

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

II

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)

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.

INDEMNITY AGREEMENT

among

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

and

REDEVELOPMENT AGENCY OF THE CITY OF NOVATO

and

NOVATO FINANCING AUTHORITY

Dated as of March 1, 1997

INDEMNITY AGREEMENT

This Indemnity Agreement (the "Agreement") is made and entered into as of March 1, 1997 among the California Local Government Finance Authority ("CLGFA"), a joint powers authority duly organized and existing under the laws of the State of California and the Redevelopment Agency of the City of Novato (the "Agency"), a public agency duly organized and existing under the Constitution and the laws of the State of California, and the Novato Financing Authority (the "Authority"), a joint powers authority duly organized and existing under the laws of the State of California.

RECITALS

WHEREAS, CLGFA is authorized by the Marks-Roos Local Bond Pooling Act of 1985, as amended at (California Government Code Sections 6584 et seq.), 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 the 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") (collectively, the "Bonds"); and

WHEREAS, the proceeds of the Bonds will be loaned to the Authority to be used to acquire the real and personal property (other than the mobile homes and other personal property located thereon owned by private parties) located within the City of Novato and known as the Marin Valley Mobile Country Club Park (the "Project"); and

WHEREAS, the Agency will be pledging a portion of its Housing Set-Aside Revenues (as defined in the hereinafter mentioned Indenture) to provide additional security for the Subordinate Bonds; and

WHEREAS, the Agency and the Authority desire to assist CLGFA in connection with the issuance of the Bonds in part by indemnifying CLGFA in connection with the issuance of the Bonds as hereinafter provided;

Now therefore in consideration of the mutual covenants herein contained, it is agreed by and among the parties hereto as follows:

AGREEMENT

1. The Agency and the Authority hereby covenant and agree to indemnify CLGFA as follows:

(a) The Agency and the Authority will protect, indemnify and save CLGFA and its respective members, directors, officers, agents and employees (each, an "Indemnified Party") 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 (each, a "Claim"), by or on behalf of any person arising in any manner from the Subordinate Bonds or arising in any manner in connection with the Project or the operation, financing or refinancing of the Project during the term of the Subordinate Bonds, including, without limiting the generality of the foregoing, Claims arising from (i) the work done on the Project or the operation of the Project, 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 or the Subordinate Bonds, (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, delivery, disclosure to investors or the market relating to, or payment of the Subordinate Bonds or the interest thereon, or (v) any written statements or representations made by any underwriter or any other party to any purchaser of or investor in the Subordinate Bonds or to any other person or entity with respect to the Agency, the Authority, the Project, CLGFA, the Trustee or the Bonds, including, but not limited to, statements or representations of fact or financial information except with respect to information provided by CLGFA and any statements made by CLGFA.

(b) The Agency and the Authority are obligated to perform as described in (a) of this Section:

(i) only after the Indemnified Party (as defined below) has tendered a claim or suit to the PAC or its successor and the PAC or its successor declines to accept the tender or fails to perform as required under Article XI of the Delegation Agreement, and the Indemnified Party then tenders such claim to the provider of the insurance described in 1(c)(i) below, or

(ii) where the PAC no longer exists, only if the Indemnified Party tenders such claim to the provider of the insurance described in 1(c)(i) below.

(c) The Agency's obligations under subsection (a) of this section are further limited to:

(i) the extent to which any insurance obtained for the Indemnified Party does not pay for, or does not indemnify the Indemnified Party for, any Claim covered by the Agreement, and the extent to which the Authority does not possess sufficient revenues from the Project to meet its indemnification obligations under 1(d) below, and

(ii) funds set aside by the Agency pursuant to Section 33334.2 of the Health and Safety Code of the State of California ("Funds"), but on a subordinate basis to the pledge of such funds to the payment of the Subordinate Bonds; provided nothing herein prevents the Agency from expending or committing to expend the Funds during the then current fiscal year prior to CLGFA notifying the Agency of a Claim pursuant to subsection (e) of this Section, or requires the Agency to use any other tax increment

moneys or other funds to fulfill its obligations under this Section; and, provided further, that such obligation to pay any amount from the Funds shall, to the extent legally permissible, survive any applicable statute of limitations and not require any further action on the part of CLGFA.

(d) The Authority's obligations under subsection (a) of this section are further limited to:

(i) the extent to which any insurance provided by the Authority for the Indemnified Party does not pay for, or does not indemnify the Indemnified Party for, any Claim covered by the Agreement, and

(ii) the Authority's revenues from the Project after the Authority's obligations set forth in the Indenture and the Loan Agreement are satisfied.

(e) Promptly after receipt by an Indemnified Party of notice of the commencement of any action in respect of which indemnification may be sought pursuant to subsection (a) of this Section, the Indemnified Party in respect of which indemnification may be sought shall promptly notify the Agency and the Authority in writing of such action and provide the Agency and the Authority with a reasonable opportunity to respond to the complaint, petition or other filing commencing such action and to otherwise properly conduct a defense of such action. The failure to so notify the Agency and the Authority, or to otherwise so provide an opportunity to conduct a defense, shall relieve the Agency and the Authority of their respective obligations to defend, indemnify and hold the Indemnified Parties harmless under this Agreement; provided, however, that such a failure shall not relieve the Agency or the Authority from any other liability which it may have to any Indemnified Party otherwise than under this Agreement nor affect any rights it may have otherwise than under this Agreement 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 Agency and the Authority of the commencement thereof, the Agency and the Authority will be entitled to control the investigation, defense (including the employment of counsel reasonably satisfactory to such Indemnified Party), and negotiation of a 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, if the Indemnified Party reasonably determines that a conflict of interest exists between such party and the Agency or the Authority in connection with such action. In such event, the Agency and the Authority shall pay the reasonable fees and expenses of the minimum number of such separate counsel necessary to resolve the conflict. If no such conflict exists, the Agency and the Authority may select counsel to defend the Indemnified Party with the Indemnified Party's consent, which consent shall not be unreasonably withheld. The Agency and the Authority shall not be liable for any settlement of any such action effected without its reasonable consent, but if settled with the consent of the Agency and the Authority or if there be a final judgment for the plaintiff in any such action as to which the Agency has received notice in writing as hereinabove required, the Agency and the Authority agree 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 (b) above; and

(f) Notwithstanding the previous provisions of this Section, the Agency and the Authority shall not be liable for or obligated to indemnify or hold CLGFA and its members, directors, delegates, officers, agent 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 or its members, directors, delegates, officers, agents or employees; provided, however, that the foregoing limitation on the obligations of the Agency and the Authority shall not apply where the gross negligence or willful misconduct of CLGFA is the result of, or amounts to, an action taken in good faith.

(g) In the event that a Claim is asserted against any Indemnified Party, but indemnification from such Claim be not available to such Indemnified Party under the terms of this Agreement, such Indemnified Party shall be entitled hereunder to obtain contribution from the Agency or the Authority.

2. This Agreement will survive the termination of the Pledge Agreement and the discharge of the Indenture and the Loan Agreement.

3. This Agreement shall not be assigned, transferred, hypothecated, or pledged by the Authority or the Agency without prior written consent of CLGFA.

4. This Agreement may be amended at any time, but only by a writing signed by each of the parties hereto.

5. The waiver by CLGFA of a breach by the Agency or the Authority of any provision of this Agreement shall not constitute a continuing waiver or a waiver of any subsequent breach either of the same or a different provision of this Agreement.

6. This Agreement supersedes any and all other agreements either oral or in writing among CLGFA, the Agency and the Authority with respect to the subject matter hereof and contains all of the covenants and agreements between the parties with respect to such matter. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid and binding.

