interest Payment Date after payment in full of the principal of and interest on any Subordinate Bonds scheduled for payment on such date, all amounts on deposit in the Subordinate Pledged Funds Account in excess of the Pledge Amount (other than investment earnings) shall be deposited into the Subordinate Debt Service Reserve Fund to the extent the amount then on deposit therein is less than the Subordinate Reserve Requirement and the remainder of such excess shall be applied as follows: (i) on or prior to April 1, 2009, 60% of such excess shall be deposited into the Subordinate

Cashtrap Account and the remaining 40% shall be transferred to the Agency and (ii) after April 1, 2009, all such excess amounts shall be transferred to the Agency.

(c) All amounts on deposit in the Subordinate Pledged Funds Account on the Termination Date shall be applied by the Trustee (i) first, to pay principal of and interest on any Subordinate Bonds then Outstanding, (ii) second, to reimburse the Agency for all unreimbursed amounts deposited by the Agency into the Subordinate Pledged Funds Account, together with interest thereon as calculated in accordance with Section 3.04 herein and (iii) third, (A) if the Pledge is terminated on or prior to April 1, 2009, 60% of the amount in the Subordinate Pledged Funds Account shall be applied to the cost of capital improvements for the Project and the remaining funds shall be transferred to the Agency and (B) if the Pledge is terminated after April 1, 2009, then all amounts then on deposit in the Subordinate Pledged Funds Account shall be transferred by the Trustee to the Agency. The Agency covenants and agrees (i) to spend all amounts received pursuant to this Section 3.03 on capital expenditures for which the proceeds of bonds the interest on which is excluded from gross income for federal income tax purposes may be expended, (ii) to spend all amounts received pursuant to this Section 3.03 on capital expenditures for the purpose of increasing, improving and preserving the City's supply of low- and moderate-income housing pursuant to Health and Safety Code Section 33334.2 unless the Agency receives an opinion of Redevelopment Agency Counsel that another use is permitted pursuant to the laws of the State of California, and (iii) to otherwise comply with the provisions of the tax certificate delivered by the Owner at the time of issuance of the Bonds, unless the Agency receives an opinion of nationally recognized bond counsel to the effect that the Agency's use of such amounts for another purpose will not cause the interest on any of the Bonds to become includable in the gross income of the owners thereof for federal income tax purposes.

Section 3.04. *Repayment of Obligation to Agency.*

(a) All amounts paid by the Agency hereunder for deposit into the Subordinate Pledged Funds Account and not previously repaid to the Agency shall bear interest from the date such amount is paid by the Agency to, but not including, the date of repayment at an interest rate of 7.50% per annum and shall be calculated on the basis of a 360-day year of twelve 30-day months. Subject to Section 3.04(b) hereof, all such amounts owed to the Agency shall be paid, except as otherwise expressly provided in Section 3.03, from Revenues as set forth in Section 5.03(b)(xviii) of the Indenture. Notwithstanding the termination of the Pledge and the other obligations of the Agency hereunder pursuant to the terms of this Agreement, the provisions hereunder with respect to the repayment obligations owed to the Agency as set forth in Sections 3.03 and this Section 3.04, and the agreement to raise rents as set forth in Section 3.05, shall continue and be in full force and effect until all obligations owed to the Agency hereunder are repaid in full.

In addition, and as an independent and separate obligation of the Project, arising only after no Senior Bonds remain Outstanding and all amounts due to Financial Security

under the Insurance Agreement or the Indenture have been paid in full, all amounts paid by the Agency under the Indemnification Agreement and not previously repaid to the Agency shall be repaid to the Agency from Revenues of the Project and shall bear interest from the date such amount is paid by the Agency to, but not including, the date of repayment at an interest rate of 7.50% per annum and shall be calculated on the basis of a 360-day year of twelve 30-day months.

In order to secure the obligations owed to the Agency hereunder, subject to the terms and provisions of, and the priorities set forth in the Indenture, the Owner hereby grants, conveys, pledges, transfers and assigns to the Agency (on a subordinate basis in all respects and subject to the first priority lien and mortgage of the Trustee with respect to payment of the Senior Debt (as defined in the Loan Agreement) and obligations owed to Financial Security under the Indenture and the Insurance Agreement (as such term is defined in the Indenture)) a security interest in Revenues.

(b) The Agency, by execution of this Agreement, expressly agrees to and acknowledges that the repayment obligations of the Owner and the PAC hereunder are subordinate in right, time, priority and interest to the payment obligations of the PAC and the Owner under the Loan Agreement, Indenture, Notes, Mortgage and Insurance Agreement, and (i) whether or not the Owner, the PAC or CLGFA is insolvent, no payments will be due and payable hereunder if the Trustee does not rightfully hold sufficient funds pursuant to Section 5.03(b)(xviii) of the Indenture to make such payment and the Agency shall have no right to demand payment from any other source, (ii) the Agency will not 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 under the Indenture and no amounts are due and payable to Financial Security under the Indenture or the Insurance Agreement (as defined in the Indenture) 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 under the Indenture or any amounts are due and payable to Financial Security under the Indenture or the Insurance Agreement, a failure to make any payment to the Agency will not constitute a breach hereof and no default may be declared or shall exist with respect to any obligations owed to the Agency hereunder. In addition, if a Trigger Event (as defined in the Indenture) or an Event of Default (as defined in the Indenture) occurs, no payment shall be due and payable to the Agency hereunder until the first Allocation Date occurring after the receipt by the Trustee of a Cure Notice (as defined in the Indenture).

Section 3.05. *Rent Adjustments.* In each Calendar Year, commencing with Calendar Year 1998, the PAC and the Owner shall promptly take action to raise rents with respect to the mobile home sites located in the Project by an amount at least equal to 75% of the percentage increase in the Consumer Price Index for the preceding Calendar Year. In addition, unless Financial Security has agreed to release the amount required from the Senior Cashtrap Account

or such increase is otherwise being funded from another source, the PAC and the Owner shall promptly take action to provide for or raise the current capital improvement pass-through rents with respect to the mobile home sites located in the Project to the extent that the current Replacement Reserve Requirement is less than the Replacement Reserve Requirement for the succeeding Fiscal Year, based on the Capital Plan.

The Owner and the PAC covenant that they will fix, charge and collect, or cause to be fixed, charged and collected, rates, rentals, fees and charges for the use of and for the services furnished or to be furnished by the Project which will be sufficient in each Fiscal Year to produce an NOI for Pledge Agreement equal to at least \$100,000 for such and each subsequent Fiscal Year. The PAC covenants to review on a monthly basis the projected budget for the Project. If pursuant to such review the PAC determines that the NOI for Pledge Agreement during the immediately previous or the next twelve-month period was or is expected to be less than \$100,000 for such twelve-month period, then the PAC and the Owner will raise rents in an amount necessary to cause the NOI for Pledge Agreement to equal \$100,000 for the next twelve months. All rent adjustments hereunder shall be subject to the requirements of (i) the Rent Adjustment Ordinance to the extent then applicable to the Project and (ii) Article V hereof as applicable to Very Low Income Spaces, Lower Income Spaces and Moderate Income Spaces rented to Very Low Income Residents, Lower Income Residents and Moderate Income Residents, respectively.

ARTICLE IV

COVENANTS

Section 4.01. *[Reserved]*.

Section 4.02. *Housing Fund*. Until the Termination Date, the Agency hereby agrees to maintain the Housing Fund and to deposit therein all Housing Set-Aside Revenues. Subject only to (i) the Pledge pursuant to Section 2.01 of this Agreement for any Pledge Amount payable under Section 3.01 of this Agreement, and (ii) the limitation set forth in Section 2.03 of this Agreement, the Agency shall have the unrestricted right, in its sole discretion, to apply and expend Housing Set-Aside Revenues deposited in its Housing Fund for the purposes authorized by the Redevelopment Law. The obligations of the Agency set forth in Articles II and III of this Agreement shall constitute an indebtedness of the Agency incurred in carrying out its housing program and secured by a pledge of the Housing Set-Aside Revenues to repay such indebtedness under the provisions of Article XVI, Section 16 of the California Constitution and Sections 33670-33677 of the Redevelopment Law.

Section 4.03. *Payment on Claims*. The Agency will promptly pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, could become a lien or charge upon the Pledged Tax Revenues or part thereof, or which could impair the security for the Agency's obligations under this Agreement. Nothing

herein shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

Section 4.04. *Books and Accounts.* The Agency will keep, or cause to be kept, proper books or records and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries shall be made of all transactions relating to the Housing Set-Aside Revenues and Pledged Tax Revenues and the Housing Fund. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee, Financial Security and the owners of any Subordinate Bonds then Outstanding. The Agency will give Financial Security written notice of any change in its Fiscal Year.

Section 4.05. *Further Assurances and Corrective Instruments.* The Agency, CLGFA, the PAC and the Owner agree that they shall, from time to time, and with the consent of or at the request of Trustee, as the case may be, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project or otherwise for carrying out the purposes and intent of this Agreement.

Section 4.06. *Obligations Absolute.* The obligations of the Agency hereunder shall be absolute, and shall be paid or performed strictly in accordance with this Agreement under all circumstances irrespective of: (a) any lack of validity or enforceability of, or any amendment or other modifications of, or waiver with respect to, this Agreement or the Indenture or any Mortgage Loan Document; (b) any exchange or release of any other obligations hereunder; (c) the existence of any claim, set-off, defense reduction, abatement or other right which the Agency may have at any time against the Owner, CLGFA, the PAC, any Subordinate Bondholder or the Trustee; (d) any breach by the Agency of any representation, warranty or covenant contained in this Agreement; (e) any foreclosure under the Mortgage (as defined in the Indenture) or the pursuit of any remedies under the Indenture or any Mortgage Loan Document or (f) any other circumstances, other than payment in full, which might constitute a defense available to, or discharge of, the Agency with respect to this Agreement.

Section 4.07. *Indemnification.* To the extent permitted by law, the Agency shall and hereby agrees to indemnify and save CLGFA and the Owner and its officers, agents, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of any breach or default on the part of the Agency in the performance of any of its obligations under this Agreement but only to the extent of Pledged Tax Revenues. No indemnification is made under this Section or elsewhere in this Agreement for willful misconduct or gross negligence under this Agreement by the Owner, the PAC, CLGFA or the Trustee, or any of their officers, agents, employees, successors or assigns.

Section 4.08. *Remedies.* Whenever any breach or default under this Agreement shall have happened and be continuing, CLGFA and the Owner may exercise, with the consent of the Owners of a majority of the Subordinate Bonds then Outstanding, and upon the written direction

of the Trustee or the owners of a majority of the Subordinate Bonds then Outstanding, the Owner shall exercise at no expense of the Trust Estate any and all remedies available at law or in equity or granted pursuant to this Agreement; provided, however, that notwithstanding anything herein or in the Indenture to the contrary, there shall be no right under any circumstances to accelerate payment of Pledged Tax Revenues or otherwise declare any payment of Pledged Tax Revenues not then in default immediately due and payable. The Trustee and the owners of a majority of the Subordinate Bonds then Outstanding shall have the right to consent to or direct all actions taken against the Agency pursuant to this Agreement. The Trustee shall give notice of any default or breach to the Subordinate Bondholders as soon as practicable following the occurrence of such default or breach. The party in default or breach shall pay upon demand all of the fees and expenses paid or incurred by the Trustee or the Subordinate Bondholders in enforcing the provisions of this Agreement.

Section 4.09. *Annual Budget Approval.* On or before each May 1 commencing May 1, 1998, the PAC shall submit or cause the property manager for the Project to submit to the Agency a proposed budget (the "Budget") of monthly operating expenses to be incurred in connection with the operation of the Project for the succeeding Fiscal Year. The Budget shall demonstrate to the satisfaction of the Agency in its sole discretion that for the Fiscal Year in question: (1) no payments will be required by the Agency under Section 3.01 of this Agreement; (2) any repayments due the Agency under Sections 3.03 and 3.04 of this Agreement, together with any interest, will be made in a timely manner; and (3) a 1.50x Senior Debt Service Coverage Ratio will be maintained at all times during the Fiscal Year. Within 30 calendar days of the receipt of the proposed Budget, the Agency shall submit comments or questions concerning the Budget, if any, to the PAC to which the PAC shall respond in writing within five Business Days of receipt. Representatives of the PAC shall meet with the Agency, its staff or its representative(s) as necessary in order to clarify Budget items and/or discuss questions raised by the Agency. Provided that a proposed Budget is submitted to the Agency together with a certificate stating that the Agency shall have 30 days after receipt to give comments on the Budget or it shall be assumed to be approved by the Agency, such Budget shall be assumed to be approved by the Agency after 30 days unless the Agency gives written notice otherwise to the PAC within 30 days of receipt of the proposed Budget.

Section 4.10. *Monthly Financial Statements.* As soon as available, the unaudited balance sheets of the Project as of the end of such month and the unaudited statements of income and cash flows of the Project for the month of the Fiscal Year then ended, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the preceding Fiscal Year, in accordance with generally accepted accounting principles consistently applied (subject to normal year-end adjustments), and shall be delivered to the Agency.

Section 4.11. *Annual Audit.* On or before October 1 during each Fiscal Year of the term of this Agreement, the PAC shall provide the Agency with a signed copy of the audited financial statements required by the Insurance Agreement.

Section 4.12. *Nondiscrimination by Authority.* The Owner covenants and agrees, for itself and its successors and assigns and any subcontracting parties or other transferees, that there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Project, nor shall the Owner, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the Project; provided, however, that the Project may continue to be available to "Seniors Only" consisting of individuals who are 55 years old or older. The foregoing covenants shall run with the land.

Section 4.13. *Nondiscrimination by PAC.* The PAC covenants and agrees, for itself and its successors and assigns and any subcontracting parties or other transferees, that there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Project, nor shall the PAC, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the Project. The foregoing covenants shall run with the land.

ARTICLE V

VERY LOW, LOWER AND MODERATE INCOME RESIDENTS

Section 5.01. *Very Low, Lower and Moderate Income Resident Restrictions.* The PAC hereby represents, warrants and covenants as follows:

(a) Commencing on the Closing Date (except as provided in paragraph (b) below), during the Project Period (subject to the extension as provided in Section 5.01(n)) no less than 20 of the total number of spaces of the Project shall at all times be rented to and occupied by Very Low Income Residents at rents not to exceed Affordable Space Rent. For the purposes of this paragraph (a), a vacant space which was most recently occupied by a Very Low Income Resident is treated as rented and occupied by a Very Low Income Resident until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such Unit shall be redetermined.

(b) Commencing on the next Interest Payment Date (the "Commencement Date") after a transfer of Pledged Tax Revenues or an indemnification payment made under the provisions of the Indemnification Agreement which equals or exceeds, when added to prior unreimbursed transfers of Pledged Tax Revenues or indemnification payments, a total aggregate amount outstanding at any one time of \$150,000 (the "Increased Restriction Event"), Very Low Income Residents shall occupy at least 33 spaces in the Project (excluding spaces occupied by property managers) subject to the

maintenance of a 1.50x Senior Debt Service Coverage Ratio (the "Required Coverage Amount"), before any additional spaces are occupied by persons who are not Very Low Income Residents; and until the first Interest Payment Date after the Increased Restriction Event ceases to exist (but subject to the Required Coverage Amount), no less than 33 of the total number of spaces of the Project shall at all times be rented to and occupied by Very Low Income Residents at rents not to exceed Affordable Space Rent. For the purposes of this paragraph (b), a vacant space which was most recently occupied by a Very Low Income Resident is treated as rented and occupied by a Very Low Income Resident until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such Unit shall be redetermined.

For purposes of Sections 5.01(b), (d) and (f), the determination of whether the Required Coverage Amount is maintained shall be as follows:

(i) On the Commencement Date, the Required Coverage Amount must have been maintained for the immediately preceding six-month period, and, if it has not been maintained no Increased Restriction Event will be deemed to have occurred until the Interest Payment Date (the "Effective Date") on which the Senior Debt Service Coverage Ratio for the immediately preceding six-month period was at least 1.50x. In such event, none of the requirements to increase the number of spaces required to be rented to Very Low Income Residents, Lower Income Residents or Moderate Income Residents (collectively, the "Increased Restrictions") pursuant to Sections 5.01(b), (d) and (f) shall be in effect until the Effective Date, if any (subject to (ii) below).

(ii) If the Required Coverage Amount was maintained for the six-month period preceding the Commencement Date or, as applicable, an Effective Date, prior to leasing any additional space pursuant to any of the Increased Restrictions, the Required Coverage Amount, calculated as if the rent paid pursuant to such lease was no greater than the applicable Affordable Space Rent, must be maintained for the immediately preceding month.

(c) Commencing on the Closing Date (except as provided in paragraph (d) below), during the Project Period (subject to the extension as provided in Section 5.01(n)) no less than 20 of the total number of spaces of the Project shall at all times be rented to and occupied by Lower Income Residents at rents not to exceed Affordable Space Rent. For the purposes of this paragraph (c), a vacant space which was most recently occupied by a Lower Income Resident is treated as rented and occupied by a Lower Income Resident until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such Unit shall be redetermined.

(d) Commencing on the Commencement Date, Lower Income Residents shall occupy at least 32 spaces in the Project (excluding spaces occupied by property managers) subject to the Required Coverage Amount and paragraph (b) above, before any

additional spaces are occupied by persons who are not Lower Income Residents; and until the next Interest Payment Date after the Increased Restriction Event ceases to exist, but subject to the Required Coverage Amount and paragraph (b) above, no less than 32 of the total number of spaces of the Project shall at all times be rented to and occupied by Lower Income Residents at rents not to exceed Affordable Space Rent. For the purposes of this paragraph (d), a vacant space which was most recently occupied by a Lower Income Resident is treated as rented and occupied by a Lower Income Resident until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such Unit shall be redetermined.

(e) Commencing on the Closing Date (except as provided in paragraph (f) below), during the Project Period (subject to extension as provided in Section 5.01(n)) no less than 40 of the total number of spaces of the Project shall at all times be rented to and occupied by Moderate Income Residents at rents not to exceed Affordable Space Rent. For the purposes of this paragraph (e), a vacant space which was most recently occupied by a Moderate Income Resident is treated as rented and occupied by a Moderate Income Resident until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such Unit shall be redetermined.

(f) Commencing on the Commencement Date, Moderate Income Residents shall occupy at least 65 spaces in the Project (excluding spaces occupied by property managers) subject to the Required Coverage Amount and paragraph (b) above, before any additional spaces are occupied by persons who are not Moderate Income Residents; and until the next Interest Payment Date after the Increased Restriction Event ceases to exist, but subject to the Required Coverage Amount and paragraph (b) above, no less than 65 of the total number of spaces of the Project shall at all times be rented to and occupied by Moderate Income Residents at rents not to exceed Affordable Space Rent. For the purposes of this paragraph (f), a vacant space which was most recently occupied by a Moderate Income Resident is treated as rented and occupied by a Moderate Income Resident until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such Unit shall be redetermined.

(g) No resident qualifying as a Very Low, Lower or Moderate Income Resident shall be denied continued occupancy of a space in the Project because, after admission, such resident's Income increases to exceed the qualifying limit for Very Low Income Residents, Lower Income Residents or Moderate Income Residents, as the case may be; provided, however, that should a Very Low Income Resident's, Lower Income Resident's or Moderate Income Resident's Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Very Low, Lower or Moderate Income Resident of the same family size, if the PAC or the Owner is unable to qualify an existing resident as a Very Low Income Resident, Lower Income Resident or Moderate Income Resident, as the case may be, in order to replace such resident, the next available space of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Very Low Income Resident, Lower Income

Resident or Moderate Income Resident, as the case may be; and provided further that, until such next available space is rented to a resident who is a Very Low Income Resident, Lower Income Resident or Moderate Income Resident, the former Very Low Income Resident, Lower Income Resident or Moderate Income Resident who has ceased to qualify as such shall be deemed to continue to be a Very Low Income Resident, Lower Income Resident or Moderate Income Resident for purposes of the requirements of paragraphs (a) through (f) of this Section 5.01.

(h) The PAC or the Owner will obtain, complete, and maintain on file Income Certifications as set forth in Exhibit C hereto from each Very Low Income Resident, Lower Income Resident and Moderate Income Resident, including (i) an Income Certification dated immediately prior to the initial occupancy of such Very Low Income Resident, Lower Income Resident or Moderate Income Resident in the Project and, in the case of residents residing in the Project as of the Closing Date, dated immediately prior to the disbursement of Bond proceeds to fund acquisition of the Project and (ii) thereafter, annual Income Certifications dated as of the anniversary date of each initial Income Certification together with, in the case of (i) and (ii), a certification that the space rent for such Very Low, Lower and Moderate Income Resident does not exceed the Affordable Space Rent applicable to such Resident. The PAC will obtain such additional information as may be required in the future by the State of California, and by the Agency, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, or other official statements now or hereafter promulgated, proposed or made which are applicable to the Project. A copy of the most recent Income Certification for Very Low Income Residents, Lower Income Residents and Moderate Income Residents commencing or continuing occupation of a Very Low Income Space, Lower Income Space or Moderate Income Space, as the case may be (and not previously filed with the Agency), shall be attached to the Certificate of Continuing Program Compliance which is to be filed with the Agency, no later than the fifteenth day of the first month of each calendar quarter until the end of the Project Period. The PAC or the Owner shall make a good faith effort to verify that the income information provided by an applicant in an Income Certification is accurate by obtaining documentation that the Agency shall deem relevant, such as the two most recent years' tax returns or other forms of independent verification satisfactory to the Agency.

(i) The PAC or the Owner will prepare and submit to the Agency no later than the fifteenth day of the first month of each calendar quarter until the end of the Project Period, a Certificate of Continuing Program Compliance as set forth in Exhibit B executed by the PAC or the Owner stating (i) the number of the spaces of the Project which were occupied or deemed occupied, pursuant to paragraphs (a) and (b) of this Section 5.01, by Very Low Income Residents at rents not exceeding the applicable Affordable Space Rent during such period; (ii) the number of the spaces of the Project which were occupied or deemed occupied, pursuant to paragraphs (c) and (d) of this Section 5.01, by Lower Income Residents at rents not exceeding the applicable Affordable Space Rent during such period; (iii) the number of the spaces of the Project

which were occupied or deemed occupied, pursuant to paragraphs (e) and (f) of this Section 5.01, by Moderate Income Residents at rents not exceeding the applicable Affordable Space Rent during such period; and (iv) that either (A) no unremedied default has occurred under this Agreement by the PAC, or (B) a default has occurred, in which event the certificate shall describe the nature of the default in detail and set forth the measures being taken by the PAC or the Owner to remedy such default.

(j) Each lease or rental agreement pertaining to a Very Low Income Space, Lower Income Space or Moderate Income Space shall contain a provision to the effect that the PAC and the Owner have relied on the income certification and supporting information supplied by the Very Low Income Resident, Lower Income Resident or Moderate Income Resident in determining qualification for occupancy of the Very Low Income Space, Lower Income Space or Moderate Income Space, as applicable, that qualifying as a Very Low Income Resident, Lower Income Resident or Moderate Income Resident may adversely affect the price that such resident may sell its mobilehome in the future, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement. Each such lease or rental agreement shall also provide that the resident's income is subject to annual certification in accordance with Section 5.01(h) hereof and to recertification if the number of occupants in the spaces changes for any reason.

(k) The PAC will maintain, or cause the property manager for the Project to maintain, complete and accurate records pertaining to the Very Low Income Spaces, Moderate Income Spaces and Lower Income Spaces, and will with reasonable notice permit any duly authorized representative of the Agency and Financial Security to inspect the books and records of the PAC pertaining to the Project, including those records pertaining to the occupancy of the Very Low Income Spaces, Lower Income Spaces and Moderate Income Spaces.

(l) Notwithstanding any provision in this Agreement to the contrary, the requirements of this Article V (and the Agency's Determination Letter) may be modified from time to time, as deemed necessary by the Agency in its sole discretion, to comply, to the extent necessary to keep the Project or the Agency from violating applicable law, with any changes in federal or State law or regulations, the requirements or determinations of any federal or State agency, or any judgment or order by a court of competent jurisdiction; provided that an opinion of Redevelopment Agency Counsel acceptable to Financial Security (which acceptance shall not be unreasonably withheld) in form and substance satisfactory to Financial Security that such change is so required by law or else the Project or the Agency will be in violation thereof, and that such change will not affect the tax-exempt status of the interest on the Bonds, is delivered to Financial Security prior to such change taking effect.

(m) Nothing herein shall require that a mobilehome with a mortgage be deemed a restricted unit if other units within the Project without mortgages would qualify for the same income and affordable space rent restrictions.

(n) To the extent the Senior Debt Service Coverage Ratio falls below 1.50x after the occurrence of an Increased Restriction Event, the provisions regarding the increased restrictions for Moderate Income Spaces set forth in clause (f) of this Section shall be suspended to the extent necessary to permit the Senior Debt Service Coverage Ratio to meet or exceed 1.50x. To the extent the Senior Debt Service Coverage Ratio remains below 1.50x after such increased restrictions on the Moderate Income Spaces have been suspended, the provisions regarding the increased restrictions for Lower Income Spaces set forth in clause (d) of this Section 5.01 shall be suspended to the extent necessary to permit the Senior Debt Service Coverage Ratio to meet or exceed 1.50x. To the extent the Senior Debt Service Coverage Ratio remains below 1.50x after such increased restrictions on the Moderate Income Spaces and Lower Income Spaces have been suspended, the provisions regarding the increased restrictions for Very Low Income Spaces set forth in clause (b) of this Section shall be suspended to the extent necessary to permit the Senior Debt Service Coverage Ratio to meet or exceed 1.50x. Once the Senior Debt Service Coverage Ratio meets or exceeds 1.50x, the increased restrictions shall become effective again first, as applicable, to Very Low Income Spaces, then to Lower Income Spaces and then to Moderate Income Spaces to the extent such increased restrictions do not cause the Senior Debt Service Coverage Ratio to fall below 1.50x. Any suspension of the increased restrictions shall automatically result in a corresponding extension of the period of time such restrictions are to otherwise remain in effect under this Agreement.

Section 5.02. *Sale or Transfer of the Project.* The Owner and the PAC hereby covenant and agree not to voluntarily (which term shall not be interpreted to include the granting by the Owner or PAC of a deed-in-lieu of foreclosure for the Senior Bonds) sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual resident use as contemplated hereunder), or enter into any agreement to sell, transfer or dispose of the Project, without obtaining the prior written consent of the Agency which consent shall not be unreasonably withheld by the Agency and shall be given by the Agency only if (a) the purchaser or assignees shall certify that the continued operation of the Project shall comply with the provisions of this Agreement; (b) the Agency receives evidence reasonably satisfactory to the Agency that the purchaser or assignee shall be willing and capable of complying with the terms and conditions of this Agreement; (c) the purchaser or assignee shall execute any document reasonably requested by the Agency with respect to the assumption of the PAC's and Owner's obligations under this Agreement, including, without limitation, an instrument of assumption hereof, and shall deliver to the Agency an opinion of counsel for the transferee to the effect that each such document and this Agreement are valid, binding and enforceable obligations of such purchaser or assignee; (d) the Agency shall have received (i) reasonable evidence satisfactory to the Agency that the Owner's purchaser or transferee has assumed in writing and in full, the Owner's and the PAC's duties and obligations under this Agreement and the Loan Agreement,

and (ii) an opinion of counsel to the transferee that the transferee has duly assumed the obligations of the Owner and the PAC under this Agreement and that such obligations and this Agreement are binding on the transferee; and (e) such other conditions are met as the Agency may reasonably impose to assure compliance by the Project with the requirements of this Agreement. Except as provided in Section 5.03 hereof, it is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 5.02 shall be null, void and without effect, shall cause a reversion of title to the Owner, and shall be ineffective to relieve the PAC and the Owner of their obligations under this Agreement. Upon any sale or other transfer which complies with this Agreement, the Owner and the PAC shall be fully released from their obligations hereunder, to the extent such obligations have been assumed by the transferee of the Project, without the necessity of further documentation; provided that the Agency shall remain obligated to perform its agreements contained herein as if such transfer or sale had not occurred. Any transfer of the Project to any entity, whether or not affiliated with the Owner or the PAC, shall be subject to the provisions of this Section 5.02.

Section 5.03. *Termination of Article V.* The terms of this Agreement to the contrary notwithstanding, the requirements set forth herein under this Article V shall terminate and be of no further force and effect in the event of involuntarily noncompliance with the provisions of this Agreement caused by fire, seizure, requisition, foreclosure or transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date which prevents the Agency from enforcing the provisions hereof, or condemnation or a similar event, but only if, within a reasonable period thereafter, the Bonds are retired in full; provided, however, that if the Agency is presented with sufficient evidence to its reasonable satisfaction that after reasonable efforts by the foreclosing party to do so, the Project cannot be sold to a bona fide purchaser for an amount sufficient to pay the Senior Bonds in full, related fees and expenses and all amounts due and payable to Financial Security under the Indenture or the Insurance Agreement because of the imposition of the Increased Restrictions under Sections 5.01(b), (d) and (f) after an Increased Restriction Event, the Increased Restrictions under Section 5.01(b), (d) and (f) will terminate (but not the restrictions applicable under Sections 5.01(a), (c) and (e) which shall remain in effect for the Project Period) if the purchaser of the Project agrees in writing to the reasonable satisfaction of the Agency (not to be unreasonably withheld) that: (i) the restrictions under Section 5.01(a), (c) and (e) will remain in effect and be enforced in compliance with this Agreement; and (ii) the provisions of Section 3.04 hereof, providing for repayment of the obligations of the Agency, will remain in effect according to their terms. The Agency has made the findings required by law to subordinate its rights under this Agreement to the Bonds, including, without limitation, the maintenance of the Required Coverage Amount during an Increased Restriction Event.

Upon the termination of the terms of this Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Agreement in accordance with its terms.

Section 5.04. *Covenants To Run With the Land.* The Owner hereby subjects the Project to the covenants, reservations and restrictions set forth in this Agreement. The Owner, the Agency and the PAC hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the Project; provided, however, that on the termination of this Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

No breach of any of the provisions of this Agreement shall impair, defeat or render invalid the lien of any mortgage, deed of trust or like encumbrance securing the Bonds.

Section 5.05. *Burden and Benefit.* The Owner, the Agency and the PAC hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Owner's legal interest in the Project is rendered less valuable thereby. The Owner, the Agency and the PAC hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Very Low Income Residents, Lower Income Residents and Moderate Income Residents, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Subordinate Bonds were issued and this Agreement entered into by the parties hereto. Subject to Section 6.02 hereof, notwithstanding the foregoing or any other provision of this Agreement, no person, other than the parties hereto, shall have any rights of enforcement of this Agreement.

Section 5.06. *Recording and Filing.* The PAC shall cause this Agreement, and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the County of Marin and in such other places as the Agency may reasonably request. The PAC shall pay all fees and charges incurred in connection with any such recording. This Agreement shall be recorded in the grantor-grantee index to the name of the Owner as grantor and the Agency as Grantee.

ARTICLE VI

MISCELLANEOUS

Section 6.01. *Successor Is Deemed Included in All References to Predecessor.* Whenever in this Agreement the Agency, CLGFA, the PAC, the Owner and the Trustee are named or referred to, such reference shall be deemed to include the successors or assigns thereof. Except as otherwise provided in Section 5.03, all the covenants and agreements in this Agreement contained by or on behalf of the Agency, CLGFA, the PAC or the Owner shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not. Other than the Owner's assignment to the Trustee under the Indenture, there shall be

no assignment of this Agreement without the prior written consent of 100% of the registered owners of the Subordinate Bonds.

Section 6.02. Amendments. The Owner, the PAC and the Agency may, with the prior written consent of Financial Security (only with respect to the amendment of Article V and Sections 3.04, 3.05, 6.02 and 6.06, and any amendment to the definitions contained in Article I hereof to the extent such definitions are used in Article V or Sections 3.04, 3.05, 6.02 or 6.06 herein), alter, modify or cancel, or agree or consent to alter, modify or cancel this Agreement by a writing executed by all of them at any time without giving notice to and receiving the prior written consent of the owners of the Subordinate Bonds if such amendment does not materially adversely affect the interests of the owners of the Subordinate Bonds. All other amendments, changes or modifications to this Agreement shall require the prior written consent of 100% of the registered owners of the Subordinate Bonds. The provisions of this Section 6.02 shall not apply to modifications to the requirements of Article V made by the Agency in accordance with the provisions of Section 5.01(l).

Section 6.03. Notices. All notices, certificates or other communications hereunder shall be in writing and shall be mailed, personally delivered or telecopied, and shall be sufficiently given and shall be deemed to have been received upon receipt.

If 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

If to the Agency:

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 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

If to the PAC:

Park Acquisition Corporation of Marin
Valley Mobile Country Club
172 Marin Valley Drive
Novato, CA 94949-6716
Telephone: (415) 883-3275
FAX: (415) 884-2562
Attention: President

If to the Trustee:

First Trust of California, National Association
Suite 400
One California Street
San Francisco, CA 94111
Telephone: (415) 273-4555
FAX: (415) 273-4590
Attention: Corporate Trust Department

If to Financial Security:

Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022
Attention: Surveillance Department
Telephone: (212) 826-0100
FAX: (212) 339-3518 or (212) 339-3529

The Agency, the Owner, CLGFA, the PAC, Financial Security or the Trustee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 6.04. *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 6.05. *Limited Obligation.* Under no circumstances shall the City of Novato, or its officers, agents, employees or representatives, or the officers, agents, employees or representatives of the Owner or the Agency, be liable under this Agreement.

Section 6.06. *Third Party Beneficiary.* The Trustee, CLGFA and the registered owners of the Subordinate Bonds shall be third-party beneficiaries of this Agreement, entitled to enforce the terms hereof as if a party hereto. Financial Security shall be a third-party beneficiary of Article V and Sections 3.04, 3.05, 6.02 and 6.06 hereof, entitled to enforce the terms of such sections as if a party hereto.

Section 6.07. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

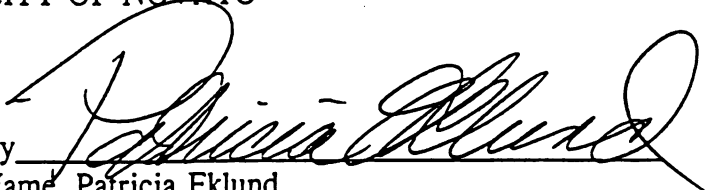
Section 6.08. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 6.09. *Captions.* The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope of intent of any provisions of Sections of this Agreement.


[TESTIMONIAL AND SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Agency, the PAC and the Owner have caused this Agreement to be executed by their duly authorized respective officers, all as of the date first above written.

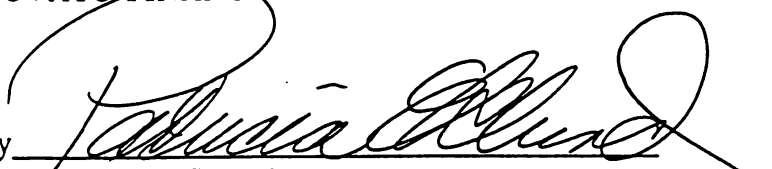
THE REDEVELOPMENT AGENCY OF THE CITY OF NOVATO

By 
Name Patricia Eklund
Title Chair

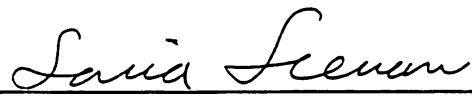
Attest:

By 
Name Shirley Gremmels
Title Secretary

NOVATO FINANCING AUTHORITY

By 
Name Patricia Eklund
Title Chair

Attest:

By 
Name Sonia Seeman
Title Secretary

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB

By *Owen V. Haxton*
Name Owen V. Haxton
Title President

Attest:

By *Burton L. Vreeland*
Name Burton L. Vreeland
Title Secretary

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

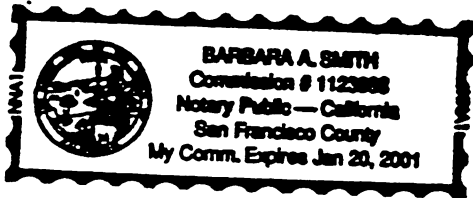
County of San Francisco

On March 11, 1997 before me, Barbara A. Smith
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Patricia Eklund
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Barbara A. Smith
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document Housing Assistance Pledge
 Title or Type of Document: Agreement and Declaration of Restrictive Covenants

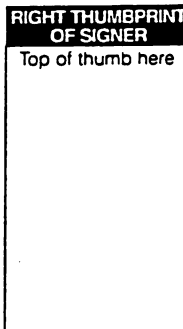
Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

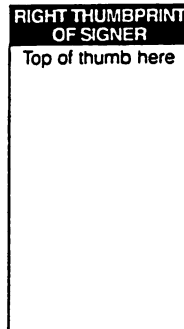
- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

Signer's Name: _____

- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

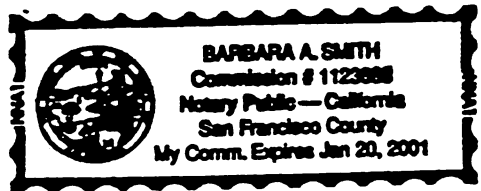
County of San Francisco

On March 11, 1997 before me, Barbara A. Smith
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Owen V. Hayton and Burton L. Ireland
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Barbara A. Smith
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Housing Assistance Pledge Agreement and

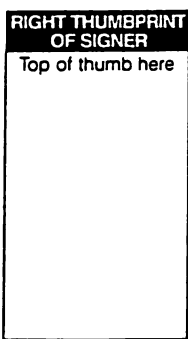
Document Date: Revelation of Restrictive Covenants Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

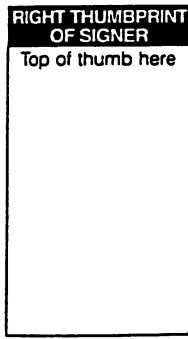
- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing:

Signer's Name: _____

- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing:

CALIFORNIA ALL-PURPOSE NOTARY ACKNOWLEDGMENT

State of California
County of Marin

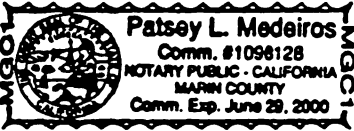
On this 11 day of March, 1997, before me,
Patsey L. Medeiros, Notary Public

personally appeared Shirley Gremmels and Sonia Seeman

personally known to me -OR- proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary (handwritten signature)



OPTIONAL SECTION
CAPACITY CLAIMED BY SIGNER

Though statute does not require the Notary to fill in the date below, doing so may prove invaluable to persons relying on the document.

- INDIVIDUAL
CORPORATE OFFICER(S)
PARTNER(S) LIMITED GENERAL
ATTORNEY-IN-FACT
TRUSTEE(S)
GUARDIAN/CONSERVATOR
OTHER:

SIGNER IS REPRESENTING:
Name of Person(s) or Entity(ies)

Blank lines for entering the name of the person or entity represented.

OPTIONAL SECTION

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED BELOW:

TITLE OR TYPE OF DOCUMENT HOUSING ASSISTANCE PLEDGE AGREEMENT
NUMBER OF PAGES DATE OF DOCUMENT
SIGNER(S) OTHER THAN NAMED ABOVE

Though the data requested here is not required by law, it could prevent fraudulent reattachment of this form.

EXHIBIT A
PROJECT

DESCRIPTION

All that certain real property situate in the County of Marin, State of California, and is described as follows:

PARCEL 1

COMMENCING FOR REFERENCE at a found open 2-inch iron pipe accepted as that monument shown on Record of Survey filed July 10, 1969 in Book 8 of Surveys at Page 57, Marin County Records, as being the corner common to the Rancho San Jose and the Rancho San Pedro Santa Margarita y Las Gallinas, said point also being designated "S.J.1", as the same is shown upon that certain plat entitled "Plat of Rancho San Jose, July 1858", filed for record in Book A of Patents on Page 1, Marin County Records; said point being the northwest corner of Survey No. 5 in Township 2 North, Range 6 West, Mount Diablo Meridian;

thence along the boundary of said Rancho San Jose and the westerly line of said 8 O.S. 57, North $31^{\circ}38'57''$ West, 141.51 feet to the TRUE POINT OF BEGINNING;

thence leaving said Rancho boundary and said westerly line of 8 O.S. 57, North $58^{\circ}21'03''$ East, 56.66 feet; thence North $32^{\circ}44'43''$ West, 112.90 feet; thence South $56^{\circ}52'57''$ West, 27.67 feet; thence North $36^{\circ}18'57''$ West, 329.96 feet to a point on said aforementioned Rancho San Jose boundary and said westerly line of 8 O.S. 57;

thence along said Rancho boundary and said westerly line of 8 O.S. 57, North $31^{\circ}38'57''$ West, 257.55 feet;

thence leaving said Rancho boundary and said westerly line of 8 O.S. 57, North $12^{\circ}57'17''$ West, 443.49 feet to a point on said Rancho boundary and said westerly line of 8 O.S. 57 and which is a found, 3-inch brass capped monument, accepted as that monument shown on said 8 O.S. 57 and on that survey filed February 26, 1973 in Book 11 of Surveys at Page 70, Marin County Records and being the northeast corner thereof;

thence leaving said Rancho boundary and said westerly line of 8 O.S. 57, along the North line of said 11 O.S. 70, North $74^{\circ}45'51''$ West, 2061.07 feet; thence leaving said North line of 11 O.S. 70, South $28^{\circ}17'33''$ West, 307.47 feet; thence South $31^{\circ}34'45''$ East, 176.63 feet; thence South $11^{\circ}14'44''$ West, 299.74 feet; thence South $25^{\circ}35'52''$ West, 22.40 feet; thence South $35^{\circ}06'40''$ West 174.62 feet; thence North $21^{\circ}35'02''$ West, 60.08 feet to the beginning of a 100.00 foot radius, tangent curve to the right; thence along said curve, through a central angle of $45^{\circ}39'21''$, an arc distance of 79.68 feet; thence North $24^{\circ}04'19''$ East, 95.85 feet to the beginning of a 200.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of $68^{\circ}23'02''$, an arc distance of 238.70 feet; thence North $44^{\circ}18'43''$ West, 377.64 feet to the beginning of a 275.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of $56^{\circ}50'36''$, an arc distance of 272.83 feet to the point of reverse curvature of a 375.00 foot radius, tangent curve to the right; thence along said curve, through a central angle of

56°44'18", an arc distance of 371.35 feet, to the point of compound curvature of a 175.00 foot radius, tangent curve to the right; thence along said compound curve, through a central angle of 25°31'51", an arc distance of 77.98 feet to a point bearing South 6°18'59" East, 215.67 feet from the most northerly corner of that certain parcel of land granted to the City of Novato by deed recorded September 11, 1968 in Book 2239 of Official Records at Page 176, Marin County Records;

thence South 71°06'50" West, 100.00 feet to the beginning of a 275.00 foot radius, non-tangent curve, the radius point of which bears North 71°06'50" East; thence southeasterly along said curve, through a central angle of 25°31'51", an arc distance of 122.54 feet to the point of compound curvature of a 475.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of 56°44'18", an arc distance of 470.38 feet to the point of reverse curvature of a 175.00 foot radius, tangent curve to the right; thence along said curve, through a central angle of 56°50'36", an arc distance of 173.62 feet; thence South 44°18'43" East, 377.64 feet to the beginning of a 100.00 foot radius, tangent curve to the right; thence along said curve, through a central angle of 68°23'02", an arc distance of 119.35 feet; thence South 24°04'19" West, 95.85 feet to the beginning of a 200.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of 45°39'21", an arc distance of 159.37 feet; thence South 21°35'02" East, 196.43 feet, to the beginning of a 140.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of 82°00'37", an arc distance of 200.39 feet; thence South 61°58'24" East, 168.41 feet; thence North 46°47'31" East, 307.04 feet; thence North 22°43'48" East, 306.30 feet; thence North 88°49'28" East, 208.66 feet; thence North 73°09'47" East, 534.21 feet; thence South 30°31'33" East, 50.00 feet; thence South 59°28'27" West, 360.08 feet; thence South 49°17'13" West, 154.78 feet; thence South 40°34'04" East, 363.14 feet; thence North 45°42'44" East, 372.01 feet; thence North 76°56'09" East, 148.75 feet; thence South 63°52'01" East, 28.35 feet; thence South 26°07'59" West, 237.85 feet; thence South 74°20'31" West, 205.01 feet; thence South 8°31'26" West, 107.69 feet; thence South 53°07'25" West, 214.67 feet; thence South 68°43'49" West, 279.73 feet; thence South 41°06'02" West, 223.36 feet; thence South 35°40'28" East, 139.99 feet; thence South 76°17'06" East, 318.47 feet; thence North 80°54'38" East, 85.65 feet; thence North 72°36'03" East, 330.41 feet; thence North 82°11'38" East, 370.72 feet; thence South 74°25'36" East, 456.94 feet; thence North 58°21'03" East, 439.01 feet to the TRUE POINT OF BEGINNING.