7. This Agreement and all matters relating to it shall be governed by the laws of the State of California.

8. This Agreement shall be binding upon the successors, assigns, or transferees of CLGFA, the Agency and the Authority, as the case may be. This provision shall not be construed as an authorization to assign, transfer, hypothecate, or pledge this Agreement other than as provided above.

9. Should any part of this Agreement be declared unconstitutional, invalid, or beyond the authority of the parties hereto to enter into or carry out, such decision shall not affect the validity of the remainder of this Agreement, which shall continue in full force and effect; provided that, the remainder

of this Agreement can, absent the excised portion, be reasonably interpreted to give effect to the intentions of the parties.

10. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Indenture.

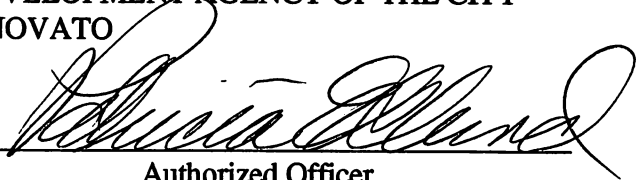
11. Under no circumstances shall the City of Novato, or its officers, agents, employees or representatives, or the officers, agents, employees or representatives of the Agency or Authority be liable under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

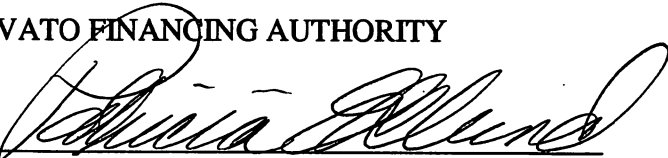
CALIFORNIA LOCAL GOVERNMENT FINANCE
AUTHORITY

By: _____
Authorized Officer

REDEVELOPMENT AGENCY OF THE CITY
OF NOVATO

By: 
Authorized Officer

NOVATO FINANCING AUTHORITY

By: 
Authorized Officer

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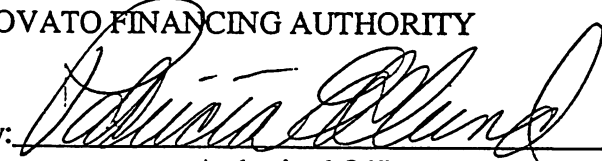
CALIFORNIA LOCAL GOVERNMENT FINANCE
AUTHORITY

By: 
Authorized Officer

REDEVELOPMENT AGENCY OF THE CITY
OF NOVATO

By: 
Authorized Officer

NOVATO FINANCING AUTHORITY

By: 
Authorized Officer

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**RULE 15c2-12 CERTIFICATE FOR
PRELIMINARY OFFERING STATEMENT**

The undersigned hereby certifies and represents to Sutro & Co., Incorporated and George K. Baum & Company (collectively, the "Underwriters") that the undersigned is duly qualified to execute and deliver this Certificate on behalf of the Novato Financing Authority (the "Owner"), and further certify on behalf of the Owner to the Underwriters as follows:

(1) This Certificate is delivered to enable the Underwriters to comply with Rule 15c2-12, as amended, under the Securities Exchange Act of 1934 (the "Rule") in connection with the offering and sale of the \$15,450,000 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 (the "Bonds").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Offering Statement setting forth information concerning the Bonds and the Owner (the "Preliminary Offering Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The information included in the Preliminary Offering Statement is deemed final within the meaning of the Rule as of this date except for Permitted Omissions.

(5) If, at any time prior to the formal award of the Bonds to the Underwriters, any event occurs as a result of which the Preliminary Offering Statement might include an untrue statement of a material fact with respect to the Owner or omit to state any material fact with respect to the Owner necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Owner shall promptly notify the Underwriters thereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 5th day of March, 1997.

NOVATO FINANCING AUTHORITY

By *Sonia Seeman*
Name SONIA SEEMAN
Title: SECRETARY NFA

[Signature Page to Rule 15c2-12 Certificate for the Preliminary Offering Statement]

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In the opinion of Kutak Rock, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxes. See "TAX MATTERS" herein.

\$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

Dated: Date of Delivery

Due: October 1, 2024

The Bonds will be issued as a separate single authenticated Bond and purchases will be made in principal amounts of \$100,000 and integral multiples of \$5,000 in excess of \$100,000. Interest on the Bonds is payable semiannually on April 1 and October 1 of each year, commencing October 1, 1997; and such interest and the principal payments are payable by First Trust of California, National Association, as trustee (the "Trustee").

The Bonds are being issued for the purpose of loaning to the Novato Financing Authority (the "Owner") the proceeds of the Bonds, together with the proceeds of the Senior Revenue Bonds, Series 1997A (Marin Valley Mobile Country Club Park Acquisition Project), being issued concurrently with the Bonds in the aggregate principal amount of \$15,485,000 (the "Senior Bonds"), to enable the Owner to permanently finance the acquisition of certain real property constituting the Marin Valley Mobile Country Club Park (the "Project"), a 315-space mobile home park located in the City of Novato, California and any structures, site improvements, facilities and fixtures on the Project (exclusive of any owner-occupied mobile homes thereon) (the "Improvements"). Proceeds from the Bonds will also be used to (a) fund the Subordinate Debt Service Reserve Fund, (b) fund a deposit into the Replacement Reserve Fund, (c) fund the initial deposit into the Subordinate Pledged Funds Account and (d) pay certain costs of issuance. The Owner anticipates transferring all of its right, title and interest in the Project to a yet-to-be-incorporated 501(c)(3) corporation (the "Corporation"), at which time all of the duties and obligations of the Owner with respect to the Project and the Bonds will be assigned to the Corporation. Prior to such transfer of the Project to the Corporation, certain of the duties and obligations of the Owner relating to the Bonds and the Project will be delegated to the Park Acquisition Corporation of Marin Valley Mobile Country Club Park (the "PAC") pursuant to a Delegation Agreement dated as of March 1, 1997 (the "Delegation Agreement") by and between the PAC and the Owner, including the retention of a property manager at all times for the Project. The PAC is a California nonprofit mutual benefit corporation created and controlled by the residents of the Project.

The Bonds are subject to optional, mandatory and extraordinary redemption prior to their respective maturity dates as described herein. See "THE BONDS" herein.

The Bonds are being issued pursuant to a Trust Indenture dated as of March 1, 1997 (the "Indenture") between the California Local Government Finance Authority ("CLGFA") and the Trustee. The Bonds are special obligations of CLGFA, payable solely from and secured as to the payment of the interest on and the principal of and the redemption premiums, if any, on the Bonds in accordance with their terms and the terms of the Indenture from the revenues, assets and moneys pledged therefor under the Indenture. Except as specifically provided in the Indenture, the Senior Bonds are superior to and have priority over the Bonds, and the Bonds are junior and subordinate to the Senior Bonds. See "SECURITY FOR THE BONDS" herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA NOR ANY POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF, NOR THE FAITH AND CREDIT OF CLGFA, THE OWNER, THE REDEVELOPMENT AGENCY OF THE CITY OF NOVATO (THE "AGENCY"), THE CITY OF NOVATO (THE "CITY"), OR THE MEMBERS OF CLGFA, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. NONE OF THE STATE OF CALIFORNIA, ANY POLITICAL SUBDIVISION THEREOF, THE OWNER, THE AGENCY, THE CITY, AND THE MEMBERS OF CLGFA (EXCEPT CLGFA, TO THE LIMITED EXTENT OF THE ASSIGNMENT OF SUBSTANTIALLY ALL OF ITS RIGHT, TITLE AND INTEREST IN THE LOAN AGREEMENT AS SET FORTH IN THE INDENTURE) SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF CLGFA, AND NONE OF THE BONDS OR ANY OF CLGFA'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS WHATSOEVER. THE BONDS ARE SPECIAL OBLIGATIONS OF CLGFA AND DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE OWNER, THE AGENCY, THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE OWNER, THE CITY, THE AGENCY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THE REVENUES, ASSETS AND MONEYS PLEDGED UNDER THE INDENTURE. THE OWNER, THE AGENCY AND CLGFA HAVE NO TAXING POWER.

THE BONDS ARE NOT INSURED OR GUARANTEED BY ANY PERSON.

Maturity Schedule
 \$1,585,000 7.50% Term Bonds Due October 1, 2024—Price 100%

THERE HAS NOT BEEN AN APPLICATION MADE TO ANY CREDIT RATING AGENCY FOR A RATING ON THE BONDS, NOR IS ANY SUCH APPLICATION CURRENTLY PLANNED. AN INVESTMENT IN THE BONDS INVOLVES A SUBSTANTIAL ELEMENT OF RISK. SEE "RISK FACTORS" HEREIN. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD MAKE SUCH INVESTIGATIONS AND OBTAIN SUCH ADDITIONAL INFORMATION AS THEY DEEM ADVISABLE IN CONNECTION WITH EVALUATION OF THE SUITABILITY OF THE BONDS FOR INVESTMENT.

THE BONDS ARE BEING OFFERED TO INSTITUTIONAL INVESTORS ONLY. THERE ARE CERTAIN RISKS TO AN INVESTMENT IN THE BONDS. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE AND THE BONDS WILL BE "RESTRICTED SECURITIES" AS DEFINED IN RULE 144, 17 C.F.R. § 230.144, PROMULGATED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). NO BOND MAY BE SOLD, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS IT IS SO REGISTERED AND QUALIFIED OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION AND QUALIFICATION IS AVAILABLE. PURCHASERS OR TRANSFERREES OF THE BONDS SHALL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT THEY ARE A "QUALIFIED INSTITUTIONAL BUYER," AS DEFINED IN RULE 144A PROMULGATED UNDER THE ACT AND MUST EXECUTE AN INVESTOR LETTER AS DESCRIBED HEREIN. SEE "RISK FACTORS" HEREIN.

This cover page contains certain information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire Private Placement Memorandum to obtain information essential to making an informed investment decision.

The Bonds are being offered, if issued by CLGFA and accepted by the initial purchaser thereof, subject to the approval of legality by Kutak Rock, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for CLGFA by Kutak Rock; for the Owner by Nossaman, Guthner, Knox & Elliott, LLP, San Francisco, California; for the Agency by McDonough, Holland and Allen, Sacramento, California; and for the PAC by David Kenyon, Esq. Kutak Rock is also serving as Special Counsel in connection with the preparation of the Private Placement Memorandum. In addition, the City of Novato is being represented by its counsel, Walter & Pistole, Sonoma, California. P.A. Hoon & Company, Inc., is serving as the Financial Advisor and Project Manager to the PAC; E. Wagner & Associates, Inc., is serving as the Financial Advisor to the City of Novato, the Redevelopment Agency of the City of Novato and the Owner; and American Government Financial Services Company is serving as the Financial Advisor to CLGFA. It is expected that the Bonds in definitive form will be available for delivery to the initial purchaser thereof on or about March 13, 1997.

Sutro & Co. Incorporated, Placement Agent

George K. Baum & Company, Placement Agent

Dated: March 12, 1997.

No dealer, broker, sales person or other person has been authorized by the Placement Agent or the Owner to give any information or to make any representations other than those contained in this Private Placement Memorandum; and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing.

This Private Placement Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Private Placement Memorandum is not to be construed as a contract with the purchasers of the Bonds.

The information set forth herein has been obtained from the Owner and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of such by the Placement Agent. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Private Placement Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Owner, the Agency or the Project since the date hereof.

This Private Placement Memorandum is submitted in connection with the sale of the Bonds referred to herein, and it may not be reproduced or used, in full or in part, for any other purpose.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT, THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE AND THE BONDS WILL BE "RESTRICTED SECURITIES" AS DEFINED IN RULE 144, 17 C.F.R. § 230.144, PROMULGATED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). NO BOND MAY BE SOLD, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS IT IS SO REGISTERED AND QUALIFIED OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION AND QUALIFICATION IS AVAILABLE. PURCHASERS OR TRANSFEREES OF THE BONDS SHALL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT THEY ARE A "QUALIFIED INSTITUTIONAL BUYER," AS DEFINED IN RULE 144A PROMULGATED UNDER THE ACT AND MUST EXECUTE AN INVESTOR LETTER AS DESCRIBED HEREIN.

THE BONDS ARE EXEMPT FROM THE SECONDARY MARKET DISCLOSURE PROVISIONS OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12, AS AMENDED, PURSUANT TO PARAGRAPHS (d)(a)(i) OF THE RULE, BECAUSE THE BONDS ARE BEING ISSUED IN MINIMUM DENOMINATIONS OF \$100,000 AND ARE BEING SOLD TO NO MORE THAN 35 PERSONS, EACH OF WHOM THE PLACEMENT AGENT REASONABLY BELIEVES HAS SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT IT IS CAPABLE OF EVALUATING THE MERITS AND RISKS OF THE PROSPECTIVE INVESTMENT AND IS NOT PURCHASING FOR MORE THAN ONE ACCOUNT OR WITH A VIEW TO DISTRIBUTING THE SECURITIES. THE OWNER, THE PAC AND THE AGENCY HAVE COVENANTED TO PROVIDE ONLY DISCLOSURE INFORMATION AS DESCRIBED HEREIN IN APPENDIX F AND HAVE NOT COVENANTED TO PROVIDE ANY DISCLOSURE INFORMATION ON ANY ONGOING BASIS TO ANY NATIONALLY RECOGNIZED MUNICIPAL SECURITIES INFORMATION REPOSITORY OR ANY OTHER PERSON.

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PRIVATE PLACEMENT MEMORANDUM

\$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**

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING THE CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY ("CLGFA") CONTAINED IN APPENDIX E HERETO, CLGFA HAS NOT PARTICIPATED IN THE PREPARATION OF OR AUTHORIZED OR APPROVED THE USE OF THIS PRIVATE PLACEMENT MEMORANDUM, HAS ASSUMED NO RESPONSIBILITY HEREFOR, AND MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT HERETO OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. OTHER THAN WITH RESPECT TO INFORMATION CONCERNING CLGFA CONTAINED IN APPENDIX E HERETO, THE INFORMATION CONTAINED HEREIN HAS NOT BEEN PROVIDED BY OR DERIVED IN ANY WAY FROM CLGFA. THE ROLE OF CLGFA IN THIS TRANSACTION IS SOLELY TO ACT AS A FACILITATOR FOR THE SUBSTANTIVE PARTIES TO THE FINANCING DESCRIBED HEREIN.

INTRODUCTORY STATEMENT

The purpose of this Private Placement Memorandum (which includes the cover page and the appendices hereto) is to set forth certain information concerning the issuance and sale of 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, in the aggregate principal amount of \$1,585,000 (the "Bonds"). The Bonds are being issued pursuant to the a 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"). Capitalized terms which are not otherwise defined in the text hereof shall have the respective meanings ascribed to them in Appendix A hereto or in the Indenture, as the case may be.