LEGAL DESCRIPTION
PARCEL 2

A non-exclusive easement appurtenant to Parcel 1 above described for pedestrian and vehicular ingress and egress purposes; public utility purposes; drainage, storm and sanitary sewer purposes; and fire and emergency vehicle access purposes on, over, under, and across the following described parcel of real property:

COMMENCING FOR REFERENCE at the most northerly corner of that certain parcel of land granted to the City of Novato by deed recorded September 11, 1968 in Book 2239 of Official Records at Page 176, Marin County Records and the beginning of a 126.00 foot radius curve, the radius point of which bears North $85^{\circ}48'12''$ East; thence along the exterior line of said 2239 O.R. 176 the following courses and distances: southerly along said curve, through a central angle of $4^{\circ}30'46''$, an arc distance of 9.92 feet to the point of compound curvature of a 33.19 foot radius, tangent curve to the left; thence along said curve, through a central angle of $49^{\circ}21'16''$, an arc distance of 28.59 feet to the point of reverse curvature of a 50.00 foot radius, tangent curve to the right, and thence along said curve, through a central angle of $111^{\circ}56'04''$, an arc distance of 97.68 feet to the TRUE POINT OF BEGINNING, being the North end point of a 175.00 foot radius curve, the radius point of which bears South $76^{\circ}08'44''$ East; thence leaving said exterior line of 2239 O.R. 176, southerly along said curve, through a central angle of $32^{\circ}44'26''$, an arc distance of 100.00 feet; thence South $71^{\circ}06'50''$ West, 100.00 feet to the beginning of a 275.00 foot radius curve, the radius point of which bears North $71^{\circ}06'50''$ East; thence northerly along said curve, through a central angle of $30^{\circ}41'42''$, an arc distance of 147.33 feet to a point on the easterly line of that land granted to the State of California by deed recorded February 3, 1961 in Book 1433 of Official Records at Page 353, Marin County Records; thence along said easterly line, North $23^{\circ}07'24''$ East, 1.33 feet to a point on said exterior line of 2239 O.R. 176; thence leaving said easterly line of 1433 O.R. 353, along said exterior line of 2239 O.R. 176, South $66^{\circ}52'36''$ East, 53.97 feet to the beginning of a 50.00 foot radius, tangent curve to the left, and thence along said curve, through a central angle of $59^{\circ}15'10''$, an arc distance of 51.71 feet to the TRUE POINT OF BEGINNING

DPH:BFL

LEGAL DESCRIPTION
PARCEL 3

A non-exclusive easement appurtenant to Parcel 1 above described for vehicle turn around purposes on, over and across the following described parcel of real property:

COMMENCING FOR REFERENCE at a found open 2-inch iron pipe accepted as that monument shown on Record of Survey filed July 10, 1969 in Book 8 of Surveys at Page 57, Marin County Records, as being the corner common to the Rancho San Jose and the Rancho San Pedro Santa Margarita y Las Gallinas, said point also being designated "S.J.1", as the same is shown upon that certain plat entitled "Plat of Rancho San Jose, July 1858", filed for record in Book A of Patents on Page 1, Marin County Records; said point being the northwest corner of Survey No. 5 in Township 2 North, Range 6 West, Mount Diablo Meridian;

thence along the boundary of said Rancho San Jose and the westerly line of said 8 O.S. 57, North $31^{\circ}38'57''$ West, 141.51 feet; thence leaving said Rancho boundary and said westerly line of 8 O.S. 57, North $58^{\circ}21'03''$ East, 56.66 feet; thence North $32^{\circ}44'43''$ West, 112.90 feet to the TRUE POINT OF BEGINNING;

thence North $56^{\circ}52'57''$ East, 39.54 feet to the beginning of a 45.59 foot radius, tangent curve to the left; thence along said curve, through a central angle of $222^{\circ}19'36''$, an arc distance of 176.90 feet; thence South $14^{\circ}33'21''$ West, 52.70 feet; thence South $36^{\circ}18'57''$ East, 43.88 feet; thence North $56^{\circ}52'57''$ East, 27.67 feet to the TRUE POINT OF BEGINNING

DPH:BFL

LEGAL DESCRIPTION
PARCEL 4

A non-exclusive easement appurtenant to Parcel 1 above described for drainage purposes on, over, under and across the following described parcel of real property:

A 20-FOOT WIDE STRIP OF LAND lying 10 feet either side of the following described line:

COMMENCING FOR REFERENCE at a found open 2-inch iron pipe accepted as that monument shown on Record of Survey filed July 10, 1969 in Book 8 of Surveys at Page 57, Marin County Records, as being the corner common to the Rancho San Jose and the Rancho San Pedro Santa Margarita y Las Gallinas, said point also being designated "S.J.1", as the same is shown upon that certain plat entitled "Plat of Rancho San Jose, July 1858", filed for record in Book A of Patents on Page 1, Marin County Records; said point being the northwest corner of Survey No. 5 in Township 2 North, Range 6 West, Mount Diablo Meridian;

thence along the boundary of said Rancho San Jose and the westerly line of said 8 O.S. 57, North $31^{\circ}38'57''$ West, 687.55 feet to the TRUE POINT OF BEGINNING, said point being on the approximate centerline of an existing drainage ditch; thence along said approximate ditch centerline North $78^{\circ}33'04''$ East, 493.10 feet to a point on the westerly right of way line of the Northwestern Pacific Railroad Company, a California corporation, as described by deed recorded May 15, 1908 in Book 114 of Deeds at Page 376, Marin County Records.

The sidelines of this easement shall be lengthened or shortened to intersect said westerly line of 8 O.S. 57 and said westerly right of way line of 114 Deeds 376.

DPH:BFL

EXHIBIT B

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

FOR THE QUARTER ENDING _____

\$ _____

Subordinate Revenue Bonds, Series 1997B
(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 undersigned, being a authorized representative of the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC"), has read and is thoroughly familiar with the provisions of the various loan documents associated with the PAC's participation in the acquisition of the Marin Valley Mobile Country Club Park (the "Project"), including, without limitation, the Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997, among the PAC, the Owner and the Redevelopment Agency of the City of Novato (the "Agency").

As of the date of this certificate at least _____ spaces in the Project are occupied by Low Income Residents (as such term is defined in the Agreement), at least _____ spaces in the Project are occupied by Lower Income Residents (as such term is defined in the Agreement) and at least _____ spaces are occupied by Moderate Income Tenants (as such term is defined in the Agreement).

Attached is a separate sheet (the "Occupancy Summary") listing, among other items, the following information for each space being occupied by Low Income Residents, Lower Income Residents or Moderate Income Residents in the Project: the number of each space, the occupants of each space and the size, in square feet, of each space. The information contained thereon is true and accurate.

The undersigned hereby certifies that (1) a review of the activities of the PAC during such quarter and of the PAC's performance under the Loan Agreement has been made under the supervision of the undersigned; and (2) to the best of the knowledge of the undersigned, based on the review described in clause (1) hereof, the PAC is not in default under any of the terms and provisions of the above documents [or describe the nature of any default in detail and set forth the measures being taken to remedy such default].

**PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB**

By _____

Authorized Representative

EXHIBIT C

INCOME COMPUTATION AND CERTIFICATION

1). Space # _____
2). List names of all household members: Resident: _____

3). **Assets:**
a. Net Family Assets (Note: If Line 3A does not exceed \$5000, enter zero on line 3b) \$ _____
b. Imputed Income from Assets (Bank Passbook Savings Rate()xLine 3a) \$ _____
c. Actual Annual Income from Assets \$ _____

4). **Income:**
a. Wages, Salaries, etc. \$ _____
b. Social Security, Pension, etc. \$ _____
c. Public Assistance \$ _____
d. Income Contributed by Assets (Greater of Line 3b or 3c) \$ _____
e. Other Income \$ _____
f. TOTAL Annual Income (Line 4a thru 4e) \$ _____
g. MAXIMUM ANNUAL INCOME LEVEL \$ _____

5). **CERTIFICATION BY RESIDENT**

This form is used to certify resident income and assurance compliance with State Low and Moderate Income eligibility requirements. I/We certify that the information in Parts 1 through 4 is true and correct to the best of my knowledge and belief. False statements or omissions are grounds for termination of tenancy.

(Resident Signature) (Date) (Social Security Number)

(Resident Signature) (Date) (Social Security Number)

EXHIBIT C cont.
REQUEST FOR VERIFICATION OF INCOME

VERIFICATION OF INCOME - LOW/MODERATE INCOME PROGRAM

Date: _____

(Source of Income)

(Phone #)

(Fax #)

(Address)

MARIN VALLEY MOBILE COUNTRY CLUB PARK is requesting current information regarding all income (pensions, checking, savings and all other accounts, Social Security, SSI, wages, salaries, all assets and any income from those assets from the account(s) listed below belonging to:

_____ whose address is _____

This information is needed to qualify our resident(s) for our Low/Moderate Income Program. This information must be current and returned to us as soon as possible to continue on the low/moderate income program.

DO NOT FILL IN MONEY AMOUNTS - THIRD PARTY SOURCE MUST DO THAT

(Social Security Number)

(S.S. amount/month)

(Medical)

(TOTAL)

(Origin of PENSION or ANNUITY)

(Rate/Month)

(Account #)

(Balance in Account) (Interest Rate) (Interest Paid)

(Account #)

(Balance in Account) (Interest Rate) (Interest Paid)

Employment Information: Date of Hire: _____ Occupation: _____

Wage/Salary: Base Rate Pay-
Per Hour _____; Or Per Week _____; Or Per Month _____

Date present rate effective _____ Average hours: _____ week/month/year.

Overtime pay per hour: _____ Overtime hours expected in next 12 months _____

Please describe any tips, bonuses, commissions etc: _____ Vacation Pay: _____

I/We give my/our permission for _____, to receive any and all information regarding my income from the above numbered accounts(s).

(Signature)

(SS#)

(Date)

(Signature)

(SS#)

(Date)

Please return all needed verification of income to us as soon as possible. Our Fax number is _____ or mail to _____ Thank You.

SIGNATURE/STAMP OF THIRD PARTY

Please return form to:

EXHIBIT C cont.
MILITARY PAY VERIFICATION
[TO BE USED IF GENERAL VERIFICATION INADEQUATE]

(Name & address of employer)

Date: _____

RE: _____
SS#: _____

The person listed has indicated that he or she is employed by the military. Information provided will remain confidential and will be used solely for the purpose of determining eligibility for occupancy.
Sincerely,

Project Manager

I hereby authorize the above named management agent to make inquiries regarding my employment for the purpose of determining my eligibility for occupancy.

Signed: _____

Date: _____

Gross Earnings anticipated over next 12 months:

Monthly Base Pay _____ Grade Level _____

BAQ _____ Probability of Continued Enlistment: _____ FED-RATE _____

Commuted Rations _____

Clothing Allowance _____

Special Pay _____

Hazardous Duty Pay _____

Total Monthly Entitlement _____ Total Annual Entitlement _____

Authorized Official Name and Title:

Signature _____

Date _____

Military Agency _____

Address _____

Phone _____

City _____

State _____

Zip _____

Please return form to:

EXHIBIT C cont.
SOCIAL SECURITY VERIFICATION
[TO BE USED IF GENERAL VERIFICATION INADEQUATE]

CLAIMANT NAME _____ DATE OF BIRTH _____

SOCIAL SECURITY # _____ S.S. CLAIM # _____

ADDRESS _____

I do hereby authorize the Social Security Administration to furnish to the (Project Name) _____
_____ information regarding the amount of the monthly payment made to me.

Signature _____ Date _____

Indicate information needed by checking spaces below:

___ The gross amount of the monthly social security benefit is \$ _____
___ The amount deducted for Medicare is \$ _____
___ The net amount of the social security check each month is \$ _____
 The above amount became effective _____ Month _____ Year

___ The monthly payment of the supplemental security income payment is \$ _____
 The above amount became effective _____ Month _____ Year

___ Other information needed - please specify on reverse side.

Complete Only If You are unable to verify information requested:

___ Claim Still Pending
___ No record based on identifying information
___ Other - see reverse side of form

SIGNATURE AND TITLE OF AUTHORIZED SOCIAL SECURITY OFFICIAL

DATE _____ PHONE NUMBER _____

PLEASE RETURN TO:

EXHIBIT C cont.
VERIFICATION OF SOCIAL SERVICES
[TO BE USED IF GENERAL VERIFICATION INADEQUATE]

CLIENT: _____

DATE: _____

ADDRESS: _____

TO WHOM IT MAY CONCERN:

The client listed above has indicated that he or she is receiving income from your agency. Information provided will remain confidential and will be used solely for the purpose of determining eligibility for occupancy.

Sincerely,

Project Manager

I hereby authorize the above named management agent to make inquiries regarding my income for the purpose of determining my eligibility for occupancy.

Signed: _____

Date: _____

Detailed Budget Statement Provided _____

Monthly payment from this Agency:

AFDC _____ GA _____

Child Support Pass Through _____

Other _____

Other known income _____

Payments over the last 6 months _____

Remarks - Please indicate any anticipated changes in:

- (1) The monthly payment: _____
- (2) The family status of the Applicant: _____

Signature of Social Worker _____

Title _____

Date _____

Phone _____

PLEASE RETURN TO:

EXHIBIT C cont.
CHILD SUPPORT AND/OR ALIMONY AUTHORIZATION
(Completed by Clerk of Court)
[TO BE USED IF GENERAL VERIFICATION INADEQUATE]

TO _____

Date: _____

RE _____

The person listed above has indicated that he or she is receiving court ordered support. Information provided will remain confidential and will be used solely for the purpose of determining eligibility for occupancy.

Sincerely,

Project Manager

I hereby authorize the above named management agent to make inquiries regarding my child support/alimony for the purpose of determining my eligibility for occupancy.

Signed: _____

Date: _____

_____ ; will certify that the above name person receives \$_____ per _____ in child support and \$_____ per _____ in alimony (A copy of the account ledger may be substituted.)

Signature of Clerk of Court Official _____

Date _____

PLEASE RETURN FORM TO:

EXHIBIT C cont.
CHILD SUPPORT AND/OR ALIMONY VERIFICATION
(Completed by Spouse)

TO _____

RE _____

Date: _____

The person listed above has indicated that he or she is receiving court ordered support from you. Information provided will remain confidential and will be used solely for the purpose of determining eligibility for occupancy.

Sincerely,

Project Manager

I hereby authorize the above named management agent to make inquiries regarding my child support/alimony for the purpose of determining my eligibility for occupancy.

Signed: _____ Date: _____

This will certify that I pay \$ _____ per _____ in child support to:

_____ e: _____ for the support of _____.

This will certify that I pay \$ _____ per _____ in alimony to:

(Name) _____.

Signature of Former Spouse _____ Date _____

PLEASE RETURN FORM TO:

EXHIBIT C cont.
PENSION OR WORKER'S COMPENSATION VERIFICATION
[TO BE USED IF GENERAL VERIFICATION INADEQUATE]

DATE _____

RE: _____
Client or Employee

TO WHOM IT MAY CONCERN:

The client listed above has indicated that he or she is receiving a payment from you. Information provided will remain confidential and will be used solely for the purpose of determining eligibility for occupancy.

Sincerely,

Project Management Agent

You are hereby authorized to furnish all information requested on this inquiry.

Signed: _____ Date: _____

Weekly _____ Monthly _____ Payments to Employee \$ _____

_____ weeks or amount still to be paid _____

Effective Date _____ Ending Date if known _____

Retirement Pension Number _____

Current Gross Monthly Retirement Income \$ _____

Total Gross Pension Income expected for the next 12 months \$ _____

Remarks: (Please indicate any anticipated changes.) _____

By _____ Date _____

Title _____ Phone _____

PLEASE RETURN FORM TO:

EXHIBIT C cont.
VERIFICATION OF UNEMPLOYMENT BENEFITS
[TO BE USED IF GENERAL VERIFICATION INADEQUATE]

RE: CLIENT: _____
ADDRESS: _____
CLAIM NO. _____

The above individual has indicated he/she is receiving benefits from your agency. Information provided will remain confidential and will be used solely for the purpose of determining eligibility for occupancy.

BY _____
TITLE _____

I hereby authorize the above named management agent to make inquiries regarding my household income for the purpose of determining my eligibility for occupancy.

Signed: _____ Date: _____

Weekly payments to client _____
Beginning date of payments _____ Ending date if know _____
Is this client entitled to an extension of benefits? _____ If yes, for how long? _____

Remarks: _____

By _____ Date _____
Title _____ Phone _____

PLEASE RETURN FORM TO:

EXHIBIT C cont.
UNEMPLOYED APPLICATION AFFIDAVIT

This Affidavit is to be signed by all individuals 18 years of age and over when no income for them is indicated on the accompanying income certification.

Check as applicable:

I am not presently employed, but I anticipate becoming employed within the next twelve months.

Based on my past work experience, skills and income history as reflected in my income tax return for the most recent tax year (copy attached) and with adjustments to reflect circumstances anticipated within the next twelve months, I expect to earn \$ _____ per year when I become employed.

I am not presently employed and do not anticipate becoming employed within the next twelve months.

Applicant/Resident

EXHIBIT D

THE REDEVELOPMENT AGENCY OF THE CITY OF NOVATO
AFFORDABLE SPACE RENT DETERMINATION LETTER
For the
MARIN VALLEY MOBILE COUNTRY CLUB PARK

In accordance with the definition of Affordable Space Rent as set forth in Section 1.01 of that CERTAIN HOUSING ASSISTANCE PLEDGE AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS dated as of March 1, 1997 (the "Pledge Agreement"), by and among the REDEVELOPMENT AGENCY OF THE CITY OF NOVATO (the "Agency"), PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB, (the "Corporation"), and the NOVATO FINANCING AUTHORITY (the "NFA"), the Agency hereby issues this letter of determination with respect to the calculation of Affordable Space Rent (the "Determination"):

Section 1. Purpose. This letter serves as the determination of Affordable Space Rent to be made by the Agency under Section 1.01 of the Pledge Agreement. Because both Federal and California law (some of the provisions of which are generally referenced in Section 9 hereof) are uncertain with respect to mobilehome park affordable space rents in the instant case, although specific mobilehome park requirements are applicable in other situations, this Determination involves questions of interpretation and is subject to modification from time to time as Federal and State law becomes clearer with respect to its application in the instant case. Certain provisions in this Determination (where indicated) are based on legislative intent as expressed in other provisions of law which are not currently applicable to the instant situation. Specifically, the provisions of Sections 6(b)(i)(y), 6(b)(ii)(y) and 6(b)(iii)(y) are intended to avoid the ability of a mobilehome owner to avoid paying any space rent at all by placing a mortgage on a mobilehome and are based on legislative intent as currently expressed in Health and Safety Code Sections 33742 et seq. (redevelopment agency loans to 501(c)(3) nonprofits for mobilehome park acquisitions and 52100 et seq. (city loans to 501(c)(3) nonprofits for mobilehome park acquisitions), neither of which section is currently applicable under the circumstances here. Accordingly, these (and other) provisions in this Determination are subject to change from time to time in light of clearer indications of legislative intent as expressed in law or administrative determinations, subject to the provisions of Section 5.01(l) of the Pledge Agreement.

Section 2. Definitions in Pledge Agreement. The definitions in Section 1.01 of the Pledge Agreement of "Very Low Income Residents", "Very Low Income Spaces", "Lower Income Resident", "Lower Income Spaces", "Moderate Income Resident", "Moderate Income Spaces" and "Project Period" shall be applicable to this Determination.

Section 3. Base Restrictions and Increased Restrictions. The parties contemplate that the Agency's pledge under the Pledge Agreement and its indemnification under any Indemnification Agreement will not, in fact, result in any call or expenditure of funds from the Agency during the term of the Pledge Agreement and Indemnification Agreement, and that any calls or expenditure of funds under the Pledge Agreement will be only to cover any interim cash flow shortages during a particular year and will be promptly repaid with interest in the next succeeding year so that the Agency's annual pledge amount will always be available to the Agency for other housing expenditures of the Agency. If, however, calls or expenditures of the Agency's annual pledge or under the Indemnification Agreement reach a total aggregate amount of \$150,000 outstanding at any time, then Agency funds will be deemed expended under the Pledge Agreement and/or Indemnification Agreement. Accordingly, the Pledge Agreement contemplates that there will be a Base Restriction, applicable to the period until Agency funds in a total aggregate amount of \$150,000 are expended and outstanding, and an Increased Restriction applicable when Agency funds in a total aggregate amount of \$150,000 or more have been expended and are outstanding under the Pledge Agreement or Indemnification Agreement. Provided, however, that the application of the Increased Restriction shall be subject to suspension as provided in Section 5.01(n) of the Pledge Agreement.

Section 4. Restricted Spaces.

(a) Period of Base Restriction. During the period of Base Restriction, the number of restricted spaces, as set forth in Section 5.01 of the Pledge Agreement, shall be:

Not less than 20 for Very Low Income Residents (income not exceeding 50% of median);

Not less than 20 for Lower Income Residents (income not exceeding 80% of median); and

Not less than 40 for Moderate Income Residents (income not exceeding 120% of median).

[Source: Health and Safety Code sections 33334.2, 50105, 50079.5, 50093]

(b) Period of Increased Restriction. Subject to suspension as provided in Section 5.01(n) of the Pledge Agreement, during the period of Increased Restriction, the number of restricted spaces, as set forth in Section 5.01 of the Pledge Agreement, shall be:

Not less than 33 for Very Low Income Residents (income not exceeding 50% of median);

Not less than 32 for Lower Income Residents (income not exceeding 80% of median); and

Not less than 65 for Moderate Income Residents (income not exceeding 120% of median).

[Source: Health and Safety Code sections 33334.2, 50105, 50079.5, 50093]

Section 5. Affordable Space Rent During Period of Base Restriction.

(a) General. "Affordable Space Rent" shall have the same meaning as "affordable rent" as set forth in Section 50053 of the California Health and Safety Code as may be amended, except as otherwise set forth herein, to be applicable to Very Low Income Spaces, Lower Income Spaces and Moderate Income Spaces rented to Very Low Income Residents, Lower Income Residents and Moderate Income Residents.

(b) Affordable Space Rent. During the period of Base Restriction, Affordable Space Rent shall be determined as follows:

(i) *For a Very Low Income Resident:*, space rent (including a reasonable utility allowance) shall not exceed the product of thirty percent (30%) times fifty percent (50%) of median gross income for the Area with adjustments for family size.

(ii) *For a Lower Income Resident:*, space rent (including a reasonable utility allowance) shall not exceed the product of 30 percent (30%) times 60 percent (60%) of median gross income for the Area with adjustments for family size and 30% of median gross income over 60% to 79%.

(iii) *For a Moderate Income Resident:*, space rent (including a reasonable utility allowance) shall not exceed the product of 30 percent (30%) times one-hundred and ten percent (110%) of median gross income for the Area with adjustments for family size and 30% of gross median income over 110% to 120%.

[Source: Health and Safety Code section 50053]

(c) Median Gross Income. Median gross income shall mean the HUD income limits for Marin County (the "Area") as prepared from time to time by the California Department of Housing and Community Development ("HCD"). The Agency shall provide these income limits as released by HUD from time to time, which shall be applicable to the Determinations hereunder.

(d) Adjustments for Family Size. To make adjustments for family size in determining median gross income for the Area, an alternate standard may be applied that assumes that one person will occupy a recreational vehicle, two persons will occupy a single-wide mobilehome, and three persons will occupy a multisectional mobilehome.

[Source: based on legislative intent as expressed in Health and Safety Code sections 33742 et seq. and 52100 et seq. which are not currently applicable under the circumstances here]

Section 6. Affordable Space Rent During Period of Increased Restriction.

(a) General. "Affordable Space Rent" shall have the same meaning as "affordable rent" as set forth in Section 50053 of the California Health and Safety Code as may be amended, except as otherwise set forth herein, to be applicable to Very Low Income Spaces, Lower Income Spaces and Moderate Income Spaces rented to Very Low Income Residents, Lower Income Residents and Moderate Income Residents.

(b) Affordable Space Rent. Subject to suspension as provided in Section 5.01(n) of the Pledge Agreement, during the period of Increased Restriction, Affordable Space Rent shall be determined as follows (unless the Agency determines at the time that less restrictive requirements may be imposed under then applicable law):

(i) *For a Very Low Income Resident:*, space rent (including a reasonable utility allowance) together with housing expenses shall not exceed the product of thirty percent (30%) times fifty percent (50%) of median gross income for the Area with adjustments for family size. In the event the Very Low Income Resident has a mortgage, the rent charged hereunder shall not exceed the greater of:

(x) 30% times 50% of median gross income less the actual mortgage payments, or

(y) 15% times 50% of median gross income.

(ii) *For a Lower Income Resident:*, space rent (including a reasonable utility allowance) together with housing expenses shall not exceed the product of 30 percent (30%) times 60 percent (60%) of median gross income for the Area with adjustments for family size and 30% of gross median income over 60% to 79%. In the event the Lower Income Resident has a mortgage, the rent charged hereunder shall not exceed the greater of:

(x) 30% times 60% of median gross income (or 30% times 61% to 79% as the case may be) less the actual mortgage payments, or

(y) 15% times 60% of median gross income (or 15% times 61% to 79% as the case may be).

(iii) *For a Moderate Income Resident:*, space rent (including a reasonable utility allowance) together with housing expenses shall not

exceed the product of 30 percent (30%) times one-hundred and ten percent (110 %) of median gross income for the Area with adjustments for family size and 30% of gross median income over 110% to 120%. In the event the Moderate Income Resident has a mortgage, the rent charged hereunder shall not exceed the greater of:

(x) 30% times 110% of median gross income (or 30% times 111% to 120% as the case may be) less the actual mortgage payments, or

(y) 15% times 110% of median gross income (or 15% times 111% to 120% as the case may be).

[Source: based on legislative intent as expressed in Health and Safety Code sections 33742 et seq. and 52100 et seq. which are not currently applicable under the circumstances here.]

(c) Median Gross Income. Median gross income shall mean the HUD income limits for Marin County as prepared from time to time by the California Department of Housing and Community Development ("HCD"). The Agency shall provide these income limits as released by HUD from time to time, which shall be applicable to the Determinations hereunder.

(d) Housing Expenses. For purposes of this Determination during the period of Increased Restriction, "housing expenses" shall include all payments of principal, interest, loan or mortgage insurance charges, or leasehold or rental charges for a mobilehome, real estate taxes, hazard insurance, and homeowners associations or condominium fees, but does not include utility costs.

[Source: based on definitions used to qualify for a Title 1 FHA insured mobilehome loan under 12 U.S.C. 1703 and 24 C.F.R., Part 201, Subpart C, Section 201.22(b)(2)(iii)]

(e) Adjustments for Family Size. To make adjustments for family size in determining median gross income for the Area, an alternate standard may be applied that assumes that one person will occupy a recreational vehicle, two persons will occupy a single-wide mobilehome, and three persons will occupy a multisectional mobilehome.

[Source: based on legislative intent as expressed in Health and Safety Code sections 33742 et seq. and 52100 et seq. which are not currently applicable under the circumstances here.]

(f) Space Substitution. This Determination shall not require that a mobilehome with a mortgage be deemed to be a restricted unit if other units without mortgages would qualify for the same income and affordable space rent restrictions.

Section 7. Transfer to 501(c)(3) Corporation. In the event ownership of the mobilehome park is transferred to a qualifying 501(c)(3) corporation, the restrictions in this Determination may be modified by the Agency to be consistent with restrictions applicable at that time to the 501(c)(3) corporation provided the Agency determines the modified restrictions are also in compliance with restrictions applicable to the Agency.

Section 8. Interpretation of Defined Terms. All initial capitalized terms set forth in this Determination shall be interpreted as they are defined in the Pledge Agreement, except to the extent they are specifically defined herein. To the extent there is a conflict in definitions between this Determination and the Pledge Agreement, this Determination shall control.

Section 9. References (for general information only):

Health and Safety Code:

- | | | |
|-----------------------|----|--|
| Section 33334.2 | -- | requirement for use of Agency's 20% housing set-aside funds. |
| | | [APPLICABLE] |
| Section 33334.3(f)(1) | -- | period of restrictions for housing assisted by Agency. |
| | | [APPLICABLE] |
| Section 33334.14 | -- | subordination of Agency restrictions; findings. |
| | | [APPLICABLE] |
| Section 50105 | -- | definition of "very low income." |
| | | [APPLICABLE] |
| Section 50079.5 | -- | definition of "lower income." |
| | | [APPLICABLE] |
| Section 50093 | -- | definitions of "low - moderate income." |
| | | [APPLICABLE] |

Section 50053 -- definition of "affordable housing costs" for rental housing.

[APPLICABLE]

Section 33742 et seq.-- redevelopment agency loans to 501(c)(3) nonprofits for mobilehome park acquisitions.

[NOT CURRENTLY APPLICABLE]

Section 52100 et seq.-- city loans to 501(c)(3) nonprofits for mobilehome park acquisitions.

[NOT CURRENTLY APPLICABLE]

Title 25, Cal. Code of Regulations, Section 6918 - defining "affordable housing cost"; "affordable rent."

[APPLICABLE]

Title I of National Housing Act (12 U.S.C. 1703) and 24 (CFR Part 201, Subpart C, Section 201.22(b)(2)(iii) - definition of mobilehome "housing expenses" to qualify for a Title I manufactured housing home loan.

[NOT CURRENTLY APPLICABLE]

Dated: _____

Executive Director

THE REDEVELOPMENT AGENCY OF THE CITY OF NOVATO
AFFORDABLE SPACE RENT DETERMINATION LETTER

For the
MARIN VALLEY MOBILE COUNTRY CLUB PARK

In accordance with the definition of Affordable Space Rent as set forth in Section 1.01 of that CERTAIN HOUSING ASSISTANCE PLEDGE AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS dated as of March 1, 1997 (the "Pledge Agreement"), by and among the REDEVELOPMENT AGENCY OF THE CITY OF NOVATO (the "Agency"), PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB, (the "Corporation"), and the NOVATO FINANCING AUTHORITY (the "NFA"), the Agency hereby issues this letter of determination with respect to the calculation of Affordable Space Rent (the "Determination"):

Section 1. Purpose. This letter serves as the determination of Affordable Space Rent to be made by the Agency under Section 1.01 of the Pledge Agreement. Because both Federal and California law (some of the provisions of which are generally referenced in Section 9 hereof) are uncertain with respect to mobilehome park affordable space rents in the instant case, although specific mobilehome park requirements are applicable in other situations, this Determination involves questions of interpretation and is subject to modification from time to time as Federal and State law becomes clearer with respect to its application in the instant case. Certain provisions in this Determination (where indicated) are based on legislative intent as expressed in other provisions of law which are not currently applicable to the instant situation. Specifically, the provisions of Sections 6(b)(i)(y), 6(b)(ii)(y) and 6(b)(iii)(y) are intended to avoid the ability of a mobilehome owner to avoid paying any space rent at all by placing a mortgage on a mobilehome and are based on legislative intent as currently expressed in Health and Safety Code Sections 33742 et seq. (redevelopment agency loans to 501(c)(3) nonprofits for mobilehome park acquisitions and 52100 et seq. (city loans to 501(c)(3) nonprofits for mobilehome park acquisitions), neither of which section is currently applicable under the circumstances here. Accordingly, these (and other) provisions in this Determination are subject to change from time to time in light of clearer indications of legislative intent as expressed in law or administrative determinations, subject to the provisions of Section 5.01(l) of the Pledge Agreement.

Section 2. Definitions in Pledge Agreement. The definitions in Section 1.01 of the Pledge Agreement of "Very Low Income Residents", "Very Low Income Spaces", "Lower Income Resident", "Lower Income Spaces", "Moderate Income Resident", "Moderate Income Spaces" and "Project Period" shall be applicable to this Determination.

Section 3. Base Restrictions and Increased Restrictions. The parties contemplate that the Agency's pledge under the Pledge Agreement and its indemnification under any Indemnification Agreement will not, in fact, result in any call or expenditure of funds from the Agency during the term of the Pledge Agreement and Indemnification Agreement, and that any calls or expenditure of funds under the Pledge Agreement will be only to cover any interim cash flow shortages during a particular year and will be promptly repaid with interest in the next succeeding year so that the Agency's annual pledge amount will always be available to the Agency for other housing expenditures of the Agency. If, however, calls or expenditures of the Agency's annual pledge or under the Indemnification Agreement reach a total aggregate amount of \$150,000 outstanding at any time, then Agency funds will be deemed expended under the Pledge Agreement and/or Indemnification Agreement. Accordingly, the Pledge Agreement contemplates that there will be a Base Restriction, applicable to the period until Agency funds in a total aggregate amount of \$150,000 are expended and outstanding, and an Increased Restriction applicable when Agency funds in a total aggregate amount of \$150,000 or more have been expended and are outstanding under the Pledge Agreement or Indemnification Agreement. Provided, however, that the application of the Increased Restriction shall be subject to suspension as provided in Section 5.01(n) of the Pledge Agreement.

Section 4. Restricted Spaces.

(a) Period of Base Restriction. During the period of Base Restriction, the number of restricted spaces, as set forth in Section 5.01 of the Pledge Agreement, shall be:

Not less than 20 for Very Low Income Residents (income not exceeding 50% of median);

Not less than 20 for Lower Income Residents (income not exceeding 80% of median); and

Not less than 40 for Moderate Income Residents (income not exceeding 120% of median).

[Source: Health and Safety Code sections 33334.2, 50105, 50079.5, 50093]

(b) Period of Increased Restriction. Subject to suspension as provided in Section 5.01(n) of the Pledge Agreement, during the period of Increased Restriction, the number of restricted spaces, as set forth in Section 5.01 of the Pledge Agreement, shall be:

Not less than 33 for Very Low Income Residents (income not exceeding 50% of median);

Not less than 32 for Lower Income Residents (income not exceeding 80% of median); and

Not less than 65 for Moderate Income Residents (income not exceeding 120% of median).

[Source: Health and Safety Code sections 33334.2, 50105, 50079.5, 50093]

Section 5. Affordable Space Rent During Period of Base Restriction.

(a) General. "Affordable Space Rent" shall have the same meaning as "affordable rent" as set forth in Section 50053 of the California Health and Safety Code as may be amended, except as otherwise set forth herein, to be applicable to Very Low Income Spaces, Lower Income Spaces and Moderate Income Spaces rented to Very Low Income Residents, Lower Income Residents and Moderate Income Residents.

(b) Affordable Space Rent. During the period of Base Restriction, Affordable Space Rent shall be determined as follows:

(i) *For a Very Low Income Resident:*, space rent (including a reasonable utility allowance) shall not exceed the product of thirty percent (30%) times fifty percent (50%) of median gross income for the Area with adjustments for family size.

(ii) *For a Lower Income Resident:*, space rent (including a reasonable utility allowance) shall not exceed the product of 30 percent (30%) times 60 percent (60%) of median gross income for the Area with adjustments for family size and 30% of median gross income over 60% to 79%.

(iii) *For a Moderate Income Resident:*, space rent (including a reasonable utility allowance) shall not exceed the product of 30 percent (30%) times one-hundred and ten percent (110%) of median gross income for the Area with adjustments for family size and 30% of gross median income over 110% to 120%.

[Source: Health and Safety Code section 50053]

(c) Median Gross Income. Median gross income shall mean the HUD income limits for Marin County (the "Area") as prepared from time to time by the California Department of Housing and Community Development ("HCD"). The Agency shall provide these income limits as released by HUD from time to time, which shall be applicable to the Determinations hereunder.

(d) Adjustments for Family Size. To make adjustments for family size in determining median gross income for the Area, an alternate standard may be applied that assumes that one person will occupy a recreational vehicle, two persons will occupy a single-wide mobilehome, and three persons will occupy a multisectional mobilehome.

[Source: based on legislative intent as expressed in Health and Safety Code sections 33742 et seq. and 52100 et seq. which are not currently applicable under the circumstances here]

Section 6. Affordable Space Rent During Period of Increased Restriction.

(a) General. "Affordable Space Rent" shall have the same meaning as "affordable rent" as set forth in Section 50053 of the California Health and Safety Code as may be amended, except as otherwise set forth herein, to be applicable to Very Low Income Spaces, Lower Income Spaces and Moderate Income Spaces rented to Very Low Income Residents, Lower Income Residents and Moderate Income Residents.

(b) Affordable Space Rent. Subject to suspension as provided in Section 5.01(n) of the Pledge Agreement, during the period of Increased Restriction, Affordable Space Rent shall be determined as follows (unless the Agency determines at the time that less restrictive requirements may be imposed under then applicable law):

(i) *For a Very Low Income Resident:*, space rent (including a reasonable utility allowance) together with housing expenses shall not exceed the product of thirty percent (30%) times fifty percent (50%) of median gross income for the Area with adjustments for family size. In the event the Very Low Income Resident has a mortgage, the rent charged hereunder shall not exceed the greater of:

(x) 30% times 50% of median gross income less the actual mortgage payments, or

(y) 15% times 50% of median gross income.

(ii) *For a Lower Income Resident:*, space rent (including a reasonable utility allowance) together with housing expenses shall not exceed the product of 30 percent (30%) times 60 percent (60%) of median gross income for the Area with adjustments for family size and 30% of gross median income over 60% to 79%. In the event the Lower Income Resident has a mortgage, the rent charged hereunder shall not exceed the greater of:

(x) 30% times 60% of median gross income (or 30% times 61% to 79% as the case may be) less the actual mortgage payments, or

(y) 15% times 60% of median gross income (or 15% times 61% to 79% as the case may be).

(iii) *For a Moderate Income Resident:*, space rent (including a reasonable utility allowance) together with housing expenses shall not

exceed the product of 30 percent (30%) times one-hundred and ten percent (110 %) of median gross income for the Area with adjustments for family size and 30% of gross median income over 110% to 120%. In the event the Moderate Income Resident has a mortgage, the rent charged hereunder shall not exceed the greater of:

(x) 30% times 110% of median gross income (or 30% times 111% to 120% as the case may be) less the actual mortgage payments, or

(y) 15% times 110% of median gross income (or 15% times 111% to 120% as the case may be).

[Source: based on legislative intent as expressed in Health and Safety Code sections 33742 et seq. and 52100 et seq. which are not currently applicable under the circumstances here.]

(c) Median Gross Income. Median gross income shall mean the HUD income limits for Marin County as prepared from time to time by the California Department of Housing and Community Development ("HCD"). The Agency shall provide these income limits as released by HUD from time to time, which shall be applicable to the Determinations hereunder.

(d) Housing Expenses. For purposes of this Determination during the period of Increased Restriction, "housing expenses" shall include all payments of principal, interest, loan or mortgage insurance charges, or leasehold or rental charges for a mobilehome, real estate taxes, hazard insurance, and homeowners associations or condominium fees, but does not include utility costs.

[Source: based on definitions used to qualify for a Title 1 FHA insured mobilehome loan under 12 U.S.C. 1703 and 24 C.F.R., Part 201, Subpart C, Section 201.22(b)(2)(iii)]

(e) Adjustments for Family Size. To make adjustments for family size in determining median gross income for the Area, an alternate standard may be applied that assumes that one person will occupy a recreational vehicle, two persons will occupy a single-wide mobilehome, and three persons will occupy a multisectional mobilehome.

[Source: based on legislative intent as expressed in Health and Safety Code sections 33742 et seq. and 52100 et seq. which are not currently applicable under the circumstances here.]

(f) Space Substitution. This Determination shall not require that a mobilehome with a mortgage be deemed to be a restricted unit if other units without mortgages would qualify for the same income and affordable space rent restrictions.

Section 7. Transfer to 501(c)(3) Corporation. In the event ownership of the mobilehome park is transferred to a qualifying 501(c)(3) corporation, the restrictions in this Determination may be modified by the Agency to be consistent with restrictions applicable at that time to the 501(c)(3) corporation provided the Agency determines the modified restrictions are also in compliance with restrictions applicable to the Agency.

Section 8. Interpretation of Defined Terms. All initial capitalized terms set forth in this Determination shall be interpreted as they are defined in the Pledge Agreement, except to the extent they are specifically defined herein. To the extent there is a conflict in definitions between this Determination and the Pledge Agreement, this Determination shall control.

Section 9. References (for general information only):

Health and Safety Code:

Section 33334.2 -- requirement for use of Agency's 20% housing set-aside funds.

[APPLICABLE]

Section 33334.3(f)(1)-- period of restrictions for housing assisted by Agency.

[APPLICABLE]

Section 33334.14 -- subordination of Agency restrictions; findings.

[APPLICABLE]

Section 50105 -- definition of "very low income."

[APPLICABLE]

Section 50079.5 -- definition of "lower income."

[APPLICABLE]

Section 50093 -- definitions of "low - moderate income."

[APPLICABLE]

Section 50053 -- definition of "affordable housing costs" for rental housing.

[APPLICABLE]

Section 33742 et seq.-- redevelopment agency loans to 501(c)(3) nonprofits for mobilehome park acquisitions.

[NOT CURRENTLY APPLICABLE]

Section 52100 et seq.-- city loans to 501(c)(3) nonprofits for mobilehome park acquisitions.

[NOT CURRENTLY APPLICABLE]

Title 25, Cal. Code of Regulations, Section 6918 - defining "affordable housing cost"; "affordable rent."

[APPLICABLE]

Title I of National Housing Act (12 U.S.C. 1703) and 24 (CFR Part 201, Subpart C, Section 201.22(b)(2)(iii) - definition of mobilehome "housing expenses" to qualify for a Title I manufactured housing home loan.

[NOT CURRENTLY APPLICABLE]

Dated: MARCH 13, 1997

Janie Seaman
Deputy Redevelopment Director

MARIN VALLEY MOBILE COUNTRY CLUB PARK DELEGATION AGREEMENT

between

NOVATO FINANCING AUTHORITY

and

**PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB**

Dated as of March 1, 1997

\$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**

TABLE OF CONTENTS

Page

ARTICLE I

RELATIONSHIP OF THE PARTIES

Section 1.01. The Owner	2
Section 1.02. The PAC	2

ARTICLE II

DEFINITIONS	2
-------------------	---

ARTICLE III

THE PROJECT	4
-------------------	---

ARTICLE IV

TERM OF AGREEMENT

Section 4.01. Term of Agreement.	4
Section 4.02. Periodic Renegotiation	5
Section 4.03. [RESERVED].	5

ARTICLE V

OPERATION AND CONTROL OF THE PROJECT

Section 5.01. Operation of the Project.	5
Section 5.02. Owner's Right of Entry.	6

ARTICLE VI

CONSIDERATION	6
---------------------	---

ARTICLE VII

BUDGET APPROVAL AND EXPENDITURE LIMITATIONS

Section 7.01. Annual Budget Approval. 6
 Section 7.02. Expenditure Limitations 6
 Section 7.03. Monthly Reports. 7

ARTICLE VIII

RECORDS, REPORTS AND AUDITS

Section 8.01. Maintenance of Records. 7
 Section 8.02. Examination of Records. 7
 Section 8.03. Financial Statements. 8
 Section 8.04. Reports and Certificates 8
 Section 8.05. Location of Records. 8

ARTICLE IX

MAINTENANCE AND ALTERATIONS TO THE PROJECT

Section 9.01. Personal Property. 8
 Section 9.02. Mechanics Liens. 8

ARTICLE X

[RESERVED] 8

ARTICLE XI

[RESERVED] 9

ARTICLE XII

INDEMNIFICATION AND INSURANCE

Section 12.01. Indemnification. 9
 Section 12.02. Insurance Coverage. 9
 Section 12.03. Evidence of Insurance. 9

ARTICLE XIII

ASSIGNMENT 9

ARTICLE XIV

DEFAULT AND REMEDIES

Section 14.01. Events of Default. 10
Section 14.02. Rights and Remedies 11
Section 14.03. Procedure for Termination 11
Section 14.04. Cumulative Nature of Remedies. 11
Section 14.05. No Waiver. 12

ARTICLE XV

HAZARDOUS MATERIALS

Section 15.01. Prohibition of Storage. 12
Section 15.02. Definition of Hazardous Material. 12

ARTICLE XVI

COMPLIANCE WITH LAW 13

ARTICLE XVII

MISCELLANEOUS PROVISIONS

Section 17.01. California Law Governs. 13
Section 17.02. Meaning of Headings. 13
Section 17.03. Damage. 13
Section 17.04. Assignability. 13
Section 17.05. Partial Invalidity. 13
Section 17.06. Giving of Consent 14
Section 17.07. Entire Agreement. 14
Section 17.08. Notices. 14
Section 17.12. Non-discrimination. 15
Section 17.13. Amendments. 15
Section 17.14. Execution of Certain Documents 15
Section 17.15. Execution and Binding Effect. 15

EXHIBIT A—FORM OF MANAGEMENT AGREEMENT A-1

MARIN VALLEY MOBILE COUNTRY CLUB PARK DELEGATION AGREEMENT

This Marin Valley Mobile Country Club Park Delegation Agreement (this "Agreement") is made and entered into as of March 1, 1997 between Novato Financing Authority (the "Owner"), a joint powers authority duly organized and existing under the constitution and laws of the State of California and the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC"), a California nonprofit, mutual benefit corporation duly organized and existing under the laws of the State of California.

STATEMENT OF AGREEMENT AND 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, certain counties and the City of Novato have entered into a Joint Exercise of Powers Agreement (the "Joint Powers Agreement") creating the California Local Government Finance Authority ("CLGFA") for the purpose, among other things, of assisting local agencies to obtain financing for public capital improvements whenever there are significant public benefits, and to make loans and enter into other agreements with local agencies; and

WHEREAS, CLGFA is authorized by the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended, a resolution adopted by CLGFA on February 19, 1997 and the terms of the Trust Indenture dated as of March 1, 1997 (the "Indenture") by and between CLGFA and First Trust of California N.A., (the "Trustee") to issue \$15,485,000 aggregate principal amount of 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"), and \$1,585,000 aggregate principal amount of 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"); and

WHEREAS, the Owner desires to borrow the proceeds of the Senior Bonds and Subordinate Bonds (the "Bonds") from CLGFA (the "Loan") for the purpose of providing the permanent financing for the acquisition and improvement of the Marin Valley Mobile Country Club Park (the "Project") by the Owner; and

WHEREAS, in order to establish and declare the terms and conditions upon which the PAC will perform certain obligations and duties with respect to the Project, the Owner and the PAC wish to enter into this Agreement; and

WHEREAS, all acts and proceedings required by law necessary to make this Agreement, when executed by the Owner and the PAC, the valid, binding and legal obligations of the Owner and the PAC, and to constitute this Agreement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Agreement have been in all respects duly authorized by the respective parties thereto; and

NOW, THEREFORE, in consideration of, and in reliance upon, the covenants and conditions contained in this Agreement to be kept and performed by the respective parties, it is mutually agreed as follows:

ARTICLE I

RELATIONSHIP OF THE PARTIES

This Agreement shall govern the relationship of the parties hereto as to the operation and control of the Project and associated facilities.

Section 1.01. *The Owner.* The Owner will hold title to the Project.

Section 1.02. *The PAC.* In performing its obligations under this Agreement, the PAC is engaged solely in the capacity of an independent contractor. It is expressly understood that no relationship between the Owner or the State of California and the PAC, other than that of independent contractor, has been or is intended to be created by this Agreement. This Agreement does not constitute, and the parties to it do not intend it to create a partnership or a joint venture, or the relationship of master and servant or principal and agent.

ARTICLE II

DEFINITIONS

The capitalized terms used herein which are included as defined terms in the Indenture shall have the same meanings defined for and assigned to them in the Indenture. Additionally, for the purposes of this Agreement, the following additional terms shall have the following meanings:

"*Audited Financial Statements*" means the balance sheet relating to operations of the Project pursuant to this Agreement as of the end of each Fiscal Year during the Term and the related statements of earnings and cash flows for the year then ended, prepared in accordance with generally accepted accounting principles and accompanied by an opinion thereon issued by an independent certified public accountant or accounting firm selected by the PAC and approved by the Owner and Financial Security in accordance with Section 8.03.

"*Bond*" or "*Bonds*" means, collectively, any one or all, as the case may be, of the Senior Bonds and the Subordinate Bonds.

"*Budget*" means income and expense projections for the Fiscal Year as required under the Management Agreement.

"*Business Day*" means any day other than (a) a Saturday or Sunday, (b) a day on which (i) banking institutions in the City of New York, New York or San Francisco, California are authorized or obligated by law or executive order to be closed or (ii) the New York 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 only, a day on which the offices of the City of Novato are closed to the public.

"*Capital Plan*" means the capital expenditure plan submitted by the Owner (or the Property Manager on its behalf) and approved by the Controlling Party, as provided in the Management Agreement and the Loan Agreement.

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

"*Fiscal Year*" means the twelve-month period commencing July 1 and ending June 30 of the next calendar year.

"*Hazardous Material*" has the meaning set forth in Section 15.02.

"*Indenture*" means that certain Trust Indenture, dated as of March 1, 1997, by and between CLGFA and the Trustee, pursuant to which the Bonds are issued and secured, together with any amendments or supplements thereto.

"*Management Agreement*" means the management agreement in substantially the form set forth in Exhibit A hereto to be entered into between the Property Manager and the PAC.

"*Owner*" means the Novato Financing Authority, its successors and assigns.

"*PAC*" means the Park Acquisition Corporation of Marin Valley Mobile Country Club, its successors and assigns.

"*Project*" means the Marin Valley Mobile Country Club Park as more fully described in the Loan Agreement.

"*Property Manager*" means, initially, Storz Management Company, Inc., and any successor property manager appointed in accordance with the terms and provisions of the Management Agreement.

"*Records*" has the meaning set forth in Section 8.01.

"*Renegotiation Year*" has the meaning set forth in Section 4.02.

"*Term*" means, as applicable, the Initial Term and each Subsequent Term (as such terms are defined in Section 4.01 hereof).

ARTICLE III

THE PROJECT

The Owner, in reliance upon and in consideration of the representations, warranties, covenants and conditions contained in this Agreement, grants to the PAC, and the PAC, in reliance upon and in consideration of the representations, warranties, covenants and conditions contained in this Agreement, accepts from the Owner, subject to the restrictions stated in this Agreement, the exclusive right to operate and control the Project for the purpose of providing land and a portion of the mobilehome sites located at the Project to persons and families of low or moderate income within the City of Novato, California; provided that the PAC is obligated to enter into a Management Agreement, in form and substance satisfactory to Financial Security, with a Property Manager approved by the Owner (which approval may not be unreasonably withheld and shall not be required if a Trigger Event or an Event of Default under the Indenture exists) and Financial Security, and to have such an agreement in effect at all times. The Owner hereby approves the form of Management Agreement attached hereto as Exhibit A and approves the initial Management Agreement with the initial Property Manager.

ARTICLE IV

TERM OF AGREEMENT

Section 4.01. *Term of Agreement.* The initial term of this Agreement (the "Initial Term") shall be for the period beginning on the Effective Date and ending on the 31st day of December, 1997. On January 1, 1998 and each anniversary thereof, this Agreement will be extended for an additional term (each such term, a "Subsequent Term") consisting of the next 12 consecutive months, unless (a) an Event of Default exists under the Indenture, a default exists under this Agreement or a Trigger Event exists, or (b) the Owner or the PAC (with the consent, which shall not be unreasonably withheld, or at the direction, of Financial Security) gives written notice to each other party hereto and to the Trustee and Financial Security that it does not intend to extend the term of this Agreement or (c) the parties hereto are unable to reach an agreement as described in Section 4.02 herein. If an Event of Default under the Indenture, a default under this Agreement or a Trigger Event exists, this Agreement may not be extended for a Subsequent Term without the prior written consent of Financial Security, such consent to be in its sole discretion. Upon the termination or expiration of this Agreement, the Owner shall become obligated to assume immediately all of the PAC's duties, obligations and rights contained in the Mortgage Loan Documents including, without limitation, the obligation to enter into the Management Agreement with the Property Manager.

Section 4.02. *Periodic Renegotiation.* On October 1, 2010 and on October 1, 2025, this Agreement shall be subject to review by both parties hereto. During this review period, the parties agree to meet together at mutually agreeable times for the review of this Agreement and, if necessary, to renegotiate one or more of the terms hereof. If the parties agree to modifications of this Agreement, such modifications, if consented to in writing by Financial Security, shall be incorporated herein by amendment as hereinafter provided, such amendments to become effective on the date stipulated therein.

If, after good faith negotiations, the parties cannot reach agreement on the proposed changes noticed for renegotiation by January 31 of the immediately succeeding year, this Agreement shall terminate as of such January 31.

Section 4.03. *[RESERVED]*.

Section 4.04. *Duties Upon Termination.* (a) Upon the termination of this Agreement, the appointment of the PAC shall terminate.

(b) In the event the PAC's duties, responsibilities and liabilities hereunder are terminated pursuant to this Agreement, the PAC shall discharge such duties and responsibilities during the period from the date it acquires knowledge of such termination until the effective date thereof with the same degree of diligence and prudence which it is obligated to exercise hereunder, and shall take no action whatsoever that might impair or prejudice the rights or financial condition of its successor or the Owner. Furthermore, the PAC agrees to cooperate with the Owner, the Trustee and Financial Security and any successor hereunder in effecting the termination of the PAC's duties and responsibilities hereunder. The PAC shall, upon the request of the Owner but at the expense of the PAC, deliver to the Owner or the successor delegate all files, documents and records (including computer tapes and diskettes including data but not programs) relating to the Project, and otherwise use its best efforts to effect the orderly and efficient transfer of its rights, duties and responsibilities to the assuming party. The Owner and the PAC agree to perform their respective duties and obligations contained in the Mortgage Loan Documents.

ARTICLE V

OPERATION AND CONTROL OF THE PROJECT

Section 5.01. *Operation of the Project.* The PAC agrees to operate, maintain and control the Project in accordance with the terms of the Mortgage Loan Documents. The PAC agrees to retain at all times the Property Manager and other experts experienced with providing management, advice and other duties with respect to mobile home parks in order to effectively perform its duties and responsibilities herein set forth. The fees and expenses of the Property Manager and other such experts shall be set forth in the Operating Budget and paid solely from Revenues of the Project as provided in Section 5.03(b) and (c) in the Indenture. The PAC shall enter into a Management Agreement with the Property Manager in substantially the form set

forth in Exhibit A, with only such changes therein as shall be approved in writing by the Owner (which approval may not be unreasonably withheld) and Financial Security. If the Property Manager fails to perform any or all of its obligations under the Management Agreement in any material respect, the PAC agrees to immediately notify the Owner and Financial Security in writing of such failure and, if directed by the Owner, with the consent of Financial Security, or by Financial Security, shall take such action as so directed by such party. The PAC shall not use or permit the Project, or any portion thereof, to be used for any purposes other than that set forth herein and in the Management Agreement, except as otherwise mutually agreed upon with the Owner with the prior written consent of Financial Security.

Section 5.02. *Owner's Right of Entry.* The Owner and Financial Security shall have the right, at reasonable times during the term of this Agreement, to enter upon the Project to the extent necessary to inspect the Project and the Records of the Project as described in Section 8.01 hereof.

ARTICLE VI

CONSIDERATION

The PAC shall not be entitled to receive compensation for its services hereunder, but shall be reimbursed for its actual verified expenses incurred in performing such services, including, but not limited to, reasonable fees and expenses of its counsel and the costs of an errors and omissions insurance policy. Such expenses shall be payable as follows: (i) an amount not to exceed \$1,000 each Fiscal Year shall be included in the Budget as an operating expense, payable from Revenues of the Project as provided in Section 5.03(b) and (c) of the Indenture. The PAC shall provide a certificate to Financial Security setting forth all expenses incurred in performing such services. Except as specifically set forth in the immediately preceding sentence, neither the PAC nor any officers, directors or employees of the PAC shall be permitted to receive or handle any funds related to the Project and the Bonds, it being expressly understood that the Property Manager shall have the sole right to collect revenues and other amounts related to the Project to be deposited into the Deposit Only Account, and to, receive certain amounts from the Trustee in order to maintain and operate the Project.

ARTICLE VII

BUDGET APPROVAL AND EXPENDITURE LIMITATIONS

Section 7.01. *Annual Budget Approval.* The PAC shall ensure that a Budget is prepared for the Project pursuant to Section 9 of the Management Agreement.

Section 7.02. *Expenditure Limitations.* The PAC agrees that the following limitations will apply to its activities as they relate to financial matters:

(a) No member of the PAC's Board of Directors shall be entitled to receive any compensation for service in that capacity. The PAC's Board of Directors shall certify to the Owner on the Closing Date that none of such Directors have received any compensation from Bond proceeds or any other source of Bond proceeds or Project funds.

(b) The annual expenditures for the Property Manager and other experts with respect to the Project shall be reasonable in amount and shall be contained in the Budget.

(c) No expenditures related to the Project shall be inconsistent with the usual good practices in the mobilehome park industry in the San Francisco Bay area. All expenditures related to the Project shall, in the best business judgment of the PAC and the Property Manager be made for the benefit of the Project.

Section 7.03. *Monthly Reports.* On the twentieth day of each month, commencing May 20, 1997, the PAC will cause the Property Manager to provide Financial Security, the Owner and the PAC with a Profit & Loss Statement, Cash Flow Statement, Balance Sheet and Budget Control Report for the prior month.

ARTICLE VIII

RECORDS, REPORTS AND AUDITS

The PAC shall cause the Property Manager to maintain the books and records of the Project on an accrual basis and the books and records shall be audited annually by a firm of nationally recognized certified public accountants acceptable to Financial Security and the Owner.

Section 8.01. *Maintenance of Records.* The PAC shall cause the Property Manager to maintain, at the offices of the Project during the Term of this Agreement, papers, contracts, books, ledgers, journals, accounts and other data (collectively referred to as "Records") which (a) reflect the identity and interest of all persons having any beneficial interest, whether direct or indirect, in the PAC or the Project; (b) reflect the identity and capacity of all officers, directors and other persons having managerial responsibility of and for the PAC or the Project; (c) reflect all of the business activities of the Project; and (d) verify compliance with the provisions of the Pledge Agreement. These Records shall include, but not be limited to, the financial and other Records which reflect all of the receipts and disbursements of whatever nature from, on and after the date of delivery of the Bonds related to the Project.

Section 8.02. *Examination of Records.* The PAC shall permit the Owner and Financial Security to examine and, at the expense of the Project, to have copies made of all Records required to be maintained pursuant to this Section. Any such examination and copying shall be during reasonable business hours and upon the giving of reasonable notice to the PAC or the Property Manager.

Section 8.03. *Financial Statements*. The PAC shall cause to be furnished to the Owner and Financial Security quarterly and annual financial statements with respect to the Project and the Agency in accordance with Section 2.02(c) of the Insurance Agreement. The expense of such audit shall be paid or reimbursed from the Revenues of the Project as an operating expense included in the Budget.

Section 8.04. *Reports and Certificates*. The PAC hereby undertakes to provide or cause the Property Manager to provide all reports and certificates required to be provided by the Owner pursuant to the Mortgage Loan Documents.

Section 8.05. *Location of Records*. The Records shall be kept and maintained in such a manner as is usual and customary for businesses of the same type conducted in the State of California at the time. In no event, however, shall those Records be less detailed and complete than is customary or required by law for privately held businesses of the same type in the State of California at the time of the execution of this Agreement. The PAC may destroy or dispose of any Records which are five years or more of age after such Records have been offered to the Owner and Financial Security for retention and/or copying.

ARTICLE IX

MAINTENANCE AND ALTERATIONS TO THE PROJECT

Section 9.01. *Personal Property*. The PAC shall provide and maintain in good repair all personal property and equipment which may be necessary to enable the PAC to operate the Project for the purposes authorized by this Agreement and to fulfill its obligations under this Agreement. Other than with respect to the Project, the Owner shall not be permitted the use of any personal property or equipment of the Project during the term of this Agreement. The Owner is not required to furnish or maintain any items of personal property or equipment.

Section 9.02. *Mechanics Liens*. During the term of this Agreement, the PAC will not in any way encumber or cloud the title to the Project, or any part thereof, and will promptly pay and discharge any and all debts contracted by it in reference thereto for labor, material, or services or anything connected with or used by it upon the Owner's property to the end that no liens shall attach thereto.

If, nevertheless, any such lien shall be recorded, such lien may be contested in good faith by the PAC with the written consent of Financial Security.

ARTICLE X

[RESERVED]

ARTICLE XI

[RESERVED]

ARTICLE XII

INDEMNIFICATION AND INSURANCE

Section 12.01. *Indemnification.* The PAC agrees to indemnify, defend and hold harmless the Owner, Financial Security, CLGFA and the Trustee and its respective officers, agents, servants and employees, from any and all claims, demands, suits, causes of action or damages, of any kind or character, including reasonable attorneys' fees, and by whomever claimed, arising out of or in any way connected with (i) the operation and control of the Project by the PAC, (ii) any of the activities of the PAC, its agents, contractors, employees, concessionaires or assigns, conducted upon the Project or in connection with the operation and control of the Project, (iii) the PAC's performance under this Agreement or any other agreement to which the PAC is a party which pertains to the Project, (iv) the PAC's violation of or noncompliance with any applicable law, ordinance or regulation, and/or (v) the PAC's violation of any law, ordinance or regulation governing or pertaining to Hazardous Materials. However, the PAC shall have the right to contest the validity of any and all claims and demands and defend any and all such suits, causes of action, and claims for damages, of any kind or character and by whomsoever claimed, as the PAC may deem necessary or proper.

Section 12.02. *Insurance Coverage.* The PAC shall cause the Property Manager to maintain in full force and effect at all times during the Term of this Agreement, the insurance coverage required under the Loan Agreement and the Insurance Agreement as required by Section 8 of the Management Agreement.

Section 12.03. *Evidence of Insurance.* Evidence of insurance shall be provided by the PAC to the Owner, CLGFA and Financial Security prior to the commencement of the Term of this Agreement and otherwise at such times and in such manner as the Owner, CLGFA or Financial Security shall from time to time request.

ARTICLE XIII

ASSIGNMENT

The PAC shall not assign, mortgage, pledge, hypothecate or otherwise dispose of this Agreement, or any of its rights, privileges, or obligations under this Agreement, or the Project or any portion of the Project, nor shall the PAC suffer any other person to operate the Project or any portion thereof, without the prior written consent of the Owner and Financial Security, and then only upon such terms and conditions as may be prescribed by the Owner and Financial Security. Any consent granted shall not be deemed to confer any right upon the PAC to

thereafter do or suffer any of these prohibited acts. A majority of the PAC's board of directors shall consist of tenants at the Project.

ARTICLE XIV

DEFAULT AND REMEDIES

The performance of each of the PAC's obligations under this Agreement is a condition as well as a covenant. The PAC's right to continue its operation and control of the Project is conditioned upon such performance.

Section 14.01. *Events of Default.* The occurrence of any of the following shall constitute a default and breach of this Agreement by the PAC:

(a) If the PAC is denied any license legally required to operate a mobilehome park or if the PAC ceases to operate the Project.

(b) If the PAC fails to cause to be made any payment required by this Agreement, the Loan Agreement or the Insurance Agreement or any other charge to be paid by the PAC as and when due, where such failure continues for one Business Day after written notice thereof by the Owner, the Trustee or Financial Security to the PAC.

(c) If (i) a general assignment or general arrangement for the benefit of creditors made by the PAC; (ii) a petition for adjudication of bankruptcy or reorganization or rearrangement is filed by or against the PAC; (iii) there is appointed a trustee or receiver to take possession of substantially all of the PAC's assets; or (iv) substantially all of the PAC's assets are subjected to attachment, execution or other judicial seizure which is not discharged within 30 days.

(d) Any representation or warranty made by the PAC under this Agreement, the Loan Agreement, the Management Agreement, the Insurance Agreement or any other agreement related to the Project or the Bonds to which the PAC is a party, or in any certificate or report furnished under this Agreement, the Loan Agreement, the Management Agreement, the Insurance Agreement or any other agreement related to the Project or the Bonds to which the PAC is a party, shall prove to be untrue or incorrect in any material respect as of the date when made or deemed to be made.

(e) A continuing violation or breach of any covenant or material term of this Agreement, the Loan Agreement, the Management Agreement, the Insurance Agreement or any other agreement related to the Project or the Bonds to which the PAC is a party (other than a failure or breach described in another paragraph of this Section 14.01) for a period of 30 days after written notice of such breach is given to the PAC by the Owner, the Trustee or Financial Security, 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, the PAC shall have given notice to Financial Security, the Trustee and the Owner of corrective action it proposes to take, which corrective action is consented to in writing by the Owner, the Trustee and Financial Security, which consent shall not be unreasonably withheld or delayed, and the PAC shall thereafter pursue such corrective action diligently until such default is cured.

(f) Failure of the PAC to have a Property Manager operating the Project and a Management Agreement in effect at all times.

(g) Failure of the PAC to respond, in a timely manner, to any written inquiry of the Owner or Financial Security pertaining to any reports prepared pursuant to the Management Agreement.

(h) An "Event of Default" has occurred under the Management Agreement.

(i) An "Event of Default" has occurred under any agreement pertaining to the Project into which the PAC and/or the Property Manager have entered into.

(j) Any action or lawsuit is filed by the PAC against the Owner.

(k) If any insurance is not procured or maintained as provided for in this Agreement as the result of any act or omission by the PAC.

Section 14.02. ***Rights and Remedies.*** Upon the occurrence of a default by the PAC, and at any time thereafter, with or without further notice or demand and without limiting the Owner in the exercise of any right or remedy which it may have, Financial Security or the Owner (with Financial Security consent) shall be entitled to terminate the PAC's rights hereunder by any lawful means, in which case this Agreement shall terminate and the PAC shall immediately surrender any and all control over the Project to the Owner. In such event, the Owner shall have the immediate right to remove all persons and property of the PAC and such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of, the PAC, all without service of notice or resort to legal process and without becoming liable for any loss or damage which might be occasioned thereby.

Section 14.03. ***Procedure for Termination.*** The Owner shall not be deemed to have terminated this Agreement, the PAC's rights hereunder or the liability of the PAC to pay any payment required under this Agreement, the Loan Agreement or the Insurance Agreement thereafter to accrue or its liability for damages under any of the provisions hereof, unless the Owner shall have notified the PAC in writing that it has so elected to terminate this Agreement.

Section 14.04. ***Cumulative Nature of Remedies.*** All rights, options and remedies of the Owner contained in this Agreement shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and the Owner shall have the right to pursue any one

or all of such remedies or any other remedy or relief which may be provided by law whether or not stated in this Agreement.

Section 14.05. *No Waiver.* No waiver of any default of the PAC hereunder shall be implied from any omission by the Owner or Financial Security to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect default other than as specified in that waiver. The consent or approval by the Owner or Financial Security to or of any act by the PAC requiring the Owner's or Financial Security's consent or approval shall not be deemed to waive or render unnecessary the Owner's or Financial Security's consent to or approval of any subsequent similar acts by the PAC. No waiver by the Owner or Financial Security of a breach of any of the terms, covenants or conditions of this Agreement by the PAC shall be construed or held to be a waiver of any succeeding or preceding breach of the same or any other term, covenant or condition.

ARTICLE XV

HAZARDOUS MATERIALS

Section 15.01. *Prohibition of Storage.* The PAC shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Project, by the PAC, its agents, employees, contractors or invitees in a manner or for a purpose prohibited by any governmental agency or authority. If the presence of any Hazardous Material on the Project caused or permitted by the PAC prior to or during the term of this Agreement results in any contamination of the Project, the PAC shall promptly take all actions at its sole expense as are necessary to return the Project to the condition existing prior to the introduction of any such Hazardous Material to the Project, provided that the Owner's consent to such action shall first be obtained.

Section 15.02. *Definition of Hazardous Material.* As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is (a) defined as a "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7 or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law); (b) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 2, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act); (c) defined as a "hazardous material," "hazardous substance" or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Substances); (d) petroleum; (e) asbestos; (f) listed under Article 9 and defined as hazardous or extremely hazardous pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20; (g) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317); (h) defined as a "hazardous waste" pursuant to Section 1004 of the Federal

Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, *et seq.* (42 U.S.C. Section 6903); or (i) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. Section 9601, *et seq.* (42 U.S.C. Section 9601).

ARTICLE XVI

COMPLIANCE WITH LAW

The Owner represents and warrants to the PAC that this Agreement has been authorized and entered into by the Owner in compliance with all applicable laws. The PAC represents and warrants to the Owner that this Agreement has been authorized and entered into by the PAC in compliance with all applicable laws.

ARTICLE XVII

MISCELLANEOUS PROVISIONS

Section 17.01. *California Law Governs.* This Agreement shall be governed by and construed in accordance with the laws of the State of California. The reference in this Agreement to any legislation shall be read as though the words for any statutory modifications or reenactments thereof or any statutory provisions substituted therefore, were added to such reference.

Section 17.02. *Meaning of Headings.* The section headings of this Agreement are only to assist the parties in reading the Agreement and shall have no effect upon its construction or interpretation.

Section 17.03. *Damage.* The PAC shall not damage the Project or any part thereof, or permit any acts to be done thereon in violation of any law or which create a nuisance and shall not operate the Project or any part thereof for any immoral purpose.

Section 17.04. *Assignability.* This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. Notwithstanding any provision of this Agreement, this Agreement shall not be assigned or assignable by operation of law and in no event shall this Agreement be an asset of the PAC in any receivership, bankruptcy, insolvency or reorganization proceeding. Any assignment of this Agreement shall be subject to the provisions contained in the Loan Agreement and the written consent of Financial Security.

Section 17.05. *Partial Invalidity.* If any term or provision of this Agreement shall be held invalid or unenforceable to any extent under any applicable law by a court of competent Jurisdiction, the remainder of this Agreement shall not be affected and each remaining term and provision shall be valid and enforceable to the fullest extent permitted by law. To the extent that

the provisions of applicable law may be waived, they are hereby waived to the end that this Agreement be deemed to be a valid and binding agreement and enforceable in accordance with its terms.

Section 17.06. *Giving of Consent.* Whenever the Owner is required or authorized to give consent or approval to or authorization of, any act of the PAC, such consent, approval or authorization may be given by such committee or person as may be designated by the Owner. The action of such committee or person shall be binding on the parties for whom such action is taken.

Section 17.07. *Entire Agreement.* This Agreement, along with any schedules, exhibits, attachments or other documents referred to, constitutes the entire and exclusive agreement between the Owner and the PAC relative to the operation and control of the Project. This instrument and such exhibits, attachments and other documents may be amended or revoked only by an instrument in writing signed by both the Owner and the PAC or their respective successors in interest. The Owner and the PAC agree that no prior agreement, understanding or representation pertaining to any matter covered or mentioned in this Agreement shall be effective for any purpose.

Section 17.08. *Notices.* All notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by certified or registered mail, return receipt requested and postage prepaid. If any request, demand or notice is to be given by personal delivery it shall be given as follows: (a) in the case of the PAC, to the Chairman of the Board or the President; or (b) in the case of the Owner, to the Chairman.

If any request, demand or notice is to be given by mail, it shall be delivered as follows:

If to the Owner:

Novato Financing Authority
900 Sherman Avenue
Novato, CA 94945
Attention: Deputy Director of Redevelopment
FAX: (415) 897-4354

If to the PAC:

Park Acquisition Corporation of Marin Valley
Mobile Country Club
100 Marin Valley Drive
Novato, CA 94949-9716
Attention: President

If to Financial Security:

Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022
Attention: Surveillance Department
Telephone: (212) 826-0100
Telecopier: (212) 339-3518 or (212) 339-3529

Any person or address set forth above may be changed, or other persons added, by giving notice in accordance with the provisions of this subsection.

Section 17.09. ***Third-Party Beneficiary.*** Financial Security and CLGFA shall be third-party beneficiaries to this Agreement, entitled to enforce the provisions hereof as if parties hereto.

Section 17.10. ***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 17.11. ***Limited Obligation.*** Under no circumstances shall the City of Novato 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 Agreement.

Section 17.12. ***Non-discrimination.*** The PAC covenants by and for itself, its successors and assigns and all persons claiming under or through it, and this Agreement is made and accepted upon and subject to the condition that, there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, sex, physical handicap, disability, national origin, or ancestry in the operation and control of the Project; provided, however, that the PAC shall be allowed to maintain the Project as a "Seniors Only Facility" restricting spaces to residents who are 55 years old or older.

Section 17.13. ***Amendments.*** This Agreement may be amended only by the mutual agreement of the Owner and the PAC, with the prior written consent of Financial Security, evidenced by a written amendment duly executed by the Owner and the PAC.

Section 17.14. ***Execution of Certain Documents.*** The Owner hereby authorizes the PAC to enter into and to execute the Deposit Only Account Agreement on its behalf.

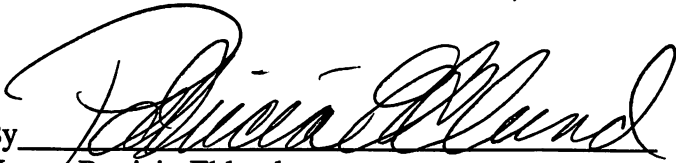
Section 17.15. ***Execution and Binding Effect.*** This Agreement shall not be binding upon the Owner until it has been duly executed by the Owner.

Section 17.16. ***Counterparts.*** This Agreement 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 Agreement, and, in making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

IN WITNESS WHEREOF, the Owner has caused this Delegation Agreement to be executed by its Chairman, and the PAC has caused this Agreement to be executed by its President, all as of the 1st day of March, 1997.

NOVATO FINANCING AUTHORITY, as Owner

By 
Name Patricia Eklund
Title Chair

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB


By 
Name Owen V. Haxton
Title President

EXHIBIT A
FORM OF MANAGEMENT AGREEMENT

MANAGEMENT AGREEMENT

Between

PARK ACQUISITION CORPORATION OF MARIN VALLEY
MOBILE COUNTRY CLUB

and

FREI REAL ESTATE SERVICES
Contractor

For:

MARIN VALLEY MOBILE COUNTRY CLUB

Located in:

NOVATO, CA

Dated as of November 1, 1997

TABLE OF CONTENTS

	<u>Page</u>
Section 1. Definitions and Construction	1
Section 2. Appointment; General Duties	5
Section 3. Powers and Duties of the Contractor	6
Section 4. Term	8
Section 5. Very Low Income Residents, Lower Income Residents and Moderate Income Residents	9
Section 6. Rental Agreements	10
Section 7. Maintenance	11
Section 8. Hold Harmless and Insurance	12
Section 9. Financial Management	14
Section 10. Capital Plan; Capital Improvement Agreement	16
Section 11. Compensation	18
Section 12. Documentation and Records	18
Section 13. Contract Compliance	19
Section 14. Events of Default	19
Section 15. Remedies	21
Section 16. [RESERVED]	21
Section 17. Transfer of Records	21
Section 18. Project Coordination	22
Section 19. Independent Contractor	24
Section 20. Successors; Assignability	24
Section 21. [RESERVED]	25
Section 22. Disclosure of Confidential Information	25
Section 23. Waiver of Rights and Remedies	25
Section 24. Amendments	25
Section 25. Integrated Document; Counterparts	25
Section 26. Invalidity	26
Section 27. Third-Party Beneficiary	26
Section 28. Representations and Warranties	26

MANAGEMENT AGREEMENT

This Management Agreement (this "Agreement"), dated as of November 1, 1997, is between Park Acquisition Corporation of Marin Valley Mobile Country Club, a nonprofit mutual benefit corporation duly organized and existing under the laws of the State of California (the "PAC"), and Frei Real Estate Services (the "Contractor"). The PAC is obligated to enter into a management agreement with respect to a 315-space mobile home park located in the City of Novato, California, known as the Marin Valley Mobile Country Club (the "Project"), pursuant to the terms of a Delegation Agreement dated as of March 1, 1997 (the "Delegation Agreement"), between the PAC and the Novato Financing Authority, as owner of the Project (the "Owner"). Terms used in this Agreement have the meanings set forth in Section 1, unless the context requires otherwise.

WITNESSETH :

WHEREAS, pursuant to the Delegation Agreement, the PAC has certain responsibilities and duties with respect to the Project on behalf of the Owner; and

WHEREAS, the PAC issued a Request for Proposal and received complete and responsive proposals from five firms; and

WHEREAS, the PAC thoroughly evaluated the various proposals and, based on several evaluation criteria, selected Storz Management Company, Inc. ("Storz") as the initial manager of the Project, but has elected to terminate the management agreement with Storz and enter into this Agreement with the Contractor; and

WHEREAS, the PAC wishes to appoint the Contractor to operate and manage the Project pursuant to this Agreement;

NOW, THEREFORE, the Contractor and the PAC, for and in consideration of the mutual promises and agreements herein contained do agree as follows:

Section 1. *Definitions and Construction.*

(a) The following terms used herein shall have the following meanings unless the context in which they are used clearly requires otherwise.

"*Agreement*" means this Management Agreement, dated as of November 1, 1997, between the Contractor and the PAC, as it may be supplemented or amended from time to time in accordance with the terms hereof.

"*Bond Counsel*" means any attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code.

"*Bonds*" shall mean any of the \$15,485,000 Senior Revenue Bonds, Series 1997A (Marin Valley Mobile Country Club Park Acquisition), Issued for the Benefit of the Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority, and the \$1,585,000 Subordinate Revenue Bonds, Series 1997B (Marin Valley Mobile Country Club Park Acquisition), Issued for the Benefit of the Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority.

"*Business Day*" means any day other than (a) a Saturday or Sunday, (b) a day on which (i) banking institutions in the City of New York, New York, or in San Francisco, California, are authorized or obligated by law or executive order to be closed or (ii) the New York 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 only, a day on which the offices of the City of Novato are closed to the public.

"*Capital Plan*" means the plan of capital expenditures described in Section 10 hereof and required to be prepared by the Owner or the PAC on behalf of the Owner pursuant to Section 6.02 of the Loan Agreement.

"*City*" means the City of Novato, a municipal corporation duly organized and existing under the laws of the State of California.

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

"*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, or temporary regulations and revenue rulings issued or amended with respect thereto by the Treasury Department or Internal Revenue Service of the United States.

"*Deposit Only Account*" shall mean the Deposit Only Account established pursuant to the Deposit Only Agreement; and any successor account of which the Contractor receives written notice from Financial Security.

"*Deposit Only Agreement*" means the Amended and Restated Deposit Only Account Agreement, or any substitute agreement, in form and substance approved by Financial Security.

"*Effective Date*" means October 15, 1997.

"*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 or assigns thereto.

"*Fiscal Year*" means the twelve-month period commencing July 1 and ending on June 30 of the succeeding calendar year.

"*Housing Law*" means Section 34312 of the Health and Safety Code of the State of California, as now in effect and as it may be amended.

"*Indenture*" means the Trust Indenture, dated as of March 1, 1997, between CLGFA and the Trustee, as the same may be amended from time to time in accordance with its terms.

"*Loan Agreement*" means the Loan Agreement dated as of March 1, 1997, among the PAC, the Owner and CLGFA, as the same may be amended from time to time in accordance with its terms.

"*Lower Income Residents*" has the meaning given to such term pursuant to the Pledge Agreement.

"*Lower Income Spaces*" has the meaning given to such term pursuant to the Pledge Agreement.

"*Management Fee*" means the management fee payable pursuant to Subsection 11(a) hereof.

"*Management Plan*" means Exhibit A to this Agreement.

"*Moderate Income Residents*" has the meaning given to such term pursuant to the Pledge Agreement.

"*Moderate Income Spaces*" has the meaning given to such term pursuant to the Pledge Agreement.

"*Monthly Reports*" means the reports described in Section 7 of the Management Plan.

"*Mortgage*" shall have the meaning provided in the Indenture.

"*Mortgage Loan Documents*" shall have the meaning provided in the Indenture.

"NOI" has the meaning set forth in the Indenture.

"Operating Budget" shall have the meaning provided in Section 9 hereof.

"Operation and Maintenance Account" means the account established pursuant to Section 3 of the Management Plan.

"Owner" means the Novato Financing Authority, its successors and permitted assigns.

"Owner Representative" means the Chair of the Owner or any person designated in writing by the Chair to act on behalf of the Owner under or with respect to this Agreement.

"PAC" means the Park Acquisition Corporation of Marin Valley Mobile Country Club, its successors and assigns.

"PAC Representative" means the President of the PAC or any person designated in writing by the President to act on behalf of the PAC under or with respect to this Agreement.

"Pledge Agreement" means the Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants dated as of March 1, 1997, by and among the PAC, the Redevelopment Agency of the City of Novato and the Owner.

"Project" means the mobile home park known as the Marin Valley Mobile Country Club located on the land described on Exhibit A to the Loan Agreement, including the real property described in such Exhibit A, the Improvements (as defined in the Indenture) 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.

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

"Revenues" means (i) all rents, income, receipts, utility charges and other revenues arising from the operation of the Project, including but not limited to the rents, late charges, penalties, security deposits and other amounts payable to the Contractor on behalf of the Owner by Project residents, or from others for services provided in connection with, or for the use of the Project or any portion thereof and (ii) all nonoperating revenues of the Project.

"Senior Debt Service Coverage Ratio" shall have the meaning provided in the Indenture.

"*Trigger Event*" shall have the meaning provided in the Indenture.

"*Trustee*" means First Trust of California, National Association, its successors and assigns.

"*Very Low Income Residents*" has the meaning given to such term pursuant to the Pledge Agreement.

"*Very Low Income Spaces*" has the meaning given to such term pursuant to the Pledge Agreement.

(b) Unless the context clearly requires otherwise, words of the masculine, feminine or neuter gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number and vice versa, when appropriate. All the terms or provisions hereof shall be construed to effectuate the purposes set forth in this Agreement and to sustain the validity hereof.

The captions of this Agreement are for convenience of reference only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

All exhibits to this Agreement constitute a part of this Agreement.

Section 2. *Appointment; General Duties.* The PAC hereby appoints the Contractor the exclusive agent of the Owner and the PAC, for the term specified herein, to rent, lease, operate, manage and maintain the Project, including any mobile homes situated at the Project which are owned or leased, or any hereinafter owned or leased, upon the terms and conditions set forth in this Agreement. The Contractor hereby accepts such appointment.

The PAC and the Contractor hereby agree as follows:

(a) *Generally.* The Contractor shall manage and operate the Project in accordance with the Management Plan, as an independent contractor, for the period and upon the terms herein provided, and agrees to furnish the services of its organization for the operation and management of the Project, according to generally accepted procedures and practices usual and customary to management of a mobile home park. The Contractor, in the conduct of its activities hereunder, shall take no action, and shall not suffer or permit any resident of space within the Project to take any action, which would cause the loss or impairment of the exclusion from gross income for federal income tax purposes of interest paid with respect to the Bonds.

(b) *Compliance With Law.* The Contractor and its subcontractors, agents and employees shall operate the Project in compliance with all applicable provisions of

federal, state and local law, including, but not limited to, the Mobile Home Residency Law (California Civic Code, Section 10000 et. seq.), Title 25 of the California Administrative Code and Ordinance No. 1341 of the City of Novato and any other applicable laws, regulations and ordinances now in effect or hereinafter enacted, and to maintain any and all records necessary and proper to show compliance therewith.

(c) *Collection of Revenues.* The Contractor shall collect all Revenues and other charges which at any time are due or become due from any resident of the Project occupying space in the Project, or from others for services provided in connection with, or for the use of the Project or any portion thereof. All Revenues shall be the property of the Owner, subject to the pledge and first lien of the Trustee, and, while in the custody of the Contractor, shall be held by the Contractor in trust, separate and apart from all other funds and accounts of the Contractor, the PAC and the Owner, as the Owner's agent hereunder.

The Contractor shall deposit any Revenues collected with respect to the Project, other than security deposits, (i) received prior to 2:00 p.m., Pacific standard time, into the Deposit Only Account on the date of receipt by the Contractor, unless such day is not a Business Day, in which case such funds will be deposited on the next Business Day and (ii) received after 2:00 p.m., Pacific standard time, into the Deposit Only Account on the first day immediately succeeding the date of receipt by the Contractor. The PAC will give the Contractor a copy of the Deposit Only Agreement on the Effective Date.

Any security deposits collected by the Contractor will be deposited in a separate account, established for such deposits.

(d) *Cooperation in Litigation.* The Contractor shall assist the PAC, Financial Security, the Trustee, the Owner, their legal counsel or their insurance carriers, as applicable, in any ongoing litigation or litigation hereafter filed by any resident, potential resident or any other person(s) related to the ownership or operation of the Project. The PAC shall assist the Contractor, its legal counsel or its insurance carrier in any ongoing litigation or litigation filed against the Contractor relating to the maintenance, operation or management of the Project, the collection of rents or other Revenues or the enforcement of leases, rental agreements or other contracts respecting the Project.

(e) *Processing Complaints.* The Contractor shall receive complaints of residents of the Project and shall respond to such complaints in a prudent manner, subject to the limitations imposed by or pursuant to this Agreement. The Contractor agrees to maintain copies of any such complaints received as well as correspondence from the Contractor on behalf of the PAC and make them available for the PAC's, the Owner's, the Trustee's and Financial Security's inspection.

Section 3. *Powers and Duties of the Contractor.* The PAC hereby gives the Contractor the following powers and duties in connection with the operation of the Project and in accordance with this Agreement.

(a) *Generally.* The Contractor shall enter into such agreements, contracts and arrangements as it may deem necessary for the operation of the Project, consistent with the terms and conditions as set forth herein. Without limiting the generality of the foregoing, the Contractor shall have the right and duty (i) to sign, renew, amend, enforce, terminate and/or cancel leases and/or rental agreements for the Project or any portion hereof, subject to the right of the PAC to approve the form of such leases and agreements to collect rents, security deposits or other charges and expenses due or to become and to give receipts therefor; (ii) to sign and serve in the name of the Owner such notices as are appropriate to, with written notice to the Owner Representative, institute and prosecute actions to evict residents of the Project and/or to recover rents and other Revenues due and enforce leases and rental agreements, in the name of the Contractor or in the name of the Owner; and (iii) when expedient, to settle, compromise and release such actions or suits or reinstate such tenancies. The Contractor shall fairly and uniformly enforce the rules and regulations of the Project as they now exist or as hereinafter may be amended. The Contractor shall, in accordance with standards of prudent business practice, enforce the provisions of all leases and rental agreements for spaces within the Project.

The Contractor shall have the right and duty to hire attorneys, accountants and other professionals selected with due care to assist in the performance of its duties hereunder. None of the work or services to be performed hereunder shall be assigned, delegated or subcontracted to third parties without the prior written approval of the PAC, the Owner and Financial Security. Copies of all third-party contracts shall be submitted to the PAC, the Owner and Financial Security for approval at least 10 Business Days prior to the proposed effective date. If the PAC, the Owner and Financial Security approve any such assignment, delegation or subcontract, the subcontractors, assignees or delegates shall be deemed to be employees of the Contractor, and the Contractor shall be responsible for their performance and any liabilities attaching to their actions or omissions.

(b) *Repairs.* The Contractor shall have the obligation to make, or cause to be made, and supervise repairs and decorations to the Project in accordance with the Operating Budget and the Capital Plan, or as otherwise approved by the PAC, the Owner and Financial Security, and shall have the right to purchase supplies and pay all bills therefor, subject in all respects to the provisions of this Agreement. The Contractor agrees to obtain a minimum of three estimates for any such single repair in excess of five thousand dollars (\$5,000), except for emergency repairs.

(c) *Utilities and Services.* The Contractor shall have the right to make contracts, in the capacity of agent for the Owner and in the Owner's name, for

electricity, natural gas, fuel, water, telephone, cable TV, trash or rubbish hauling, janitorial, security, pool maintenance or servicing, landscaping and other utilities and/or services or such of them as the Contractor shall deem advisable and as required by the rental/lease agreements with the residents of the Project.

(d) *Employees.* The Contractor shall have the right to hire, discharge and supervise all labor required for the operation of the Project. All such employees shall be the employees of the Contractor and shall be adequately bonded, if required by the PAC in an amount satisfactory to the PAC. All such employees shall be compensated in accordance with provisions of this Agreement. Such employees shall be used for the maintenance and operation of the Project only.

(e) *Modifications to Project.* Subject to the limitations set forth in this Agreement, the Contractor shall make additions, alterations, modifications and improvements to the Project in accordance with the Capital Plan or as otherwise approved in writing by the PAC, the Owner and Financial Security. Such additions, alterations, modifications and improvements, or any removal thereof, shall not in any way damage the Project, decrease the level of service received by Project residents or cause the Project to be used for purposes other than those authorized under the provisions of state and federal law, including the Code (including sections governing the tax-exempt status of the Bonds), and the Mortgage Loan Documents. The Project, upon completion of any additions, alterations, modifications and improvements, shall be of a value which is not less than the value thereof immediately prior to the making of such additions, modifications and improvements.

(f) *Subject to Financial Considerations.* All decisions by the Contractor with respect to any contract, agreement or other arrangement for the setting of rents or charges for the use by any resident of space in the Project shall be consistent with the requirement of the Owner to repay its financial obligations with respect to the Project and the Bonds from the Revenues paid to the Trustee pursuant to the provisions of this Agreement. Upon written or oral notice from the PAC Representative, the Owner or Financial Security to the Contractor stating that an action, which the Contractor proposes to take or refrain from taking, could have the effect of reducing Revenues below the amount required by the Owner to meet its obligations under the Mortgage Loan Documents, the Contractor shall comply with all directions given to it by the Owner or Financial Security, as applicable, as consented to by the Owner or Financial Security, as applicable, with respect to such action.

Section 4. *Term.* The initial term of the appointment of the Contractor (the "Initial Term") shall be for the period beginning on the Effective Date and ending on the 30th day of June, 1998. On July 1, 1998 and each anniversary thereof, this Agreement will be extended for an additional term (each such term, a "Subsequent Term") consisting of the next 12 consecutive months, unless (a) an Event of Default exists under this Agreement, (b) a Trigger Event exists, (c) the Contractor or (with the consent, which shall not be unreasonably withheld, or at the

direction, of Financial Security) the PAC gives written notice to each other party hereto and to the Trustee and Financial Security that it does not intend to extend the term of this Agreement or (d) the parties hereto and the Owner are unable to reach an agreement in this Section 4.

On October 1, 2010, and on October 1, 2025, this Agreement shall be subject to review by both parties hereto and by the Owner. The parties agree to meet together with the Owner at mutually agreeable times for the review and, if necessary, renegotiate one or more of the terms hereof. If the parties and the Owner agree to modifications of this Agreement, with the prior written consent of Financial Security such modifications shall be incorporated herein by amendment as hereinafter provided, such amendments to become effective on the date stipulated therein. In the event the parties and the Owner do not agree to modifications of this Agreement, this Agreement shall continue in effect without modifications until a replacement property manager is retained by the PAC, with the prior written consent of Financial Security, with respect to the Project; provided, however, that if a replacement manager has not been retained within six months following the commencement of such renegotiations Financial Security shall have the right to appoint a replacement property manager. If an Event of Default or a Trigger Event exists, this Agreement may not be extended for a Subsequent Term without prior written consent of Financial Security, such consent to be in its sole discretion. This paragraph of Section 4 may be amended in accordance with Section 24 herein only upon the delivery of an opinion of Bond Counsel to the effect that such amendment shall not affect the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

Either the PAC or the Owner, with the prior written consent of Financial Security, or the Contractor may terminate this Agreement for any reason by giving 30 days' prior written notice to the other party hereto, Financial Security, the Owner and the Trustee. In addition, if the Delegation Agreement is terminated, the Owner shall assume all of the rights, duties and obligations of the PAC contained herein.

Section 5. *Very Low Income Residents, Lower Income Residents and Moderate Income Residents.* Pursuant to the requirements of the Pledge Agreement, the Housing Law and the Redevelopment Law, the Contractor hereby covenants as follows:

(a) *Rent to Very Low Income Residents, Lower Income Residents or Moderate Income Residents.* The Contractor has reviewed a copy of the Pledge Agreement. The Contractor will comply with the provisions thereof relating to the renting of Very Low Income Spaces to Very Low Income Residents, Lower Income Spaces to Lower Income Residents and Moderate Income Spaces to Moderate Income Residents.

(b) *No Discrimination.* The Contractor will not give preference to any particular class or group of persons in renting the mobile home sites in the Project, except to the extent that sites are Very Low Income Spaces, Lower Income Spaces or Moderate Income Spaces and except to the extent that the Project continues to be maintained as a "Seniors Only Facility" which rents sites solely to persons who are 55

years old or older. Residents occupying Very Low Income Spaces, Lower Income Spaces and Moderate Income Spaces will have equal access to and enjoyments of all common facilities of the Project as other residents. Subject to the first sentence of this Subsection (b), all of the mobile home sites in the Project shall be leased or rented, or held available for lease or rental, to the general public. In the performance of its obligations under this Agreement, the Contractor will comply with the provisions of any federal, state or local law prohibiting discrimination in housing on the grounds of, but not limited to, race, color, sex, creed or national origin, including, but not limited to, Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241), regulations issued pursuant to Executive Order 11063; Title VIII of the 1968 Civil Rights Act; and the Americans With Disabilities Act of 1990.

(c) *Certificate of Resident Eligibility.* The Contractor will obtain and maintain on file from each Very Low Income Resident, Lower Income Resident and Moderate Income Resident, a certification of resident eligibility in a form approved by the PAC Representative, consistent with the Pledge Agreement.

(d) *Maintenance of Records.* The Contractor will maintain complete and accurate records pertaining to the Very Low Income Spaces, Lower Income Spaces and Moderate Income Spaces and will permit the PAC Representative, the Owner, the Trustee and Financial Security to inspect the books and records of the Contractor pertaining to the incomes of Very Low Income Residents, Lower Income Residents and Moderate Income Residents of the Project.

(e) *Certificate of Compliance.* The Contractor will prepare and submit to the PAC, Financial Security, the Trustee, the Agency and the Owner no later than the thirty-first day of January of each year during the term of this Agreement a Certificate of Continuing Program Compliance in substantially the form attached to the Pledge Agreement as Appendix B, commencing January 31, 1998, and executed by the PAC.