The Bonds are being issued for the purpose of loaning the proceeds to the Novato Financing Authority (the "Owner") together with the proceeds of Senior Revenue Bonds, Series 1997A (Marin Valley Mobile Country Park Acquisition Project), Issued for the Benefit of Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority, being issued simultaneously with the Bonds in the aggregate principal amount of \$15,485,000 (the "Senior Bonds"), to enable the Owner to permanently finance the acquisition of certain real property constituting the Marin Valley Mobile Country Club Park (the "Project"), a 315-space mobile home park located in the City of Novato, California (the "City"), and any structures, site improvements, facilities and fixtures on the Project (exclusive of any owner-occupied mobile homes thereon) (the "Improvements"). Proceeds of the Bonds will also be used to (a) fund the Subordinate Debt Service Reserve Fund for the Bonds; (b) fund a deposit into the Replacement Reserve Fund; (c) fund the initial deposit into the Subordinate Pledged Funds Account; and (d) pay certain costs of issuance. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE PROJECT" herein. The Owner anticipates transferring at a future date all of its right, title and interest in the Project to a yet-to-be-incorporated 501(c)(3) corporation (the "Corporation") subject to the consent of Financial Security (as defined herein); however, no assurance can be given as to when or if such transfer will take place. The Owner currently expects to make such transfer when there are no Bonds Outstanding under the Indenture. If the Owner completes such transfer prior to the time that the Bonds or the Senior Bonds are no longer Outstanding, the Owner shall have no obligations or duties with respect to the payment of principal of or interest on the Bonds or otherwise with respect to the Project, and all such obligations and duties will be assumed by the Corporation.

THE INFORMATION PROVIDED HEREIN REGARDING THE PROJECT IS BASED ON AVAILABLE INFORMATION PROVIDED PRIMARILY BY PALMER, GROTH & PIETKA, INC. (THE "APPRAISER") PURSUANT TO AN APPRAISAL REPORT DATED NOVEMBER 1, 1996, RELATED TO THE PROJECT AND BY STORZ MANAGEMENT COMPANY, INC. (THE "PROPERTY MANAGER"). INFORMATION FROM THE APPRAISAL REPORT IS INCLUDED IN RELIANCE UPON THE APPRAISER AS EXPERTS IN REAL ESTATE APPRAISAL AND EVALUATION, AND IS INCLUDED WITH THE WRITTEN CONSENT OF SUCH FIRM. INFORMATION PROVIDED BY THE PROPERTY MANAGER REGARDING THE PROJECT IS INCLUDED IN RELIANCE UPON THE PROPERTY MANAGER AS EXPERTS IN THE OWNERSHIP AND MANAGEMENT OF MOBILEHOME PARKS IN THE STATE OF CALIFORNIA, AND IS INCLUDED WITH THE WRITTEN CONSENT OF SUCH FIRM. HISTORICAL FINANCIAL INFORMATION REGARDING THE PROJECT IS LIMITED AS THERE ARE NO AUDITED FINANCIAL STATEMENTS FOR THE PROJECT AND SUCH HISTORICAL FINANCIAL INFORMATION IS NOT AVAILABLE IN RELIABLE FORM. NO PARTY IS WILLING TO CERTIFY OR PROVIDE ANY ADDITIONAL PROJECT INFORMATION OTHER THAN THE INFORMATION CONTAINED HEREIN. INVESTORS SHOULD RELY, IN MAKING THEIR INVESTMENT DECISIONS, SOLELY UPON THE INFORMATION PROVIDED HEREIN.

The Owner is entering into a Delegation Agreement dated as of March 1, 1997 (the "Delegation Agreement") with the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") whereby the PAC will be responsible for, among other matters, retaining a property manager (the "Property Manager") (subject to the consent of Financial Security), which will be responsible for the day-to-day operations of the Project, including, but not limited to, submitting an annual budget to the Owner, maintaining records, reports and audits relating to the Project, performing maintenance and repairs to the Project and preparing and implementing the capital expenditure plan for the Project. The PAC is a California nonprofit mutual benefit corporation created and controlled by the residents of the Project. If the Project is transferred to the Corporation, it is expected that the Delegation Agreement will terminate and the Corporation will assume and perform all of the duties and responsibilities of the PAC.

THERE HAS NOT BEEN AN APPLICATION MADE TO ANY CREDIT RATING AGENCY FOR A RATING ON THE BONDS, NOR IS ANY SUCH APPLICATION CURRENTLY PLANNED. AN INVESTMENT IN THE BONDS INVOLVES A SUBSTANTIAL ELEMENT OF RISK. SEE "RISK FACTORS" HEREIN. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD MAKE SUCH INVESTIGATIONS AND OBTAIN SUCH ADDITIONAL INFORMATION AS THEY DEEM ADVISABLE IN CONNECTION WITH EVALUATION OF THE SUITABILITY OF THE BONDS FOR INVESTMENT.

THE BONDS ARE BEING OFFERED TO INSTITUTIONAL INVESTORS ONLY. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE AND THE BONDS WILL BE "RESTRICTED SECURITIES" AS DEFINED IN RULE 144, 17 C.F.R. § 230.144, PROMULGATED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). NO BOND MAY BE SOLD, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS IT IS SO REGISTERED AND QUALIFIED OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION AND QUALIFICATION IS AVAILABLE. PURCHASERS OR TRANSFEREES OF THE BONDS SHALL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT THEY ARE A "QUALIFIED INSTITUTIONAL BUYER," AS DEFINED IN RULE 144A PROMULGATED UNDER THE ACT AND MUST EXECUTE AN INVESTOR LETTER AS DESCRIBED HEREIN.

The Bonds are special obligations of CLGFA payable solely from and secured as to the payment of the interest on and the principal of and the redemption premiums, if any, on the Bonds in accordance with their terms and the terms of the Indenture from revenues, moneys and assets pledged therefor as provided in the Indenture. Under the Indenture, CLGFA will, in its limited capacity as the conduit facilitator for the Bonds, pledge and assign, and the Owner will pledge and assign, each to the extent of their respective interests therein, to the Trustee as security for the Bonds on a basis subordinate to the Senior Bonds (except as otherwise provided in the Indenture and described herein) (i) all moneys, securities or investments held in or entitled to be held by the Trustee pursuant

to the Indenture (except the Senior Bonds Interest Account, the Senior Bonds Principal Account, the Senior Debt Service Reserve Fund, the Senior Cashtrap Account (collectively, the "Senior Accounts"), which secure only the Senior Bonds, the Policy Payments Account and the Rebate Fund); (ii) substantially all of CLGFA's right, title and interest in, to and under the Loan Agreement dated as of March 1, 1997 (the "Loan Agreement") by and among CLGFA, the Owner and the PAC, and the Note of the Owner relating to the Bonds (the "Subordinate Note"), which amounts will be used to pay principal of and interest on the Bonds; (iii) all of CLGFA'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 CLGFA, the Redevelopment Agency of the City of Novato (the "Agency"), the Owner and the PAC; (iv) the Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of March 1, 1997 (the "Mortgage") related to the Project and all revenues related thereto including, without limitation, the gross Project rents which are transferred to the Trustee pursuant to the Indenture and any and all other real or personal property, rights and interest of every kind or description which from time to time hereafter may be sold, transferred, conveyed, assigned, pledged, mortgaged or delivered to the Trustee or CLGFA as additional security under the Indenture; and (v) all proceeds of the foregoing. The Bonds have an exclusive right to all amounts on deposit in the Subordinate Debt Service Fund, the Subordinate Pledged Funds Account and the Subordinate Cashtrap Account. See "SECURITY FOR THE BONDS" herein.

Although the Trust Estate is projected by the PAC to be sufficient to pay the debt service on the Bonds, no assurance can be given on this matter. It is expected that potential investors in the Bonds will conduct independent investigations of the legal and financial aspects of the Bonds, the operations of the Project and the operations of the Agency to determine if an investment in the Bonds is consistent with their investment objectives. Investors will be required to acknowledge that they have made their own financial analysis of the Project and the Agency, without reliance upon the Placement Agent (as defined herein), CLGFA, the PAC, the City, the Agency or the Owner, that they are acquiring the Bonds for their own account and not with a view to resale and that they understand that investment in the Bonds is highly speculative and are able to withstand losses. The Placement Agent will be available to respond to inquiries and provide additional information to potential investors.

The Trust Estate will include rents charged and collected by the Property Manager with respect to the spaces in the Project. The Owner has covenanted in the Loan Agreement that it will not reduce the rents, fees and charges in connection with the Project then in effect unless the Senior Debt Service Coverage Ratio was at least 1.50x for the previous Fiscal Year and is and will at all times be at least 1.50x for the succeeding Fiscal Year based on the Operating Budget for the succeeding Fiscal Year (the "Loan Agreement Rate Covenant"). Additionally, the Owner and the PAC have covenanted in the Pledge Agreement that: (a) commencing with Calendar Year 1998, the PAC and the Owner will raise rents with respect to the mobile home sites located in the Project each Calendar Year by an amount at least equal to 75% of the percentage increase in the Consumer Price Index for the preceding Calendar Year; (b) the PAC and the Owner will 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; and (c) the Owner and the PAC 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 or any subsequent Fiscal Year (the "Pledge Agreement Rate Covenant"). The Pledge Agreement Rate Covenant is subject to the requirements of (i) the Rent Adjustment Ordinance to the extent then applicable to the Project and (ii) Article V of the Pledge of Agreement 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.

The ability of the Owner, or the PAC on the Owner's behalf, to increase rents for the spaces is governed by Ordinance No. 1341, adopted by the City Council on February 22, 1996 (the "Rent Adjustment Ordinance"). An opinion of counsel will be delivered on the date of delivery of the Bonds in a form satisfactory to Financial Security substantially to the effect that the Loan Agreement Rate Covenant and the Pledge Agreement Rate Covenant are enforceable in accordance with the provisions of the Rent Adjustment Ordinance. See "RISK

FACTORS—Certain Factors Affecting Mobile Home Parks Generally" and "SUMMARY OF THE RENT ADJUSTMENT ORDINANCE" herein.

Except as otherwise specifically provided in the Indenture and described herein, the Senior Bonds are superior to and have priority over the Bonds, and the Bonds are junior and subordinate to the Senior Bonds. On each Interest Payment Date, the Trust Estate available for repayment of both the Senior Bonds and the Bonds will be applied first to the payments of principal, interest and premium, if any, then due on the Senior Bonds, then to certain fees, reserve funds and expenses relating to the Bonds and the Project, and then to the payments of principal, interest and premium, if any, then due on the Bonds; provided, however, that amounts rightfully on deposit in the Subordinate Bonds Principal Account, the Subordinate Bonds Interest Account, the Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account are solely for the benefit of, and secure payment of the principal of and interest on, the Bonds and are not available for payment of the principal of and interest on the Senior Bonds.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA NOR ANY POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF, NOR THE FAITH AND CREDIT OF CLGFA, THE OWNER, THE AGENCY, THE CITY, OR THE MEMBERS OF CLGFA, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. NONE OF THE STATE OF CALIFORNIA, ANY POLITICAL SUBDIVISION THEREOF, THE OWNER, THE AGENCY, THE CITY, AND THE MEMBERS OF CLGFA (EXCEPT CLGFA, TO THE LIMITED EXTENT OF THE ASSIGNMENT OF SUBSTANTIALLY ALL OF ITS RIGHT, TITLE AND INTEREST IN THE LOAN AGREEMENT AS SET FORTH IN THE INDENTURE) SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF CLGFA, AND NONE OF THE BONDS OR ANY OF CLGFA'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS WHATSOEVER. THE BONDS ARE SPECIAL OBLIGATIONS OF CLGFA AND DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE OWNER, THE AGENCY, THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE OWNER, THE CITY, THE AGENCY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THE REVENUES, ASSETS AND MONEYS PLEDGED UNDER THE INDENTURE. THE OWNER, THE AGENCY AND CLGFA HAVE NO TAXING POWER.

THE BONDS ARE NOT INSURED OR GUARANTEED BY ANY PERSON.

A purchase of the Bonds involves certain risks. Careful examination of the information contained herein must be made prior to investment. See "RISK FACTORS."

All capitalized terms not otherwise defined in the body of this Private Placement Memorandum shall have the meanings ascribed thereto in "APPENDIX A—CERTAIN DEFINITIONS AND SUMMARY PROVISIONS OF THE LEGAL DOCUMENTS—Definitions."

This Private Placement Memorandum contains brief descriptions of, among other things, the Bonds, the security for the Bonds, the Indenture, the Loan Agreement, the Delegation Agreement, the Management Agreement, the Mortgage, the Pledge Agreement, the Rent Adjustment Ordinance, CLGFA, the Owner, the PAC, the Property Manager, the Agency and the Project. Such descriptions do not purport to be comprehensive or definitive. All references in this Private Placement Memorandum to documents are qualified in their entirety by reference to such documents and to the form of the Bonds included in the Indenture. Until the issuance of the Bonds, copies of the Indenture and other documents described in this Private Placement Memorandum may be obtained at the principal office of Sutro & Co. Incorporated, 201 California Street, San Francisco, California 94111, telephone no.: (415)

445-8642; Attention: Douglas L. Charchenko. Copies of these documents may be obtained from the Trustee at First Trust of California, National Association, Suite 400, One California Street, San Francisco, California 94111, telephone no.: (415) 273-4517; Attention: Leticia Sabiniano, following delivery of the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds and Senior Bonds will be lent to the Owner pursuant to the Loan Agreement. Following are the estimated sources and uses of funds, excluding accrued interest relating to the Loan.

Sources of Funds⁽¹⁾

Principal Amount of Bonds	<u>\$1,585,000.00</u>
Total Sources of Funds	<u>\$1,585,000.00</u>

Uses of Funds⁽¹⁾

Deposit to Project Fund	\$1,278,300.00
Deposit to Subordinate Debt Service Reserve Fund	145,000.00
Deposit to Subordinate Pledged Funds Account	130,000.00
Costs of Issuance ⁽²⁾	<u>31,700.00</u>
Total Uses of Funds	<u>\$1,585,000.00</u>

⁽¹⁾All or a substantial portion of the fees owed to certain professionals involved in the issuance of the Bonds and the acquisition of the Project are being deferred. In addition, certain fees owed to certain professionals retained by the City are being paid by the City from City funds. Such amounts are expected to be paid to such professionals and reimbursed to the City from Revenues of the Project on a basis subordinate to the Bonds as described herein under "SECURITY FOR THE BONDS—Revenue Fund". Such deferred expenses are referred to herein as "Deferred Consultant Costs" and amounts owed to the City are referred to herein as "Deferred Owner Costs," and are collectively referred to herein as "Deferred Issuance Costs." Deferred Issuance Costs collectively amount to approximately \$1,000,000.

⁽²⁾Includes placement agent's fee, legal, financial advisory, printing and other miscellaneous costs of issuance and certain costs related to the acquisition of the Project.

Source: P.A. Hoon & Company, Inc.

Following are the estimated sources and uses of funds, excluding accrued interest, relating to the Senior Loan.