(f) *Rental Assistance.* The Contractor shall have the right to provide a rental assistance program for the benefit of any resident in the Project under qualifications standards which are consistent with Section 8 of the United States Housing Act of 1937, as approved by the PAC, provided that such rental assistance program is consistent with the requirements of the preceding paragraph (a).

Section 6. *Rental Agreements.*

(a) The Contractor shall use best efforts to secure and/or retain residents for the Project. The Contractor shall rent the spaces in the Project pursuant to a rental schedule, a form of rent agreement, a form of rules and regulations and general guidelines approved by the PAC, which shall incorporate the requirements imposed on the Project by the Pledge Agreement. Any necessary advertising to rent or lease spaces in the Project shall be done in the name of the Project out of funds available pursuant to

the Operating Budget. The PAC Representative shall have the right to revise the form of rental agreements from time to time during the term of this Agreement, upon written notice to the Contractor. As long as any Bonds are Outstanding (as defined in the Indenture), each rental agreement (written or oral) executed after the Effective Date shall direct the tenant to make all rent checks payable to the Trustee. On or prior to the Effective Date, all tenants then living in the Project shall be directed to make rent checks payable to the Trustee.

(b) Each resident of the Project on the Effective Date of this Agreement shall have the right to remain in occupancy under the existing terms and conditions of such resident's current lease or rental agreement, as modified in order to comply with the restrictions contained in the Pledge Agreement.

(c) Upon the expiration or termination of any rental agreement for any reason whatsoever, the subsequent or renewal resident shall be required to enter into a new rental agreement in a form approved by the PAC Representative.

(d) Any rental agreement shall specify that it is subject and subordinate to the Bonds and the lien of the Mortgage.

Section 7. *Maintenance.*

(a) The Contractor shall perform or cause to be performed all necessary repairs and maintenance of the Project and the Contractor shall pay, or cause to be paid, from Revenues (as provided in Section 11(b)) charges for all utility and other services supplied to the Project, costs of the repair and replacement of Project facilities or equipment used in the operation of the Project, all assessments of any type or nature, if any, charged to the Owner or to the PAC on the Owner's behalf or the Contractor on account of the ownership or operation of the Project or the respective interests or estates therein; provided that with respect to special assessments or other government charges that may lawfully be paid in installments over a period of years, the Contractor shall be obligated to pay only such installments as are required to be paid as and when the same become due.

The Contractor shall promptly deliver to the Trustee copies of invoices or statements for all insurance premiums required pursuant to Section 6.06 of the Loan Agreement (and Section 8(d) hereof) and assessments due with respect to the Project at least 10 days prior to the due date for such premiums or assessments, together with a requisition to the Trustee specifying the amount to be paid, the payee and the date such amount is due, so that the Trustee may pay such premiums or assessments in a timely manner.

(b) The Contractor may, with the prior written consent of the PAC, the Owner and Financial Security, contest, in good faith, any such assessments, utility and other

charges, and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the PAC or Financial Security shall notify the Contractor that, in its opinion, by nonpayment of any such items, the interest of the Owner in the Project will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event the Contractor shall promptly pay such taxes, assessments or charges out of Revenues as hereinafter specified.

Section 8. *Hold Harmless and Insurance.*

(a) The Contractor shall indemnify, defend and hold harmless the PAC, the Owner, the Trustee, CLGFA, Financial Security and their officers, officials and employees from and against all claims, damages, losses and expenses including attorney fees arising out of the performance of its obligations described herein, by the Contractor, any subcontractor, anyone directly or indirectly employed by any of them, except where caused by the active negligence, sole negligence or willful misconduct of the PAC.

(b) Upon the Effective Date of this Agreement, the Contractor shall, at its expense, procure and maintain for the duration of this Agreement insurance against claims against the Project for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Contractor, its agents, representatives, employees or subcontractors excluding Course of Construction insurance. Upon the effective date of a subcontract, the Contractor shall require that subcontractors procure and maintain for the duration of any subcontract insurance against claims against the Project for injuries to persons or damages to property which may arise from or in connection with the performance of the work described in the subcontract including Course of Construction insurance.

(i) *Minimum Scope of Insurance.* Coverage shall be at least as broad as:

(1) Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001).

(2) Insurance Services Office form number CA 0001 (ed. 1/87) covering Automobile Liability, code 1 (any auto).

(3) Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

(ii) *Minimum Limits of Insurance.*

(1) General Liability: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the Project or the general aggregate limit shall be twice the required occurrence limit.

(2) Automobile Liability: \$1,000,000 per accident for bodily injury and property damage, Insurance Services Office form number CA 0001 (ed. 1/87) covering Automobile Liability, code 1 (any auto).

(3) Employer's Liability: \$1,000,000 per accident for bodily injury or disease.

(iii) *Deductibles and Self-Insured Retentions.* Any deductibles or self-insured retentions must be declared to and approved by the PAC. At the option of the PAC, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the PAC, its officers, officials, employees and volunteers or the Contractor or subcontractor shall provide a financial guarantee satisfactory to the PAC guaranteeing payment of losses and related investigations, claim administration and defense expenses.

(iv) *Other Insurance Provisions.* The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

(1) Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after 30 days' prior written notice by certified mail, return receipt requested, has been given to the PAC.

(2) Course of Construction policies shall contain the following provisions: the Owner shall be named as loss payee and the insurer shall waive all rights of subrogation against the Owner.

(v) *Acceptability of Insurers.* Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII.

(vi) *Verification of Coverage.* The Contractor or subcontractors shall furnish the PAC with original certificates and amendatory endorsement effecting coverage required by this clause. The endorsement should be on forms provided

by the PAC or on other than the PAC's forms, provided those endorsements or policies conform to the requirements. All certificates and endorsements are to be received and approved by the PAC before work commences. The PAC reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications at any time.

(vii) *Subcontractors.* The Contractor shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

(viii) The Owner and Financial Security shall be named additional insureds.

(c) The Contractor shall cause all employees and officers of the Contractor who handle or are responsible for the safekeeping of any rents or other moneys of the Owner to be covered by an Employee Crime and Dishonesty Policy, naming the Trustee and Financial Security as beneficiaries, in an amount not less than the amount of the maximum monthly gross receipts from the Project, as estimated in good faith by the PAC, initially \$175,000. Any such policy shall insure the Owner against losses from forgery, theft, embezzlement and fraud of employees and officers of the Contractor. Upon request, the Contractor shall provide copies of any such Employee Crime and Dishonesty Policy to the Trustee and to Financial Security.

(d) The Contractor shall maintain or cause to be maintained all policies of insurance as required pursuant to Section 6.06 of the Loan Agreement.

(e) The PAC may, with the consent of the Owner and Financial Security, from time to time amend the insurance coverages required to be maintained according to the terms of Section 8(b). Upon receipt of written notice of any such amendment, the Contractor shall promptly comply with such requirements.

Section 9. *Financial Management.*

(a) On or before the Effective Date, and on or before April 1 during the Initial Term and each Subsequent Term, the Contractor will submit to the PAC and the Owner for approval a proposed budget (the "Operating Budget") of monthly operating expenses to be incurred in connection with operation of the Project for the succeeding Fiscal Year, including expenses described in Section 6 of the Management Plan. The PAC Governing Board may review, approve, make reasonable amendments or disapprove the Operating Budget prior to April 25. The Operating Budget shall also be made available for inspection by Project residents and members of the public. Project residents and members of the public may, on or prior to April 28, submit comments to the Contractor and the PAC, which the Contractor will promptly forward to the Owner and the Agency.

After the time for public review and comment has ended, but no later than May 1, the Contractor will submit the Operating Budget to Financial Security and the Owner. Each Operating Budget shall include a statement of assumptions upon which the Operating Budget is based.

Provided that a proposed Operating Budget is submitted to Financial Security and the Owner together with a certificate stating that Financial Security and the Owner have 45 days after receipt to give comments on the Operating Budget or it shall be assumed to be approved by Financial Security and the Owner, such Operating Budget shall be assumed to be approved by Financial Security and the Owner after 45 days unless (a) Financial Security or the Owner, as applicable, gives written notice otherwise to the PAC and the Contractor within 45 days after receipt by Financial Security and the Owner of the Operating Budget or (b) a Trigger Event (as defined in the Indenture), an Event of Default (as defined in the Indenture) or an Event of Default (as defined in this Agreement) exists. The Contractor will make any reasonable changes to a proposed Operating Budget required by Financial Security and submit a revised Operating Budget to Financial Security for approval within five Business Days. Upon receipt of final approval by Financial Security, the Contractor shall prepare the related Loan Payment Schedule as set forth in the Loan Agreement. By June 15 in each year during the term of this Agreement, commencing June 15, 1998, the PAC shall approve an Operating Budget, which has been approved by Financial Security and the Owner, for the next Fiscal Year. If a Trigger Event or an Event of Default (as defined in the Indenture) or an Event of Default (as defined herein) exists, the Contractor shall make any changes to the Operating Budget required by Financial Security and submit such revised Operating Budget to Financial Security within five Business Days.

(b) Not later than December 15 in each year during each term of this Agreement, the Contractor shall prepare and file with the PAC Representative and the Owner a mid-year budget report for the current Fiscal Year and may recommend budget revisions. The mid-year budget report shall be made available for inspection by Project residents and members of the public. Project residents and members of the public may submit comments to the Contractor and the PAC, which the Contractor will promptly forward to the Owner and the Agency. The PAC Governing Board may review the mid-year budget report and, with the prior written consent of Financial Security, the Agency and the Owner, approve budget amendments. The PAC Representative shall review such mid-year budget report and discuss any revisions which the PAC Representative deems advisable and are approved by the Owner with the Contractor. After the time for public review and comment has ended, and the PAC has approved it, the Contractor will submit the mid-year budget report to Financial Security for approval.

(c) The Contractor shall pay all expenses incurred in connection with the operation and management of the Project pursuant to this Agreement from amounts deposited in the Operation and Maintenance Account as hereinafter set forth; provided, however, no expenses shall be paid in any Fiscal Year unless the same are included in

the Operating Budget or Capital Plan for such Fiscal Year which has been adopted in accordance with this Agreement, unless the PAC, the Owner and Financial Security give their prior written consent. In the event that any expense is incurred, or in the opinion of the Contractor ought properly be incurred, which is not included in the Operating Budget, or in the event at any time amounts deposited in the Operation and Maintenance Account are not sufficient to permit the payment of any budgeted expense, the Contractor shall promptly notify the PAC Representative, the Owner and Financial Security and provide information relating to such expense as the PAC Representative, the Owner or Financial Security may request. Payment of such expense shall be made either directly by the PAC or, at the option of the PAC, by the Contractor out of amounts deposited in the Operation and Maintenance Account, but only with the prior written approval of the PAC Representative, the Owner and Financial Security.

(d) The Contractor is liable for repayment of disallowed costs. Disallowed costs may be identified through audits, monitoring or other processes. The Contractor shall be required to respond to any adverse findings which may lead to disallowed costs.

(e) The Contractor shall provide, by date due, to the PAC, the Owner and Financial Security the monthly reports required by the Management Plan. The Contractor shall, in addition, and upon the written request of the PAC Representative, the Owner or Financial Security furnish such other and/or further information concerning the operation of the Project in such manner and on such forms as the PAC Representative, the Owner or Financial Security may specify from time to time. The Contractor shall be held strictly accountable for all receipts and disbursements with respect to the operation of the Project.

Section 10. *Capital Plan; Capital Improvement Agreement.* The Contractor shall on behalf of the Owner, on or before May 1, 1998 and on or before each May 1 during each Subsequent Term, submit to the PAC, to the Owner and to Financial Security for approval by Financial Security's consulting engineer, a capital expenditure plan for the Project for the next three Fiscal-Year period (each, a "Capital Plan"). Each Capital Plan shall include an estimate of the required annual contribution to the Replacement Reserve Fund, shall be prepared based upon findings of the physical needs reports prepared by Kleinfelder, Inc. with respect to the geotechnical evaluation and by Park Utilities Inc. with respect to the underground utilities lines, and shall detail descriptions of all planned capital improvements to be made to the Project during the related Fiscal Years, an estimate of expenditures to be incurred therewith each month of such Fiscal Years and a timetable for completion of such improvements. The Capital Plan shall be submitted to Financial Security with a notice that failure of Financial Security to respond within 30 days constitutes approval of the plan by Financial Security. Financial Security shall approve or require changes to such plan within 30 days of its submission and shall advise the PAC, the Owner and the Contractor in writing of any changes to be made therein or Financial Security's approval. Unless a Trigger Event (as defined in the Indenture) or any Event of Default (as defined in either this Management Agreement or the Indenture) exists, failure of Financial

Security to approve or require changes to such plan within 30 days of its submission shall be deemed to be approval of the Capital Plan.

If Financial Security's consulting engineer disagrees as to the cost of a capital improvement detailed on the Capital Plan, Financial Security will provide the PAC and the Contractor with evidence of the basis for the disagreement, as provided by the consulting engineer.

The Contractor will make any changes required by Financial Security to the Capital Plan (if requested in a timely fashion as described above), including changes to the amount of required monthly contributions to the Replacement Reserve Fund, within five Business Days, and the PAC will provide copies of such Capital Plan to the Contractor and the Owner within two Business Days after receipt of approval from Financial Security.

Funds for capital expenditures outlined on the Capital Plan will be deposited into the Replacement Reserve Fund established by the Trustee pursuant to the Indenture. The amount of funds maintained in the Replacement Reserve Fund will be based upon a physical needs reserve analysis report prepared by a consulting engineer and mutually agreed upon by the Contractor and the PAC, with the approval of Financial Security. Upon completion of any capital expenditure detailed on a Capital Plan, the Contractor will submit to the Trustee, with a copy to Financial Security and the PAC, the invoice for such expense, together with a requisition for payment which includes a certification that (a) the related expense was included in the Capital Plan and the amount requested to be paid is not greater than the amount allocated for such expense on the current Capital Plan and (b) the required repairs were performed in a satisfactory manner. If the amount of the invoice is greater than the amount allocated for such expense on the current Capital Plan, the Contractor must certify the amount of the variance and obtain the written consent of Financial Security for the Trustee to pay the excess amount prior to submission of the related requisition to the Trustee (such consent to be included with the requisition submitted to the Trustee).

During the last fiscal quarters of 2007 and 2017, the Controlling Party's consulting engineer, as an operating expense of the Project, shall conduct a new 10-year physical needs reserve analysis with respect to the Project. Findings of such analysis shall be set forth in a written report (the "Physical Needs Report") delivered to the Controlling Party, CLGFA, the Trustee, Financial Security, the Owner, the PAC and the Contractor. The Owner and the Contractor shall prepare successive Capital Plans based upon the findings of the Physical Needs Report.

On or before the Effective Date, the PAC will provide the Contractor with a copy of the "Capital Improvement Agreement" dated March 13, 1997 pursuant to which the PAC agrees to make certain repairs and improvements to the Project as listed on the schedule attached to the Capital Improvement Agreement. Upon completion of the repairs detailed in such agreement, the Contractor will prepare, for the PAC's submission to Financial Security, such evidence as Financial Security shall reasonably require to demonstrate completion of such repairs, together

with a requisition, substantially in the form attached as Exhibit B to the Capital Improvements Agreement, to the Trustee to transfer funds sufficient to pay such invoices from the "Capital Improvements Subaccount" created pursuant to the Indenture to the Operation and Maintenance Account. The Contractor will promptly pay the invoices from the amounts so transferred.

In the event there are insufficient Revenues to pay all amounts due and owing under the Mortgage Loan Documents payable from Revenues or to comply with the covenants set forth in Section 3 of the Pledge Agreement and Section 2.02(t) of the Insurance Agreement, the Contractor and the PAC will prepare and submit within 30 days a "Net Operating Income" petition to the City in accordance with the provisions of Ordinance No. 1341. The purpose of such a petition will be to obtain a space rent increase sufficient to comply with such covenants.

Section 11. *Compensation.*

(a) As compensation for the performance of its services hereunder, the Contractor shall be paid a management fee equal to \$4,167 per month, pro rated for partial months. In addition, the Contractor shall be entitled to reimbursement for its reasonable expenses incurred in the performance of its duties hereunder, to the extent such expenses are properly incurred under this Agreement and are included in the Operating Budget or otherwise approved by the PAC, the Owner and Financial Security.

(b) The Contractor acknowledges that, notwithstanding any other provision of this Agreement, it shall receive from the Trustee on the Allocation Date of each month its Management Fee for the previous month pursuant to Section 5.03 of the Indenture, an amount equal to the utility charges for the previous month pursuant to Section 5.03 of the Indenture as certified to the Trustee by the Contractor, and an amount equal to the monthly operating expenses for the Project, as set forth in the current Operating Budget, in accordance with the terms of Section 5.03 of the Indenture.

Section 12. *Documentation and Records.*

(a) On or prior to the Effective Date, the Contractor shall provide the PAC with copies of the following documents, evidencing filing with the appropriate governmental agency: (i) Articles of Incorporation; (ii) names and addresses of the current officers and/or Board of Directors of the Contractor; and (iii) a copy of the Contractor's adopted personnel policies and procedures.

(b) The Contractor shall immediately report to the PAC any changes, subsequent to the date of this Agreement, in the Contractor's Articles of Incorporation, officers, Board of Directors, personnel policies and procedures.

(c) The Contractor shall keep accurate books and records and in a form acceptable to the PAC, Financial Security and the Owner, in connection with all matters arising under the terms of this Agreement. The Contractor shall allow the PAC, the

Trustee, the Owner and Financial Security, or any of their representatives, during normal business hours, access to the records and correspondence of the Contractor pertaining to any transaction arising out of this Agreement to audit, examine or copy any or all such books and records, including, without limitation, all contracts and subcontracts, invoices, payrolls, records of personnel, conditions of employment, materials and all other data relating to the Project and matters covered by this Agreement. The Contractor will be notified in advance that an audit will be conducted. The Contractor will be required to respond to any audit findings, and have the responses included in the final audit report. The cost of any such audit will be borne by the PAC.

At the close of each Fiscal Year, the Contractor shall allow the books of the Operation and Maintenance Account to be examined and audited by a certified public accountant, selected by the PAC and approved by Financial Security, who shall transmit a copy of his report of said audit to the PAC within 90 days after the close of each Fiscal Year. The Contractor shall maintain complete and accurate records of all its transactions including, but not limited to, contracts, invoices, time cards, cash receipts, vouchers, canceled checks, bank statements, client statistical records, personnel, property and all other pertinent records sufficient to reflect properly all direct and indirect costs of whatever nature claimed to have been incurred or anticipated to be incurred to perform this Agreement or to operate the Project and all other matters covered by this Agreement.

(d) The Contractor shall preserve and make available its records until:

(i) The expiration of five years from the date of final payment to the Contractor under this Agreement and in compliance with Section 8.04 of the Delegation Agreement;

(ii) For such longer period, if any, as is required by applicable law;
or

(iii) If this Agreement is terminated, for a period of five years from the date of termination.

Section 13. ***Contract Compliance.*** Evaluation and monitoring of the Project performance shall be the mutual responsibility of both the PAC and the Contractor. The Contractor shall furnish all data, statements, records, information and reports necessary for the PAC to monitor, review and evaluate the performance of the Project and its components.

Section 14. ***Events of Default.*** The occurrence of any of the following events shall constitute an "Event of Default" hereunder:

(a) Any representation or warranty made by the Contractor under this Agreement, or in any certificate or report furnished under this Agreement, shall prove

to be untrue or incorrect in any material respect as of the date when made or deemed to be made;

(b) A continuing violation or breach of any covenant or material term of this Agreement (other than a failure or breach described in another paragraph of this Section 14) for a period of 30 days after written notice of such breach is given to the Contractor by the PAC, the Trustee, the Owner or Financial Security, 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 the Contractor shall have given notice to the PAC, the Owner and Financial Security of corrective action it proposes to take, which corrective action is agreed in writing by the PAC, the Owner and Financial Security (in the event Financial Security, the Owner and the PAC do not agree, the decision of Financial Security will control) to be satisfactory, and the Contractor shall thereafter pursue such corrective action diligently until such default is cured;

(c) Failure of the Contractor to (i) deposit any Revenues collected in connection with the Project (other than security deposits) into the Deposit Only Account in accordance with this Agreement, (ii) deposit any security deposits into a separate account therefor or (iii) pay generally when due any operating expenses related to the Project to the extent funds are on deposit in the Operations and Maintenance Account;

(d) The total annual expenses for any major category of the Operating Budget or Capital Plan for the Project exceeds 10% of the category amount in the related Operating Budget or Capital Plan approved by Financial Security and the Owner, unless such variance has been previously approved by the PAC, the Owner and Financial Security (in its sole discretion). Such major categories include all operating expenses of the Project, with the exception of taxes, insurance and utilities.

(e) Failure of the Contractor to respond, in a timely manner, to any inquiry of the PAC, the Owner or Financial Security pertaining to any Monthly Reports required pursuant to the Management Plan;

(f) An "event of default" exists under any Mortgage Loan Document;

(g) The occupancy rate for the Project, as measured at the end of each calendar month, is less than 95%;

(h) The Senior Debt Service Coverage Ratio for the Project for any calendar month is less than 1.10x;

(i) The Contractor fails to implement and follow the provisions of the Capital Plan during the time period specified in the Capital Plan;

(j) The Contractor shall fail to pay its non-Project-related corporate 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 the Contractor insolvent or seeking a liquidation, or shall take advantage of any insolvency act, or shall commence a case or other proceeding naming the Contractor as debtor under the United States Bankruptcy Code or similar law, domestic or foreign, or if a case or other proceeding shall be commenced against the Contractor under the United States Bankruptcy code or similar law, domestic or foreign, or any proceeding shall be instituted against the Contractor seeking liquidation of the Contractor or the Contractor's assets and the Contractor shall fail to take appropriate action resulting in the withdrawal or dismissal of such proceeding within 30 days or there shall be appointed or the Contractor shall consent to, or acquiesce in, the appointment of a receiver, liquidator, conservator, trustee or similar official in respect of the Contractor or the whole or any substantial part of its properties or assets or the Contractor shall take any corporate action in furtherance of any of the foregoing; or

(k) Failure of the Contractor to conduct the leasing of the Project to comply with all applicable leasing restrictions contained in this Agreement, including, without limitation, the restrictions set forth in Section 8 of the Management Plan, and the Mortgage Loan Documents or to preserve the tax-exempt status of interest on the Bonds.

Section 15. *Remedies.*

(a) Upon the occurrence of an Event of Default, Financial Security may, or the PAC or the Owner may, with the consent of Financial Security, and shall, at the direction of Financial Security, (i) terminate this Agreement, immediately upon written notice to the Contractor or upon any date specified in such notice, or (ii) take whatever action at law or in equity as may appear necessary or desirable in its judgment to collect the amounts then due and thereafter to become due under this Agreement or to enforce performance of any obligation of the Contractor under this Agreement.

Upon termination of this Agreement, Financial Security may, with the prior written consent of the Owner, which consent may not be unreasonably withheld and shall not be required if a Trigger Event or an Event of Default (as defined in the Indenture) exists, appoint a successor property manager, or the PAC may, with the prior written consent of Financial Security and the Owner, which consent may not be unreasonably withheld and shall not be required if a Trigger Event or an Event of Default (as defined in the Indenture) exists, appoint a successor approved by Financial Security and the Owner.

(b) No remedy herein conferred upon or reserved is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under the Mortgage Loan Documents or existing at law

or in equity. No delay or failure to exercise any right or power accruing under this Agreement 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.

Section 16. **[RESERVED]**.

Section 17. **Transfer of Records.** In the event the Contractor's duties, responsibilities and liabilities hereunder are terminated pursuant to either Sections 4 or 15 of this Agreement, the Contractor shall discharge such duties and responsibilities during the period from the date it acquires knowledge of such termination until the effective date thereof with the same degree of diligence and prudence which it is obligated to exercise hereunder, and shall take no action whatsoever that might impair or prejudice the rights or financial condition of its successor, the Owner or the PAC. Furthermore, the Contractor agrees to cooperate with the PAC, the Owner and Financial Security and any successor Contractor in effecting the termination of the Contractor duties and responsibilities hereunder and shall promptly also transfer to the Deposit Only Account all amounts held by the Contractor which have not been deposited into the Deposit Only Account or which are thereafter received by the Contractor with respect to the Project. The Contractor shall immediately provide the PAC, Financial Security and the Owner access to all documents, records, payroll, minutes of meetings, correspondence and all other data pertaining to the PAC funds held by the Contractor pursuant to this Agreement and, upon the request of the PAC, the Owner or Financial Security, but at the expense of the Contractor, deliver to the Owner or the successor Contractor, all files, documents and records (including computer tapes and diskettes, including data but not programs) relating to the Project and an accounting of any amounts collected and held by the Contractor, and shall otherwise use its best efforts to effect the orderly and efficient transfer of its rights, duties and responsibilities to the assuming party.

Upon termination of this Agreement, the Contractor shall (i) be paid for all documented services actually rendered hereunder to the date of such termination; provided, however, the PAC shall be obligated to compensate the Contractor only for that portion of the Contractor's services which are allowable costs and expenses as determined by an audit or other monitoring device; (ii) turn over to the Owner immediately any and all copies of studies, reports and other data, whether or not completed, prepared by the Contractor or its subcontractors, if any, in connection with this Agreement. Such materials shall become the property of the Owner. The Contractor, however, shall not be liable for the PAC's or the Owner's use of incomplete materials or for the PAC's or the Owner's use of completed documents if used for other than the services contemplated by this Agreement; and (iii) transfer to the Owner all assets acquired with Owner funds unless otherwise negotiated by separate agreement.

Section 18. **Project Coordination.**

(a) The PAC Representative may designate an individual who shall render overall supervision of the progress and performance of this Agreement by the PAC. All

services agreed to be performed by the PAC shall be under the overall direction of the designated individual.

(b) As of the date hereof, the Contractor has designated Al Frei to assume overall responsibility for the execution and operation of this Agreement. The PAC and Financial Security shall be immediately notified in writing of the appointment of a new representative.

(c) All notices or other correspondence required or contemplated by this Agreement shall be sent to the parties at the following addresses:

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

Contractor: Mr. Al Frei
Frei Real Estate Services
3300 Douglas Blvd., Suite 390
Roseville, CA 95661
Telephone: (916) 773-8110
Telecopy: (916) 781-2557

Financial Security: Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022
Attention: Surveillance Department
Telephone: (212) 826-0100
Telecopy Nos.: (212) 339-3518
(212) 339-3529

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

Trustee: First Trust of California, National Association
Suite 400
One California Street
San Francisco, CA 94111
Telephone: (415) 273-4555
FAX: (415) 273-4590
Attention: Corporate Trust Department

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

All notices shall either be hand delivered or sent by United States mail, registered or certified, postage prepaid. Notices given in such a manner shall be deemed received when received. Any party may change its address for the purpose of this Section by giving five days' written notice of such change to each other party hereto, Financial Security and the Trustee in the manner provided in this Section.

Section 19. *Independent Contractor.* This is an Agreement by and between independent contractors and is not intended and shall not be construed to create the relationship of servant, employee, partnership, joint venture or association between the Contractor and the PAC. The Contractor, including its officers, employees, agents or independent contractors or subcontractors, shall not have any claim under this Agreement or otherwise against the Owner for any Social Security, Worker's Compensation or employee benefits extended to employees of the Contractor.

Section 20. *Successors; Assignability.* This Agreement shall be binding upon the successors and assigns of the Contractor and the successors and assigns of the PAC, provided, however, that the Contractor shall not assign its rights under this Agreement without (a) the PAC's and the Owner's prior written consent, which may not be unreasonably withheld and will not be required if an Event of Default (as defined in the Indenture) exists and (b) Financial

Security's prior written consent. No successor Contractor may be appointed without the approval of Financial Security.

Section 21. **[RESERVED]**.

Section 22. **Disclosure of Confidential Information.** Except as may be required by law or this Agreement, the PAC and the Contractor agree to maintain the confidentiality of any information regarding Project residents pursuant to this Agreement or their immediate families which may be obtained through application forms, interviews, tests, reports from public agencies or counselors or any other source. Without the written permission of the resident, such information shall be divulged only as necessary for purposes related to the performance or evaluation of the services and work to be provided pursuant to this Agreement, and then only to persons having responsibilities under this Agreement, including those furnishing services through approved subcontracts.

Section 23. **Waiver of Rights and Remedies.** In no event shall any payment by the PAC, the Owner or Financial Security constitute or be construed to be a waiver by the PAC, the Owner or Financial Security of any breach of the covenants or conditions of this Agreement or any default which may then exist on the part of the Contractor, and the making of any such payment while any such breach or default shall exist, shall in no way impair or prejudice any right or remedy available to the PAC, the Owner or Financial Security with respect to such breach or defaults. In no event shall payment to the Contractor by the PAC, the Owner or Financial Security in any way constitute a waiver by the PAC, the Owner or Financial Security of their rights to recover from the Contractor the amount of money paid to the Contractor on any item which is not eligible for payment under this Agreement. No act of omission by the Contractor, Financial Security, the Owner or the PAC, including specifically any failure to exercise any right, remedy or recourse, shall be deemed to be a waiver or release of the same, such waiver or release to be effected only through a written document executed by the PAC, with the prior written consent of Financial Security and the Owner, or by Financial Security, and then only to the extent specifically recited therein. A waiver or release with reference to any one event shall not be constructed as continuing, or as a bar to, or as a waiver of, any subsequent right, remedy or recourse as to a subsequent event.

Section 24. **Amendments.** Amendments to the terms or conditions of this Agreement shall be requested in writing by the party desiring such amendments, and any such amendment shall be effective only upon the mutual Agreement in writing of the parties hereto, with the prior written consent of Financial Security and the Owner.

Section 25. **Integrated Document; Counterparts.** This Agreement contains the entire Agreement between the PAC and the Contractor with respect to the subject matter hereof. No written or oral Agreements with any officer, agent or employee of the PAC prior to execution of this Agreement shall affect or modify any of the terms or obligations contained in any documents comprising this Agreement.

This Agreement may be executed in counterparts by the parties hereto, and all such counterparts shall constitute one and the same instrument.

Section 26. **Invalidity.** In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity or unenforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision(s) had never been included.

Section 27. **Third-Party Beneficiary.** Financial Security, CLGFA and the Owner shall be third-party beneficiaries to this Agreement, entitled to enforce the provisions hereof as if parties hereto.

Section 28. **Representations and Warranties.** The Contractor hereby represents and warrants to and covenants with the PAC, and for the benefit of Financial Security, the Owner and the Trustee, that:

(a) The Contractor is a sole proprietorship in good standing under the laws of the State of California;

(b) The Contractor holds, and will hold during the term of this Agreement, all material licenses, certificates and permits from all governmental authorities necessary for the conduct of its business and has received no notice of proceedings relating to the revocation of any such license, certificate or permit which singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially affect the conduct of the business, results of operations, net worth or condition (financial or otherwise) of the Contractor;

(c) The Contractor has the full power and authority to execute, deliver and perform, and to enter into and consummate, all transactions contemplated by this Agreement, has duly authorized the execution, delivery and performance of this Agreement and has duly executed and delivered this Agreement, and this Agreement constitutes a legal, valid and binding obligation of the Contractor, enforceable against it in accordance with its terms, except as such enforcement may be limited (i) by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general and (ii) by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) Neither the execution and delivery by the Contractor of this Agreement, the consummation by the Contractor of the transactions contemplated hereby nor the fulfillment of or compliance by the Contractor with the terms and conditions of this Agreement will conflict with or result in a breach of any of the terms, conditions or provisions of any legal restriction or any material agreement or instrument to which the

Contractor is now a party or by which it is bound, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Contractor or its property is subject;

(e) The consummation by the Contractor of the transactions contemplated by this Agreement are in the ordinary course of business of the Contractor; and, at the date hereof, the Contractor does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every one of its duties and covenants contained in this Agreement;

(f) There is no litigation pending or, to the Contractor's knowledge, threatened, which, if determined adversely to the Contractor, would adversely affect the execution, delivery or enforceability of this Agreement, or the ability of the Contractor to manage the Project hereunder in accordance with the terms hereof, or which would have a material adverse effect on the financial condition of the Contractor;

(g) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Contractor of or compliance by the Contractor with this Agreement or the consummation by the Contractor of the transactions contemplated by this Agreement; and

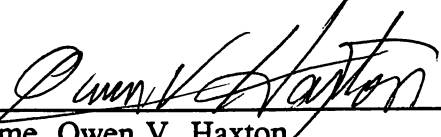
(h) The Contractor is familiar with all material federal, state and local laws, rules and regulations applicable to the management and operation of mobile home developments to be occupied in part by individuals of low or moderate income and will manage the Project in accordance with all such laws, rules and regulations.

Section 29. **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 30. **No Petition.** The Contractor will not institute against, or join any other person in instituting against, the Owner, CLGFA 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 under the Indenture and no amounts are due and payable to Financial Security under the Indenture or the Insurance Agreement or (y) the day which is the 123rd day after the expiration of the Insurance Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this instrument or caused this Management Agreement to be executed by their duly authorized agents as of this 1st day of November, 1997.

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB

By 
Name Owen V. Haxton
Title President

FREI REAL ESTATE SERVICES

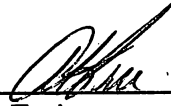
By 
Name Al Frei
Title Owner

EXHIBIT A

MANAGEMENT PLAN

TO OPERATE AND MANAGE
MARIN VALLEY MOBILE COUNTRY CLUB

Section 1. *Introduction.* Given the high cost of housing in relation to wages and salaries in the Novato area, substantial numbers of low- and moderate-income households find it difficult to secure affordable housing. Mobile homes constitute a viable affordable housing resource. Nonetheless, the ownership of mobile home parks by investors may limit the value of mobile homes as an affordable housing resource. The Park Acquisition Corporation of the Marin Valley Mobile Country Club (the "PAC") consequently entered into purchase negotiations with the owner of the Marin Valley Mobile Country Club, located in Novato, California (the "Project"). The Novato Financing Authority (the "Owner") has decided to purchase the Project. The PAC has selected Frei Real Estate Services, to operate and manage the Project.

Section 2. *Purposes.* The purposes of this Agreement are as follows:

- (a) to provide full-service operation and management services for the Project;
- (b) to enable the sale of revenue bonds at an interest as low as reasonably feasible;
- (c) to operate the Project in a professional and businesslike manner and separate the PAC and the Owner from day-to-day operation and management of the Project;
- (d) to encourage residents to seek to resolve issues with the professional managers of the Project;
- (e) to provide mobile home park residents with input in the operation of the Project;
- (f) to abide by the provisions of Ordinance No. 1341 of the City of Novato, insofar as they may apply to spaces within the Project;
- (g) to provide security that bondholders can expect regular bond payments;
- (h) to create a surplus in the Senior Cashtrap Account and the Subordinate Cashtrap Account held by the Trustee under the Indenture which will grow annually;
- (i) to provide for the regular upkeep of the Project and to make prudent capital improvements; and

- (j) to create a formal residents' association.

Section 3. *Flow of Funds.*

(a) The Contractor will arrange for the reading of meters and calculate gas, water, sewer, electric and other miscellaneous charges and prepare rent and utility bills. On or about the twenty-fifth of each month the Contractor will make available rent and utility bills for each space. When requested by the appropriate individual rent and utility bills will be mailed to a designated address or delivered to the mobilehome space.

(b) The Contractor will, upon receipt of any Revenues, record the payment upon a payment register maintained at the Project and available for inspection by representatives of the Owner, the PAC and Financial Security. Records of any rent and utility payments shall include, at the least, date received, resident's name, space number, current charges, total amount collected and the balance due, if any. The Contractor will also maintain a separate general ledger which will include a record of payments, available for inspection by representatives of the Owner, the PAC and Financial Security.

(c) The Contractor will establish an Operation and Maintenance Account, which shall be a separate trust account established in the name of the Owner. No funds relating to the Project will be commingled with funds of the Contractor or relating to any other matter or person other than the Project. On each Allocation Date, commencing November 12, 1997, the Trustee will transfer funds from the Revenue Fund to the Operation and Maintenance Account sufficient to pay operation and maintenance costs for the current month consistent with the adopted Operating Budget. On the Effective Date, the Contractor will give the Trustee written notice of the details of the Operation and Maintenance Account, to permit the Trustee to make the transfers to such account required pursuant to the Indenture.

Section 4. *[RESERVED]*.

Section 5. *Other Pledged Funds.* In the event that the Project's Senior Debt Service Coverage Ratio falls below 1.20x, the Trustee (at the direction of Financial Security) may draw upon moneys in the Senior Cashtrap Account (as defined in the Indenture), and the Senior Debt Service Reserve Fund (as defined in the Indenture) to cover any shortfall in debt service due on the Senior Bonds and Project operating expenses and/or redeem Outstanding Senior Bonds. In addition, amounts in the Subordinate Pledged Funds Account (as defined in the Indenture) and the Subordinate Debt Service Reserve Fund (as defined in the Indenture) may be drawn upon by the Trustee to cover any shortfall in debt service due on the Subordinate Bonds. Should the Trustee draw upon moneys in any such account, the PAC and the Contractor will prepare and submit within 30 days a "Net Operating Income" petition to the City of Novato in accordance with the provisions of Ordinance No. 1341. The purpose of such a petition will be to obtain a space rent increase sufficient to comply with such covenants.

Section 6. *Budget and Expenditures.* The budgets prepared in accordance with Section 9 of the Management Agreement will include the following line items: Office Supplies,

Postage, Telephone, Computer & Copies Supplies, Legal, Bank Charges, Bookkeeping, Audit, Dues & Subscriptions, Mileage, Travel/Meals, Business Development & Training, General & Administrative, Marketing, Social Programs, Repair & Maintenance, Landscape Maintenance, Tools & Equipment Repair, Swimming Pool Supplies, Lighting Supplies, Grounds Materials & Supplies, Street/Parking Lot Maintenance, Security Services, Vehicle Maintenance, Resident Manager, Manager's Mobile Home Rent, Assistant Manager, Maintenance Assistant, Health Insurance & Benefits, Payroll Taxes, Worker's Compensation, Electricity, Gas, Trash Removal, Sewer, Water, Cable TV, Property & Liability Insurance, Trees, Utilities, Concrete, Street Repairs, Manager's Home Repairs, and Management Fee and capital expenditures.

Section 7. *Monthly Reports.*

(a) On the twentieth day of each month, commencing November 1997, the Contractor will provide Financial Security, the Owner and the PAC with a Profit & Loss Statement, Cash Flow Statement, Balance Sheet and Budget Control Report for the prior month. The Budget Control Report will compare revenues and expenditures to the budget for the prior month and for the fiscal year and include date of purchase, vendor, item purchased, authorized by, the amount and the remaining balance in each budget category.

(b) On the twentieth day of each month, the Contractor will provide Financial Security, the PAC and the Owner a Delinquency Report. The Delinquency Report will help maintain control of past-due rents, the collection process and the legal status of cases. The Delinquency Report will contain the date, property, resident's name, space number, current month past due, prior months past due, total, date 30-60-day notice filed, date unlawful detainer filed and served, court date, date of eviction, court fees and additional comments.

(c) On the twentieth day of each month, the Contractor will provide the PAC a Check Register Report listing invoices paid during the prior month. In addition, the Contractor will notify the PAC of any past-due notices, liens filed or other actions that an employee, vendor or service provider may have taken to collect on overdue wages or payments.

(d) On the twentieth day of each month, the Contractor will provide Financial Security, the Owner and the PAC with a Vacancy Turnover Report for the prior month. This report will include a recapitulation of vacant spaces, mobile homes available for sale and mobile homes occupied. The report will also include notifications received from residents who intend to move out of the Project and a cumulative total of expected move-outs and move-ins.

(e) Prior to the twentieth day of each month, commencing November 1997, the Contractor will calculate and report in writing to the Owner, Financial Security and the PAC the NOI, Nonowner Occupied Percentage, the Vacancy Factor and Senior Debt Service Coverage Ratio for the Project for the previous calendar month and Senior Debt Service Coverage Ratio for the fiscal year.

(f) The Contractor will, within 60 days following the Effective Date, create a listing of resident household incomes. The purpose of this listing is to verify qualification for a property tax exemption, authority for bond financing and requirements for use of Redevelopment Agency funds. The Contractor will obtain household income information from move-in households. On an annual basis, by January 31, commencing January 31, 1998, the Contractor will provide the Owner with a list of resident household incomes.

(g) The Contractor will provide to the Owner, the PAC and the Issuer on a monthly basis, by the twentieth day of each month, an accurate and detailed statement listing collections, disbursements, delinquencies, uncollectible accounts, vacancies and other matters pertaining to the operation of the Project during the previous month and copies of the monthly statements for the prior month for the Deposit Only Account and the Operation and Maintenance Account. Upon written request by the Owner, the PAC or Financial Security, the Contractor will furnish such other information concerning the operation of the Project in such manner and on such form as the Owner, the PAC or Financial Security may specify from time to time. The Contractor will be held strictly accountable for all receipts and disbursements with respect to the operation of the Project.

Section 8. *Median Area Income.* The Contractor will offer vacant spaces to only households with incomes meeting the requirements of the Pledge Agreement. If the standards set forth in the Pledge Agreement with respect to Very Low Income Residents, Lower Income Residents and Moderate Income Residents are not met at any time, the Contractor will immediately notify the Owner, Financial Security and the PAC. Area income values will be those periodically calculated and published by the United States Department of Housing and Urban Development.

Section 9. *Environmental.* The Contractor will, prior to December 1, 1997, (i) prepare an Operations and Maintenance Plan acceptable to Dames and Moore and Financial Security with respect to the asbestos contained in the office/clubhouse building; and (ii) perform radon testing at the Project in accordance with the recommendations of Dames and Moore.

MANAGEMENT PROPOSAL

FOR

**MARIN VALLEY MOBILE
COUNTRY CLUB**

Submitted

by

FREI REAL ESTATE SERVICES

3300 Douglas Blvd., Suite 390

Roseville, CA 95661

(916) 773-8110 Fax (916) 781-2557

September 27, 1996

FREI REAL ESTATE SERVICES

3300 DOUGLAS BLVD. • SUITE 390 • ROSEVILLE, CA 95661 • (916) 773-8110 • FAX (916) 781-2557

September 27, 1996

Mr. Phil Hoon
201 San Anselmo Ave. - Suite 204
San Anselmo, CA 94904

Dear Mr. Hoon:

I am submitting this management proposal for Marin Valley Mobile Country Club in Novato. As the Owner of Frei Real Estate Services I certify that this proposal was properly authorized according to our procedures.

Our company has specific experience and expertise that would benefit the Marin Valley Mobile Country Club. We have sixteen years experience as a full service real estate management company specializing in mobilehome parks and homeowner associations (mutual benefit non-profit corporations operated by Boards of Directors). We are not a particularly large company by choice and we feel our size has enabled us to create our quality service.

As our reference list confirms, we have enjoyed long term client relationships. Our primary business goal is to provide the highest quality personal service so that our clients will be thoroughly satisfied and have no desire to seek other management. What truly sets us apart from others is our level of responsibility, concern, total involvement in our properties and especially our experience and expertise in working with a corporate Board of Directors. Our clients quickly learn that our responsiveness exceeds their expectations.

If we had to identify the most significant benefits of our management they would have to be *cost-effective park operation, development of positive resident relations and facilitating effective Board function*. In addition to normal park management, we possess the special skills required to work with Boards of Directors of non-profit corporations, an area of experience and expertise not many of our competitors can claim.

During the past six years we have enjoyed success with some very unique mobilehome park challenges. That experience includes a 139 space resident-owned park in Grass Valley, California. The residents formed a non-profit corporation in 1990 to purchase the park. We were involved with this park from the beginning and the resident/owners credit us for the smooth operation of the corporation and the park.

September 27, 1996

Page 2

In 1991 we assumed management of a 189 space park in Rancho Murieta, California which is also a Planned Unit Development operated by a five member Board of Directors. This park had previously been self-managed for 12 years which created major problems in addition to those inherent in the form of ownership. This park operation is further complicated by the fact it is both a Planned Unit Development and a mobilehome park according to the State of California. The Board of Directors will confirm that our management has successfully addressed their concerns.

A third park of 196 spaces in Folsom, California required our direct involvement in local politics regarding a rent control ballot issue. We were successful in achieving the park owner's goals in the rent control issue and in another significant area. We transformed all of the park's long-term residents (25 plus years) from month-to-month rental agreements to five year leases. This required a great deal of resident education and the development of a substantial level of trust with the residents.

We were recently selected to manage The Oaks Community Association, a 210 space park in Lone, California. This park has experienced some very complex problems which will be difficult for the resident/owners to solve. We were selected because of our reputation for solving difficult problems and our strong leadership.

These examples are offered to illustrate that our skills surpass that of basic park management. Our success with these parks and resident organizations along with community associations (mutual benefit non-profit corporations) demonstrates our ability not only to manage a park but also to work effectively with resident-owner groups and with Boards of Directors.

It is essential that the management company you choose have basic management skills, can develop positive resident relations, and has the ability to work effectively with a resident-owned Board of Directors. We have these skills and we are very interested in the management of Marin Valley Mobile Country Club because of the park's size and location. It is within easy commute distance from our office.