Sources of Funds⁽¹⁾	
Principal Amount of Senior Bonds	\$15,485,000.00
Less: Original Issue Discount	(28,848.75)
Total Sources of Funds	\$15,456,151.25
Uses of Funds⁽¹⁾	
Deposit to Project Fund	\$13,779,645.23
Deposit to Senior Debt Service Reserve Fund	1,000,000.00
Deposit to Replacement Reserve Fund	238,000.00
Deposit to Escrow Account	6,483.00
Costs of Issuance ⁽²⁾	<u>432,022.02</u>
Total Uses of Funds	\$15,456,151.25

⁽¹⁾All or a substantial portion of the fees owed to certain professionals involved in the issuance of the Bonds and the acquisition of the Project are being deferred. In addition, certain fees owed to certain professionals retained by the City are being paid by the City from City funds. Such amounts are expected to be paid to such professionals and reimbursed to the City from Revenues of the Project on a basis subordinate to the Bonds as described herein under "SECURITY FOR THE BONDS—Revenue Fund." Such deferred expenses are referred to herein as "Deferred Consultant Costs" and amounts owed to the City are referred to herein as "Deferred Owner Costs" and are collectively referred to herein as "Deferred Issuance Costs." Deferred Issuance Costs collectively amount to approximately \$1,000,000.

⁽²⁾ Includes underwriter's discount, legal, financial advisory, printing, initial monthly bond insurance premium, other miscellaneous costs of issuance and certain costs related to the acquisition of the Project.

Source: P.A. Hoon & Company, Inc.

THE BONDS

Description

The Bonds are dated, are scheduled to mature on the date and in the principal amount and bear interest at the rate as set forth on the cover page hereof. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months and will be payable semiannually on April 1 and October 1 of each year, commencing on October 1, 1997 (each an "Interest Payment Date").

The Bonds will be issued as a separate single authenticated Bond to the initial purchaser thereof. Ownership interests in the Bonds may be purchased in denominations of \$100,000 and integral multiples of \$5,000 in excess of \$100,000.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a 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, in which event it shall bear interest from such Interest Payment Date; (b) it is authenticated on or before September 15, 1997, in which event it shall bear interest from March 13, 1997; or (c) it is authenticated upon an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date. Notwithstanding the foregoing, if interest on any Bond is in default as of the date of authentication thereof, such Bond shall bear interest from the Interest Payment Date to which interest has been previously paid or made available for payment thereon.

THE BONDS OFFERED HEREUNDER ARE OFFERED ONLY TO THOSE PERSONS OR INSTITUTIONS WHICH QUALIFY AS "QUALIFIED INSTITUTIONAL BUYERS" AND WHO UNDERSTAND THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE BONDS. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE AND THE BONDS WILL BE "RESTRICTED SECURITIES" AS DEFINED IN RULE 144, 17 C.F.R. § 230.144, PROMULGATED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). NO BOND MAY BE SOLD,

ASSIGNED OR OTHERWISE TRANSFERRED UNLESS IT IS SO REGISTERED AND QUALIFIED OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION AND QUALIFICATION IS AVAILABLE. PURCHASERS OR TRANSFEREES OF THE BONDS SHALL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT THEY ARE A "QUALIFIED INSTITUTIONAL BUYER," AS DEFINED IN RULE 144A PROMULGATED UNDER THE ACT. SEE "RISK FACTORS" HEREIN.

Registration and Transfer

The Trustee is appointed as the Registrar for the Bonds. So long as any Bonds remain Outstanding, the Trustee will 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 will provide for the registration and transfer of Bonds in accordance with the terms of the Indenture. The ownership of the Bonds will be proved by the Bond Register.

Subject to compliance with the last paragraph under this heading below, each Bond is 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 to the Indenture, as the case may be, or otherwise acceptable to the Trustee.

Subject to compliance with the last paragraph under this heading below, all Bonds are 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.

With respect to the Bonds, which are required to be in Authorized Denominations of at least \$100,000, such 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 the Indenture executed and delivered by the purchaser thereof. The Trustee will 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 will be required for any Bonds which have been legally defeased pursuant to the Indenture or which are then rated in one of the top three long-term rating categories by a Rating Agency.

Mutilated, Lost, Destroyed or Stolen Bonds

If any Bond is mutilated, lost, destroyed or stolen, the Indenture provides that the Trustee shall authenticate and deliver a new Bond of the same tenor. In the case of a mutilated Bond, such Bond must be surrendered to the Trustee for cancellation. In the case of a lost, stolen or destroyed Bond, CLGFA and the Trustee may require satisfactory indemnification prior to the execution and authentication of a new Bond. CLGFA and the Trustee may charge the owners of the Bonds an appropriate fee and the expenses incurred in connection with replacing mutilated, lost, destroyed or stolen Bonds.

Optional Redemption

The Bonds maturing 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 (a) amounts rightfully on deposit in the Subordinate Cashtrap Account, (b) the proceeds of any obligations issued to refund all or a portion of the Bonds then Outstanding, or (c) amounts transferred from either amounts rightfully on deposit in the Subordinate Cashtrap Account or proceeds of such refunding obligations which have been deposited into an irrevocable escrow account to defease all or a portion of the Bonds in accordance with the provisions of the Indenture, upon payment of the respective redemption prices (expressed as a percentage of the principal amount of Bonds 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 Price</u>
October 1, 2007 through September 30, 2008	102%
October 1, 2008 through September 30, 2009	101
October 1, 2009 and thereafter	100

The PAC and Corporation are expected to seek low-cost funds from other governmental and charitable sources after the issuance of the Bonds, which funds will be deposited into an irrevocable escrow fund to be used at the direction of the PAC, to pay debt service on the Bonds and/or to redeem the Bonds on the first call date. See "RISK FACTORS—Early Redemption Risks" herein. No assurances can be given that either the PAC or the Corporation will be able to obtain such funds.

SEE "RISK FACTORS—EARLY REDEMPTION RISKS" HEREIN.

**Redemption From Proceeds of
Insurance or Condemnation**

The Bonds are subject to extraordinary 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 the Indenture, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed plus with accrued interest 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 (provided, however, that no Bonds shall be redeemed until no Senior Bonds remain Outstanding and all amounts due and payable to Financial Security under the Indenture and the Insurance Agreement (as defined in the Indenture) have been paid in full).

SEE "RISK FACTORS—EARLY REDEMPTION RISKS" HEREIN.

Sinking Fund Redemption

The Bonds maturing on October 1, 2024, are also subject to sinking fund redemption prior to maturity in part (the actual 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 on October 1 in each year beginning October 1, 1997, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest thereon to the redemption date, without premium, as follows:

Bonds Maturing on October 1, 2024

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

*Final Maturity.

Failure to make a sinking fund payment as set forth above shall not constitute an Event of Default.

THE BONDS ARE NOT SUBJECT TO REDEMPTION EXCEPT AS PROVIDED ABOVE.

Selection of Bonds To Be Redeemed

If less than all the Bonds are called for redemption prior to maturity, the particular Bonds or portions of Bonds to be redeemed shall, except as otherwise provided in the Indenture, be selected by the Trustee, in the amounts and at the direction of the Owner as necessary to achieve substantially level annual debt service on the Bonds and by lot within the same maturity, subject to any limitation in the Indenture. For any Bond in a denomination of more than the minimum Authorized Denomination, 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, subject to any limitation in the Indenture.

Notice of Redemption; Procedure for Selection

Except as otherwise provided in the Indenture, the Trustee shall cause the giving of 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 (a) 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 and (b) at least two national information services of national recognition which disseminate securities information with respect to tax-exempt securities.

All official notices of redemption shall be dated and shall state (i) the redemption date; (ii) the redemption price; (iii) if less than all Outstanding Bonds are to be redeemed, the identification numbers (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed; (iv) 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 (v) 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.

Deposit Prior to Redemption and Payment Upon Redemption

Prior to giving notice of any optional redemption which shall occur as described above under "—Optional Redemption", there shall have been deposited with the Trustee immediately available funds (delivered in accordance with the provisions of the Indenture) sufficient to make the necessary redemption payment. 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.

Effect of Redemption

Notice of redemption having been given as provided in the Indenture, 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.