Sincerely,



Al Frei, CPM

TABLE OF CONTENTS

Key Staff/ Organizational Flow Chart

Company Profile/Staff Resume

Comparable Projects

Project Locations

Management Contract

Proposed Management Fee

References

Printed Material

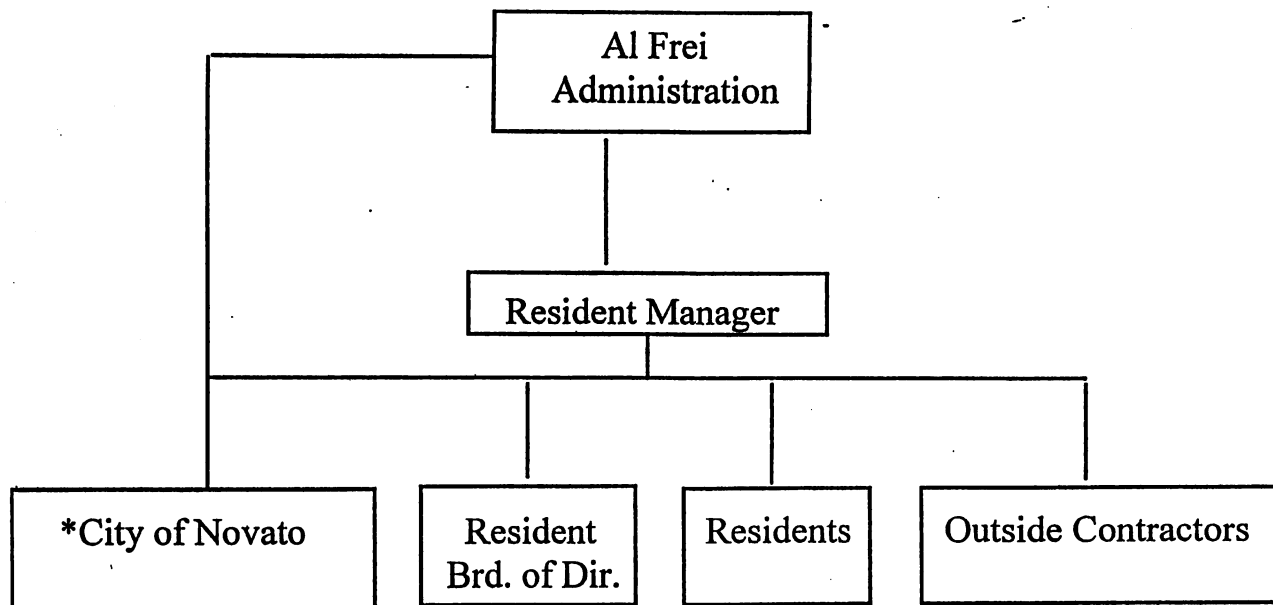
Resident Relations

Sustain Resident Association

Marketing

Budget

**KEY STAFF
ORGANIZATIONAL FLOW CHART**



* This chart presumes that the City would establish a committee or advisory board that management would work directly with. We are experienced in dealing with Boards of Directors in both an advisory capacity as well as in an ownership capacity such as in a resident owned park and with resident groups in traditional parks.

Note: The size of our company is self-limited and enables us to maintain the quality of service we prefer. As you can see from this chart, the key person is the owner who will be directly managing Marin Valley Mobile Country Club. Our clients have always appreciated our personal, hands on style. Marin Valley Mobile Country Club will not be assigned to a staff member as it would be in larger organizations.

COMPANY PROFILE

- ▶ Founded 1980, Owner Al Frei
- ▶ Full Service Real Estate Management Company
- ▶ Specialization: Mobilehome Parks
Community Associations (Non-profit Corporations)

AL FREI

Education

Bachelor and Masters Degrees - Oregon State University
60 Post Graduate Units - Administration and Finance
CPM - Certified Property Manager Designation from the National Institute of
Real Estate Management

Professional Experience

1967 - 1980	Secondary School Teacher Secondary School Assistant Principal Secondary School Principal
1980 - Present	Real Estate Management

PROFESSIONAL AFFILIATIONS

WMA	-	Western Mobilehome Park Owners Association
SACA	-	Sacramento Area Condominium Association
CAI	-	Community Association Institute
IREM	-	National Institute of Real Estate Management
SVAA	-	Sacramento Valley Apartment Association
PAR	-	Placer Association of Realtors
SAR	-	Sacramento Association of Realtors

COMPARABLE PROJECTS

Murieta Village Mobilehome Park
Rancho Murieta, California
5 Years

A mobilehome park and planned unit development consisting of 189 spaces with a five member Board

Ponderosa Pines Mobilehome Owners, Inc.
Grass Valley, California
5 Years

A mutual benefit non-profit corporation formed to take ownership of a 139 space mobilehome park with a nine member Board

Lakeland Village Homeowners Assoc.
S. Lake Tahoe, California
2-1/2 Years

A 260 luxury condominium association with a nine member Board

Alta Gardens Homeowners Association
Sacramento, California
13 Years

A condominium association consisting of 67 units with a five member Board

Lake Park Estates
Folsom, California
4 Years

A 196 space mobilehome park

The Oaks Community Association
Ione, California

A 210 space mobilehome park and Planned Unit Development with a seven member resident Board of Directors.

Note: This list does not cover all of our properties, only those most similar to Marin Valley Mobile Country Club.

PROPERTY MANAGEMENT AGREEMENT

I PARTIES

THIS AGREEMENT, made this _____ day of _____, 19____, by and between _____, hereinafter referred to as "Owner", and FREI REAL ESTATE SERVICES, hereinafter referred to as "Agent". The parties hereto agree as follows:

II EXCLUSIVE AGENCY

Owner hereby employs the Agent exclusively to rent, lease, operate and manage the property known as _____ upon the terms hereafter set forth.

III TERM RENEWAL TERMINATION

This Agreement shall be for a term commencing on the _____ day of _____, 19____, and ending on the _____ day of _____, 19____.

A At the expiration of said term, this Agreement, if not renewed in writing for an additional fixed period, but if not terminated in writing by either party, shall then be deemed a month-to-month agreement which can be cancelled by either party on not less than thirty days advance written notice. Upon expiration of this Agreement, Agent shall, to the extent that there are not sufficient funds in Owner's trust account, forward to Owner any unpaid bills and it shall be the sole responsibility of Owner to pay the same. Any payments for Owner's account received by Agent following expiration of this Agreement shall be forwarded in accordance with Owner's written instructions. It is agreed that there are no prior oral agreements between the parties hereto and this Agreement supersedes and cancels any and all prior negotiations and writings between the parties. This Agreement shall be for the benefit of and binding upon the heirs, successors and assigns of the parties hereto.

B When this contract is terminated by either party per the terms in section "a" above, a 30 day written notice must be given. Cancellation notice may be given at any time during a month, provided that in any event the cancellation shall take effect at the end of the calendar month in which the thirty-day notice expires.

IV RESPONSIBILITIES/AUTHORITY OF AGENT

Owner hereby gives to the Agent the following authority, powers and responsibilities and agrees to assume the expenses in connection herewith.

OWNER

DATE

AGENT

DATE

A RENTAL AGREEMENTS

Agent shall have the authority and exclusive right to negotiate leases and month-to-month tenancies with existing and prospective tenants upon terms approved by Owner. All leases shall be signed by Owner, except for month-to-month residential tenancies in which case Agent or designated employees of Owner shall be authorized to sign for Owner.

B RENT COLLECTION

Agent shall take all reasonable steps to collect and enforce the collection of rents due or to become due; to terminate tenancies and to sign and serve in the name of the Owner such notices as are appropriate; to evict tenants and to recover possession of said premises, with approval of Owner to sue to recover rents and other sums due, and when expedient, to settle, compromise and release such actions or suits or reinstate such tenancies.

C SECURITY DEPOSITS

All security deposits received shall be deposited into the property's general operating account.

D EXPENSES

From gross collections, Agent shall pay all loan payments, all operating expenses and other authorized expenses of the property. In the event Owner elects to have any payments made in a manner other than herein provided, Owner shall so notify Agent in writing.

E REPAIRS

Agent shall do everything reasonably necessary for the proper management of the property. This includes conducting periodic inspections, supervision of maintenance and arranging for such improvements, alterations and repairs as may be required of owner. Agent agrees to secure the prior approval of the owner on all expenditures in excess of \$_____ for any one item except monthly recurring operating charges and/or emergency repairs in excess of the maximum if in the opinion of the Agent such repairs are necessary to protect the property from damage or to maintain services to the tenants. In such emergency instances, when owner is not readily available for consultation, Agent shall use its sole discretion regarding such repairs.

F EMPLOYEES

Agent shall have authority to hire, supervise and terminate on behalf of Owner all independent contractors and property employees, if any, reasonably required in the operation of said property.

OWNER

DATE

AGENT

DATE

K SEPARATE OWNER'S FUNDS

Agent shall deposit all receipts collected for Owner less any sums properly deducted or otherwise provided herein in a Trust Account separate from Agents personal account. Agent will not be held liable in the event of failure of a depository.

L SERVICE CONTRACTS

Agent shall make contracts for electricity, gas fuel, water and rubbish hauling and other services such as the Agent shall deem advisable; the Owner to assume the obligation of any contract so entered into at the termination of this Agreement.

M ADVERTISING

Agent shall be entitled to advertise the availability for rental of the herein described property or any part thereof, and to display "for rent" signs thereon. All advertising costs are the responsibility of the Owner.

N PROPERTY APPRAISALS

Agent shall cooperate with and assist appraisers or counsel retained by Owner to evaluate the property or to appeal assessed values but shall not be responsible for such undertakings.

V RESPONSIBILITIES OF OWNER

In consideration of the property management services to be rendered by Agent under this Agreement, Owner agrees as follows:

A DOCUMENTS/RECORDS

Owner shall promptly furnish Agent with all documents and records required for the management of the property, including but not limited to all leases, amendments and pertinent correspondence relating thereto; the status of rental payments; mortgage loan information and payment instructions; copies of service contracts in effect; and all applicable insurance policies which are carried by Owner from time to time during the term of this Agreement and the endorsements called for herein.

B FUNDS

Owner shall at all times maintain sufficient funds in the property trust account to enable Agent to pay all obligations of the property in a timely manner. Timely manner shall mean that all invoices shall be paid within 30 days of receipt unless otherwise agreed by Agent. In instances where

OWNER

DATE

AGENT

DATE

G WORKER'S COMPENSATION

Owner shall pay for worker's compensation and employer's liability insurance at limits no less than statutory requirements where required to do so by law. Agent acting for Owner shall comply with all Local, State and Federal laws and regulations applicable to any employees including minimum wage laws.

H PROPERTY TAXES

By initialing one of the alternatives below, Owner shall elect the procedure to be followed with respect to payment of all real estate taxes levied against the property.

_____ 1. Owner shall pay said taxes and Agent shall have no responsibility for payment.

_____ 2. Agent shall pay said taxes from funds available in Owner's operating account.

If Agent determines that there will not be sufficient funds available in Owner's account to pay the taxes due prior to delinquency, Agent will so notify Owner. Owner shall then provide Agent with the necessary funds at least seven days prior to the date taxes become delinquent.

VI ATTORNEY FEES

In the event a judicial action is instituted in order to enforce any of the terms of this agreement, the prevailing party shall be entitled to recover its attorney fees and costs whether or not the action has proceeded to judgement.

VII WAIVER OF RIGHTS

In the event Agent desires not to enforce any of the specific terms and or conditions of this agreement from time-to-time, such actions on the part of Agent shall not be deemed to constitute a waiver of any of the rights of Agent to demand performance by Owner of such terms and/or conditions in the future.

VIII ADDENDUM

Attached hereto and made a part of this agreement is addendum(s) marked _____.

OWNER

DATE

AGENT

DATE

NOTICE

For purposes of this Agreement, and until changed by written notice, mailing addresses of the parties for all purposes shall be:

OWNER:

AGENT:

IN WITNESS WHEREOF, the parties have executed this Agreement day and year first above written.

OWNER

AGENT

DATE

DATE

Federal I.D. # _____

PROPOSED MANAGEMENT FEE

To perform the management duties for Marin Valley Mobile Country Club, the monthly fee would be as follows:

\$3,622 per month - \$11.50 unit/month

\$43,470/year

REFERENCES

(Owners & Resident Owners)

*Clair Allen - President, Murieta Village Mobilehome Park
7284 Sonora Drive
Rancho Murieta, CA 95683
(916) 354-1225

*Esther Gurecki - President, Ponderosa Pines Mobilehome Owners, Inc.
10261 Timberland Drive
Grass Valley, CA 95949
(916) 274-4260

*Mary Ann Rhoads - Chief Financial Officer, Ponderosa Pines Mobilehome Owners, Inc.
10340 Dalewood Way
Grass Valley, CA 95949
(916) 272-2371

Alec Vannetta and Dianne Knorr - Owners, Lake Park Estates
10587 Little Deer Park
Grass Valley, CA 95949
(604) 599-6899

*Fred McLaurin - President, Alta Gardens Homeowners Association
P.O. Box 13471
Sacramento, CA 95813
(916) 971-4954

*Joyce Hansen - Chief Financial Officer, Alta Gardens Homeowners Association
2348A Alta Garden Lane
Sacramento, CA 95825
(916) 440-6176

Jack Stroud - President, Lakeland Village Homeowners Association
365 Mountain View Drive
Folsom, CA 95630
(916)985-4686

Bruce Kosaveach - Past President, Lakeland Village Homeowners Association
15557 Paseo Jenghiz
San Diego, CA 92129-1124
(619) 621-2330

* These are both resident-owners and Board Members

REFERENCES

(Residents)

Virginia Pratt - Ponderosa Pines Mobilehome Owners, Inc.
10323 Dalewood Way
Grass Valley, CA 95949
(916) 274-3001

Patty Walker - Ponderosa Pines Mobilehome Owners, Inc.
10099 Dalewood Way
Grass Valley, CA 95949
(916) 272-2772

Lillian Harris - Murieta Village Mobilehome Park
7316 Golden Circle
Rancho Murieta, CA 95683
(916) 354-2465

Hugh Jennings - Murieta Village Mobilehome Park
14706 Poncho Conde Circle
Rancho Murieta, CA 95683
(916) 354-0365

Ron Walters - Lakeland Village Owners Association
15546 W. Whitton Avenue
Goodyear, AZ 85338
(602) 935-7582
(415) 541-6500

Anthony Caruso - Lakeland Village Owners Association
2639 Bridgeport Way
Sacramento, CA 95826
(916) 383-3338

Murieta Village Owners Association

July 15, 1995

RE: Frei Real Estate Services

To Whom It May Concern:

Frei Real Estate Services, Al Frei, was selected as our Homeowner's Association Manager over four years ago. Prior to that time our Homeowner's Association had been self-managed by our Board of Directors and it was evident that we were ineffective. We had experienced budget, staff, and legal difficulties, in addition to a great deal of animosity between factions of residents. When we hired Al, our budget had no provision for his management fee but our Board felt it was essential to bring in professional management. During his first year, we were able to pay his fee and still operate within our budget. We attribute that to his effective spending and careful monitoring of expenses. Our monthly Association fees have increased only \$5.00 over four years, yet we have enjoyed competent, professional outside management and have not given up any services.

Our Association has had unique legal problems that very likely could have resulted in litigation. Al has offered competent advice on how to deal with those situations. He also recognizes when the Board should seek legal advice without being too quick to suggest we incur legal fees. He solved a very difficult and potentially costly personnel problem a previous Board had gotten us into and has offered cost saving suggestions regarding our maintenance and replacements.

When he first came aboard, he immediately made a change in our landscape contract which saved significant money and improved the quality of service. Also, our Board had decided to have our on-site staff replace 3,000 foot of fence thinking we would save money by using our on-site staff. Al immediately evaluated this situation and discovered it would cost \$18.00 per lineal foot for our on-site staff to replace the fence. He recommended that we go to an outside contractor which resulted in the entire fence being replaced for \$11.00 per lineal foot!



Page 2
July 15, 1995

Our Board appreciates how well informed Al keeps us and that he never makes any major decisions or expenditures without first seeking Board approval. His service is very personal and his office staff is equally helpful. Our Association is much better off financially and operationally because of Frei Real Estate Services.

Sincerely,

A handwritten signature in cursive script, appearing to read "Hugh Jennings".

Hugh Jennings
President, Board of Directors
Murieta Village Homeowners Association

PONDEROSA PINES



July 12, 1995

Letter of Recommendation for Al Frei

Al Frei of Frei Real Estate Services has managed our Homeowners Association (Ponderosa Pines) and Mobile Home Park since its inception in 1991. He assisted our nine member Board in establishing an effective organizational structure that has allowed us to handle vital functions such as budget development, architectural review guidelines and approval procedures with very little problem. Mr. Frei has had the difficult task of working with several different Boards, all of whom were totally inexperienced, and he has been very effective in schooling us on how to be effective Board Members.

We have a unique situation in our Association in that there are two groups of residents with totally different interest; one group is comprised of owner occupants and the other is a "renters group." Some potentially serious conflicts have been avoided or dealt with effectively by Mr. Frei so that threatened litigation has been averted.

Mr. Frei has done a very outstanding job in staff selection and supervision. Our on-site staff is exceptional and helps contribute to our team feeling.

Mr. Frei has always willingly given us much more time than reasonably expected from his contract and his support staff is always very responsive to our needs. We receive a very personalized service that feels much more like teamwork than outside management. Our monthly accounting is unique and complicated and Mr. Frei has always been willing to make whatever adjustments to his accounting procedures to meet our needs.

It is my pleasure to make these comments and offer our strongest recommendation for Mr. Frei and the service he provides our Association.

Sincerely,

Virginia Pratt
Virginia Pratt, President
Board of Directors - Ponderosa Pines

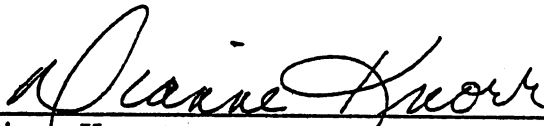
MATTINGLY INVESTMENTS, INC.

REAL ESTATE DEVELOPMENT AND MANAGEMENT

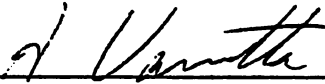
July 18, 1995

Al Frei managed Lake Park Estates mobile home park (190 space adult park) in Folsom, California. Because this park has become a family business, we recently decided to do the onsite and offsite management ourselves. Because of our satisfaction with Al, we couldn't foresee ever making a change to another management company.

During our first few years of ownership, both of us lived in Alaska and Canada so we depended on Al to operate the park. He remodeled and supervised over \$250,000 worth of renovations and improvements to the park. He was extremely responsive to our needs and demands as well as those of our residents. Al orchestrated our transition from month-to-month rental agreements that existed for 30 years to long term lease agreements. Through his meetings with residents he was able to educate our residents so that the majority were willing to enter the new leases. The best reference we can offer is to say if we ever choose to be professionally managed again, we would rehire Al without hesitation.



Dianne Knorr



Alec Vannetta

July 17, 1995

To Whom it May Concern:

RE: Frei Real Estate Services

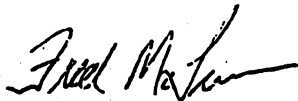
Al Frei has managed the Alta Gardens Homeowners Association since its inception in 1983. And I am one of the first owners to occupy Alta Gardens. Mr. Frei skillfully handled the difficult transition from developer control to owner control and is responsible for the initial organization of our Board and Association Operation. His efforts to develop and train Board members through the years has resulted in effective and positive Board/Owner relations.

Our Boards have wisely followed Mr. Frei's advise regarding budget and reserve planning. Consequently, our Association is in exceptional financial consideration while our monthly dues are still only \$105.00.

We recently were successful in approving the first total revision of our original governing documents. Mr. Frei had identified the need and guided us through the process while keeping our legal costs at a minimum.

Our governing documents have always been enforced effectively by Frei Real Estate Services yet with very little hostility generated by those affected. We had only one incident go to litigation in 12 years. Because of Mr. Frei's record keeping and thoroughness we prevailed in a three day trial and recovered our attorney fees. Al was the Associations only witness and testified in an expert fashion for three days on our behalf.

Besides all of the management skills and knowledge afforded us by Frei Real Estate Services, probably the thing our Association has appreciated most is the personal attention and time we get from Al and his support staff. Although we are only 67 units, we have always been made to feel like we are his most important client. There has never in 12 years been one time that we have felt any concern about Frei Real Estate Service's commitment or time given to us. Any Association would benefit beyond their expectations from their service.



Fred McLaurin, President
Alta Gardens Homeowners Association

BERDING & WEIL
ATTORNEYS AT LAW

DEON R. STEIN
OF COUNSEL

REPLY TO
RANCHO CORDOVA OFFICE

September 9, 1996

To Whom It May Concern:

I am writing this letter on behalf of Al Frei. My law firm represents many community associations throughout Northern California. Al is the property manager for five of those projects and, in summary, it is a distinct pleasure to provide legal services to those communities, in large part because of how Al operates.

One of those communities is 189-lot planned development which is a converted mobile home park near Rancho Murieta. Since I began representing that community in late 1992, many complex and important legal issues have had to be addressed. In each instance, Al's interaction with me, the Board of Directors, and the lot owners has been excellent, and has been a major contributing factor in the satisfactory resolution of each matter. Moreover, Al has consistently demonstrated an ability to control and minimize legal costs where appropriate without sacrificing the quality or the timeliness of the professional advice necessary to address the dispute.

Let me elaborate: In one instance, the Association wished to enforce the Declaration of CC&Rs' senior citizen age restriction against an underage family member who happened to be handicapped. When Al first contacted me regarding this matter, he was well versed as to the Declaration of CC&Rs, as well as California's Unruh Civil Rights Act and the Federal Fair Housing Amendments Act. He had copies of both statutes in his possession. However, Al also recognized that the ultimate determination of the validity and enforceability of the Declaration's age restriction had to be made in conjunction with legal counsel.

With the Board's express approval, Al authorized me to conduct research in specific areas and to report back to him and the Board with recommendations. Ultimately, based on the unique circumstances of the case, my recommendation was to grant the lot owner a variance from the age restriction.

In the meantime, the lot owner had filed a complaint with the U.S. Department of Housing and Urban Development, alleging housing discrimination. As property manager, Al took the lead in responding to the complaint directly to the HUD investigator. Al prepared a detailed letter explaining the legal constraints on the Board and the efforts the Board had made to resolve the matter. I reviewed a draft of that letter and made very few revisions.

3240 Stone Valley Road West
Alamo, CA 94507
Telephone: 510 838-2090
Fax: 510 820-5592

2200 Sunrise Boulevard
Suite 220
Rancho Cordova, CA 95670
Telephone: 916 851-1910
Fax: 916 851-1914

3600 Pruneridge Avenue
Suite 130
Santa Clara, CA 95051
Telephone: 408 556-0220
Fax: 408 556-0224

516 West Shaw Avenue
Suite 200
Fresno, CA 93704
Telephone: 209 221-2556
Fax: 209 221-2558

September 9, 1996

Page 2

In response to Al's letter, the HUD investigator contacted me to report that upon his receipt of the variance document (which I was preparing), he would close the file. I truly believe that Al's comprehensive and prompt response contributed to the favorable resolution of the HUD investigation.

In another instance for the same Association, the Board was faced with a request by a handful of homeowners who were seeking permission to use the common area clubhouse on a regular basis for private bible study sessions. Recognizing the potential legal implications of the Board's decision, Al contacted me for a legal opinion. However, prior to contacting me, Al first faxed me the Association Rules applicable to use of the clubhouse, the relevant portions of the Declaration of CC&Rs, copies of all correspondence from the homeowners, and a cover letter summarizing the dispute and the Board's position.

Al's package enabled me to review the relevant documentation very efficiently, which then enabled me to render legal advice to the Board in a cost effective manner. In this instance, my advice was to send a letter denying the use of the clubhouse based on specific language in the governing documents. Al prepared that letter and sent a draft to me for review. I recall making no revisions to the draft letter.

The point of these detailed examples is to convey my feeling that Al has an excellent grasp of the structure and the workings of common interest developments. Moreover, Al has also demonstrated to me that he has an excellent understanding of the legal issues facing community associations, yet he is very aware of where it is appropriate to counsel a board of directors that formal legal advice is necessary in particular situations.

In fact, now that I think about it, before I give Al a legal opinion on a particular issue (but after I have reviewed the matter and prepared my response), he always gives me his personal "read" on what he thinks my advice will be. In most instances, he is right on line with my reasoning and my conclusions.

Because we represent over 1,000 community associations, I have had the opportunity to work with many property managers. Some of the larger communities such as Blackhawk (in Danville), Serrano El Dorado (in El Dorado Hills), and Lake of the Pines (in Grass Valley) have on-site management staffs, while most of the smaller communities contract with independent property management companies.

Without hesitation, I can honestly say that Al is among those managers I consider to be the most competent, ethical, personable and professional of the property management world. It is those qualities which can make all the difference in the perceived legitimacy and quality of

September 9, 1996

Page 3

the Board and the Association in the eyes of the community which they serve.

If this letter prompts further questions regarding how we feel about Al Frei's potential contribution to your community, please feel free to call. My telephone number is (916) 851-1910.

Very truly yours,

BERDING & WEIL

Deon R. Stein

Deon R. Stein

DRS/tjp

O:\SOFTDATA\DRS\LTR\124177.2

LAW OFFICES OF
DE LA VERGNE & McMURTRY

A PROFESSIONAL CORPORATION

1730 I STREET, SUITE 260

SACRAMENTO, CALIFORNIA 95814-3017

(916) 441-1978

TELECOPIER (916) 446-8053

PLEASE REFER TO

OUR FILE NO. DMA:admin
Ltrefrei.1

November 30, 1992

Re: Al Frei

To Whom It May Concern:

I have been asked to write a letter of reference for Al Frei. I was first introduced to Mr. Frei in 1991 when I was working for a law firm representing a Homeowners Association being managed by Mr. Frei. The Association was a party to active litigation at that time. Mr. Frei was my contact person for that Association. Subsequent to that time, I have worked with another Association also managed by Mr. Frei.

I have always been extremely impressed by Mr. Frei's professionalism. He has been very accessible and promptly responds to my inquiries and requests for documentation. Mr. Frei appears to have a wonderful working relationship with the Board of Directors for the homeowners associations with whom I also worked. He deals very effectively with people. He has been well organized and prepared at the Board of Directors meetings I have attended.

Mr. Frei testified as the chief witness in a trial in which I was representing a homeowners association he manages. He was one of the best witnesses I have ever observed.

I have sincerely enjoyed working with Mr. Frei.

Very truly yours,

Law Offices of
de la VERGNE & McMURTRY
A PROFESSIONAL CORPORATION

BY: Kathleen A. Andleman
Kathleen A. Andleman

KAA/dma

RESIDENT RELATIONS

Resident Orientation - Within the first 10 days from our start date we would arrange for a meeting of park residents to introduce ourselves, discuss our management philosophy and review methods of resident input and grievance procedures.

Participatory Management Concept - Residents of a park can and should play an active and significant role in determining policy and practices that affect the quality of life in the park. We believe in this concept in all parks, but it is especially true when the residents' goal is to own the park. For example, residents should be involved in the development of park rules and regulations which affect them and the value of their property.

Park Liaison Committee - A group of 6-12 residents would be elected by residents to serve on this committee. Its functions will be:

1. Act as liaison between management and residents.
2. Act as advisory body for issues which may impact residents (i.e. development/revision of park rules).

If and when a situation arises where an individual resident wishes not to deal directly with management they can make their concerns known to the committee which can then act on their behalf with management.

Individual Input - A system will be implemented which allows and encourages residents to easily access management to offer suggestions or express concerns.

Quarterly Management Report - A written quarterly report will be distributed to each resident reviewing items of interest such as planned maintenance projects and upcoming events. We may do this monthly during the first six months.

Welcome Packet for New Residents - A packet of information about the park and community will be provided to every new resident.

Enforcement - While management is responsible for enforcement of lease or rental agreements, rules, and the civil code, it can be done in a firm fashion without causing unreasonable conflict so long as enforcement is fair and equitable for all residents. Most residents desire the same quality of life and are cooperative, especially when they have some "ownership" in policy making.

SUSTAIN RESIDENT ASSOCIATION

Our company has had extensive experience in managing and advising resident associations including three mobilehome park associations.

We were involved with the purchase by the residents of Ponderosa Pines Mobilehome Park in Grass Valley. A former partner handled that purchase for the residents and we have been the property manager since that transaction closed. Ponderosa Pines was a share or co-operative purchase. The residents formed a Mutual Benefit Non Profit Corporation, and were required to purchase at least 51% of the shares of the corporation which entitled them to a long term lease of their space. Those residents who chose not to purchase continued as renters. The new park owner, the resident corporation, was required by law to honor the existing leases and in fact continued operating the park with smaller annual rent increases than had been assessed in the past.

In a normal resident purchase in which the owner has set a time for closing escrow, usually 120 - 180 days, there is not enough time to "condo" the spaces which requires undergoing the lengthy subdivision process. There are some shortcuts but time is still a factor. I believe the optimum situation, however, is the condominium conversion so that should be the ultimate goal. When the condo process is complete the resident actually gets a deed to the space/lot. That not only increases the total value of the individual investment, it opens avenues for much more reasonable financing of lower interest rates and longer terms. It also makes resales easier with the better financing.

As a first step toward making that happen for the residents, within six months after we assume management responsibilities we will advise and assist the residents to form a 501(c)3 Mutual Benefit Non Profit Corporation. That entity is legally capable of owning and managing the park. If the park has already formed a corporation then its Bylaws will dictate its operation.

MARKETING

Vacant Spaces - Budget permitting, vacant spaces would be advertised in local papers as well as the GSMOL monthly newspaper, *The Californian*. Also, in the past, we have used referral fees to park residents to help generate new tenants. So long as we have one vacancy we always keep an ad running in any local "free" publications.

Sale and Occupancy - Our company will offer necessary assistance to any interested Buyer or Seller relating to the areas of disclosures, rents, leases, rules, etc. However, we elect not to be involved in any sales activity as a broker. We believe this creates the potential for a conflict of interest.

We don't believe any management company can layout an effective marketing plan without first gaining some experience with the particular park, locality and owner. That should take no more than 30 days after the management company is appointed, but there must be some "settling down" time allowed. Any plan done sooner might satisfy your request but invariably will be revised. We are experienced in marketing plans and have carefully evaluated all kinds over the past fifteen years. A successful marketing plan is the result of coordinating and planning between the management company and the park owner. The extent of any formal plan is budget driven and therefore directly related to cost/benefit ratios determined by and acceptable to the park owner. Our marketing plan will be designed within those parameters.

It is our experience in resident owned and city owned parks that when word of the new (and more desirable) ownership gets out, inquiries from potential new tenants increase. One of the marketing tools we originated is to use local media to make the initial announcement of the change of ownership. We always write a finished product in the paper "Immediate Release" format to insure that the article or radio/TV announcement says what we want it to say, such as the stabilized rents, removal of profit incentive, etc. We did this in Grass Valley after the purchase of Ponderosa Pines and it was well received. In the Rohnert Park area we would add a comment about the anticipation of reducing stress caused in the past by litigation and conflicts over rent control issues. Of course, the park owner would approve in advance any and all public releases and announcements, especially in reference to past litigation.

It is important that the park maintain a strong reputation in the community as well as with sales agents so it is perceived to be a well maintained, desirable place to live. We would routinely advise Realtors, manufactured housing dealers and community organizations (churches, senior and family organizations, etc.) of space availability in Marine Valley Mobile Country Club.

BUDGET

This budget is based upon experience in similar size and age parks. Every park, however, is unique in many ways which may require some budget adjustments after thorough involvement of management. While line items may vary, I see no reason why the park could not operate at an expense level somewhere between \$150-\$165 per space per month. Adjustments would be recommended by management once they become familiar with the park and its needs, and certainly would only be considered as they fit within the owner's goals and availability of resources.

**MARIN VALLEY MOBILE COUNTRY CLUB
PROJECTIONS**

ADMINISTRATIVE EXPENSES

Office Supplies	2,000
Postage	200
Telephone	2,100
Computer & Copier Supplies	1,000
Legal	2,500
Bank Charges	240
Bookkeeping	0
Audit	0
Dues & Subscriptions	500
Mileage, Travel/Meals	0
Business Development & Training	0
General & Administrative	0
Licenses/Permits/Fees	750
Total Administrative Expense	9,290

ADVERTISING & PROMOTION

Marketing	2,400
Social Programs	2,400
Total Advertising & Promotion	4,800

MAINTENANCE & REPAIR

Repair & Maintenance	3,500
Landscape Maintenance	13,000
Tools & Equipment Repair	2,500
Swimming Pool Supplies	3,500
Lighting Supplies	1,500
Grounds Materials & Supplies	3,500
Street/Parking Lot Maintenance	4,800
Security Services	18,000
Vehicle Maintenance	1,500
Total Maintenance & Repair	51,800

PAYROLL

Resident Managers	30,000
Manager's Mobile Home Rent	4,800
Assistant Manager	9,600
Maintenance Assistant	16,640
Health Insurance & Benefits	2,500
Payroll Taxes	7,265
Worker's Compensation	9,021
Total Payroll	79,826

UTILITIES

Electricity	173,000
Gas	82,000
Trash Removal	32,000
Sewer	49,464
Water	28,244
Cable TV	30,850
Total Utilities	393,558

INSURANCE

Property & Liability Insurance	10,500
Total Insurance	10,500

IMPROVEMENTS & REPAIRS

Trees	5,500
Utilities	4,200
Concrete	2,500
Street Repairs	5,500
Manager's Home Repairs	0
Total Improvements & Repairs	17,700

MANAGEMENT FEES

43,470

TOTAL OPERATING EXPENSES

610,944

Property

*Owen's Financial
Bob Gandy*

CLT

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:
CITY OF NOVATO, CALIFORNIA
900 SHERMAN AVENUE
NOVATO, CA 91945
ATTENTION: RICHARD HILL

THIS DOCUMENT IS
RECORDED IN THE
PUBLIC RECORDS OF THE
COUNTY OF SONOMA, CALIFORNIA

PTN 155-010-41, 42, 47 + 80

IN-LIEU-OF-TAX AGREEMENT

Dated as of March 1, 1997

by and among the

THE CITY OF NOVATO

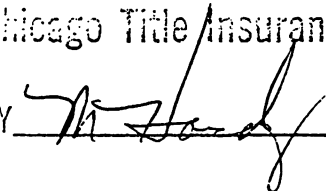
**PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB**

and the

NOVATO FINANCING AUTHORITY

CERTIFIED TO BE A TRUE COPY
Chicago Title Insurance Company

BY



IN-LIEU-OF-TAX AGREEMENT

THIS IN-LIEU-OF-TAX AGREEMENT, dated as of March 1, 1997, by and among the City of Novato, California (the "City"), the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") and the Novato Financing Authority (the "Owner");

W I T N E S S E T H:

WHEREAS, the Owner desires to acquire the real and personal property (other than the mobile homes and other personal property located thereon owned by private parties) known as the Marin Valley Mobile Country Club Park (the "Project") in the City located on the site set forth in Exhibit A hereto, with the proceeds of the \$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 "Senior Bonds"), 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 (the "Subordinate Bonds"); and

WHEREAS, the Owner is a joint powers authority created by the City and the Redevelopment Agency of the City of Novato; and

WHEREAS, the PAC and the Owner have entered into the Marin Valley Mobile Country Club Park Delegation Agreement dated as of March 1, 1997 (the "Delegation Agreement") pursuant to which the PAC will undertake certain obligations and duties with respect to the Project; and

WHEREAS, in consideration for the Owner's purchase of the Project with a portion of the proceeds of the Bonds, the PAC will, subject to the terms and conditions of the Mortgage Loan Documents, make or cause to be made in-lieu-of-tax payments to the City from Revenues of the Project; and

WHEREAS, the Owner and the PAC expect to transfer and assign all of their respective rights, interests and obligations in the Project and the various agreements entered into by the Owner and the PAC with respect to the Project to a nonprofit 501(c)(3) corporation upon the terms and conditions set forth in the Loan Agreement and the Insurance Agreement;

NOW, THEREFORE, in consideration of the mutual covenants herein contained it is agreed by and between the parties hereto as follows:

ARTICLE I

DEFINITIONS; GENERAL PROVISIONS

Section 1.01. *Definitions.* Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Agreement, have the meanings herein specified. Terms used herein but not defined herein have the meanings given to such terms in the Indenture.

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

"Aggregate Annual Payment" means (a) \$62,500 with respect to the amount due and owing from the date of acquisition of the Project by the Owner through June 30, 1998, and (b) thereafter with respect to each subsequent Fiscal Year, beginning with the Fiscal Year commencing July 1, 1998, as certified by the Owner to the Trustee and Financial Security by March 31 of each Calendar Year, an aggregate per annum amount to be paid in-lieu-of-ad valorem-taxes equal to (i) \$50,000 times (ii) 75% of the percentage change of CPI (upward or downward) for the previous Calendar Year, less (iii) one-third (1/3) of the amount of any ad valorem taxes levied on the Project and possessory interest taxes levied upon the Project's residents and due and owing in the Fiscal Year for which the calculation is made.

"Agreement" means this In-Lieu-Of-Tax Agreement, together with any duly authorized and executed amendments hereto.

"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.

"Bonds" means any of the Senior Bonds and the Subordinate Bonds.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which (i) banking institutions in New York City or San Francisco are closed, or (ii) the New York Stock Exchange is authorized or obligated by law or executive order to be closed, or (c) a day on which the offices of the City are closed to the public.

"Calendar Year" means the twelve-month period extending from January 1 in one calendar year to December 31 of the same calendar year, both inclusive.

"City" means the City of Novato, California.

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

"Closing Date" means March 13, 1997.

"*Consumer Price Index*" or "*CPI*" means the Consumer Price Index for all urban consumers in the San Francisco/Oakland area published by the Bureau of Labor Statistics.

"*Delegation Agreement*" means the Delegation Agreement dated as of March 1, 1997, by and between the Owner and the PAC.

"*Fiscal Year*" means the twelve-month period extending from July 1 in one calendar year to June 30 of the next calendar year, both inclusive.

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

"*Monthly Payment*" means, (a) for each Allocation Date prior to June 30, 1998, \$4,166.67, and (b) with respect to each Allocation Date in subsequent Fiscal Years, one-twelfth of the Aggregate Annual Payment owed for such Fiscal Year.

"*Mortgage Loan Documents*" shall have the meaning ascribed to it under the Indenture.

"*Owner*" means the Novato Financing Authority, a joint powers authority and nonprofit public benefit corporation duly organized and existing under that certain Joint Exercise of Powers Agreement, dated October 15, 1996, as amended on November 4, 1996, by and between the City and the Redevelopment Agency of the City of Novato, together with any amendments thereof and supplements thereto, and its successors and assigns.

"*PAC*" means the Park Acquisition Corporation of Marin Valley Mobile Country Club, and its permitted successors and assigns.

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

"*Pledge Agreement*" means the Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997, among the Owner, the PAC and the Agency.

"*Project*" means the mobile home park located on the land described more particularly in Exhibit A attached hereto, including the real property, the improvements thereon, 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.

"*Revenues*" means all amounts received by or on behalf of the Owner with respect to rents of the Project, operating and nonoperating revenues derived from the Project, Insurance Proceeds, condemnation proceeds relating to the Project, payments by the Agency under the Pledge Agreement, and liquidation proceeds under the Mortgage.

"*Senior Bonds*" means any one or all of the \$15,485,000 aggregate principal amount of 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 and any time Outstanding under the Indenture.

"*Subordinate Bonds*" means any one or all of the \$1,585,000 aggregate principal amount of 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 and at any time Outstanding under the Indenture.

"*Trustee*" means First Trust of California, National Association, as trustee, including its successors and assigns, acting as such under the Indenture, or any other entity then performing the function of trustee under the Indenture.

Section 1.02. *Authorization; Recitals True.* Each of the parties hereby represents and warrants that the recitals in the forepart of this Agreement are true and correct and that it has full legal authority and is duly empowered to enter into this Agreement and perform its obligations hereunder, and has taken all actions necessary to authorize the execution and delivery of this Agreement by the officers and persons signing it.

Section 1.03. *Term of Agreement.* Notwithstanding anything contained herein to the contrary, this Agreement shall take effect upon the Closing Date and shall terminate upon the transfer of the Project to a Person which results in the entire Project becoming subject to full ad valorem taxation by the County of Marin at which time the obligations of the Owner and the PAC under this Agreement shall terminate and no longer be in force and effect.

Section 1.04. *Rules of Interpretation.* Words of any gender shall be deemed and construed to include correlative words of all genders. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations, partnerships, joint ventures and associations, including public bodies, as well as natural persons. The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Agreement, refer to this Agreement. Unless the context otherwise indicates, references in this Agreement to articles, sections and paragraphs are to articles, sections and paragraphs of this Agreement.

ARTICLE II

AGGREGATE PAYMENT OBLIGATION

Subject to Article III herein and the terms, provisions and priorities set forth in the Indenture, the Loan Agreement and the Mortgage, the Owner hereby unconditionally and

irrevocably agrees to pay or cause to be paid to the City the Aggregate Annual Payment due for each Fiscal Year.

ARTICLE III

PAYMENT OF MONTHLY PAYMENTS

Section 3.01. *Payment of Monthly Payments.* (a) Subject to Section 3.01(b) hereof, while any Bonds are Outstanding under the Indenture, on each Allocation Date the Owner shall pay or cause to be paid to the City in immediately available funds the Monthly Payment due for the calendar month in which the Allocation Date occurs. Payments of Monthly Payments shall be made solely from Revenues rightfully allocated for such purpose by the Trustee pursuant to Section 5.03(b) of the Indenture. When no Bonds remain Outstanding and no amounts are due and payable to Financial Security under the Indenture or the Insurance Agreement, the Owner shall pay or cause to be paid the Monthly Payment from any legally available funds of the Owner related to the Project.

(b) Each of the City, the PAC and the Owner hereby expressly acknowledge and agree that, notwithstanding any other provision of this Agreement, as long as any Bonds remain Outstanding or any amounts are due to Financial Security under the Indenture or the Insurance Agreement,

(i) if a Trigger Event or an Event of Default exists, no Monthly Payment shall be due and payable until the first Allocation Date occurring after the receipt by the Trustee of a Cure Notice;

(ii) only funds rightfully allocated by the Trustee for such purpose pursuant to Section 5.03(b) of the Indenture will be available to make any Monthly Payment and the City will have no right to demand payment from any other source;

(iii) a failure to make any Monthly Payment will not constitute a breach of or an event of default hereunder or under the Indenture or a Trigger Event;

(iv) all obligations of the Owner to make payments to the City under this Agreement are subordinate in priority and in right, time and interest to all amounts due and payable with respect to the Bonds or to Financial Security under the Indenture and the Insurance Agreement and to the funding of the Senior Cashtrap Account after the occurrence of a Trigger Event or an Event of Default;

(v) whether or not the Owner, the PAC or CLGFA is insolvent, no payments will be due and payable hereunder if the Trustee has not rightfully allocated sufficient funds pursuant to Section 5.03(b) of the Indenture to make such payment;

(vi) the City will not institute against, or join any other person in instituting against, the Owner, CLGFA 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 under the Indenture and no amounts are due and payable to Financial Security under the Indenture or the Insurance Agreement or (y) the day which is the 123rd day after the expiration of the Insurance Agreement;

(vii) no default or event of default shall exist or may be declared with respect to any obligations owed to the City hereunder; and

(viii) if a Monthly Payment is not made hereunder, for any reason, such Monthly Payment shall continue to be an obligation owed to the City hereunder and shall be paid from Revenues to the extent funds are later rightfully allocated by the Trustee for such purpose pursuant to Section 5.03(b) of the Indenture.

ARTICLE IV

COVENANTS

Section 4.01. *Further Assurances and Corrective Instruments.* The City, the Owner and the PAC agree that they shall, with the prior written consent of Financial Security, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project or otherwise for carrying out the purposes and intent of this Agreement.

Section 4.02. *Obligation Absolute.* Subject to Article III hereof and the terms, provisions and priorities set forth in the Indenture, the Loan Agreement and the Mortgage, the obligations of the PAC and the Owner hereunder shall be absolute, and shall be paid or performed strictly in accordance with this Agreement, but subject and subordinate in all respects to the terms, provisions and priorities, and the obligations of the Owner and the PAC to the Holders of the Senior Bonds and to Financial Security as set forth herein and in the Indenture, the Loan Agreement, the Mortgage and the Insurance Agreement, under all circumstances irrespective of: (a) any lack of validity or enforceability of, or any amendment or other modifications of, or waiver with respect to, this Agreement; (b) the existence of any claim, set-off, defense reduction, abatement or other right which the PAC or the Owner may have at any time against the City (other than any defense or rights that arise out of the terms, provisions and priorities set forth in the Indenture, the Loan Agreement and the Mortgage); (c) any breach by the PAC or the Owner of any representation, warranty or covenant contained in this Agreement; or (d) any foreclosure under the Mortgage or the pursuit of any remedies under the Indenture.

Section 4.03. *Remedies.* Whenever any breach or default under this Agreement shall exist and be continuing, it shall be lawful for the City to exercise any and all remedies available at law or in equity or granted pursuant to this Agreement; provided, however, that while any Senior Bonds remain Outstanding under the Indenture or any amounts are owed to Financial Security under the Indenture or Insurance Agreement, the City shall have no right to declare a default or exercise any remedies hereunder without the prior written consent of Financial Security; and provided further that notwithstanding anything herein or in the Indenture to the contrary, there shall be no right under any circumstances to accelerate payment of the Monthly Payment or otherwise declare any payment of Monthly Payment not then in default immediately due and payable.

Section 4.04. *Amendments to Rent Adjustment Ordinance.* The City will not revise, amend or revoke the Rent Adjustment Ordinance in a manner that would cause a violation of the Contracts Clause of the Constitution of the United States or the State of California with respect to any Mortgage Loan Document.

Section 4.05. *Rents.* The City represents and warrants that the Rent Adjustment Ordinance, as currently in effect, permits performance by the Owner (and any successor owner) of the covenants regarding rents set forth in the Pledge Agreement and the Insurance Agreement.

ARTICLE V

THE PROJECT

Section 5.01. *Sale or Transfer of the Project.* The Owner hereby covenants and agrees not to voluntarily (which term shall not be interpreted to include the granting by the Owner of a deed-in-lieu of foreclosure or any transferee due to foreclosure) sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual resident use), without obtaining the prior written consent of the City, which consent shall not be unreasonably withheld by the City and shall be given by the City if (a) the purchaser or assignees shall certify that the continued operation of the Project shall comply with the provisions of this Agreement and the Loan Agreement; (b) the City receives evidence reasonably satisfactory to the City that the purchaser or assignee shall be willing and capable of complying with the terms and conditions of this Agreement and the Loan Agreement; (c) the purchaser or assignee executes any document reasonably requested by the City and the Owner with respect to the assumption of the PAC's and Owner's obligations under this Agreement and the Loan Agreement, including, without limitation, an instrument of assumption hereof, and delivers to the City an opinion of counsel for the transferee to the effect that each such document and this Agreement and the Loan Agreement are valid, binding and enforceable obligations of such purchaser or assignee; and (d) such other conditions are met as the City may reasonably impose to assure compliance by the Project with the requirements of this Agreement and the Loan Agreement. Except as provided in Section 5.02 hereof, it is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 5.01 shall be null, void

and without effect, shall cause a reversion of title to the Owner, and shall be ineffective to relieve the PAC and the Owner of their respective obligations under this Agreement. Upon any sale or other transfer which complies with this Agreement, the Owner and the PAC shall be fully released from its obligations hereunder, to the extent such obligations have been assumed by the transferee of the Project, without the necessity of further documentation. Any transfer of the Project to any entity, whether or not affiliated with the Owner or the PAC, shall be subject to the provisions of this Section 5.01 and, while any Bonds remain Outstanding under the Indenture, the terms and conditions set forth in the Mortgage, the Loan Agreement and the Insurance Agreement.