DEBT SERVICE SCHEDULE

Set forth below is a schedule of (a) principal (scheduled mandatory redemption) and interest payments due on the Senior Bonds, (b) scheduled bond expenses expected to be paid with respect to the Senior Bonds and the Bonds and (c) the principal (anticipated sinking fund redemption) and interest payments due on the Bonds.

Year Ending Oct. 1	<u>Senior Bonds</u>			Scheduled Bond Expenses ⁽¹⁾	<u>The Bonds</u>			Total All Senior Bonds and the Bonds ⁽¹⁾
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1997		\$503,497	\$503,497	\$46,455	\$10,000	\$65,381	\$75,381	\$625,333
1998	\$215,000	863,138	1,078,138	107,910	20,000	118,125	138,125	1,324,173
1999	225,000	854,752	1,079,752	106,620	20,000	116,625	136,625	1,322,997
2000	230,000	845,303	1,075,303	105,270	20,000	115,125	135,125	1,315,698
2001	240,000	835,297	1,075,297	103,890	25,000	113,625	138,625	1,317,812
2002	255,000	824,618	1,079,618	102,450	25,000	111,750	136,750	1,318,818
2003	265,000	813,015	1,078,015	100,920	30,000	109,875	139,875	1,318,810
2004	275,000	800,692	1,075,692	99,330	30,000	107,625	137,625	1,312,647
2005	290,000	787,630	1,077,630	97,680	30,000	105,375	135,375	1,310,685
2006	305,000	773,565	1,078,565	95,940	35,000	103,125	138,125	1,312,630
2007	320,000	758,468	1,078,468	94,110	35,000	100,500	135,500	1,308,078
2008	335,000	742,307	1,077,307	92,190	40,000	97,875	137,875	1,307,372
2009	350,000	724,888	1,074,888	90,180	45,000	94,875	139,875	1,304,943
2010	370,000	706,337	1,076,337	88,080	45,000	91,500	136,500	1,300,917
2011	390,000	686,358	1,076,358	85,860	50,000	88,125	138,125	1,300,343
2012	410,000	664,907	1,074,907	83,520	55,000	84,375	139,375	1,297,802
2013	435,000	641,948	1,076,948	81,060	60,000	80,250	140,250	1,298,258
2014	460,000	616,717	1,076,717	78,450	60,000	75,750	135,750	1,290,917
2015	490,000	590,038	1,080,038	75,690	65,000	71,250	136,250	1,291,978
2016	515,000	561,617	1,076,617	72,750	70,000	66,375	136,375	1,285,742
2017	545,000	531,748	1,076,748	69,660	75,000	61,125	136,125	1,282,533
2018	575,000	500,137	1,075,137	66,390	85,000	55,500	140,500	1,282,027
2019	610,000	466,788	1,076,788	62,940	90,000	49,125	139,125	1,278,853
2020	645,000	431,407	1,076,407	59,280	95,000	42,375	137,375	1,273,062
2021	685,000	393,998	1,078,998	55,410	105,000	35,250	140,250	1,274,658
2022	725,000	353,925	1,078,925	51,300	110,000	27,375	137,375	1,267,600
2023	765,000	311,512	1,076,512	46,950	120,000	19,125	139,125	1,262,587
2024	810,000	266,760	1,076,760	42,360	135,000	10,125	145,125	1,264,245
2025	860,000	219,375	1,079,375	37,500	-0-	-0-	-0-	1,116,875
2026	910,000	169,065	1,079,065	32,340	-0-	-0-	-0-	1,111,405
2027	1,980,000	115,830	2,095,830	26,880	-0-	-0-	-0-	2,122,710
TOTAL	\$15,485,000	\$18,355,637	\$33,840,637	\$2,359,365	\$1,585,000	\$2,217,506	\$3,802,506	\$40,002,508

⁽¹⁾Includes fees and expenses anticipated to be paid by the Owner to Financial Security with respect to the Senior Bonds, the Trustee and CLGFA under the Indenture, the Loan Agreement and the Insurance Agreement.

Source: P.A. Hoon & Company, Inc.

PROJECTED PROJECT FINANCIAL PROFORMAS

THE PROJECTED FINANCIAL INFORMATION PROVIDED BELOW IS BASED ON OPERATING ASSUMPTIONS WITH RESPECT TO THE PROJECT WHICH THE PROPERTY MANAGER BELIEVES ARE REASONABLE. SUCH INFORMATION IS INCLUDED IN RELIANCE UPON THE PROPERTY MANAGER AS EXPERTS IN THE OWNERSHIP AND MANAGEMENT OF MOBILEHOME PARKS IN THE STATE OF CALIFORNIA, AND IS INCLUDED WITH THE WRITTEN CONSENT OF SUCH FIRM.

The following table sets forth a summary of the estimated cash flow with respect to the Project for the Fiscal Years ending June 30, 1998 through June 30, 2000. The figures included in the table are based upon operating assumptions which the Property Manager believes are reasonable. However, there can be no assurance that the estimates presented below will be achieved.

**Marin Valley Mobile Country Club
City of Novato, Marin County, California
Project Financial Proforma for Fiscal Years Ending
June 30, 1998 through June 30, 2000**

	<u>Proforma</u> <u>1997-98</u>	<u>Proforma</u> <u>1998-99</u>	<u>Proforma</u> <u>1999-2000</u>
Revenues ⁽¹⁾	\$2,122,910	\$2,169,093	\$2,216,311
Operating Expenses ⁽²⁾	(647,371)	(658,460)	(667,861)
Net Operating Income	1,475,539	1,510,633	1,548,450
Capital Improvements and Repair Reserves	(40,950)	(41,200)	(42,436)
Net Project Cash Flow Available to Senior Debt Service	1,434,589	1,469,433	1,506,014
Debt Service on the Senior Bonds ⁽³⁾	(968,041)	(1,001,431)	(1,016,415)
Net Project Cash Flow Available to Subordinate Debt Service	466,548	468,002	489,599
Debt Service on the Bonds ⁽⁴⁾	(124,781)	(120,500)	(119,000)
Net Cash Flow After Debt Service	341,767	347,502	370,599
In Lieu of Tax Payments	(50,000)	(51,500)	(53,045)
Net Cash Flow Available for Cashtrap Accounts, Deferred Issuance Costs and Owner Expenses ⁽⁵⁾	\$291,767	\$296,002	\$317,554

⁽¹⁾Reflects projected revenues based on rent roles with 5.8% rent increase approved by a majority of the residents and historical occupancy level of 100%.

⁽²⁾Reflects projected expenses estimated by the Property Manager based upon an expected occupancy level of 100%.

⁽³⁾Reflects debt service on the Senior Bonds required to be set aside in the Bond Fund during such Fiscal Year net of expected earnings on Senior Debt Service Reserve Fund.

⁽⁴⁾Reflects debt service on the Bonds required to be set aside in the Bond Fund during such Fiscal Year net of expected earnings on Subordinate Debt Service Reserve Fund and Subordinate Pledged Funds Account.

⁽⁵⁾So long as (i) no "Event of Default" or "Trigger Event" exists and (ii) the Senior Debt Service Coverage Ratio has not reached 1.60x, until Deferred Issuance Costs are paid in full, annually the first \$125,000 of net cash flow available for the Senior and Subordinate Cashtrap Accounts and Deferred Issuance Costs will be deposited into the Senior Cashtrap Account. After Deferred Issuance Costs are paid in full, one-half annually will be deposited into the Senior Cashtrap Account and the remaining one-half will be first applied to pay expenses of the Owner and the PAC with the remainder deposited into the Subordinate Cashtrap Account so long as (i) no "Event of Default" or "Trigger Event" exists and (ii) the Senior Debt Service Coverage Ratio has not reached 1.60x. If the Senior Debt Service Coverage Ratio is at least 1.60x for two consecutive Fiscal Years and so long as certain other conditions are met, 100% of net cash flow available for the Senior and Subordinate Cashtrap Accounts and Deferred Issuance Costs will be used to pay Deferred Issuance Costs and, after payment of such costs, will be deposited into the Subordinate Cashtrap Account and, until such conditions are no longer met, no amounts will be deposited into the Senior Cashtrap Account. See "SECURITY FOR THE BONDS—Revenue Fund" herein.