Section 5.02. *Termination of Agreement.* Upon the termination of the terms of this Agreement as set forth herein, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Agreement in accordance with its terms.

Section 5.03. *Covenants To Run With the Land.* The Owner hereby subjects the Project to the covenants, reservations and restrictions set forth in this Agreement. The City, the Owner and the PAC hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the Project; provided, however, that on the termination of this Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

No breach of any of the provisions of this Agreement shall impair, defeat or render invalid the lien of any mortgage, deed of trust or like encumbrance made in good faith and for value encumbering the Project or any portion thereof.

Section 5.04. *Burden and Benefit.* The City, the Owner and the PAC hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Owner's legal interest in the Project is rendered less valuable thereby. Notwithstanding the foregoing or any other provision of this Agreement, no person, other than the parties hereto and, while any Senior Bonds are Outstanding under the Indenture or amounts are owed to Financial Security under the Indenture or Insurance Agreement, Financial Security, shall have any rights of enforcement of this Agreement. While any Senior Bonds are Outstanding under the Indenture or any amounts are owed to Financial Security under the Indenture or Insurance Agreement, the Trustee and Financial Security shall be third-party beneficiaries to the provisions of this Agreement, entitled to enforce the provisions of this Agreement directly as if parties hereto.

Section 5.05. *Recording and Filing.* The PAC and the Owner shall cause this Agreement, and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the County of Marin and in such other places as the City may reasonably request. The PAC shall pay all fees and charges incurred in connection with any such recording. This Agreement shall be recorded in the grantor-grantee index to the name of the Owner as Grantor and the City as Grantee.

ARTICLE VI

MISCELLANEOUS

Section 6.01. *Successor Is Deemed Included in All References to Predecessor.* Whenever in this Agreement the City, the PAC and the Owner are named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City, the PAC or the Owner shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not. While any Bonds are Outstanding under the Indenture, the Owner and the PAC may assign their respective obligations under this Agreement to a nonprofit corporation which has acquired the Project from the Owner without the consent of the City if the terms and conditions set forth in the Loan Agreement, the Mortgage and the Insurance Agreement are met.

Section 6.02. *Right of Setoff.* The PAC and the Owner are hereby authorized at any time and from time to time, with prior written notice to the other parties hereto, to set off one-third of the amount of any ad valorem taxes and possessory interest taxes with respect to the Project paid by the Owner or the Project's residents to the City or to any other taxing authorities having jurisdiction over the Project against the obligation to make the Aggregate Annual Payments.

Section 6.03. *Amendments.* The Owner, the City and the PAC may alter, modify or cancel, or agree or consent to alter, modify or cancel this Agreement by a writing executed by all of them or their successors at any time; provided that if any Senior Bonds are Outstanding under the Indenture or any amounts are owed to Financial Security under the Indenture or the Insurance Agreement, the prior written consent of Financial Security shall be required.

Section 6.04. *Notices.* All notices, certificates or other communications hereunder shall be in writing and shall be mailed, personally delivered or telecopied, and shall be sufficiently given and shall be deemed to have been received upon receipt.

If 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

If to the City:

City of Novato
900 Sherman Avenue
Novato, CA 94945
Telephone: (415) 897-4311
FAX: (415) 897-4354
Attention: Director of Finance

If to the PAC:

Park Acquisition Corporation of Marin
Valley Mobile Country Club
172 Marin Valley Drive
Novato, CA 94949-6716
Telephone: (415) 883-3275
FAX: (415) 884-2562
Attention: President

If to Financial Security:

Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022
Telephone: (212) 826-0100
FAX: (212) 339-3518 or (232) 339-3529
Attention: Surveillance Department

The Owner, the City, the PAC or Financial Security, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 6.05. *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 6.06. *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 Agreement.

Section 6.07. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 6.08. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 6.09. *Captions.* The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope of intent of any provisions of Sections of this Agreement.

IN WITNESS WHEREOF, the City, the PAC and the Authority have caused this In-Lieu-of-Tax Agreement to be executed by their duly authorized respective officers, all as of the date first above written.

CITY OF NOVATO

By *Richard Hill*
Name Richard Hill
Title Finance Director

Attest:

By *Shirley Bremnes*
Title City Clerk

PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB

By *Owen V. Haxton*
Name Owen V. Haxton
Title President

Attest:

By *Dustin L. Hedlund*
Title Secretary

NOVATO FINANCING AUTHORITY

By *Patricia Eklund*
Name Patricia Eklund
Title Chair

Attest:

By *Sonia Secuan*
Title Secretary

CALIFORNIA ALL-PURPOSE NOTARY ACKNOWLEDGMENT

State of California
County of Marin

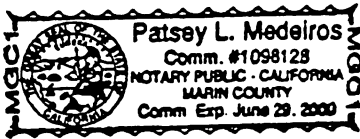
On this 11 day of March, 1997 before me,
Patsey L. Medeiros, Notary Public

personally appeared Richard Hill, Shirley Gremmels and
Sonia Seeman

personally known to me -OR- proved to me on the basis of satisfactory
evidence to be the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the
instrument the person(s), or the entity upon behalf of which the person(s) acted,
executed the instrument.

WITNESS my hand and official seal.

Signature of Notary (handwritten: Patsey L. Medeiros)



OPTIONAL SECTION
CAPACITY CLAIMED BY SIGNER

Though statute does not require the Notary to fill in the
date below, doing so may prove invaluable to persons
relying on the document.

- INDIVIDUAL
CORPORATE OFFICER(S)
PARTNER(S) LIMITED GENERAL
ATTORNEY-IN-FACT
TRUSTEE(S)
GUARDIAN/CONSERVATOR
OTHER:

SIGNER IS REPRESENTING:
Name of Person(s) or Entity(ies)

OPTIONAL SECTION

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED BELOW:

TITLE OR TYPE OF DOCUMENT IN-LIEU-OF-TAX AGREEMENT
NUMBER OF PAGES DATE OF DOCUMENT
SIGNER(S) OTHER THAN NAMED ABOVE

Though the data requested here is not required by law, it could prevent fraudulent reattachment of this form.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

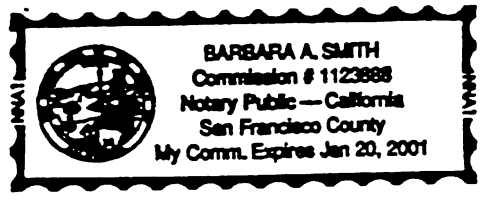
County of San Francisco

On March 4, 1997 before me, Barbara A. Smith
Date Name and Title of Officer (e.g., Jane Doe, Notary Public)

personally appeared Owen V. Hayton and Burton L. Melland
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Barbara A. Smith
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: In-Lieu-of-Tax Agreement

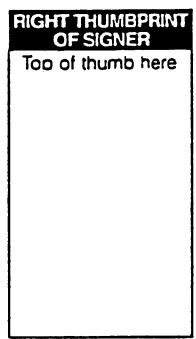
Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

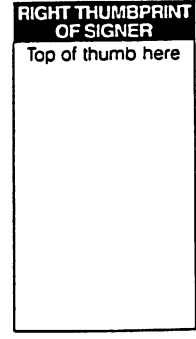
- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing:

Signer's Name: _____

- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing:

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

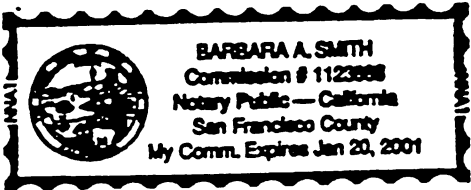
County of San Francisco

On March 11, 1997 before me, Barbara A. Smith,
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Patricia Eklund,
Name(s) of Signer(s)

- personally known to me
 proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Barbara A. Smith
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: In-Lieu-of-Tax Agreement

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

- Individual
 Corporate Officer
Title(s): _____
 Partner — Limited General
 Attorney-in-Fact
 Trustee
 Guardian or Conservator
 Other: _____

RIGHT THUMBPRINT
OF SIGNER

Top of thumb here

Signer Is Representing:

Signer's Name: _____

- Individual
 Corporate Officer
Title(s): _____
 Partner — Limited General
 Attorney-in-Fact
 Trustee
 Guardian or Conservator
 Other: _____

RIGHT THUMBPRINT
OF SIGNER

Top of thumb here

Signer Is Representing:

EXHIBIT A
PROJECT

DESCRIPTION

All that certain real property situate in the County of Marin, State of California, and is described as follows:

PARCEL 1

COMMENCING FOR REFERENCE at a found open 2-inch iron pipe accepted as that monument shown on Record of Survey filed July 10, 1969 in Book 8 of Surveys at Page 57, Marin County Records, as being the corner common to the Rancho San Jose and the Rancho San Pedro Santa Margarita y Las Gallinas, said point also being designated "S.J.1", as the same is shown upon that certain plat entitled "Plat of Rancho San Jose, July 1858", filed for record in Book A of Patents on Page 1, Marin County Records; said point being the northwest corner of Survey No. 5 in Township 2 North, Range 6 West, Mount Diablo Meridian;

thence along the boundary of said Rancho San Jose and the westerly line of said 8 O.S. 57, North $31^{\circ}38'57''$ West, 141.51 feet to the TRUE POINT OF BEGINNING;

thence leaving said Rancho boundary and said westerly line of 8 O.S. 57, North $58^{\circ}21'03''$ East, 56.66 feet; thence North $32^{\circ}44'43''$ West, 112.90 feet; thence South $56^{\circ}52'57''$ West, 27.67 feet; thence North $36^{\circ}18'57''$ West, 329.96 feet to a point on said aforementioned Rancho San Jose boundary and said westerly line of 8 O.S. 57;

thence along said Rancho boundary and said westerly line of 8 O.S. 57, North $31^{\circ}38'57''$ West, 257.55 feet;

thence leaving said Rancho boundary and said westerly line of 8 O.S. 57, North $12^{\circ}57'17''$ West, 443.49 feet to a point on said Rancho boundary and said westerly line of 8 O.S. 57 and which is a found, 3-inch brass capped monument, accepted as that monument shown on said 8 O.S. 57 and on that survey filed February 26, 1973 in Book 11 of Surveys at Page 70, Marin County Records and being the northeast corner thereof;

thence leaving said Rancho boundary and said westerly line of 8 O.S. 57, along the North line of said 11 O.S. 70, North $74^{\circ}45'51''$ West, 2061.07 feet; thence leaving said North line of 11 O.S. 70, South $28^{\circ}17'33''$ West, 307.47 feet; thence South $31^{\circ}34'45''$ East, 176.63 feet; thence South $11^{\circ}14'44''$ West, 299.74 feet; thence South $25^{\circ}35'52''$ West, 22.40 feet; thence South $35^{\circ}06'40''$ West 174.62 feet; thence North $21^{\circ}35'02''$ West, 60.08 feet to the beginning of a 100.00 foot radius, tangent curve to the right; thence along said curve, through a central angle of $45^{\circ}39'21''$, an arc distance of 79.68 feet; thence North $24^{\circ}04'19''$ East, 95.85 feet to the beginning of a 200.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of $68^{\circ}23'02''$, an arc distance of 238.70 feet; thence North $44^{\circ}18'43''$ West, 377.64 feet to the beginning of a 275.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of $56^{\circ}50'36''$, an arc distance of 272.83 feet to the point of reverse curvature of a 375.00 foot radius, tangent curve to the right; thence along said curve, through a central angle of

56°44'18", an arc distance of 371.35 feet, to the point of compound curvature of a 175.00 foot radius, tangent curve to the right; thence along said compound curve, through a central angle of 25°31'51", an arc distance of 77.98 feet to a point bearing South 6°18'59" East, 215.67 feet from the most northerly corner of that certain parcel of land granted to the City of Novato by deed recorded September 11, 1968 in Book 2239 of Official Records at Page 176, Marin County Records;

thence South 71°06'50" West, 100.00 feet to the beginning of a 275.00 foot radius, non-tangent curve, the radius point of which bears North 71°06'50" East; thence southeasterly along said curve, through a central angle of 25°31'51", an arc distance of 122.54 feet to the point of compound curvature of a 475.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of 56°44'18", an arc distance of 470.38 feet to the point of reverse curvature of a 175.00 foot radius, tangent curve to the right; thence along said curve, through a central angle of 56°50'36", an arc distance of 173.62 feet; thence South 44°18'43" East, 377.64 feet to the beginning of a 100.00 foot radius, tangent curve to the right; thence along said curve, through a central angle of 68°23'02", an arc distance of 119.35 feet; thence South 24°04'19" West, 95.85 feet to the beginning of a 200.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of 45°39'21", an arc distance of 159.37 feet; thence South 21°35'02" East, 196.43 feet, to the beginning of a 140.00 foot radius, tangent curve to the left; thence along said curve, through a central angle of 82°00'37", an arc distance of 200.39 feet; thence South 61°58'24" East, 168.41 feet; thence North 46°47'31" East, 307.04 feet; thence North 22°43'48" East, 306.30 feet; thence North 88°49'28" East, 208.66 feet; thence North 73°09'47" East, 534.21 feet; thence South 30°31'33" East, 50.00 feet; thence South 59°28'27" West, 360.08 feet; thence South 49°17'13" West, 154.78 feet; thence South 40°34'04" East, 363.14 feet; thence North 45°42'44" East, 372.01 feet; thence North 76°56'09" East, 148.75 feet; thence South 63°52'01" East, 28.35 feet; thence South 26°07'59" West, 237.85 feet; thence South 74°20'31" West, 205.01 feet; thence South 8°31'26" West, 107.69 feet; thence South 53°07'25" West, 214.67 feet; thence South 68°43'49" West, 279.73 feet; thence South 41°06'02" West, 223.36 feet; thence South 35°40'28" East, 139.99 feet; thence South 76°17'06" East, 318.47 feet; thence North 80°54'38" East, 85.65 feet; thence North 72°36'03" East, 330.41 feet; thence North 82°11'38" East, 370.72 feet; thence South 74°25'36" East, 456.94 feet; thence North 58°21'03" East, 439.01 feet to the TRUE POINT OF BEGINNING.

LEGAL DESCRIPTION
PARCEL 2

A non-exclusive easement appurtenant to Parcel 1 above described for pedestrian and vehicular ingress and egress purposes; public utility purposes; drainage, storm and sanitary sewer purposes; and fire and emergency vehicle access purposes on, over, under, and across the following described parcel of real property:

COMMENCING FOR REFERENCE at the most northerly corner of that certain parcel of land granted to the City of Novato by deed recorded September 11, 1968 in Book 2239 of Official Records at Page 176, Marin County Records and the beginning of a 126.00 foot radius curve, the radius point of which bears North $85^{\circ}48'12''$ East; thence along the exterior line of said 2239 O.R. 176 the following courses and distances: southerly along said curve, through a central angle of $4^{\circ}30'46''$, an arc distance of 9.92 feet to the point of compound curvature of a 33.19 foot radius, tangent curve to the left; thence along said curve, through a central angle of $49^{\circ}21'16''$, an arc distance of 28.59 feet to the point of reverse curvature of a 50.00 foot radius, tangent curve to the right, and thence along said curve, through a central angle of $111^{\circ}56'04''$, an arc distance of 97.68 feet to the TRUE POINT OF BEGINNING, being the North end point of a 175.00 foot radius curve, the radius point of which bears South $76^{\circ}08'44''$ East; thence leaving said exterior line of 2239 O.R. 176, southerly along said curve, through a central angle of $32^{\circ}44'26''$, an arc distance of 100.00 feet; thence South $71^{\circ}06'50''$ West, 100.00 feet to the beginning of a 275.00 foot radius curve, the radius point of which bears North $71^{\circ}06'50''$ East; thence northerly along said curve, through a central angle of $30^{\circ}41'42''$, an arc distance of 147.33 feet to a point on the easterly line of that land granted to the State of California by deed recorded February 3, 1961 in Book 1433 of Official Records at Page 353, Marin County Records; thence along said easterly line, North $23^{\circ}07'24''$ East, 1.33 feet to a point on said exterior line of 2239 O.R. 176; thence leaving said easterly line of 1433 O.R. 353, along said exterior line of 2239 O.R. 176, South $66^{\circ}52'36''$ East, 53.97 feet to the beginning of a 50.00 foot radius, tangent curve to the left, and thence along said curve, through a central angle of $59^{\circ}15'10''$, an arc distance of 51.71 feet to the TRUE POINT OF BEGINNING

DPH:BFL

LEGAL DESCRIPTION
PARCEL 3

A non-exclusive easement appurtenant to Parcel 1 above described for vehicle turn around purposes on, over and across the following described parcel of real property:

COMMENCING FOR REFERENCE at a found open 2-inch iron pipe accepted as that monument shown on Record of Survey filed July 10, 1969 in Book 8 of Surveys at Page 57, Marin County Records, as being the corner common to the Rancho San Jose and the Rancho San Pedro Santa Margarita y Las Gallinas, said point also being designated "S.J.1", as the same is shown upon that certain plat entitled "Plat of Rancho San Jose, July 1858", filed for record in Book A of Patents on Page 1, Marin County Records; said point being the northwest corner of Survey No. 5 in Township 2 North, Range 6 West, Mount Diablo Meridian;

thence along the boundary of said Rancho San Jose and the westerly line of said 8 O.S. 57, North $31^{\circ}38'57''$ West, 141.51 feet; thence leaving said Rancho boundary and said westerly line of 8 O.S. 57, North $58^{\circ}21'03''$ East, 56.66 feet; thence North $32^{\circ}44'43''$ West, 112.90 feet to the TRUE POINT OF BEGINNING;

thence North $56^{\circ}52'57''$ East, 39.54 feet to the beginning of a 45.59 foot radius, tangent curve to the left; thence along said curve, through a central angle of $222^{\circ}19'36''$, an arc distance of 176.90 feet; thence South $14^{\circ}33'21''$ West, 52.70 feet; thence South $36^{\circ}18'57''$ East, 43.88 feet; thence North $56^{\circ}52'57''$ East, 27.67 feet to the TRUE POINT OF BEGINNING

DPH:BFL

LEGAL DESCRIPTION
PARCEL 4

A non-exclusive easement appurtenant to Parcel 1 above described for drainage purposes on, over, under and across the following described parcel of real property:

A 20-FOOT WIDE STRIP OF LAND lying 10 feet either side of the following described line:

COMMENCING FOR REFERENCE at a found open 2-inch iron pipe accepted as that monument shown on Record of Survey filed July 10, 1969 in Book 8 of Surveys at Page 57, Marin County Records, as being the corner common to the Rancho San Jose and the Rancho San Pedro Santa Margarita y Las Gallinas, said point also being designated "S.J.1", as the same is shown upon that certain plat entitled "Plat of Rancho San Jose, July 1858", filed for record in Book A of Patents on Page 1, Marin County Records; said point being the northwest corner of Survey No. 5 in Township 2 North, Range 6 West, Mount Diablo Meridian;

thence along the boundary of said Rancho San Jose and the westerly line of said 8 O.S. 57, North $31^{\circ}38'57''$ West, 687.55 feet to the TRUE POINT OF BEGINNING, said point being on the approximate centerline of an existing drainage ditch; thence along said approximate ditch centerline North $78^{\circ}33'04''$ East, 493.10 feet to a point on the westerly right of way line of the Northwestern Pacific Railroad Company, a California corporation, as described by deed recorded May 15, 1908 in Book 114 of Deeds at Page 376, Marin County Records.

The sidelines of this easement shall be lengthened or shortened to intersect said westerly line of 8 O.S. 57 and said westerly right of way line of 114 Deeds 376.

DPH:BFL

AMENDED AND RESTATED DEPOSIT ONLY ACCOUNT AGREEMENT

THIS AMENDED AND RESTATED DEPOSIT ONLY ACCOUNT AGREEMENT (this "Agreement"), dated as of November 1, 1997, among FREI REAL ESTATE SERVICES (the "Property Manager"), BANK OF MARIN (the "Bank"), the PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB (the "PAC") and FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION, as Trustee (the "Trustee") under that certain Trust Indenture, dated as of March 1, 1997, (the "Indenture"), between the Trustee and California Local Government Finance Authority ("CLGFA").

WHEREAS, the PAC has established with the Bank an account designated as the "Marin Valley Mobile Country Club Park Deposit Only Account"; and

WHEREAS, the parties hereto wish to set forth the procedures of administering the Marin Valley Mobile Country Club Park Deposit Only Account;

WHEREAS, CLGFA and the Novato Financing Authority (the "Owner") have granted a security interest in the Deposit Only Account for the benefit of the Trustee on behalf of the Bondholders (as defined in the Indenture);

WHEREAS, Storz Management Company, Inc. ("Storz") has resigned as property manager and Frei Real Estate Services has been appointed as the successor property manager; and

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration of the foregoing recitals and the mutual covenants and promises set forth herein, this Agreement is amended and restated in its entirety to delete Storz as a party and to add Frei Real Estate Services as a party. The parties hereto agree as follows:

1. *The Deposit Only Account.* The PAC has requested the Trustee to open, and the Trustee has pursuant to the Indenture opened with the Bank, on behalf of the Owner, account #4301776 designated as the Marin Valley Mobile Country Club Park Deposit Only Account (the "Account").

THE PARTIES HERETO HEREBY AGREE AND CONFIRM THAT FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION, AS TRUSTEE FOR 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"), 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"), HAS SOLE DOMINION AND CONTROL OVER ALL FUNDS HELD IN THE ACCOUNT, AND EACH PARTY OTHER THAN THE TRUSTEE HEREBY DISCLAIMS ANY RIGHT OF ANY NATURE WHATSOEVER TO CONTROL OR OTHERWISE DIRECT OR MAKE ANY CLAIM AGAINST THE FUNDS HELD IN THE ACCOUNT FROM TIME TO TIME. THE PAC AND THE PROPERTY MANAGER ON BEHALF OF THE OWNER HEREBY GRANT TO THE TRUSTEE A SECURITY INTEREST IN THE ACCOUNT AND FUNDS ON DEPOSIT THEREIN FOR THE BENEFIT OF THE OWNERS OF THE SENIOR BONDS, FINANCIAL SECURITY AND THE OWNERS OF THE SUBORDINATE BONDS DESCRIBED ABOVE. THE PAC AND THE PROPERTY MANAGER AGREE TO FILE ON BEHALF OF THE OWNER AND CLGFA SUCH UCC FINANCING STATEMENTS AND CONTINUATION STATEMENTS AS ARE NECESSARY TO PERFECT AND PRESERVE THE SECURITY INTEREST OF THE TRUSTEE IN THE ACCOUNT. NO ONE EXCEPT THE TRUSTEE MAY WITHDRAW ANY FUNDS FROM THE ACCOUNT.

2. ***Standing Revocable Instruction.*** The Trustee hereby provides the following standing revocable instruction set forth in the next paragraph (the "Standing Revocable Instruction") to the Bank, which Standing Revocable Instruction is revocable only pursuant to a written instruction (a "Revocation Order") to the Bank which is signed by a managing director of Financial Security Assurance Inc. ("Financial Security") (if no Financial Security Default (as defined in the Indenture) exists) or, if a Financial Security Default exists, signed by the Trustee. Upon receipt of a Revocation Order and the provision of indemnity by Financial Security (if it is the Controlling Party) reasonably satisfactory to the Bank with respect to any liability that might be incurred by the Bank solely as a result of such Revocation Order, the Bank shall follow such Revocation Order and not the Standing Revocable Instruction.

Standing Revocable Instruction:

The Bank shall, on the 7th, 10th and 25th days of each month (or on the preceding Business Day, if any such day is not a Business Day), transfer from the Account to the Revenue Fund detailed below all funds held in the Account in excess of \$2,500 no later than 2:30 p.m., New York time, and the Bank shall use its best efforts, on any date on which the collected balance in the Account exceeds the amount insured by the FDIC, to transfer to the Revenue Fund no later than 2:30 p.m., New York time, all funds held in the Account in excess of \$2,500.

Wire instructions for Revenue Fund:

First Trust of California, National Association
ABA ##0910 00022
First Bank NA/CTR/BBK=First Trust Company
AC#180121167365/BNF=San Francisco
AC#47300027/OBI=CLGFA Senior Bds 97 Marin Acct.# 95436060
ATTN: LETICIA SABINIANO
Phone #: (415) 273-4517

3. ***Account Duties of the Bank.*** So long as the Bank has not received a Revocation Order, the Bank shall (i) credit to the Account all amounts deposited therein; and (ii) transfer all funds held in the Account to the Revenue Fund as provided in paragraph 2 above.

4. ***Limitation of Duties; Limitation on Liability.***

(a) The Bank undertakes to perform only such duties as are expressly set forth herein with respect to the Account. Notwithstanding any other provision of this Agreement, the parties hereto agree that the Bank shall not be liable for any action taken by it or any of its directors, officers, agents or employees in accordance with this Agreement except for its or their own negligence or willful misconduct. In no event shall the Bank be liable for losses or delays resulting from force majeure or other causes beyond the Bank's reasonable control or for indirect, special or consequential damages.

(b) Amounts in the Account shall not be invested.

(c) The PAC agrees to indemnify and hold the Bank harmless from and against any and all claims, demands, liabilities, losses, damages, judgments, amounts paid in settlement, expenses and costs (including, without limitation, reasonable attorneys' fees and costs of any suit) suffered or incurred by the Bank which arise out of or are in any way related to this Agreement or the Bank's performance hereunder unless such liability or loss is the direct and proximate result of the Bank's own negligence, recklessness or malfeasance.

5. ***Fees.*** In compensation for the services rendered hereunder, the Bank shall be entitled to the fees described in Exhibit A hereto; provided, however, that transaction fees shall not exceed \$500 in any calendar year without the prior written consent of Financial Security (if no Financial Security Default exists).

6. ***Grant Coupled With Interest.*** The PAC and the Property Manager hereby acknowledge that the agreements made by them and the authorizations granted by them herein are irrevocable and the authorizations granted and covenants made in paragraph 2 are powers coupled with an interest. The PAC and the Property Manager hereby authorize and direct the

Bank to comply with any and all Revocation Orders the Bank may receive from Financial Security (if no Financial Security Default exists), or the Trustee regarding the Account.

7. **Waiver of Right of Setoff.** The Bank hereby waives, with respect to all of its existing and future claims against the PAC, the Property Manager or their affiliates, all existing and future rights of setoff, counterclaim, banker's liens or similar rights against the Account and all items (and proceeds thereof) that come into its possession in connection with the Account. Notwithstanding the foregoing, the Bank may charge the Account with (i) all items deposited in the Account which are subsequently returned to the Bank unpaid, (ii) all past due fees, expenses or charges with respect to the Account and permitted by paragraph 5 above and (iii) any funds transferred from the Account that are not subsequently collected by the Bank for any reason. In the event the Bank is still not fully reimbursed for any such amounts, the PAC agrees to reimburse the Bank immediately upon demand for same. This paragraph shall survive the termination of this Agreement.

8. **Further Assurances.** Each of the parties hereto agrees to execute such further documents, including, without limitation, forms relating to opening the Account at the Bank, as may be necessary or desirable, in the reasonable judgment of the Trustee, to further effectuate the purposes of this Agreement.

9. **Miscellaneous.** This Agreement is binding upon the parties hereto and their respective successors and assigns and shall inure to their benefit. To the extent that the terms of the Delegation Agreement dated as of March 1, 1997 by and between the PAC and the Novato Financing Authority (the "Owner") shall terminate or expire, all of the rights, duties and responsibilities of the PAC hereunder shall be assumed by the Owner. Neither this Agreement nor any provision hereof may be changed, amended, modified or waived orally, but only by an instrument in writing signed by each of the parties hereto and consented to in writing by Financial Security (if no Financial Security Default exists). Any provision of this Agreement which may prove unenforceable under any law or regulation shall not affect the validity of any other provisions hereof. This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of California. This Agreement may be executed in any number of counterparts which together shall constitute one and the same instrument.

10. **Termination.** This Agreement may be terminated (with the prior written consent of Financial Security (if no Financial Security Default exists)) by either the Trustee, the Bank or the PAC upon 30 days' advance written notice to the other parties hereto, Financial Security and the Owner. Upon termination the Bank shall transfer all collected funds held in the Account to the Revenue Fund. Storz is hereby deleted as a party to this Agreement.

11. **Standard Account Documentation.** Except as otherwise specifically provided herein, the provision of services and the rights of the Bank with respect to the Account shall be subject to the Bank's standard account documentation with respect to deposit accounts.

12. **Third Party Beneficiary.** Financial Security, the Owner and CLGFA shall be third-party beneficiaries to this Agreement, entitled to enforce the provisions hereof as if parties hereto.

13. **Notices; Counterparts.** All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including facsimile communication) and be mailed and transmitted by facsimile or delivered, as to each party hereto, at its address set forth below or at such other address as shall be designated by such party in a written notice to the parties hereto. Such notices shall be delivered to:

If to the Trustee: 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

If to the Bank: Bank of Marin
378 Bel Marin Keys Boulevard
Novato, CA 94949
Telephone: (415) 884-2265
FAX: (415) 884-4068
Attention: Donna Sanders

with copies to: Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022
Attention: Surveillance Department
Telephone: (212) 826-0100
Telecopy: (212) 339-3518
(212) 339-3529

If to the Property Manager: Al Frei
Frei Real Estate Services
Suite 390
3300 Douglas Blvd.
Roseville, CA 95661
Telephone: (916) 773-8110
Telecopy: (916) 781-2557

If to the PAC:

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

All such notices and communications shall be effective, in the case of notice by registered or certified mail, on the date of receipt, and, in the case of notice by facsimile transmission, when sent, in each case addressed as aforesaid to the extent of confirmation of receipt by the recipient.

This Agreement may be executed in counterparts by the parties hereto, and all such counterparts shall constitute one and the same instrument.

14. *Conduit Facilitator; the Trustee.* 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. The parties further acknowledge the Trustee is executing this Agreement solely in its capacity as Trustee under the Indenture and in exercising any rights hereunder or in the performance of any duties hereunder is entitled to the provisions of the Indenture.

EXHIBIT A
SCHEDULE OF FEES

EXHIBIT A

SCHEDULE OF FEES



Bank of Marin

Business Account Analysis Fees

Earnings Allowance

- 90 day T-bill rate from prior month end on investable balance

Monthly Maintenance Charge \$12.00
 FDIC Insurance Pass Thru
 Interest Earned* As Credited

Disbursement Services

Checks paid \$0.15/check

Negative Collected Balance
 Bank of Marin index plus 2%

Deposit Services

Deposit Ticket Charge No Charge
 Checks Deposited \$.08/item
 Currency Deposited \$1.00/\$1000
 Coin Deposited \$1.00/\$1000

Other Services

Coin Supplied \$1.00/\$1000
 Currency Supplied \$1.00/\$1000
 Messenger Service \$3.00/pick-up
 Wire Transfer In 2 free/month
 \$7.50 thereafter
 Additional statements \$4.00/statement

*Interest earned by sole proprietors and non profit organizations to be deducted from earnings allowance (if any) when calculating analysis fees.

Effective 5/1/92



Bank of Marin


Other Fees and Charges

Stop Payment \$8.00
 Returned Checks \$12.00
 Overdrafts \$10.00
 Maximum per day \$60.00
 Deposited Checks Returned \$3.00
 Snapshot Statement \$5.00
 Statement Photocopies \$3.00
 Check Copies \$3.00
 Account Research \$20/hour, \$10 minimum
 Wires
 Incoming - Customer 2 free/cycle
 \$7.50 thereafter
 Incoming - Noncustomer \$25.00
 Outgoing \$15.00
 International \$35.00
 Coupons \$15/envelope
 Foreign Currency/Drafts \$15.00
 Outgoing Collections Cost plus \$5.00
 Incoming Collections \$5.00
 Travelers Checks 1%
 w/minimum balance of \$10,000 No Charge
 Cashiers Checks \$3.00
 w/minimum balance of \$10,000 No Charge
 Telephone Transfers 6 free/cycle
 \$2.00 thereafter
 Other Banks' ATM Withdrawals 6 free/cycle
 \$1.00 thereafter
 IRA Setup No Charge
 Annual No Charge
 Legal Process \$25.00
 Installment Collections
 Setup \$30.00
 Disbursements \$3/credit account
 \$7/check disbursement
 Check Printing
 Fee depends on style of checks ordered
 Safe Deposit Box Annual Rental
 Fee ranges from \$40 to \$150 based on size

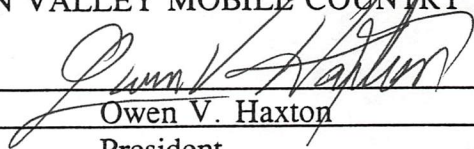
Effective 6/21/93

IN WITNESS WHEREOF, the parties have caused this Amended and Restated Deposit Only Account Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

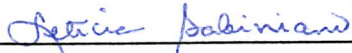
FREI REAL ESTATE SERVICES, as Property Manager

By 
Name: Al Frei
Title: Owner

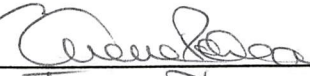
PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB

By 
Name: Owen V. Haxton
Title: President

FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION, as Trustee

By 
Name: LETICIA SABINIANO
Title: Trust officer

BANK OF MARIN, as Bank

By 
Name: Irene Felmeda
Title: Operations Officer

DEPOSIT ONLY ACCOUNT AGREEMENT

THIS DEPOSIT ONLY ACCOUNT AGREEMENT (this "Agreement"), dated as of March 1, 1997, among STORZ MANAGEMENT COMPANY, INC. (the "Property Manager"), BANK OF MARIN (the "Bank"), the PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB (the "PAC") and FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION, as Trustee (the "Trustee") under that certain Trust Indenture, dated as of March 1, 1997, (the "Indenture"), between the Trustee and California Local Government Finance Authority ("CLGFA").

WHEREAS, the PAC desires to establish with the Bank an account designated as the "Marin Valley Mobile Country Club Park Deposit Only Account"; and

WHEREAS, the parties hereto wish to set forth the procedures of administering the Marin Valley Mobile Country Club Park Deposit Only Account;

WHEREAS, CLGFA and the Novato Financing Authority (the "Owner") have granted a security interest in the Deposit Only Account for the benefit of the Trustee on behalf of the Bondholders (as defined in the Indenture);

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration of the foregoing recitals and the mutual covenants and promises set forth herein, the parties hereto agree as follows:

1. *The Deposit Only Account.* The PAC hereby requests the Trustee to open, and the Trustee hereby agrees pursuant to the Indenture to open with the Bank, on behalf of the Owner, account #04301776 designated as the Marin Valley Mobile Country Club Park Deposit Only Account (the "Account").

THE PARTIES HERETO HEREBY AGREE AND CONFIRM THAT FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION, AS TRUSTEE FOR 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"), 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"), HAS SOLE DOMINION AND CONTROL OVER ALL FUNDS HELD IN THE ACCOUNT, AND EACH PARTY OTHER THAN THE TRUSTEE HEREBY DISCLAIMS ANY RIGHT OF ANY NATURE WHATSOEVER TO CONTROL OR OTHERWISE DIRECT OR MAKE ANY CLAIM AGAINST THE FUNDS HELD IN THE ACCOUNT FROM TIME

TO TIME. THE PAC AND THE PROPERTY MANAGER ON BEHALF OF THE OWNER HEREBY GRANT TO THE TRUSTEE A SECURITY INTEREST IN THE ACCOUNT AND FUNDS ON DEPOSIT THEREIN FOR THE BENEFIT OF THE OWNERS OF THE SENIOR BONDS, FINANCIAL SECURITY AND THE OWNERS OF THE SUBORDINATE BONDS DESCRIBED ABOVE. THE PAC AND THE PROPERTY MANAGER AGREE TO FILE ON BEHALF OF THE OWNER AND CLGFA SUCH UCC FINANCING STATEMENTS AND CONTINUATION STATEMENTS AS ARE NECESSARY TO PERFECT AND PRESERVE THE SECURITY INTEREST OF THE TRUSTEE IN THE ACCOUNT. NO ONE EXCEPT THE TRUSTEE MAY WITHDRAW ANY FUNDS FROM THE ACCOUNT.

2. ***Standing Revocable Instruction.*** The Trustee hereby provides the following standing revocable instruction set forth in the next paragraph (the "Standing Revocable Instruction") to the Bank, which Standing Revocable Instruction is revocable only pursuant to a written instruction (a "Revocation Order") to the Bank which is signed by a managing director of Financial Security Assurance Inc. ("Financial Security") (if no Financial Security Default (as defined in the Indenture) exists) or, if a Financial Security Default exists, signed by the Trustee. Upon receipt of a Revocation Order and the provision of indemnity by Financial Security (if it is the Controlling Party) reasonably satisfactory to the Bank with respect to any liability that might be incurred by the Bank solely as a result of such Revocation Order, the Bank shall follow such Revocation Order and not the Standing Revocable Instruction.

Standing Revocable Instruction:

The Bank shall, on the 7th, 10th and 25th days of each month (or on the preceding Business Day, if any such day is not a Business Day), transfer from the Account to the Revenue Fund detailed below all funds held in the Account in excess of \$2,500 no later than 2:30 p.m., New York time, and the Bank shall use its best efforts, on any date on which the collected balance in the Account exceeds the amount insured by the FDIC, to transfer to the Revenue Fund no later than 2:30 p.m., New York time, all funds held in the Account in excess of \$2,500.

Wire instructions for Revenue Fund:

First Trust of California, National Association
ABA ##0910 00022
First Bank NA/CTR/BBK=First Trust Company
AC#180121167365/BNF=San Francisco
AC#47300027/OBI=CLGFA Senior Bds 97 Marin Acct.# 95436060
ATTN: LETICIA SABINIANO
Phone #: (415) 273-4517

3. ***Account Duties of the Bank.*** So long as the Bank has not received a Revocation Order, the Bank shall (i) credit to the Account all amounts deposited therein; and (ii) transfer all funds held in the Account to the Revenue Fund as provided in paragraph 2 above.

4. ***Limitation of Duties; Limitation on Liability.***

(a) The Bank undertakes to perform only such duties as are expressly set forth herein with respect to the Account. Notwithstanding any other provision of this Agreement, the parties hereto agree that the Bank shall not be liable for any action taken by it or any of its directors, officers, agents or employees in accordance with this Agreement except for its or their own negligence or willful misconduct. In no event shall the Bank be liable for losses or delays resulting from force majeure or other causes beyond the Bank's reasonable control or for indirect, special or consequential damages.

(b) Amounts in the Account shall not be invested.

(c) The PAC agrees to indemnify and hold the Bank harmless from and against any and all claims, demands, liabilities, losses, damages, judgments, amounts paid in settlement, expenses and costs (including, without limitation, reasonable attorneys' fees and costs of any suit) suffered or incurred by the Bank which arise out of or are in any way related to this Agreement or the Bank's performance hereunder unless such liability or loss is the direct and proximate result of the Bank's own negligence, recklessness or malfeasance.

5. ***Fees.*** In compensation for the services rendered hereunder, the Bank shall be entitled to the fees described in Exhibit A hereto; provided, however, that transaction fees shall not exceed \$500 in any calendar year without the prior written consent of Financial Security (if no Financial Security Default exists).

6. ***Grant Coupled With Interest.*** The PAC and the Property Manager hereby acknowledge that the agreements made by them and the authorizations granted by them herein are irrevocable and the authorizations granted and covenants made in paragraph 2 are powers coupled with an interest. The PAC and the Property Manager hereby authorize and direct the Bank to comply with any and all Revocation Orders the Bank may receive from Financial Security (if no Financial Security Default exists), or the Trustee regarding the Account.

7. ***Waiver of Right of Setoff.*** The Bank hereby waives, with respect to all of its existing and future claims against the PAC, the Property Manager or their affiliates, all existing and future rights of setoff, counterclaim, banker's liens or similar rights against the Account and all items (and proceeds thereof) that come into its possession in connection with the Account. Notwithstanding the foregoing, the Bank may charge the Account with (i) all items deposited in the Account which are subsequently returned to the Bank unpaid, (ii) all past due fees, expenses or charges with respect to the Account and permitted by paragraph 5 above and (iii) any funds transferred from the Account that are not subsequently collected by the Bank for any reason. In the event the Bank is still not fully reimbursed for any such amounts, the PAC agrees to reimburse the Bank immediately upon demand for same. This paragraph shall survive the termination of this Agreement.

8. **Further Assurances.** Each of the parties hereto agrees to execute such further documents, including, without limitation, forms relating to opening the Account at the Bank, as may be necessary or desirable, in the reasonable judgment of the Trustee, to further effectuate the purposes of this Agreement.

9. **Miscellaneous.** This Agreement is binding upon the parties hereto and their respective successors and assigns and shall inure to their benefit. To the extent that the terms of the Delegation Agreement dated as of March 1, 1997 by and between the PAC and the Novato Financing Authority (the "Owner") shall terminate or expire, all of the rights, duties and responsibilities of the PAC hereunder shall be assumed by the Owner. Neither this Agreement nor any provision hereof may be changed, amended, modified or waived orally, but only by an instrument in writing signed by each of the parties hereto and consented to in writing by Financial Security (if no Financial Security Default exists). Any provision of this Agreement which may prove unenforceable under any law or regulation shall not affect the validity of any other provisions hereof. This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of California. This Agreement may be executed in any number of counterparts which together shall constitute one and the same instrument.

10. **Termination.** This Agreement may be terminated (with the prior written consent of Financial Security (if no Financial Security Default exists)) by either the Trustee, the Bank or the PAC upon 30 days' advance written notice to the other parties hereto, Financial Security and the Owner. Upon termination the Bank shall transfer all collected funds held in the Account to the Revenue Fund.

11. **Standard Account Documentation.** Except as otherwise specifically provided herein, the provision of services and the rights of the Bank with respect to the Account shall be subject to the Bank's standard account documentation with respect to deposit accounts.

12. **Third Party Beneficiary.** Financial Security, the Owner and CLGFA shall be third-party beneficiaries to this Agreement, entitled to enforce the provisions hereof as if parties hereto.

13. **Notices.** All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including facsimile communication) and be mailed and transmitted by facsimile or delivered, as to each party hereto, at its address set forth below or at such other address as shall be designated by such party in a written notice to the parties hereto. Such notices shall be delivered to:

If to the Trustee: 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

If to the Bank: Bank of Marin
378 Bel Marin Keys Boulevard
Novato, CA 94949
Telephone: (415) 884-2265
FAX: (415) 884-4068
Attention: Donna Sanders

with copies to: Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022
Attention: Surveillance Department
Telephone: (212) 826-0100
Telecopy: (212) 339-3518
(212) 339-3529

If to the Property Manager: Ken Waterhouse, Director of Property Management
Storz Management Company, Inc.
Suite 3
9512 Greenback Lane
P.O. Box 620580
Orangevale, CA 95662
Telephone: (916) 989-5333
Telecopy: (916) 989-1393

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

All such notices and communications shall be effective, in the case of notice by registered or certified mail, on the date of receipt, and, in the case of notice by facsimile transmission, when sent, in each case addressed as aforesaid to the extent of confirmation of receipt by the recipient.

14. *Conduit Facilitator; the Trustee.* 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. The parties further acknowledge the Trustee is executing this Agreement solely in its capacity as Trustee under the Indenture and in exercising any rights hereunder or in the performance of any duties hereunder is entitled to the provisions of the Indenture.

IN WITNESS WHEREOF, the parties have caused this Deposit Only Account Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

STORZ MANAGEMENT COMPANY, INC., as
Property Manager

By _____
Name: Ken Waterhouse
Title: Vice President

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB

By _____
Name: Owen V. Haxton
Title: President

FIRST TRUST OF CALIFORNIA, NATIONAL
ASSOCIATION, as Trustee

By _____
Name: _____
Title: _____

BANK OF MARIN, as Bank

By Donna Sanders
Name: Donna Sanders
Title: Vice President

IN WITNESS WHEREOF, the parties have caused this Deposit Only Account Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

STORZ MANAGEMENT COMPANY, INC., as
Property Manager

By *[Signature]*
Name: _____
Title: _____

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB

By *[Signature]*
Name: Owen V. Haxton
Title: President

FIRST TRUST OF CALIFORNIA, NATIONAL
ASSOCIATION, as Trustee

By *[Signature]*
Name: LETICIA SABINIANO
Title: TRUST OFFICER

BANK OF MARIN, as Bank

By _____
Name: _____
Title: _____

EXHIBIT A
SCHEDULE OF FEES

EXHIBIT A

SCHEDULE OF FEES



Business Account Analysis Fees

Earnings Allowance

- 90 day T-bill rate from prior month end on investable balance

Monthly Maintenance Charge \$12.00
 FDIC Insurance Pass Thru
 Interest Earned* As Credited

Disbursement Services

Checks paid \$0.15/check

Negative Collected Balance
 Bank of Marin index plus 2%

Deposit Services

Deposit Ticket Charge No Charge
 Checks Deposited \$.08/item
 Currency Deposited \$1.00/\$1000
 Coin Deposited \$1.00/\$1000

Other Services

Coin Supplied \$1.00/\$1000
 Currency Supplied \$1.00/\$1000
 Messenger Service \$3.00/pick-up
 Wire Transfer In 2 free/month
 \$7.50 thereafter
 Additional statements \$4.00/statement

*Interest earned by sole proprietors and non profit organizations to be deducted from earnings allowance (if any) when calculating analysis fees.

Effective 5/1/92



Other Fees and Charges

Stop Payment	\$8.00
Returned Checks	\$12.00
Overdrafts	\$10.00
Maximum per day	\$60.00
Deposited Checks Returned	\$3.00
Snapshot Statement	\$5.00
Statement Photocopies	\$3.00
Check Copies	\$3.00
Account Research	\$20/hour, \$10 minimum
Wires	
Incoming - Customer	2 free/cycle \$7.50 thereafter
Incoming - Noncustomer	\$25.00
Outgoing	\$15.00
International	\$35.00
Coupons	\$15/envelope
Foreign Currency/Drafts	\$15.00
Outgoing Collections	Cost plus \$5.00
Incoming Collections	\$5.00
Travelers Checks	1%
w/minimum balance of \$10,000	No Charge
Cashiers Checks	\$3.00
w/minimum balance of \$10,000	No Charge
Telephone Transfers	6 free/cycle \$2.00 thereafter
Other Banks' ATM Withdrawals	6 free/cycle \$1.00 thereafter
IRA Setup	No Charge
Annual	No Charge
Legal Process	\$25.00
Installment Collections	
Setup	\$30.00
Disbursements	\$3/credit account \$7/check disbursement
Check Printing	
Fee depends on style of checks ordered	
Safe Deposit Box Annual Rental	
Fee ranges from \$40 to \$150 based on size	

Effective 6/21/93

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.

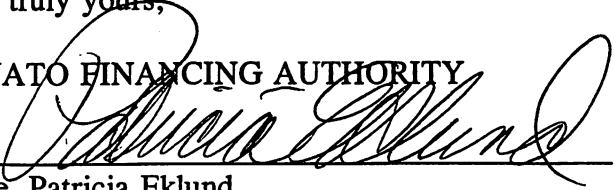
Under no circumstances shall the City of Novato or the Redevelopment Agency of the City of Novato, or their respective officers, agents, employees or representatives, or the officers, agents, employees or representatives of the Owner, be liable under this Agreement.

[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

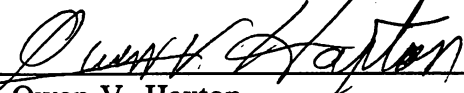
By 
Name Owen V. Haxton
Title President

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:

<u>Category of Improvement</u>	<u>Action</u>	<u>Cost</u>	<u>Sub Totals</u>
Sewer	Replace back-up generators for lift stations	\$40,000	
	Camera all sewer lines in park	7,000	
	Repair broken sewer line	5,000	
	Clean main sewer lines	<u>3,000</u>	\$55,000
Electrical	Replace 25 light fixtures	7,500	
	Replace transformer at Marin entrance	<u>4,000</u>	11,500
Water	Tie water risers to cathodic protection system	<u>11,650</u>	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	Repair slopes and drainage for 45 Scenic 17, 34, 51, and 55 Marin Valley	55,000	
Retaining walls pavement	Replace 30 retaining walls 100,000 square feet of pavement petro-mat overlay	15,000 <u>68,000</u>	<u>138,000</u>
Total Budgeted Improvement Items in Year One		<u>\$278,790</u>	<u>\$278,790</u>

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 _____

INSURANCE AND INDEMNITY AGREEMENT

Among

FINANCIAL SECURITY ASSURANCE, INC.,

NOVATO FINANCING AUTHORITY,

and

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB

Dated as of March 1, 1997

\$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

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS 1

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.01. Representations and Warranties of the Owner 2
Section 2.02. Affirmative Covenants of the Owner 4
Section 2.03. Negative Covenants of the Owner 11
Section 2.04. Representations and Warranties of the PAC 12
Section 2.05. Affirmative Covenants of the PAC 15
Section 2.06. Negative Covenants of the PAC 20
Section 2.07. Representations and Warranties of Financial Security 22

ARTICLE III

THE POLICY; REIMBURSEMENT; INDEMNIFICATION

Section 3.01. Issuance of the Policy 22
Section 3.02. Payment of Fees and Premium 25
Section 3.03. Reimbursement and Additional Payment Obligation 26
Section 3.04. Indemnification 27
Section 3.05. Payment Procedure 29
Section 3.06. Subrogation 29

ARTICLE IV

FURTHER AGREEMENTS

Section 4.01. Effective Date; Term of Agreement 29
Section 4.02. Further Assurances and Corrective Instruments 29
Section 4.03. Obligations Absolute 30
Section 4.04. Assignments; Reinsurance; Third-Party Rights 31
Section 4.05. Liability of Financial Security 32
Section 4.06. Premium Supplement 32

ARTICLE V

EVENTS OF DEFAULT; REMEDIES

Section 5.01. Events of Default	32
Section 5.02. Remedies; Waivers	33

ARTICLE VI

MISCELLANEOUS

Section 6.01. Amendments, Etc	35
Section 6.02. Notices	35
Section 6.03. Severability	36
Section 6.04. Governing Law	36
Section 6.05. Consent to Jurisdiction	36
Section 6.06. Consent of Financial Security	37
Section 6.07. Counterparts	37
Section 6.08. Headings	37
Section 6.09. Trial by Jury Waived	37
Section 6.10. Limited Liability	38
Section 6.11. Entire Agreement	38

APPENDIX I—Definitions

ANNEX I—Form of Monthly Certificate of Owner and PAC Required Pursuant to
Sections 2.02(c), 2.02(p) and 2.05(d) of the Insurance and Indemnity
Agreement

INSURANCE AND INDEMNITY AGREEMENT

INSURANCE AND INDEMNITY AGREEMENT (this "Agreement") dated as of March 1, 1997 among FINANCIAL SECURITY ASSURANCE, INC. ("Financial Security"), NOVATO FINANCING AUTHORITY (the "Owner") and PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB (the "PAC").

INTRODUCTORY STATEMENTS

The California Local Government Finance Authority (the "CLGFA") has determined to issue its \$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 Governmental Finance Authority (the "Senior Bonds") and its \$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 "Subordinate Bonds" and collectively with the Senior Bonds, the "Bonds") pursuant to the Indenture (as defined herein).

The Owner and the PAC have requested that Financial Security issue a financial guaranty insurance policy (the "Policy") guarantying scheduled payments of the principal of and interest on the Senior Bonds (including any such scheduled payments subsequently avoided as a preference under applicable bankruptcy law) upon the terms and subject to the conditions provided herein.

The parties hereto desire to specify the conditions precedent to the issuance of the Policy by Financial Security, the payment of premium in respect of the Policy, the indemnity and reimbursement to be provided by the Owner and the PAC in respect of amounts paid by Financial Security under the Policy or otherwise and certain other matters.

In consideration of the premises and of the agreements herein contained, Financial Security, the Owner and the PAC hereby agree as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used herein shall have the meanings provided in Appendix I hereto unless the context otherwise requires.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.01. *Representations and Warranties of the Owner.* The Owner represents, warrants and covenants as follows:

(a) *Due Organization and Qualification.* The Owner is a joint powers authority duly organized and existing under Chapter 5 of Division 7 Title 1 of the California Government Code (the "California Code"). The Owner is authorized by the Act and the Joint Exercise of Powers Agreement dated October 15, 1996 by and between the City of Novato and the Redevelopment Agency of the City of Novato, as amended on November 4, 1996 (the "Joint Powers Agreement") to conduct its business and has obtained all necessary licenses, permits, charters, registrations and approvals (together, "approvals") necessary for the conduct of its business as currently conducted and as proposed in the Offering Document to be conducted and the performance of its obligations under the Mortgage Loan Documents, in each jurisdiction in which the failure to be so qualified or to obtain such approvals would render any Mortgage Loan Document unenforceable in any respect or would have a material adverse effect upon the Transaction.

(b) *Due Authorization.* The execution, delivery and performance of the Mortgage Loan Documents by the Owner have been duly authorized by all necessary action and do not require any additional approvals or consents or other action by or any notice to or filing with any Person, including, without limitation, any governmental entity or any of the parties to the Joint Powers Agreement.

(c) *Noncontravention.* Neither the execution and delivery of the Mortgage Loan Documents by the Owner, the consummation of the transactions contemplated thereby nor the satisfaction of the terms and conditions of the Mortgage Loan Documents,

(i) conflicts with or results in any breach or violation of any provision of the California Code, the Joint Powers Agreement or any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award currently in effect having applicability to the Owner or any of its properties, including regulations issued by an administrative agency or other governmental authority having supervisory powers over the Owner,

(ii) constitutes a default by the Owner under or a breach of any provision of any loan agreement, mortgage, indenture or other agreement or instrument to which the Owner is a party or by which it or any of its properties is or may be bound or affected, or

(iii) results in or requires the creation of any Lien upon or in respect of any of the Owner's assets except as otherwise expressly contemplated by the Mortgage Loan Documents.

(d) *Legal Proceedings.* There is no action, proceeding or investigation by or before any court, governmental or administrative agency or arbitrator against or affecting the Owner, or any properties or rights of the Owner, pending or, to the Owner's knowledge after reasonable inquiry, threatened, which, in any case, if decided adversely to the Owner, would result in a Material Adverse Change with respect to the Owner or the Project.

(e) *Valid and Binding Obligations.* The Mortgage Loan Documents, when executed and delivered by the Owner, will constitute the legal, valid and binding obligations of the Owner enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equitable principles.

(f) *Compliance With Law, Etc.* No practice, procedure or policy employed or proposed to be employed by the Owner in the conduct of its business violates any law, regulation, judgment, agreement, order or decree applicable to the Owner which, if enforced, would result in a Material Adverse Change with respect to the Owner.

(g) *Good Title; Absence of Liens; Security Interest.* To the best of its knowledge after reasonable inquiry, the Owner is the owner of, and has good and marketable title to, the Mortgaged Estate free and clear of all Liens (other than the Lien of the Secured Parties under the Mortgage Loan Documents), and has full right, corporate power and lawful authority to assign, transfer and pledge the Mortgaged Estate (and any documents which are a part thereof) and all such substitutions therefor and additions thereto delivered under the Mortgage Loan Documents. The Secured Parties have a valid and perfected first priority security interest in the Mortgaged Estate free and clear of all Liens.

(h) *Compliance With Securities Laws.* The Offering Document does not contain any untrue statement of a material fact relating to the Owner and does not omit to state a material fact relating to the Owner necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(i) *Accuracy of Information.* Neither the Mortgage Loan Documents nor any documents, agreements, instruments, schedules, certificates, statements, cash flow schedules, number runs or other writings or data (collectively, the "Documents") furnished to Financial Security by the Owner contain any statement of a material fact by the Owner which was untrue or misleading in any material respect when made. There is no fact known to the Owner which has a material possibility of causing a Material

Adverse Change with respect to the Owner or, to the best of the Owner's knowledge, the Project. Since the furnishing of the Documents, there has been no change nor any development or event involving a prospective change known to the Owner which would render any of the Documents untrue or misleading in a material respect.

(j) *Special Purpose Entity.*

(i) The capital of the Owner is adequate for the business and undertakings of the Owner.

(ii) The Owner's funds and assets are not, and will not be, commingled with those of any other entity or agency.

(iii) The bylaws of the Owner require it to maintain (A) correct and complete books and records of account, and (B) minutes of the meetings and other proceedings of its shareholders and board of directors.

(iv) The Owner is solvent and will not be rendered insolvent by the transactions contemplated by the Mortgage Loan Documents, and, after giving effect to such transactions, the Owner will not be left with an unreasonably small amount of capital with which to engage in its business nor will the Owner have intended to incur, or believe that it has incurred, debts beyond its ability to pay such debts as they mature. The Owner does not contemplate the commencement of insolvency, bankruptcy, liquidation or consolidation proceedings or the appointment of a receiver, liquidator, trustee or similar official in respect of the Owner or any of its assets.

(k) *Mortgage Loan Documents.* Each of the representations and warranties of the Owner contained in the Mortgage Loan Documents and the Underwriting Agreement is true and correct in all material respects and the Owner hereby makes each such representation and warranty to, and for the benefit of, Financial Security as if the same were set forth in full herein.

Section 2.02. *Affirmative Covenants of the Owner.* The Owner hereby agrees that during the Term of the Agreement, unless Financial Security shall otherwise expressly consent in writing:

(a) *Compliance With Agreements and Applicable Laws.* The Owner shall perform each of its obligations under the Mortgage Loan Documents and comply with all material requirements of any law, rule or regulation applicable to it.

(b) *Maintenance of Existence.* The Owner shall maintain its existence and shall at all times continue to be duly organized under the laws of the State of California and duly qualified and duly authorized (as described in Sections 2.01(a), (b) and (c)

hereof) and shall conduct its business in accordance with the terms of its organizational documents.

(c) *Financial Statements; Accountants' Reports; Other Information.* The Owner shall keep or cause to be kept in reasonable detail books and records relating to the Transaction, which shall be furnished to Financial Security upon request. The Owner shall furnish or caused to be furnished to Financial Security:

(i) *Annual Financial Statements.* As soon as available, and in any event within 90 days after the close of each Fiscal Year of the Owner, the audited balance sheets of the Owner and the Project as of the end of such Fiscal Year and the audited statements of income, changes in shareholders' equity, if applicable, and cash flows of the Owner and the Project for such Fiscal Year, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the preceding Fiscal Year, prepared in accordance with generally accepted accounting principles, consistently applied, and accompanied by the certificate of the Owner's independent accountants (who shall be acceptable to Financial Security) with respect to such audited financial statements and with respect to the certificates provided by the Owner to Financial Security pursuant to Section 2.02(p) of this Agreement.

(ii) *Quarterly Financial Statements.* As soon as available, and in any event within 45 days after the close of each of the first three quarters of each Fiscal Year of the Owner and the Project, the unaudited balance sheets of the Owner as of the end of such quarter and the unaudited statements of income, changes in shareholders' equity, if applicable, and cash flows of the Owner for the portion of the Fiscal Year then ended, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the preceding Fiscal Year, prepared in accordance with generally accepted accounting principles consistently applied (subject to normal year-end adjustments).

(iii) *Accountants' Reports.* Promptly upon receipt thereof, copies of any reports submitted to the Owner by its independent accountants in connection with any examination of the financial statements of the Owner or the Project.

So long as the Novato Financing Authority is the Owner, the Owner shall not have to furnish Financial Security with (i)-(iii) with respect to the Owner unless Financial Security requests so in writing.

(d) *Access to Records; Discussions With Officers and Accountants.* The Owner shall, upon the request of Financial Security, permit Financial Security or its authorized agents:

(i) to inspect the books and records of the Owner as they may relate to the Bonds, the Mortgaged Estate, the obligations of the Owner under the Mortgage Loan Documents and the Transaction;

(ii) to discuss the affairs, finances and accounts of the Owner relating to the Transaction with a representative of the Owner; and

(iii) to discuss the affairs, finances and accounts of the Owner relating to the Transaction with the Owner's independent accountants, provided that a representative of the Owner shall have the right to be present during such discussions.

Such inspections and discussions shall be conducted during normal business hours and shall not unreasonably disrupt the business of the Owner. The books and records of the Owner will be maintained at the address of the Owner designated herein for receipt of notices, unless the Owner shall otherwise advise the parties hereto in writing.

(e) *Notice of Material Events.* The Owner shall promptly inform Financial Security in writing of the occurrence of any of the following of which it has actual knowledge:

(i) the submission of any claim or the initiation of any legal process, litigation or administrative or judicial investigation against the Owner (other than tenant claims involving three or fewer months' rent);

(ii) any change in the location of the Owner's principal office or any change in the location of the Owner's books and records;

(iii) the occurrence of any Default or Event of Default;

(iv) the commencement or threat of any rule making or disciplinary proceedings or any proceedings instituted by or against the Owner in any federal, state or local court or before any governmental body or agency, or before any arbitration board, or the promulgation of any proceeding or any proposed or final rule which, if adversely determined, would result in a Material Adverse Change with respect to the Owner;

(v) the commencement of any proceedings by or against the Owner under any applicable bankruptcy, reorganization, liquidation, rehabilitation, insolvency or other similar law now or hereafter in effect or of any proceeding in which a receiver, liquidator, conservator, trustee or similar official shall have been, or may be, appointed or requested for the Owner or any of its assets; or

(vi) the receipt of notice that (A) any license, permit, charter, registration or approval necessary for the conduct of the Owner's business is to be, or may be, suspended or revoked, or (B) the Owner is to cease and desist any practice, procedure or policy employed by the Owner in the conduct of its business, and such suspension, revocation or cessation may result in a Material Adverse Change with respect to the Owner or the Mortgaged Estate.

(f) *Further Assurances.* The Owner shall promptly take, or cause to be taken, such actions as may be necessary or desirable, in the reasonable judgment of Financial Security, (i) to create and maintain the Mortgage as a valid and perfected Lien covering the Mortgaged Estate subject to the exceptions contained in the Title Policy and (ii) to fully preserve and protect the perfected first priority security interest of the Secured Parties in, and all rights of the Secured Parties with respect to, the Mortgaged Estate, including, without limitation, the execution and filing of all necessary financing statements or other instruments, and any amendments or continuation statements relating thereto, necessary to be kept and filed in such manner and in such places as may be required by law to preserve, protect and perfect fully the Lien of the Secured Parties with respect to the Mortgaged Estate. Without limitation of the foregoing, the Owner shall, upon the request of Financial Security, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, within five days of such request, such amendments hereto and such further instruments and take such further action as may be reasonably necessary to effectuate the intention, performance and provisions of the Mortgage Loan Documents or to protect the interest of the Secured Parties in the Mortgaged Estate, free and clear of all Liens. In addition, the Owner agrees to cooperate with S&P and Moody's in connection with any review of the Transaction which may be undertaken by S&P and Moody's after the date hereof.

(g) *Maintenance of Licenses.* The Owner shall maintain all licenses, permits, charters and registrations which are material to the conduct of its business.

(h) *Third-Party Beneficiary.* The Owner agrees that Financial Security shall have all rights of a third-party beneficiary in respect of the Mortgage Loan Documents and the Underwriting Agreement and hereby incorporates and restates its representations, warranties and covenants as set forth therein for the benefit of Financial Security.

(i) *Special Purpose Entity.*

(i) The Owner shall conduct its business solely in its own name through its duly authorized officers or agents so as not to mislead others as to the identity of the company with which those others are concerned, and particularly will use its best efforts to avoid the appearance of conducting business on behalf of any other entity, authority or agency or that the assets of the Owner are available to pay the creditors of any other entity, authority or agency. Without limiting the generality of the foregoing, all oral and written communications,

including, without limitation, letters, invoices, purchase orders, contracts, statements and loan applications, will be made solely in the name of the Owner; provided, however, that operations relating to the Project may be performed by the PAC and the Property Manager in accordance with the Delegation Agreement and the Management Agreement.

(ii) The Owner shall maintain corporate records and books of account separate from those of any other entity, authority or agency.

(iii) The Owner shall obtain proper authorization from its Board of Directors of all corporate action requiring such authorization, meetings of the board of directors of the Owner shall be held not less frequently than three times per annum and copies of the minutes of each such board meeting shall be delivered to Financial Security within two weeks of such meeting.

(iv) The Owner shall obtain proper authorization from its shareholders of all corporate action requiring shareholder approval, meetings of the shareholders of the Owner shall be held not less frequently than one time per annum and copies of each such authorization and the minutes of each such shareholder meeting shall be delivered to Financial Security within two weeks of such authorization or meeting, as the case may be.

(v) Operating expenses and liabilities of the Owner shall be paid from its own funds.

(vi) The annual financial statements of the Owner shall disclose the effects of the Owner's transactions in accordance with generally accepted accounting principles and shall disclose that the assets of the Owner are not available to pay creditors of any other entity, authority or agency.

(vii) The resolutions, agreements and other instruments underlying the transactions described in this Agreement shall be continuously maintained by the Owner as official records.

(viii) The Owner shall use its best efforts to maintain an arm's-length relationship with any other entity, authority or agency and will not hold itself out as being liable for the debts of any other entity, authority or agency.

(ix) The Owner shall use its best efforts to keep its assets and its liabilities wholly separate from those of all other entities, including, but not limited to, any other entity, authority or agency.

(j) *Capital Plan.* The Owner shall implement provisions of the capital improvements detailed in, and all other provisions of, each Capital Plan whether or not

there are sufficient moneys on deposit in the Replacement Reserve Fund to pay for such implementation.

(k) *Management Agreement.* The Delegation Agreement and the Management Agreement shall each be in form and substance satisfactory to Financial Security and may not be amended without the prior written consent of Financial Security.

(l) *Senior Debt Service Coverage Ratio.* The Owner will, during each calendar month and Fiscal Year during the Term of the Agreement, maintain a Senior Debt Service Coverage Ratio at least equal to 1.20x.

(m) *Vacancy Factor.* The Vacancy Factor will not exceed 5% for any calendar month during the Term of the Agreement.

(n) *Nonowner Occupied Percentage.* The Nonowner Occupied Percentage in the Project will not exceed 2% for any calendar month (other than homes occupied by the Property Manager);

(o) *Other Activities.* The Owner shall not:

(i) sell, transfer, exchange or otherwise dispose of any of its assets except as permitted by the Mortgage Loan Documents;

(ii) engage in any business or activity other than as permitted by its organizational documents; or

(iii) issue any indebtedness the terms of which provide recourse to the Owner or the Project.

(p) *Monthly Certificates and Annual Audits.* The Owner will provide, by the twentieth day of each month, commencing April 20, 1997, a written certificate to the Trustee and Financial Security in substantially the form attached as Annex I hereto that the covenants set forth in subsections (l), (m) and (n) above have not been breached through the last day of the immediately preceding calendar month and that no Event of Default under this Agreement has occurred. The certificate provided for the last calendar month of each calendar year shall also state that the Owner has complied with the covenants set forth in Section 6.06 of the Loan Agreement with respect to insurance coverage in all respects.

The certificates supplied hereunder to Financial Security shall be accompanied by all necessary supporting financial data, including, without limitation, the "Monthly Reports" described in Section 7 of the Management Plan attached as Exhibit A to the Management Agreement. The Owner further agrees to have the information and supporting financial data relating to the covenants set forth in (l), (m) and (n) above

audited annually, within 90 days after the close of each Fiscal Year, by an independent accountant acceptable to Financial Security; the initial audit shall cover the period from and including the Closing Date through June 30, 1997. The results of such audit will be delivered to Financial Security together with the financial statements delivered pursuant to Section 2.02(c)(i) hereof. If the Owner fails to provide such an annual audit, Financial Security shall have the right, at the Owner's expense, to have such audit performed and the results of such audit will govern with respect to whether a Trigger Event exists.

(q) *No Setoff.* The Owner hereby agrees that all payments required to be made by it pursuant to this Agreement will be paid without setoff or counterclaim in immediately available funds in lawful currency of the United States of America.

(r) *Deposit Only Account.* The Owner will cause the Property Manager to establish and maintain, with respect to the Project, a Deposit Only Account at a bank approved by Financial Security, pursuant to a Deposit Only Account Agreement.

(s) *Financing Statements.* On or before March 1, 2002, and each fifth anniversary thereof, the Owner, at its expense, shall furnish to the Trustee and Financial Security an opinion of counsel, in form and substance satisfactory to Financial Security, in each jurisdiction in which the Project is located or a Uniform Commercial Code financing statement has been filed by the Owner or the Issuer either stating that, in the opinion of such counsel, such action has been taken with any other requisite documents and with respect to the execution and filing of any financing statements and continuation statements as is necessary to perfect and maintain the perfection of the lien and security interest of the Trustee with respect to the Trust Estate and reciting the details of such action or stating that, in the opinion of such counsel, no such action is necessary to perfect and maintain the perfection of such lien and security interest. Such opinion of counsel shall also describe the recording, filing, rerecording and refiling of the Indenture, any supplements and any other requisite documents and the execution and filing of any financing statements and continuation statements that will, in the opinion of such counsel, be required to perfect and maintain the perfection of the lien and security interest of the Trustee with respect to the Trust Estate until February 28 in the fifth following calendar year.

(t) *Rate Covenants.* The Owner will fix, charge and collect rents at the Project as necessary for each Fiscal Year to produce NOI for such Fiscal Year equal to at least \$100,000. For purposes of this paragraph (t), "NOI" means the gross Project rents for the most recently completed Fiscal Year for which audited financial statements are available less the amounts set forth in *first* through *twentieth* under Section 5.03(b) of the Indenture.

(u) *Seniors Only.* The Owner will maintain the residency of the Project as a "seniors only" park, and will rent spaces only to persons over 55 years of age.

Section 2.03. *Negative Covenants of the Owner.* The Owner hereby agrees that during the Term of the Agreement, unless Financial Security shall otherwise expressly consent in writing:

(a) *Amendments to Organic Documents.* The Owner shall not amend, supplement or otherwise modify its Joint Powers Agreement or organizational documents (or permit any of the foregoing) in any way that would materially adversely affect its ability to perform any of its obligations under the Mortgage Loan Documents in any material way.

(b) *Restrictions on Liens.* The Owner shall not (i) create, incur or suffer to exist, or agree to create, incur or suffer to exist, or consent to cause or permit in the future (upon the happening of a contingency or otherwise) the creation, incurrence or existence of any Lien on the Mortgaged Estate or on any of its assets except for (A) Liens the validity of which are being contested in good faith by appropriate proceedings, (B) Liens for taxes that are not then due and payable or that can be paid thereafter without penalty, (C) Liens to secure payment for services rendered by the Trustee with respect to the Bonds and (D) Liens in favor of the Secured Parties or (ii) sign or file under the Uniform Commercial Code of any jurisdiction any financing statement which names the Owner as a debtor, or sign any security agreement authorizing any secured party thereunder to file such financing statement, except in each case any such instrument solely securing the rights and preserving the Lien of the Secured Parties.

(c) *Impairment of Rights.* The Owner shall not (i) take any action, or fail to take any action, if such action or failure to take action may interfere with the enforcement of any rights under the Mortgage Loan Documents that are material to the rights, benefits or obligations of the Secured Parties or Financial Security; (ii) waive or alter any rights with respect to the Mortgaged Estate (or any agreement or instrument relating thereto); (iii) take any action, or fail to take any action, if such action or failure to take action may interfere with the enforcement of any rights with respect to the Mortgaged Estate; or (iv) fail to pay any tax, assessment, charge or fee with respect to the Mortgaged Estate, or fail to defend any action, if such failure to pay or defend may adversely affect the priority or enforceability of the Secured Parties' first priority lien on or perfected security interest in the Mortgaged Estate or the Owner's right, title or interest in the Mortgaged Estate.

(d) *Waiver, Amendments, Etc.* The Owner shall not waive, modify or amend, or consent to any waiver, modification or amendment of, any of the provisions of any of the Mortgage Loan Documents.

(e) *Tax Status of Bonds.* The Owner shall not take or permit to be taken any action which would have the effect directly or indirectly of subjecting interest on any of the Bonds to federal income or withholding taxation in the hands of Holders generally,

and will perform all of its obligations under the Mortgage Loan Documents to prevent or cure any default by the Owner which would have the effect, directly or indirectly, of subjecting interest on any of the Bonds to federal income or withholding taxation.

(f) *Sale of Project.* The Owner will not enter into any agreement to sell, transfer or otherwise dispose of the Project, or any portion thereof, without the prior written consent of Financial Security. Financial Security will in its discretion consent to the sale of the Project if:

(i) the Senior Debt Service Coverage Ratio for the Project is at least equal to 1.50x. For purposes of determining if such ratio is met, NOI for the most recent Fiscal Year, based on audited financial statements, shall be adjusted (A) to include as an ongoing expense of the Project 110% of any annual real estate tax liability which will result after such transfer of the Project and (B) to give effect to any increased set-aside restrictions or lower rent caps applicable to the Project as a result of the transfer of the Project;

(ii) the transferee is a single purpose, bankruptcy remote entity meeting the conditions set forth in 2.02(i) of this Agreement and whose organizational structure and organizational documents are acceptable to Financial Security in its discretion;

(iii) no Trigger Event or Event of Default exists;

(iv) it receives documentation regarding the transfer and assumption of liabilities, and related legal opinions in form and substance satisfactory to Financial Security, including, without limitation, an opinion of counsel to the effect that the Project will continue to be exempt from ad valorem property taxes; and

(v) each of the conditions in Article V of the Loan Agreement is satisfied.

(g) *Limitation on Indebtedness.* The Owner shall not create, incur or suffer to exist any Indebtedness other than Bonds and Permitted Indebtedness.

Section 2.04. *Representations and Warranties of the PAC.* The PAC represents, warrants and covenants as follows:

(a) *Due Organization and Qualification.* The PAC is a nonprofit, mutual benefit corporation duly organized and existing under the laws of the State of California. The PAC is authorized to conduct its business and has obtained all necessary licenses, permits, charters, registrations and approvals (together, "approvals") necessary for the conduct of its business as currently conducted and as proposed in the Offering Document

to be conducted in each jurisdiction in which the failure to be so qualified or to obtain such approvals would render any Mortgage Loan Document unenforceable in any respect or would have a material adverse effect upon the Transaction.

(b) *Due Authorization.* The execution, delivery and performance of the Mortgage Loan Documents by the PAC have been duly authorized by all necessary action and do not require any additional approvals or consents or other action by or any notice to or filing with any Person, including, without limitation, any governmental entity.

(c) *Noncontravention.* Neither the execution and delivery of the Mortgage Loan Documents by the PAC, the consummation of the transactions contemplated thereby nor the satisfaction of the terms and conditions of the Mortgage Loan Documents,

(i) conflicts with or results in any breach or violation of any provision of the certificate of incorporation or bylaws of the PAC or any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award currently in effect having applicability to the PAC or any of its properties, including regulations issued by an administrative agency or other governmental authority having supervisory powers over the PAC;

(ii) constitutes a default by the PAC under, or a breach of any provision of, any loan agreement, mortgage, indenture or other agreement or instrument to which the PAC is a party or by which it or any of its properties is or may be bound or affected; or

(iii) results in or requires the creation of any Lien upon or in respect of any of the PAC's assets except as otherwise expressly contemplated by the Mortgage Loan Documents.

(d) *Legal Proceedings.* There is no action, proceeding or investigation by or before any court, governmental or administrative agency or arbitrator against or affecting the Mortgaged Estate or the PAC, or any properties or rights of the PAC, pending or, to the PAC's knowledge after reasonable inquiry, threatened, which, in any case, if decided adversely to the PAC, would result in a Material Adverse Change with respect to the PAC or the Mortgaged Estate.

(e) *Valid and Binding Obligations.* The Mortgage Loan Documents, when executed and delivered by the PAC, will constitute the legal, valid and binding obligations of the PAC enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforceability of creditors' rights generally and general equitable principles.

(f) *Financial Statements.* The Financial Statements of the PAC, copies of which have been furnished to Financial Security, (i) are, as of the dates and for the periods referred to therein, complete and correct in all material respects, (ii) present fairly the financial condition and results of operations of the PAC as of the dates and for the period indicated and (iii) have been prepared in accordance with generally accepted accounting principles, consistently applied, except as noted therein (subject as to interim statements to normal year-end adjustments). Since the date of the most recent Financial Statements, there has been no material adverse change in such financial condition or results of operations. Except as disclosed in the Financial Statements, the PAC is not subject to any contingent liabilities or commitments that, individually or in the aggregate, have a material possibility of causing a Material Adverse Change in respect of the PAC or the Project.

(g) *Compliance With Law, Etc.* No practice, procedure or policy employed, or proposed to be employed, by the PAC in the conduct of its business violates any law, regulation, judgment, agreement, order or decree applicable to the PAC which, if enforced, would result in a Material Adverse Change with respect to the PAC or the Mortgaged Estate. The Mortgaged Estate and the present uses thereof do not violate any applicable environmental, zoning or building laws, ordinances, rules or regulations of any governmental authority, or any covenants or restrictions of record, so as to materially adversely affect the value or use of the Mortgaged Estate performance by the PAC of its obligations pursuant to and as contemplated by the terms and provisions of the Mortgage Loan.

(h) *Taxes.* The PAC has filed all federal and state tax returns which are required to be filed and paid all taxes, including any assessments received by it to the extent that such taxes have become due.

(i) *ERISA.* The PAC has not incurred and does not reasonably expect to incur any liabilities to the PBGC under ERISA in connection with any Plan or Multiemployer Plan or to contribute now or in the future in respect of any Plan or Multiemployer Plan.

(j) *Accuracy of Information.* Neither the Mortgage Loan Documents nor any documents, agreements, instruments, schedules, certificates, statements, cash flow schedules, number runs or other writings or data (collectively, the "Documents") furnished to Financial Security by the PAC or the Authority contain any statement of a material fact by the PAC or the Authority which was untrue or misleading in any material respect when made. There is no fact known to the PAC or the Authority which has a material possibility of causing a Material Adverse Change with respect to the PAC or the Authority or the Project. Since the furnishing of the Documents, there has been no change nor any development or event involving a prospective change known to the PAC which would render any of the Documents untrue or misleading in a material respect.

(k) *Compliance With Securities Laws.* To the best of PAC's knowledge, the offer and sale of the Bonds complies in all material respects with all requirements of law, including all registration requirements of applicable securities laws. Without limitation of the foregoing, the Offering Document does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. Neither the offer nor sale of the Bonds has been or will be in violation of the Securities Act or any other federal or state securities laws. The PAC is not required to be registered as an "investment company" under the Investment Company Act.

(l) *Mortgage Loan Documents.* Each of the representations and warranties of the PAC contained in the Mortgage Loan Documents is true and correct in all material respects, and the PAC hereby makes each such representation and warranty to, and for the benefit of, Financial Security as if the same were set forth in full herein.

(m) *Special Purpose Entity.*

(i) The capital of the PAC is adequate for the business and undertakings of the PAC.

(ii) The PAC's funds and assets are not, and will not be, commingled with those of any other entity or agency.

(iii) The bylaws of the PAC require it to maintain (A) correct and complete books and records of account, and (B) minutes of the meetings and other proceedings of its shareholders and board of directors.

(iv) The PAC is solvent and will not be rendered insolvent by the transactions contemplated by the Mortgage Loan Documents, and, after giving effect to such transactions, the PAC will not be left with an unreasonably small amount of capital with which to engage in its business nor will the PAC have intended to incur, or believe that it has incurred, debts beyond its ability to pay such debts as they mature. The PAC does not contemplate the commencement of insolvency, bankruptcy, liquidation or consolidation proceedings or the appointment of a receiver, liquidator, trustee or similar official in respect of the PAC or any of its assets.

Section 2.05. *Affirmative Covenants of the PAC.* The PAC hereby agrees that during the Term of the Agreement, unless Financial Security shall otherwise expressly consent in writing:

(a) *Compliance With Agreements and Applicable Laws.* The PAC shall perform each of its obligations under the Mortgage Loan Documents and comply with all material requirements of any law, rule or regulation applicable to it.

(b) *Maintenance of Existence.* The PAC shall maintain its existence and shall at all times continue to be duly organized as a nonprofit corporation under the laws of the State of California and duly qualified and duly authorized as described in Sections 2.04(a), (b) and (c) hereof and shall conduct its business in accordance with the terms of its organizational documents.

(c) *Financial Statements; Accountants' Reports; Other Information.* The PAC shall keep or cause to be kept in reasonable detail books and records of account of the PAC's assets and business, including, but not limited to, books and records relating to the Transaction, which shall be furnished to Financial Security upon request. The books of the PAC shall be kept on a cash basis, and the PAC shall report its operations for tax purposes on a cash basis. The fiscal year of the PAC shall end on December 31 of each year. The PAC shall furnish or cause to be furnished to Financial Security:

(i) *Annual Financial Statements.* As soon as available, and in any event within 90 days after the close of each fiscal year of the PAC, the audited balance sheets of the PAC as of the end of such fiscal year and the audited statements of income, changes in shareholders' equity and cash flows of the PAC for such fiscal year, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the preceding fiscal year, prepared in accordance with generally accepted accounting principles, consistently applied, and accompanied by the certificate of the PAC's independent accountants (who shall be acceptable to Financial Security) and by the certificate specified in Section 2.05(d) hereof.

(ii) *Quarterly Financial Statements.* As soon as available, and in any event within 45 days after the close of each of the first three quarters of each fiscal year of the PAC, the unaudited balance sheets of the Operator as of the end of such quarter and the unaudited statements of income, changes in shareholders' equity and cash flows of the PAC for the portion of the fiscal year then ended, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the preceding fiscal year, prepared in accordance with generally accepted accounting principles consistently applied (subject to normal year-end adjustments), and accompanied by the certificate specified in Section 2.05(d) hereof.

(iii) *Accountants' Reports.* Promptly upon receipt thereof, copies of any reports submitted to the PAC by its independent accountants in connection with any examination of the financial statements of the PAC.

(iv) *Certain Information.* Promptly after the filing or sending thereof, copies of all proxy statements, financial statements, reports and registration statements which the PAC files, or delivers to, the IRS, the Commission, or any other federal government agency, authority or body which supervises the issuance

of securities by the PAC or any national securities exchange, and, on an annual basis (or as frequently as quarterly, at the request of Financial Security), the registry or other listing of the names and addresses of the holders of the Securities.

(v) *Other Information.* Promptly upon receipt thereof, copies of all schedules, financial statements or other similar reports delivered to or by the PAC pursuant to the terms of the Mortgage Loan Documents and, promptly upon request, such other data as Financial Security may reasonably request.

(d) *Compliance Certificate.* The PAC shall deliver to Financial Security concurrently with the delivery of the financial statements required pursuant to Section 2.05 (c)(i) or (ii) hereof a certificate signed by an Owner Representative and a PAC Representative stating that:

(i) a review of the Owner's and the PAC's performance under the Mortgage Loan Documents during such period has been made under such officer's supervision;

(ii) to the best of such individual's knowledge following reasonable inquiry, no Default or Event of Default has occurred, or if a Default or Event of Default has occurred, specifying the nature thereof and, if the PAC or the Owner has a right to cure pursuant to Section 5.01, stating in reasonable detail the steps, if any, being taken by the PAC or the Owner to cure such Default or Event of Default or to otherwise comply with the terms of the agreement to which such Default or Event of Default relates; and

(iii) the attached financial reports submitted in accordance with Sections 2.02(c)(i) or (ii) or 2.05(c)(i) or (ii), as applicable, are complete and correct in all material respects and present fairly the financial condition and results of operations of the PAC as of the dates and for the periods indicated, in accordance with generally accepted accounting principles consistently applied (subject as to interim statements to normal year-end adjustments).

(e) *Access to Records; Discussions With Officers and Accountants.* The PAC shall, upon the request of Financial Security, permit Financial Security or its authorized agents:

(i) to inspect the books and records of the PAC as they may relate to the Bonds, the Mortgaged Estate, the obligations of the PAC under the Mortgage Loan Documents, the PAC's business and the Transaction;

(ii) to discuss the affairs, finances and accounts of the PAC with a PAC Representative; and

(iii) to discuss the affairs, finances and accounts of the PAC with the PAC's independent accountants, provided that an officer of the PAC shall have the right to be present during such discussions.

Such inspections and discussions shall be conducted in accordance with Section 2.02(d) hereof.

(f) *Notice of Material Events.* The PAC shall promptly inform Financial Security in writing of the occurrence of any of the following:

(i) the submission of any claim or the initiation of any legal process, litigation or administrative or judicial investigation against the PAC (other than tenant claims involving three or fewer months' rent);

(ii) any change in the location of the PAC's principal office or any change in the location of the PAC's books and records;

(iii) the occurrence of any Default or Event of Default;

(iv) the commencement of or threat of any rule making or disciplinary proceedings or any proceedings instituted by or against the PAC in any federal, state or local court or before any governmental body or agency, or before any arbitration board, or the promulgation of any proceeding or any proposed or final rule which, if adversely determined, would result in a Material Adverse Change with respect to the PAC;

(v) the commencement of any proceedings by or against the PAC under any applicable bankruptcy, reorganization, liquidation, rehabilitation, insolvency or other similar law now or hereafter in effect or of any proceeding in which a receiver, liquidator, conservator, trustee or similar official shall have been, or may be, appointed or requested for the PAC or any of its assets; or

(vi) the receipt of notice that (A) the PAC is being placed under regulatory supervision, (B) any license, permit, charter, registration or approval necessary for the conduct of the PAC's business is to be, or may be, suspended or revoked, or (C) the PAC is to cease and desist any practice, procedure or policy employed by the PAC in the conduct of its business, and such cessation may result in a Material Adverse Change with respect to the PAC.

(g) *Further Assurances.* The PAC shall, at its own expense, promptly take, or cause to be taken, such actions as may be necessary or desirable, in the reasonable judgment of Financial Security, (i) to create and maintain the Mortgage as a valid and perfected Lien covering the Mortgaged Estate subject to the Permitted Encumbrances, (ii) to fully preserve and protect the perfected first priority security interest of the

Secured Parties in, and all rights of the Secured Parties with respect to, the Mortgaged Estate, including, without limitation, the execution and filing of all necessary financing statements or other instruments, and any amendments or continuation statements relating thereto, necessary to be kept and filed in such manner and in such places as may be required by law to preserve, protect and perfect fully the Lien and security interest in and all rights of the Secured Parties with respect to the Mortgaged Estate. Without limitation of the foregoing, the PAC shall, upon the request of Financial Security, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, within five days of such request, such amendments hereto and such further instruments and take such further action as may be reasonably necessary to effectuate the intention, performance and provisions of the Mortgage Loan Documents or to protect the interest of the Secured Parties in the Mortgaged Estate, free and clear of all Liens. In addition, the PAC agrees to cooperate with S&P and Moody's in connection with any review of the Transaction which may be undertaken by S&P and Moody's after the date hereof.

(h) *Maintenance of Licenses.* The PAC shall maintain all licenses, permits, charters and registrations which are material to the conduct of its business.

(i) *Disclosure Document.* Each Offering Document delivered with respect to the Senior Bonds shall clearly disclose that the Policy is not covered by the property/casualty insurance security fund specified in Article 76 of the New York Insurance Law.

(j) *Special Purpose Entity.*

(i) The PAC shall conduct its business solely in its own name through its duly authorized officers or agents so as not to mislead others as to the identity of the company with which those others are concerned, and particularly will use its best efforts to avoid the appearance of conducting business on behalf of any other entity, authority or agency or that the assets of the PAC are available to pay the creditors of any other entity, authority or agency. Without limiting the generality of the foregoing, all oral and written communications, including, without limitation, letters, invoices, purchase orders, contracts, statements and loan applications, will be made solely in the name of the PAC.

(ii) The PAC shall maintain corporate records and books of account separate from those of any other entity, authority or agency.

(iii) The PAC shall obtain proper authorization from its Board of Directors of all corporate action requiring such authorization, meetings of the board of directors of the PAC shall be held not less frequently than three times per annum and copies of the minutes of each such board meeting shall be delivered to Financial Security within two weeks of such meeting.

(iv) The PAC shall obtain proper authorization from its shareholders of all corporate action requiring shareholder approval, meetings of the shareholders of PAC shall be held not less frequently than one time per annum and copies of each such authorization and the minutes of each such shareholder meeting shall be delivered to Financial Security within two weeks of such authorization or meeting, as the case may be.

(v) Operating expenses and liabilities of the PAC shall be paid from its own funds.

(vi) The annual financial statements of the PAC shall disclose the effects of the PAC's transactions in accordance with generally accepted accounting principles and shall disclose that the assets of the PAC are not available to pay creditors of any other entity, authority or agency.

(vii) The resolutions, agreements and other instruments underlying the transactions described in this Agreement shall be continuously maintained by the PAC as official records.

(viii) The PAC shall use its best efforts to maintain an arm's-length relationship with any other entity, authority or agency and will not hold itself out as being liable for the debts of any other entity, authority or agency.

(ix) The PAC shall use its best efforts to keep its assets and its liabilities wholly separate from those of all other entities, including, but not limited to, any other entity, authority or agency.

(k) *Third-Party Beneficiary.* The PAC agrees that Financial Security shall have all rights of a third-party beneficiary in respect of the Mortgage Loan Documents and hereby incorporates and restates its representations, warranties and covenants as set forth therein for the benefit of Financial Security.

(l) *Closing Documents.* The PAC shall provide or cause to be provided to Financial Security an executed original copy of each document executed in connection with the Transaction within 30 days of the Closing Date.

(m) *No Setoff.* The PAC hereby agrees that all payments required to be made by it pursuant to this Agreement will be paid without setoff or counterclaim in immediately available funds in lawful currency of the United States of America.

Section 2.06. *Negative Covenants of the PAC.* The PAC hereby agrees that, during the Term of the Agreement, unless Financial Security shall otherwise expressly consent in writing:

(a) *Amendments to Organic Documents.* The PAC shall not amend, supplement or otherwise modify its Articles of Incorporation or bylaws (or permit any of the foregoing).

(b) *Limitation on Indebtedness.* The PAC shall not create, incur or suffer to exist any Indebtedness other than the Bonds and Permitted Indebtedness.

(c) *Subsidiaries.* The PAC shall not form, or cause to be formed, any Subsidiaries.

(d) *Restrictions on Liens.* The PAC shall not (i) create, incur or suffer to exist, or agree to create, incur or suffer to exist, or consent to cause or permit in the future (upon the happening of a contingency or otherwise) the creation, incurrence or existence of any Lien on the Mortgaged Estate or on any of its assets except for (A) Liens the validity of which are being contested in good faith by appropriate proceedings, (B) Liens for taxes that are not then due and payable or that can be paid thereafter without penalty, (C) Liens to secure payment for services rendered by the Trustee with respect to the Bonds, (D) Liens otherwise incurred in connection with borrowings permitted hereunder and made in the ordinary course of business in accordance with the PAC's stated investment objective, policies and restrictions, and (E) Liens in favor of the Secured Parties or (ii) sign or file under the Uniform Commercial Code of any jurisdiction any financing statement which names the PAC as a debtor, or sign any security agreement authorizing any secured party thereunder to file such financing statement, except in each case any such instrument solely securing the rights and preserving the Lien of the Secured Parties.

(e) *Impairment of Rights.* The PAC shall not (i) take any action, or fail to take any action, if such action or failure to take action may interfere with the enforcement of any rights under the Mortgage Loan Documents that are material to the rights, benefits or obligations of the Secured Parties or Financial Security; (ii) waive or alter any rights with respect to the Mortgaged Estate (or any agreement or instrument relating thereto); (iii) take any action, or fail to take any action, if such action or failure to take action may interfere with the enforcement of any rights with respect to the Mortgaged Estate; or (iv) fail to pay any tax, assessment, charge or fee with respect to the Mortgaged Estate, or fail to defend any action, if such failure to pay or defend may adversely affect the priority or enforceability of the Secured Parties' first priority lien on or perfected security interest in the Mortgaged Estate or the PAC's right, title or interest in the Mortgaged Estate.

(f) *Limitation on Mergers, Etc.* The PAC shall not consolidate with or merge with or into any Person or transfer all or any material amount of its assets to any Person or liquidate or dissolve

(g) *Waiver, Amendments, Etc.* The PAC shall not waive, modify or amend, or consent to any waiver, modification or amendment of, any of the terms, provisions or conditions of the Mortgage Loan Documents.

(h) *Other Activities.* The PAC shall not:

(i) sell, transfer, exchange or otherwise dispose of any of its assets except as permitted under the Mortgage Loan Documents;

(ii) engage in any business or activity other than permitted by its Articles of Incorporation; or

(iii) issue any indebtedness, the terms of which provide recourse to the PAC.

(i) *Tax Status of Bonds.* The PAC shall not take or permit to be taken any action which would have the effect directly or indirectly of subjecting interest on any of the Bonds to federal income or withholding taxation in the hands of Holders generally, and will perform all of its obligations under the Mortgage Loan Documents to prevent or cure any default by the PAC which would have the effect, directly or indirectly, of subjecting interest on any of the Bonds to federal income or withholding taxation.

Section 2.07. *Representations and Warranties of Financial Security.* Financial Security represents and warrants that it has not relied upon the credit or authority of the CLGFA in connection with its entering into this Agreement and in connection with the satisfaction of its obligations hereunder.

ARTICLE III

THE POLICY; REIMBURSEMENT; INDEMNIFICATION

Section 3.01. *Issuance of the Policy.* Financial Security agrees to issue the Policy subject to satisfaction of the conditions precedent set forth below:

(a) *Payment of Initial Premium and Expenses; Premium Letter.* Financial Security shall have been paid, by or on behalf of the Authority, a nonrefundable Premium and reimbursed for other fees and expenses identified in Section 3.02 below as payable at closing and Financial Security shall have received a fully executed copy of the Premium Letter.

(b) *Mortgage Loan Documents.* Financial Security shall have received a copy of each of the Mortgage Loan Documents, in form and substance satisfactory to Financial Security, duly authorized, executed and delivered by each party thereto.

(c) *Certified Documents and Resolutions.* Financial Security shall have received a copy of (i) the Joint Powers Agreement, Articles of Incorporation and bylaws of the Owner; (ii) the resolutions of the Owner regarding the execution, delivery and performance by the Authority of the Mortgage Loan Documents and the transactions contemplated thereby, appropriately certified (which certificate shall state that such agreement, articles and bylaws and resolutions are in full force and effect without modification on the Effective Date); (iii) the Articles of Incorporation and bylaws of the PAC; and (iv) the resolutions of the PAC regarding the execution, delivery and performance by the PAC of the Mortgage Loan Documents and the transactions contemplated thereby, certified by the Secretary of the PAC (which certificate shall state that such agreement, articles and bylaws and resolutions are in full force and effect without modification on the Effective Date).

(d) *Incumbency Certificate.* Financial Security shall have received a certificate of the Owner and the PAC, certifying the name and signatures of the officers of the Owner and the PAC, respectively, authorized to execute and deliver the Mortgage Loan Documents.

(e) *Representations and Warranties; Certificate.* The representations and warranties of the PAC and the Authority in this Agreement shall be true and correct as of the Date of Issuance as if made on the Date of Issuance and Financial Security shall have received a certificate of appropriate officers of the PAC and the Owner, respectively, to that effect.

(f) *Opinions of Counsel.* Financial Security shall have received opinions of counsel addressed to Financial Security, Moody's and S&P in respect of the Owner, the PAC, the other parties to the Mortgage Loan Documents and the Transaction in form and substance satisfactory to Financial Security, addressing such matters as Financial Security may reasonably request, and the counsel providing each such opinion shall have been instructed by its client to deliver such opinion to the addressees thereof.

(g) *Approvals, Etc.* Financial Security shall have received true and correct copies of all approvals, licenses and consents, if any, including, without limitation, the approval of the Boards of Directors of the PAC and the Owner required in connection with the Transaction.

(h) *No Litigation, Etc.* No suit, action or other proceeding, investigation, or injunction or final judgment relating thereto, shall be pending or threatened before any court or governmental agency in which it is sought to restrain or prohibit or to obtain damages or other relief in connection with any of the Mortgage Loan Documents or the consummation of the Transaction.

(i) *Legality.* No statute, rule, regulation or order shall have been enacted, entered or deemed applicable by any government or governmental or administrative

agency or court which would make the transactions contemplated by any of the Mortgage Loan Documents illegal or otherwise prevent the consummation thereof.

(j) *Satisfaction of Conditions of Underwriting Agreement.* All conditions in the Underwriting Agreement to the Underwriter's obligation to purchase the Bonds shall have been satisfied.

(k) *Issuance of Ratings.* Financial Security shall have received confirmation that the risk secured by the Policy constitutes an investment grade risk by S&P and an insurable risk by Moody's and that the Senior Bonds, when issued, will be rated "AAA" by S&P and "Aaa" by Moody's.

(l) *Filings and Recordings.* Financial Security shall have received evidence satisfactory to it of the delivery of the Trust Estate and the filing and/or recording in all applicable jurisdictions (or such delivery, filing and/or recording having been provided for in a manner satisfactory to Financial Security) of all documents, including, without limitation, duly executed and delivered copies of the Mortgage and satisfactions of existing mortgages on the Mortgaged Estate, financing statements, termination statements and other appropriate instruments, in form and substance satisfactory to Financial Security, as may be necessary in the opinion of Financial Security to perfect the Liens created by the Mortgage, and all taxes, fees and other charges payable in connection with such execution, delivery, recording and filing shall have been paid. The PAC and the Owner shall be, as of the Date of Issuance, in compliance with the terms of the Mortgage Loan Documents and shall have received satisfactory evidence of compliance with all zoning, environmental and other laws, ordinances, rules, regulations and restrictions and recommendations and requirements of insurance companies, Board of Fire Underwriters or similar organizations, affecting the Properties.

(m) *No Default.* No Default or Event of Default shall have occurred.

(n) *Title Insurance, Etc.* Financial Security shall receive the Title Insurance Policy and the Survey and such other information with respect to the Project as it may request, including, without limitation, appraisals, environmental investigations, structural reports, property inventories, rent rolls, evidence of insurance, and tenant lease forms, all in form and substance satisfactory to Financial Security.

(o) *Lien of Mortgage.* The Mortgage shall create and perfect a first priority lien on the Mortgaged Estate.

(p) *Insurance.* Financial Security shall have received evidence satisfactory to it that the hazard insurance and other insurances required by Section 6.06 of the Loan Agreement are in effect.

(q) *Deposit Only Account.* Financial Security shall have received evidence satisfactory to it that the Deposit Only Account has been established.

(r) *Physical Needs Assessment and Environment Report.* Financial Security shall have received a physical needs assessment and Phase I Environment Report for the Project satisfactory to Financial Security, in its sole discretion.

(s) *Additional Items.* Financial Security shall have received such other documents, instruments, approvals or opinions requested by Financial Security as may be reasonably necessary to effect the Transaction, including, but not limited to, evidence satisfactory to Financial Security that the conditions precedent, if any, in the Transaction Documents have been satisfied.

Section 3.02. *Payment of Fees and Premium.*

(a) *Legal Fees.* On the Date of Issuance, the Owner shall pay or cause to be paid legal fees and disbursements incurred, by Financial Security in connection with the issuance of the Policy.

(b) *Rating Agency Fees.* The initial fees of S&P and Moody's with respect to the Bonds and the transactions contemplated hereby shall be paid by the Owner in full on the Date of Issuance. All periodic and subsequent fees of S&P or Moody's with respect to, and directly allocable to, the Senior Bonds shall be for the account of, and shall be billed to, the Owner. The fees for any other rating agency shall be paid by the party requesting such other agency's rating, unless such other agency is a substitute for S&P or Moody's in the event that S&P or Moody's is no longer rating the Senior Bonds, in which case the cost for such agency shall be paid by the Owner.

(c) *Premium.* In consideration of the issuance by Financial Security of the Policy, the Owner shall pay to Financial Security, from the Mortgaged Estate, the Premium in accordance with the terms of the Premium Letter. The Premium paid hereunder shall be nonrefundable without regard to whether Financial Security makes any payment under the Policy or any other circumstances relating to the Senior Bonds or provision being made for payment of the Senior Bonds prior to maturity. The Trustee shall, on behalf of the Owner, make all payments of Premium by wire transfer to an account designated from time to time by Financial Security by written notice to the Trustee. Although the Premium is fully earned by Financial Security as of the Date of Issuance, the Premium shall be payable in periodic installments as provided in the Premium Letter. In the event, however, that the Senior Bonds become due on an accelerated basis as a result of an Event of Default or any other circumstance (other than by reason of a mandatory or optional redemption, if any, duly made and paid in accordance with the Indenture), then the Unpaid Premium shall become immediately due and payable by the Trustee to Financial Security without demand or notice. The Unpaid Premium shall be an amount equal to the Premium that would have been payable from

the date of the last periodic payment of Premium until the scheduled final maturity of the Senior Bonds if the Senior Bonds outstanding on the date of acceleration had remained outstanding until the scheduled final maturity or, to the extent subject to any mandatory sinking fund redemption, to the scheduled date for such redemption.

(d) *Engineer's Fee.* The Owner shall or cause to be paid the fees of Financial Security's consulting engineer.

Section 3.03. *Reimbursement and Additional Payment Obligation.* The Owner and the PAC agree to pay to Financial Security as follows:

(a) the Owner shall pay, from the Mortgaged Estate, a sum equal to the total of all amounts paid by Financial Security under the Policy;

(b) the Owner shall pay any and all charges, fees, costs and expenses which Financial Security may reasonably pay or incur, including, but not limited to, attorneys' and accountants' fees and expenses, in connection with (i) any accounts established to facilitate payments under the Policy to the extent Financial Security has not been immediately reimbursed on the date that any amount is paid by Financial Security under the Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of any of the Mortgage Loan Documents, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of any Transaction participant or any affiliate thereof) relating to any of the Mortgage Loan Documents, any party to any of the Transaction Documents or the Transaction, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under any of the Mortgage Loan Documents, or pursuit of any other remedies under any of the Mortgage Loan Documents, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, (iv) any amendment, waiver or other action with respect to, or related to, any Transaction Document, whether or not executed or completed, (v) preparation of three bound volumes of the Transaction Documents, (vi) any review or approval by Financial Security in connection with the delivery of any additional or substitute collateral under any of the Mortgage Loan Documents; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of Financial Security spent in connection with the actions described in clauses (ii) and (iii) above; and Financial Security reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of any of the Mortgage Loan Documents;

(c) the Owner shall pay interest on any and all amounts described in this Section 3.03 from the date payable or paid by Financial Security until payment thereof in full and interest on any and all amounts described in Section 3.02 from the date due until payment thereof in full, in each case, payable to Financial Security at the Late Payment Rate per annum; and

(d) the Owner shall pay any payments made by Financial Security on behalf of, or advanced to, the Authority or the PAC, including, without limitation, any amounts payable by the Owner pursuant to the Senior Bonds or any other Mortgage Loan Documents; and any payments made by Financial Security as, or in lieu of, servicing, management, trustee, custodial or administrative fees payable, in the sole discretion of Financial Security, to third parties in connection with the Transaction.

All such amounts are to be immediately due and payable without demand. Any amounts due and payable by the Owner pursuant to this Agreement are payable solely from the Mortgaged Estate.

Section 3.04. *Indemnification.*

(a) *Indemnification by the Owner and the PAC.* In addition to any and all rights of reimbursement, indemnification, subrogation and any other rights pursuant hereto or under law or in equity, the Owner and the PAC agree to pay, and to protect, indemnify and save harmless, Financial Security and its officers, directors, shareholders, employees, agents and each Person, if any, who controls Financial Security within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all claims, losses, liabilities (including penalties), actions, suits, judgments, demands, damages, costs or expenses (including, without limitation, fees and expenses of attorneys, consultants and auditors and reasonable costs of investigations) of any nature arising out of or relating to the transactions contemplated by the Mortgage Loan Documents by reason of:

(i) any omission or action (other than of or by Financial Security) in connection with the offering, issuance, sale, remarketing or delivery of the Senior Bonds;

(ii) the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any director, officer, employee or agent of the Owner or the PAC in connection with any transaction arising from or relating to the Mortgage Loan Documents;

(iii) the violation by the Owner or the PAC of any domestic or foreign law, rule or regulation, or any judgment, order or decree applicable to it;

(iv) the breach by the Owner or the PAC of any representation, warranty or covenant under any of the Mortgage Loan Documents or the occurrence, in respect of the PAC or the Owner, under any of the Mortgage Loan Documents of any "event of default" or any event which, with the giving of notice or lapse of time or both, would constitute any "event of default"; or

(v) any untrue statement or alleged untrue statement of a material fact contained in any Offering Document or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such claims arise out of or are based upon any untrue statement or omission in information included in an Offering Document and furnished by Financial Security in writing expressly for use therein (all such information so furnished being referred to herein as "Financial Security Information"), it being understood that, in respect of the initial Offering Document, the Financial Security Information is limited to the information included under the caption "Bond Insurance."

(b) *Conduct of Actions or Proceedings.* If any action or proceeding (including any governmental investigation) shall be brought or asserted against Financial Security, any officer, director, shareholder, employee or agent of Financial Security or any Person controlling Financial Security (individually, an "Indemnified Party" and, collectively, the "Indemnified Parties") in respect of which indemnity may be sought from the Owner or the PAC (the "Indemnifying Party") hereunder, Financial Security shall promptly notify the Indemnifying Party in writing, and the Indemnifying Party shall assume the defense thereof, including the employment of counsel satisfactory to Financial Security and the payment of all expenses. The Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof at the expense of the Indemnified Party; provided, however, that the fees and expenses of such separate counsel shall be at the expense of the Indemnifying Party if (i) the Indemnifying Party has agreed to pay such fees and expenses, (ii) the Indemnifying Party shall have failed to assume the defense of such action or proceeding and employ counsel satisfactory to Financial Security in any such action or proceeding or (iii) the named parties to any such action or proceeding (including any impleaded parties) include both the Indemnified Party and the Indemnifying Party, and the Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the Indemnifying Party (in which case, if the Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense of such action or proceeding on behalf of such Indemnified Party, it being understood, however, that the Indemnifying Party shall not, in connection with any one such action or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys at any time for the Indemnified Parties, which firm shall be designated in writing by Financial Security). The Indemnifying Party shall not be liable for any settlement of any such action or proceeding effected without its written consent to the extent that any such settlement shall be prejudicial to the Indemnifying Party, but, if settled with its written consent, or if there be a final judgment for the plaintiff in any such action or proceeding with respect to which the Indemnifying Party shall have received notice in accordance with this subsection (b), the Indemnifying Party

agrees to indemnify and hold the Indemnified Parties harmless from and against any loss or liability by reason of such settlement or judgment.

Section 3.05. *Payment Procedure.* In the event of any payment by Financial Security, the Owner and the PAC agree to accept the voucher or other evidence of payment as prima facie evidence of the propriety thereof and the liability therefor to Financial Security. All payments to be made to Financial Security under this Agreement shall be made to Financial Security in lawful currency of the United States of America in immediately available funds to the account number provided in the Premium Letter before 1:00 p.m. (New York, New York time) on the date when due or as Financial Security shall otherwise direct by written notice to the other parties hereto. In the event that the date of any payment to Financial Security or the expiration of any time period hereunder occurs on a day which is not a Business Day, then such payment or expiration of time period shall be made or occur on the next succeeding Business Day with the same force and effect as if such payment was made or time period expired on the scheduled date of payment or expiration date. Payments to be made to Financial Security under this Agreement shall bear interest at the Late Payment Rate from the date when due to the date paid.

Section 3.06. *Subrogation.* The parties hereto acknowledge that, to the extent of any payment made by Financial Security pursuant to the Policy, Financial Security is to be fully subrogated to the extent of such payment and any additional interest due on any late payment, to the rights of the Owners of the Senior Bonds to any moneys paid or payable in respect of the Senior Bonds under the Mortgage Loan Documents or otherwise. The parties hereto agree to such subrogation and, further, agree to execute such instruments and to take such actions as, in the sole judgment of Financial Security, are necessary to evidence such subrogation and to perfect the rights of Financial Security to receive any moneys paid or payable in respect of the Bonds under the Mortgage Loan Documents or otherwise.

ARTICLE IV

FURTHER AGREEMENTS

Section 4.01. *Effective Date; Term of Agreement.* This Agreement shall take effect on the Date of Issuance and shall remain in effect until the later of (a) such time as Financial Security is no longer subject to a claim under the Policy and the Policy shall have been surrendered to Financial Security for cancellation and (b) all amounts payable by the Owner and the PAC under the Mortgage Loan Documents and under the Senior Bonds have been paid in full; provided, however, that the provisions of Sections 3.02, 3.03 and 3.04 hereof shall survive any termination of this Agreement.

Section 4.02. *Further Assurances and Corrective Instruments.* To the extent permitted by law, the Owner and the PAC agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and

such further instruments as Financial Security may request and as may be required in Financial Security's judgment to effectuate the intention of or facilitate the performance of this Agreement.

Section 4.03. *Obligations Absolute.* (a) The obligations of the Owner and the PAC hereunder shall be absolute and unconditional, and shall be paid or performed strictly in accordance with this Agreement under all circumstances irrespective of:

(i) any lack of validity or enforceability of, or any amendment or other modifications of, or waiver with respect to any of the Mortgage Loan Documents, the Senior Bonds or the Policy;

(ii) any exchange or release of any other obligations hereunder;

(iii) the existence of any claim, setoff, defense, reduction, abatement or other right which the Owner or the PAC may have at any time against Financial Security or any other Person;

(iv) any document presented in connection with the Policy proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) any payment by Financial Security under the Policy against presentation of a certificate or other document which does not strictly comply with terms of the Policy;

(vi) any failure of the Owner to receive the proceeds from the sale of the Senior Bonds;

(vii) any breach by the Owner or the PAC of any representation, warranty or covenant contained in any of the Mortgage Loan Documents; or

(viii) any other circumstances, other than payment in full, which might otherwise constitute a defense available to, or discharge of, the Owner or the PAC in respect of any Mortgage Loan Document.

(b) The Owner and the PAC and any and all others who are now or may become liable for all or part of the obligations of the Owner or the PAC under this Agreement agree to be bound by this Agreement and (i) to the extent permitted by law, waive and renounce any and all redemption and exemption rights and the benefit of all valuation and appraisal privileges against the indebtedness and obligations evidenced by any Mortgage Loan Document or by any extension or renewal thereof; (ii) waive presentment and demand for payment, notices of nonpayment and of dishonor, protest of dishonor and notice of protest; (iii) waive all notices in connection with the delivery and acceptance hereof and all other notices in connection with the performance, default or enforcement of any payment hereunder except as required by the

Mortgage Loan Documents; (iv) waive all rights of abatement, diminution, postponement or deduction, or to any defense other than payment, or to any right of setoff or recoupment arising out of any breach under any of the Mortgage Loan Documents, by any party thereto or any beneficiary thereof, or out of any obligation at any time owing to the Owner or the PAC; (v) agree that its liabilities hereunder shall, except as otherwise expressly provided in this Section 4.03, be unconditional and without regard to any setoff, counterclaim or the liability of any other Person for the payment hereof; (vi) agree that any consent, waiver or forbearance hereunder with respect to an event shall operate only for such event and not for any subsequent event; (vii) consent to any and all extensions of time that may be granted by Financial Security with respect to any payment hereunder or other provisions hereof and to the release of any security at any time given for any payment hereunder, or any part thereof, with or without substitution, and to the release of any Person or entity liable for any such payment; and (viii) consent to the addition of any and all other makers, endorsers, guarantors and other obligors for any payment hereunder, and to the acceptance of any and all other security for any payment hereunder, and agree that the addition of any such obligors or security shall not affect the liability of the parties hereto for any payment hereunder.

(c) Nothing herein shall be construed as prohibiting the Owner or the PAC from pursuing any rights or remedies it may have against any other Person in a separate legal proceeding.

Section 4.04. *Assignments; Reinsurance; Third-Party Rights.* (a) This Agreement shall be a continuing obligation of the parties hereto and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither the Owner nor the PAC may assign its rights or obligations under this Agreement, or delegate any of its duties hereunder, without the prior written consent of Financial Security. Any assignment made in violation of this Agreement shall be null and void.

(b) Financial Security shall have the right to give participations in its rights under this Agreement and to enter into contracts of reinsurance with respect to the Policy upon such terms and conditions as Financial Security may in its discretion determine; provided, however, that no such participation or reinsurance agreement or arrangement shall relieve Financial Security of any of its obligations hereunder or under the Policy.

(c) In addition, Financial Security shall be entitled to assign or pledge to any bank or other lender providing liquidity or credit with respect to the Transaction or the obligations of Financial Security in connection therewith any rights of Financial Security under the Mortgage Loan Documents or with respect to any real or personal property or other interests pledged to Financial Security, or in which Financial Security has a security interest, in connection with the Transaction.

(d) Except as provided herein with respect to participants and reinsurers, nothing in this Agreement shall confer any right, remedy or claim, express or implied, upon any Person, including, particularly, any Holder, other than Financial Security, against the Owner and the

PAC, and all the terms, covenants, conditions, promises and agreements contained herein shall be for the sole and exclusive benefit of the parties hereto and their successors and permitted assigns. Neither the Trustee nor any Holder shall have any right to payment from any premiums paid or payable hereunder or from any other amounts paid by the Owner and the PAC pursuant to Section 3.02 or 3.03 hereof.

Section 4.05. *Liability of Financial Security.* Neither Financial Security nor any of its officers, directors or employees shall be liable or responsible for: (a) the use which may be made of the Policy by the Trustee or for any acts or omissions of the Trustee in connection therewith; or (b) the validity, sufficiency, accuracy or genuineness of documents delivered to Financial Security (or its Fiscal Agent) in connection with any claim under the Policy, or of any signatures thereon, even if such documents or signatures should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged (unless Financial Security shall have actual knowledge thereof). In furtherance and not in limitation of the foregoing, Financial Security (or its Fiscal Agent) may accept documents that appear on their face to be in order, without responsibility for further investigation.

Section 4.06. *Premium Supplement.* In the event (a) the Senior Debt Service Coverage Ratio falls below 1.10x, (b) an Event of Default exists under Section 5.01(a) hereof or an "Event of Default" exists under Section 7.1(a) of the Loan Agreement, (c) the Owner fails to make any payment required to be made under the Loan Agreement or the Indenture with respect to the Senior Bonds on the date when due and payable or (d) the Owner fails to make any payment of Premium when due, Financial Security may declare the Premium Supplement to be immediately due and payable, and the same shall thereupon be immediately due and payable, whether or not an Event of Default exists, Financial Security shall have declared an Event of Default or shall have exercised, or be entitled to exercise, any other rights or remedies hereunder.

ARTICLE V

EVENTS OF DEFAULT; REMEDIES

Section 5.01. *Events of Default.* The occurrence of any of the following events shall constitute an Event of Default hereunder:

- (a) CLGFA shall fail to make any payment when due on the Senior Bonds;
- (b) any demand for payment shall be made under the Policy;
- (c) any representation or warranty made by the Owner or the PAC under any of the Mortgage Loan Documents, or in any certificate or report furnished under any of the Mortgage Loan Documents, shall prove to be untrue or incorrect in any material respect; provided that any representation or warranty of the Owner that relates to the Project and is qualified by "to its knowledge," "to the best of its knowledge" or any

similar phrase shall, for purposes of determining whether an Event of Default exists, be read as if such phrase was not included in the representation or warranty;

(d)(i) the Owner or the PAC shall fail to pay when due any amount payable by the Owner or the PAC under any of the Mortgage Loan Documents; (ii) either the Owner or the PAC shall have asserted that any of the Mortgage Loan Documents to which it is a party is not valid and binding on the parties thereto; or (iii) any court, governmental authority or agency having jurisdiction over any of the parties to any of the Mortgage Loan Documents or any property thereof shall find or rule that any material provision of any of the Mortgage Loan Documents is not valid and binding on the parties thereto;

(e) the Owner or the PAC shall fail to perform or observe any other covenant or agreement contained in any of the Mortgage Loan Documents (except for the obligations described under clause (c) or (d) above) and such failure shall continue for a period of 30 days after written notice given to the Owner or the PAC, 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, the Owner or the PAC shall have given notice to Financial Security of corrective action it proposes to take, which corrective action is agreed in writing by Financial Security to be satisfactory, and the Owner or the PAC shall thereafter pursue such corrective action diligently until such default is cured;

(f) The Owner or the PAC 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 the Owner or the PAC insolvent or seeking a liquidation, or shall take advantage of any insolvency act, or shall commence a case or other proceeding naming the Owner or the PAC as debtor under the United States Bankruptcy Code or similar law, domestic or foreign, or a case or other proceeding shall be commenced against the Owner or the PAC under the United States Bankruptcy Code or similar law, domestic or foreign, or any proceeding shall be instituted against the Owner or the PAC seeking liquidation of the Owner or the PAC's assets and the Owner or the PAC shall fail to take appropriate action resulting in the withdrawal or dismissal of such proceeding within 30 days or there shall be appointed or the Owner or the PAC shall consent to, or acquiesce in, the appointment of a receiver, liquidator, conservator, trustee or similar official in respect of the Owner or the PAC or the whole or any substantial part of its properties or assets or the Owner or the PAC shall take any corporate action in furtherance of any of the foregoing; or

(g) the occurrence of an "event of default" under any of the Mortgage Loan Documents;

Section 5.02. **Remedies; Waivers.** (a) Upon the occurrence of an Event of Default, Financial Security may exercise any one or more of the rights and remedies set forth below:

(i) declare all indebtedness of every type or description owed by either the Owner or the PAC to Financial Security to be immediately due and payable, and the same shall thereupon be immediately due and payable;

(ii) declare the Premium Supplement to be immediately due and payable, and the same shall thereupon be immediately due and payable whether, or not, Financial Security shall have declared an "Event of Default" or shall have exercised, or be entitled to exercise, any other rights or remedies hereunder;

(iii) exercise any rights and remedies available under the Mortgage Loan Documents in its own capacity or in its capacity as Controlling Party; or

(iv) take whatever action at law or in equity as may appear necessary or desirable in its judgment to collect the amounts then due and thereafter to become due under the Mortgage Loan Documents or to enforce performance of any obligation of the Owner or the PAC under the Mortgage Loan Documents.

(b) Unless otherwise expressly provided, no remedy herein conferred upon or reserved is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under the Mortgage Loan Documents or existing at law or in equity. 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 Financial Security to exercise any remedy reserved to Financial Security in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

(c) 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 Financial Security, then and in every such case the parties hereto shall, subject to any determination in such proceeding, be restored to their respective former positions hereunder, and, thereafter, all rights and remedies of Financial Security shall continue as though no such proceeding had been instituted.

(d) Financial Security 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 Financial Security and delivered to the other parties hereto. Any such waiver may only be effected in writing duly executed by Financial Security, 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.

ARTICLE VI

MISCELLANEOUS

Section 6.01. *Amendments, Etc.* This Agreement may be amended, modified or terminated only by written instrument or written instruments signed by the parties hereto. No act or course of dealing shall be deemed to constitute an amendment, modification or termination hereof.

Section 6.02. *Notices.* All demands, notices and other communications to be given hereunder shall be in writing (except as otherwise specifically provided herein) and shall be mailed by registered mail or personally delivered or telecopied to the recipient as follows:

- (a) To Financial Security: Financial Security
Assurance Inc.
350 Park Avenue
New York, NY 10022
Attention: Surveillance Department
Telephone: (212) 826-0100
Telecopy Nos.: (212) 339-3518
(212) 339-3529

(in each case in which notice or other communication to Financial Security refers to an Event of Default, 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 a copy of such notice or other communication should also be sent to the attention of each of the General Counsel and the Head—Financial Guaranty Group and shall be marked to indicate "URGENT MATERIAL ENCLOSED.")

- (b) To the Authority: Novato Financing Authority
% Redevelopment Agency of the City of Novato
900 Sherman Avenue
Novato, CA 94945
Attention: Deputy Director of Redevelopment
Telephone: (415) 897-4301
Telecopy: (415) 897-4854

With a Copy To:

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

(c) To the PAC:

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

A party may specify an additional or different address or addresses by writing mailed or delivered to the other parties as aforesaid. All such notices and other communications shall be effective upon receipt.

Section 6.03. *Severability*. In the event that any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, the parties hereto agree that such holding shall not invalidate or render unenforceable any other provision hereof. The parties hereto further agree that the holding by any court of competent jurisdiction that any remedy pursued by any party hereto is unavailable or unenforceable shall not affect in any way the ability of such party to pursue any other remedy available to it.

Section 6.04. *Governing Law*. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 6.05. *Consent to Jurisdiction*. (a) THE PARTIES HERETO HEREBY IRREVOCABLY SUBMIT TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY COURT IN THE STATE OF NEW YORK LOCATED IN THE CITY AND COUNTY OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION, SUIT OR PROCEEDING BROUGHT AGAINST IT AND TO OR IN CONNECTION WITH ANY OF THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREUNDER OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREE THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD OR DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. THE PARTIES HERETO AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION, SUIT OR PROCEEDING

SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO HEREBY WAIVE AND AGREE NOT TO ASSERT BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF SUCH COURTS, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER OR THAT THE TRANSACTION DOCUMENTS OR THE SUBJECT MATTER THEREOF MAY NOT BE LITIGATED IN OR BY SUCH COURTS.

(b) To the extent permitted by applicable law, the parties hereto shall not seek and hereby waive the right to any review of the judgment of any such court by any court of any other nation or jurisdiction which may be called upon to grant an enforcement of such judgment.

(c) The Owner and the PAC each hereby irrevocably appoint and designate CTO Corporation System, whose address is 1633 Broadway, New York, New York 10019, as their true and lawful attorney and duly authorized agent for acceptance of service of legal process. The Owner and the PAC each agree that service of such process upon such Person shall constitute personal service of such process upon it.

(d) Nothing contained in the Agreement shall limit or affect Financial Security's right to serve process in any other manner permitted by law or to start legal proceedings relating to any of the Mortgage Loan Documents against the Owner or its property in the courts of any jurisdiction.

Section 6.06. *Consent of Financial Security.* In the event that Financial Security's consent is required under any of the Mortgage Loan Documents, the determination whether to grant or withhold such consent shall be made by Financial Security in its sole discretion without any implied duty towards any other Person, except as otherwise expressly provided therein.

Section 6.07. *Counterparts.* This Agreement may be executed in counterparts by the parties hereto, and all such counterparts shall constitute one and the same instrument.

Section 6.08. *Headings.* The headings of articles and sections and the table of contents contained in this Agreement are provided for convenience only. They form no part of this Agreement and shall not affect its construction or interpretation. Unless otherwise indicated, all references to articles and sections in this Agreement refer to the corresponding articles and sections of this Agreement.

Section 6.09. *Trial by Jury Waived.* EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING DIRECTLY OR INDIRECTLY OUT OF, UNDER OR IN CONNECTION WITH ANY OF THE TRANSACTION DOCUMENTS OR

ANY OF THE TRANSACTIONS CONTEMPLATED THEREUNDER. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT IT WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THE RELATED DOCUMENTS TO WHICH IT IS A PARTY BY, AMONG OTHER THINGS, THIS WAIVER.

Section 6.10. *Limited Liability.* No recourse under any Mortgage Loan Document shall be had against, and no personal liability shall attach to, any officer, employee, director, affiliate or shareholder of any party hereto, as such, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise in respect of any of the Mortgage Loan Documents, the Senior Bonds or the Policy, it being expressly agreed and understood that each Mortgage Loan Document is solely a corporate obligation of each party hereto, and that any and all personal liability, either at common law or in equity, or by statute or constitution, of every such officer, employee, director, affiliate or shareholder for breaches by any party hereto of any obligations under any Mortgage Loan Document is hereby expressly waived as a condition of and in consideration for the execution and delivery of this Agreement.

Section 6.11. *Entire Agreement.* This Agreement and the Policy set forth the entire agreement between the parties with respect to the subject matter thereof, and this Agreement supersedes and replaces any agreement or understanding that may have existed between the parties prior to the date hereof in respect of such subject matter.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Insurance and Indemnity Agreement, all as of the day and year first above written.

FINANCIAL SECURITY ASSURANCE INC.

By *A.A.P. Cochran*
Authorized Officer

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB

By _____
Name _____
Title _____

NOVATO FINANCING AUTHORITY

By _____
Name _____
Title _____

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Insurance and Indemnity Agreement, all as of the day and year first above written.

FINANCIAL SECURITY ASSURANCE INC.

By _____
Authorized Officer

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY
CLUB

By *Owen V. Haxton*
Name Owen V. Haxton
Title PRESIDENT and CEO

NOVATO FINANCING AUTHORITY

By *Sonia Seeman*
Name SOMIA SEEMAN
Title SECRETARY NFA

APPENDIX I

DEFINITIONS

"*Agreement*" means the Insurance and Indemnity Agreement, dated as of March 1, 1997, among Financial Security, the PAC and the Owner, as the same may be amended from time to time.

"*Bonds*" means, collectively, the Senior Bonds and the Subordinate Bonds.

"*Business Day*" means any day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in the City of New York, New York or 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 (c) a day on which the New York Stock Exchange is closed.

"*Capital Plan*" means the plan of capital expenditures required to be prepared by the Owner pursuant to Section 5.02 of the Loan Agreement.

"*CLGFA*" means the California Local Government Finance Authority.

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

"*Code*" means the Internal Revenue Code of 1986, including, unless the context otherwise requires, the rules and regulations thereunder, as amended from time to time.

"*Commission*" means the Securities and Exchange Commission.

"*Commonly Controlled Entity*" means the Owner or the PAC, as applicable, and each entity, whether or not incorporated, which is affiliated with any of the foregoing pursuant to Section 414(b), (c), (m) or (o) of the Code.

"*Controlling Party*" has the meaning provided in the Indenture.

"*Date of Issuance*" means the date on which the Policy is issued as specified therein.

"*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.

"*Delegation Agreement*" means the Delegation Agreement dated as of March 1, 1997 by and between the PAC and the Owner, together with any supplements or amendments thereto.

"*Deposit Only Account*" means the deposit-only account established pursuant to a 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, dated as of March 1, 1997, in form and substance satisfactory to Financial Security.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, including, unless the context otherwise requires, the rules and regulations thereunder, as amended from time to time.

"*Event of Default*" means any event of default specified in Section 5.01 of this Agreement.

"*Financial Security*" means Financial Security Assurance New York stock insurance company, its successors and assigns.

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

"*Fiscal Year*" means the 12-month period commencing on July 1 and ending on 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.

"*Holder*s" has the meaning provided in the Indenture.

"*Indebtedness*" means, with respect to any Person at any time, (a) indebtedness or liability of such Person for borrowed money whether or not evidenced by bonds, debentures, notes or other instruments, or for the deferred purchase price of property or services (including trade obligations); (b) obligations of such Person as lessee under leases which should have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases; (c) current liabilities of such Person in respect of unfunded vested benefits under plans covered by Title IV of ERISA; (d) obligations issued for or liabilities incurred on the account of such Person; (e) obligations or liabilities of such Person arising under acceptance facilities; (f) obligations of such Person under any guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person or otherwise to assure a creditor against loss; (g) obligations of such Person secured by any Lien on property or assets of such Person, whether or not the obligations have been assumed by such Person; or (h) obligations of such Person under any interest rate or currency exchange agreement.

"*Indenture*" means the Trust Indenture, dated as of March 1, 1997, between the CLGFA and the Trustee on behalf of Financial Security and the Holders, pursuant to which the CLGFA issues the Bonds, as the same may be amended from time to time.

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

"*Investment Company Act*" means the Investment Company Act of 1940, including, unless the context otherwise requires, the rules and regulations thereunder, as amended from time to time.

"*IRS*" means the Internal Revenue Service.

"*Late Payment Rate*" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by The Chase Manhattan Bank at its principal office in the City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by The Chase Manhattan Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Securities and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days.

"*Lien*" means, as applied to the property or assets (or the income or profits therefrom) of any Person, in each case whether the same is consensual or nonconsensual or arises by contract, operation of law, legal process or otherwise: (a) any mortgage, lien, pledge, attachment, charge, lease, conditional sale or other title retention agreement, or other security interest or encumbrance of any kind; or (b) any arrangement, express or implied, under which such property or assets are transferred, sequestered or otherwise identified for the purpose of subjecting or making available the same for the payment of debt or performance of any other obligation in priority to the payment of the general, unsecured creditors of such Person.

"*Loan Agreement*" means the Loan Agreement, dated as of March 1, 1997, among the CLGFA, the Owner and the PAC pursuant to which the proceeds of the Bonds are to be loaned to the Owner, as the same may be amended from time to time.

"*Material Adverse Change*" means, in respect of any Person, a material adverse change in (i) the business, financial condition, results of operations or properties of such Person or any of its Subsidiaries, (ii) the Mortgaged Estate, (iii) the first perfected security interest of the Secured Parties in the Mortgaged Estate, (iv) the ability of the Controlling Party to liquidate, or foreclose against, the Mortgaged Estate, (v) the ability of such Person to perform its obligations under any of the Transaction Documents to which it is a party or (vi) the practical realization by Financial Security of any of the benefits or security afforded under any of the Mortgage Loan Documents.

"*Moody's*" means Moody's Investors Service, Inc., a Delaware corporation, and any successor thereto, 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 Financial Security.

"*Mortgage*" has the meaning set forth in the Indenture.

"*Mortgaged Estate*" 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 Loans and other Mortgage Loan Documents.

"*Mortgage Loan Documents*" means the Bonds, this Agreement, the Indenture, the Management Agreement (as defined in the Indenture), the Loan Agreement, the Pledge Agreement, the Mortgage, the Deposit Only Agreement, the Capital Improvement Agreement, the Delegation Agreement and any Uniform Commercial Code filing or other documents evidencing or securing the obligations related to the Mortgage Loan Documents.

"*Multiemployer Plan*" means a multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) in respect of which a Commonly Controlled Entity makes contributions or has liability.

"*NOI*" has the meaning set forth in the Indenture.

"*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 mobile homes 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.

"*Offering Document*" means the Official Statement dated March 10, 1997 of the Authority in respect of the Senior Bonds and any amendment or supplement thereto and any other offering document in respect of the Senior Bonds that makes reference to the Policy.

"*Outstanding*" has the meaning provided in the Indenture.

"*Owner*" means the Novato Financing Authority and its successors and assigns.

"*Owner Representative*" means any Person acting on behalf of the Owner designated as such in writing to Financial Security.

"*PAC Representative*" means any Person acting on behalf of the PAC designated as such in writing to Financial Security.

"*PBGC*" means the Pension Benefit Guaranty Corporation or any successor agency, corporation or instrumentality of the United States to which the duties and powers of the Pension Benefit Guaranty Corporation are transferred.

"*Permitted Indebtedness*" means any Indebtedness approved in writing by Financial Security.

"*Person*" means an individual, joint stock company, trust, unincorporated association, joint venture, corporation, business or owner trust, partnership or other organization or entity (whether governmental or private).

"*Plan*" means any pension plan (other than a Multiemployer Plan) covered by Title IV of ERISA, which is maintained by a Commonly Controlled Entity or in respect of which a Commonly Controlled Entity has liability.

"*Policy*" means the municipal bond insurance policy, including any endorsements thereto, issued by Financial Security with respect to the Senior Bonds.

"*Premium*" means the premium payable in accordance with Section 3.02 of this Agreement and the Premium Supplement, if any.

"*Premium Letter*" means the side letter among Financial Security and the Owner, dated the Date of Issuance, in respect of the premium payable by the Owner in consideration of the issuance of the Policy.

"*Premium Supplement*" means a nonrefundable premium, in addition to the Premium payable in accordance with Section 3.02 of this Agreement, payable by the Owner to Financial Security in quarterly installments commencing on the Premium Supplement Commencement Date and on each three-month anniversary thereof until the Premium Supplement Termination Date, equal to (a) if an event described in Section 4.06(a) of this Agreement exists, but no event described in Section 4.06(b), (c) or (d) of this Agreement exists, .10% times the principal amount of the Senior Bonds Outstanding on the Premium Supplement Commencement Date, and (b) if an event described in Section 4.06(b), (c) or (d) of this Agreement exists, 0.60% times the principal amount of the Senior Bonds Outstanding on the Premium Supplement Commencement Date.

"*Premium Supplement Commencement Date*" means the date of occurrence of an event described in Section 4.06 of this Agreement.

"*Premium Supplement Termination Date*" means the first Payment Date, after the related Premium Supplement Commencement Date, occurring after receipt of a certificate pursuant to Section 2.02(d) of this Agreement which indicates that no event described in Section 4.06 of this Agreement exists.

"*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.

"*Replacement Reserve Fund*" means the fund established by the Trustee pursuant to Section 5.10 of the Indenture.

"*Reportable Event*" means any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder.

"*Secured Parties*" means Financial Security and the Trustee on behalf of the Holders of the Senior Bonds.

"*Securities Act*" means the Securities Act of 1933, including, unless the context otherwise requires, the rules and regulations thereunder, as amended from time to time.

"*Securities Exchange Act*" means the Securities Exchange Act of 1934, including, unless the context otherwise requires, the rules and regulations thereunder, as amended from time to time.

"*Senior Bonds*" means the \$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 issued pursuant to the Indenture.

"*Senior Debt Service Coverage Ratio*" has the meaning set forth in the Indenture.

"*S&P*" means Standard & Poor's Corporation, a New York corporation, and any successor thereto, and, if such corporation 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 Financial Security.

"*Subordinate Bonds*" means \$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 issued pursuant to the Indenture.

"*Survey*" means as-built surveys of the Project satisfactory to Financial Security and its counsel, which survey shall be certified to the Title Company and Financial Security. The Survey shall show dimensions and locations of any improvements, easements, rights of way, adjoining sites, encroachments and the extent thereof, established building lines and street lines, the distance to, and names of the nearest intersecting streets and such other details as Financial Security may request.

"*Term of the Agreement*" shall be determined as provided in Section 4.01 of this Agreement.

"*Title Insurance Policy*" means the policy of title insurance insuring the liens of the Mortgage subject only to those exceptions to title and terms and conditions as are approved by Financial Security together with affirmative insurance on such matters as Financial Security may reasonably require.

"*Transaction*" means the transactions contemplated by the Mortgage Loan Documents, including the transactions described in the Offering Document.

"*Transaction Documents*" means the Mortgage Loan Documents.

"*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, a national banking association, as trustee under the Indenture, and any successor to the Trustee under the Indenture.

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

"*Underwriting Agreement*" means the Purchase Contract between the Underwriter and the Owner with respect to the offer and sale of the Senior Bonds, as the same may be amended from time to time.

"*Vacancy Factor*" means, with respect to a calendar month, a fraction, expressed as a percentage, equal to (a) the sum of the actual number of vacant units in the Project as of the first day of such month, divided by (b) 315.

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

**ANNEX I
TO
INSURANCE AND INDEMNITY AGREEMENT**

Form of
Monthly Certificate of
Owner and PAC Required Pursuant to
Sections 2.02(c), 2.02(p) and 2.05(d) of the
Insurance and Indemnity Agreement

[Date]

The undersigned, [CHIEF FINANCIAL OFFICER] [PRESIDENT] [VICE PRESIDENT] [DIRECTOR] of Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") and the Director of the NOVATO FINANCING AUTHORITY (the "Owner") under the Insurance and Indemnity Agreement, dated as of March 1, 1997, among the Owner, the PAC and Financial Security Assurance Inc. ("Financial Security") (the "Insurance Agreement"), hereby certify for the month of [], 199 (the "Month") [for the fiscal year ending June 30, 199] as follows:

(a) Attached hereto pursuant to Sections 2.02(c) and 2.05(c) of the Insurance Agreement are:

the audited financial statements of the PAC, the Project [and the Owner] as of the end of fiscal year [YEAR], meeting the requirements of Sections 2.02(c) and 2.05(c), as applicable, of the Insurance Agreement and stating in comparative form the respective consolidated figures for the corresponding date and period for fiscal year [YEAR] and accompanied by a certificate of the PAC's and the Owner's independent auditors; or

the unaudited balance sheet of the PAC, the Project [and the Owner] as of the end of [QUARTER] and the unaudited statements of income, changes in shareholders' equity and cash flows for the portion of the fiscal year then ended, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the preceding fiscal year; or

[other financial statements].

(b) The attached financial reports are complete and correct in all material respects and present fairly the financial condition and results of operations of the PAC, the Project [and the Owner] as of such date, and for the periods covered therein, as applicable, all in accordance with generally accepted accounting principles consistently applied [(subject to normal year-end adjustments)].

(c) A review of the Owner's and the PAC's performance under the Insurance Agreement during such fiscal [YEAR] [QUARTER] has been made under my supervision. To my knowledge following reasonable inquiry, no Default or Event of Default under, and no event described in Section 4.06 of, the Insurance Agreement has occurred since [Date of Issuance] [date of the preceding certificate]. [If a Default or Event of Default has occurred, specify the nature thereof and, if the PAC or the Owner has a right to cure pursuant to Section 5.01 of the Insurance Agreement, state in reasonable detail the steps being taken by the PAC or the Owner to promptly cure such Event or to otherwise comply with the terms of the Insurance Agreement or the other Mortgage Loan Documents with respect to which such Event exists.]

(d) The covenants set forth in subsections (l), (m) and (n) of Section 2.02 of the Insurance Agreement have not been breached. [If a breach has occurred, specify the nature thereof.]

(i) The Senior Debt Service Coverage Ratio for the Month was [] and for the most recent Fiscal Year was [].
(Required, subject to Section 2.02(t), to be at least 1.20x.)

(ii) The Vacancy Factor for the Month was % (must not exceed 5%).

(iii) The Nonowner Occupied Percentage for the Month was % (must not exceed 2%).

[(e) Attached hereto are the operating account bank statements of the Owner, a monthly rent roll for the Project, a list of accounts payable for the Project, a list of accounts receivable for the Project [and other supporting financial data relating to the certifications made in (d) above]. [Attached to certificate provided to Financial Security only.]

(f) The sole business of the PAC is to act on behalf of the Owner with respect to the Project, and the PAC has undertaken no other business.

(g) The sole business of the Owner is to own the Project, and the Owner has undertaken no other business.

(h) [If reporting for last month of a calendar year:] The insurance coverage maintained by the Owner, and the insurers providing such insurance coverage, meet all of the minimum standards described in Section 6.06 of the Loan Agreement, or a written waiver has been obtained from Financial Security during the most recently preceding 12-month period for any failure to meet such minimum standards.

Capitalized terms used herein but not defined herein shall have the meanings ascribed such terms in the Insurance Agreement.

NOVATO FINANCING AUTHORITY

By _____
Name _____
Title _____

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY
CLUB

By _____
Name _____
Title _____