Source: Storz Management Company, Inc.

SECURITY FOR THE BONDS

Limited Liability

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA NOR ANY POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF, NOR THE FAITH AND CREDIT OF CLGFA, THE OWNER, THE AGENCY, THE CITY, OR THE MEMBERS OF CLGFA, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. NONE OF THE STATE OF CALIFORNIA, ANY POLITICAL SUBDIVISION THEREOF, THE OWNER, THE AGENCY, THE CITY, AND THE MEMBERS OF CLGFA (EXCEPT CLGFA, TO THE LIMITED EXTENT OF THE ASSIGNMENT OF SUBSTANTIALLY ALL OF ITS RIGHT, TITLE AND INTEREST IN THE LOAN AGREEMENT AS SET FORTH IN THE INDENTURE) SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF CLGFA, AND NONE OF THE BONDS OR ANY OF CLGFA'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS WHATSOEVER. THE BONDS ARE SPECIAL OBLIGATIONS OF CLGFA AND DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE OWNER, THE AGENCY, THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE OWNER, THE CITY, THE AGENCY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THE REVENUES, ASSETS AND MONEYS PLEDGED UNDER THE INDENTURE. THE OWNER, THE AGENCY AND CLGFA HAVE NO TAXING POWER.

THE BONDS ARE NOT INSURED OR GUARANTEED BY ANY PERSON.

Pledge Under the Indenture

Under the Indenture, CLGFA will, in its limited capacity as the conduit facilitator for the Bonds, pledge and assign, and the Owner will pledge and assign, each to the extent of their respective interests, to the Trustee as security for the Bonds (but subordinate to the Senior Bonds' security with respect to such funds except as otherwise provided in the Indenture and described herein) (i) all moneys in and investments of all funds and accounts created in the Indenture (except the Senior Accounts, which secure only the Senior Bonds, the Policy Payments Account and the Rebate Fund); (ii) substantially all of CLGFA's right, title and interest in, to and under the Loan Agreement, the Subordinate Note and the Pledge Agreement; (iii) the Mortgage and all revenues related thereto including, without limitation, the gross Project rents which are transferred to the Trustee pursuant to the Indenture and any and all property, rights and interest of every kind or description which from time to time hereafter may be sold, transferred, conveyed, assigned, pledged, mortgaged or delivered to the Trustee or CLGFA as additional security under the Indenture; and (iv) all proceeds of the foregoing (collectively, the "Trust Estate"). The Bonds have an exclusive right to all amounts rightfully on deposit in the Subordinate Bonds Principal Account, Subordinate Bonds Interest Account, the Subordinate Debt Service Reserve Fund, the Subordinate Pledged Funds Account and the Subordinate Cashtrap Account.

Subordinate Debt Service Reserve Fund

The Subordinate Debt Service Reserve Fund will be initially funded with a portion of the proceeds of the Bonds in an amount equal to the Subordinate Reserve Requirement. If on the fourth Business Day prior to any Interest Payment Date the moneys available in the Subordinate Bonds Interest Account and Subordinate Bonds Principal Account, after application of all other available funds including amounts then held in the Subordinate Pledged Funds Account and the Subordinate Cashtrap Account, do not equal the amount of the principal and interest on the Bonds then coming due and payable, the Trustee will transfer the moneys available in the Subordinate Debt

Service Reserve Fund equal to the insufficiency to make such payments. Funds on deposit in the Subordinate Debt Service Reserve Fund in excess of the Subordinate Reserve Requirement may also be used to redeem Bonds. See "APPENDIX A—CERTAIN DEFINITIONS AND SUMMARY PROVISIONS OF THE LEGAL DOCUMENTS—THE INDENTURE—Subordinate Debt Service Reserve Fund" herein.

Subordinate Pledged Funds Account

The Subordinate Pledged Funds Account will be initially funded from the proceeds of the Bonds in the amount equal to \$130,000. If on the fifth Business Day prior to any Interest Payment Date the moneys available in the Subordinate Bonds Interest Account and Subordinate Bonds Principal Account not equal the amount of the principal and interest on the Bonds then coming due and payable, the Trustee will transfer the moneys available in the Subordinate Pledged Funds Account equal to the insufficiency to make such payments. The Agency is obligated to replenish the Subordinate Pledged Funds Account as described herein under the caption "SUMMARY OF THE PLEDGE AGREEMENT."

Pledged Tax Revenues

The Agency has agreed to assist the Owner in connection with the repayment of the Bonds by making a pledge of Housing Set-Aside Revenues (as defined herein) in an amount not to exceed the Pledge Amount during each 12-month period commencing April 2 and ending April 1 of the following year (a "Bond Year") (the "Pledged Tax Revenues"), commencing with the Bond Year 1997-98, to replenish any withdrawals made from amounts on deposit in the Subordinate Pledged Funds Account. See "SUMMARY OF THE PLEDGE AGREEMENT" herein.

No Additional Bonds

No additional bonds may be issued under the Indenture. Pursuant to the Loan Agreement, the Owner may incur additional unsecured obligations payable from Revenues on a basis subordinate to the Bonds and the Senior Bonds; provided that Financial Security approves the incurrence of such obligations and the form of documentation for such obligations.

Revenue Fund

Prior to Occurrence of Event of Default or Trigger Event. All revenues derived from the Project will be deposited in the Revenue Fund established under the Indenture and maintained by the Trustee on behalf of the Senior Bondholders, the Bondholders and Financial Security. The Trustee is obligated under the Indenture, if no Trigger Event or Event of Default exists, on each Allocation Date, to transfer funds on deposit in the Revenue Fund in the following order of priority:

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 will deposit \$79,120 into the Senior Bonds Interest Account;

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 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;

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;

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;

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 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;

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;

seventh, to deposit in the Expense Fund an amount equal to one-sixth of the next due semiannual payment of the Trustee's Fee (subject to the next sentence) and 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 paid thereto to the extent of such shortfall if a Rent Control Fee is imposed pursuant to the Rent Adjustment Ordinance, the CLGFA fee in an amount equal to the Rent Control Fee will not be allocated pursuant to this clause *seventh* but will be allocated pursuant to clause *twenty-first* below;

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;

ninth, to pay any reasonable expenses of the Trustee incurred in accordance with the Indenture, plus an amount equal to any shortfall in the amount previously required to be paid therein to the extent of such shortfall;

tenth, to pay any expenses or amounts due and payable to Financial Security under the Indenture or the Insurance Agreement, plus an amount equal to any shortfall in the amount previously required to be paid thereto to the extent of such shortfall;

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;

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 *fourth* 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;

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 the Indenture, plus an amount equal to any shortfall in the amount previously required to be deposited or paid therein to the extent of such shortfall;

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 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 will deposit \$10,896 into the Subordinate Bonds Interest Account;

fifteenth, to deposit to the Subordinate Bonds Principal Account an amount equal to one-twelfth of the amount of principal of the 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 the Indenture, 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 will deposit \$1,666 into the Subordinate Bonds Principal Account;

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

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

eighteenth, to reimburse to the Redevelopment Agency of the City of Novato, 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 by the Agency;

nineteenth, to remit to the City, 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;

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 the Loan Agreement, as such amount shall be certified to the Trustee by the Owner; and

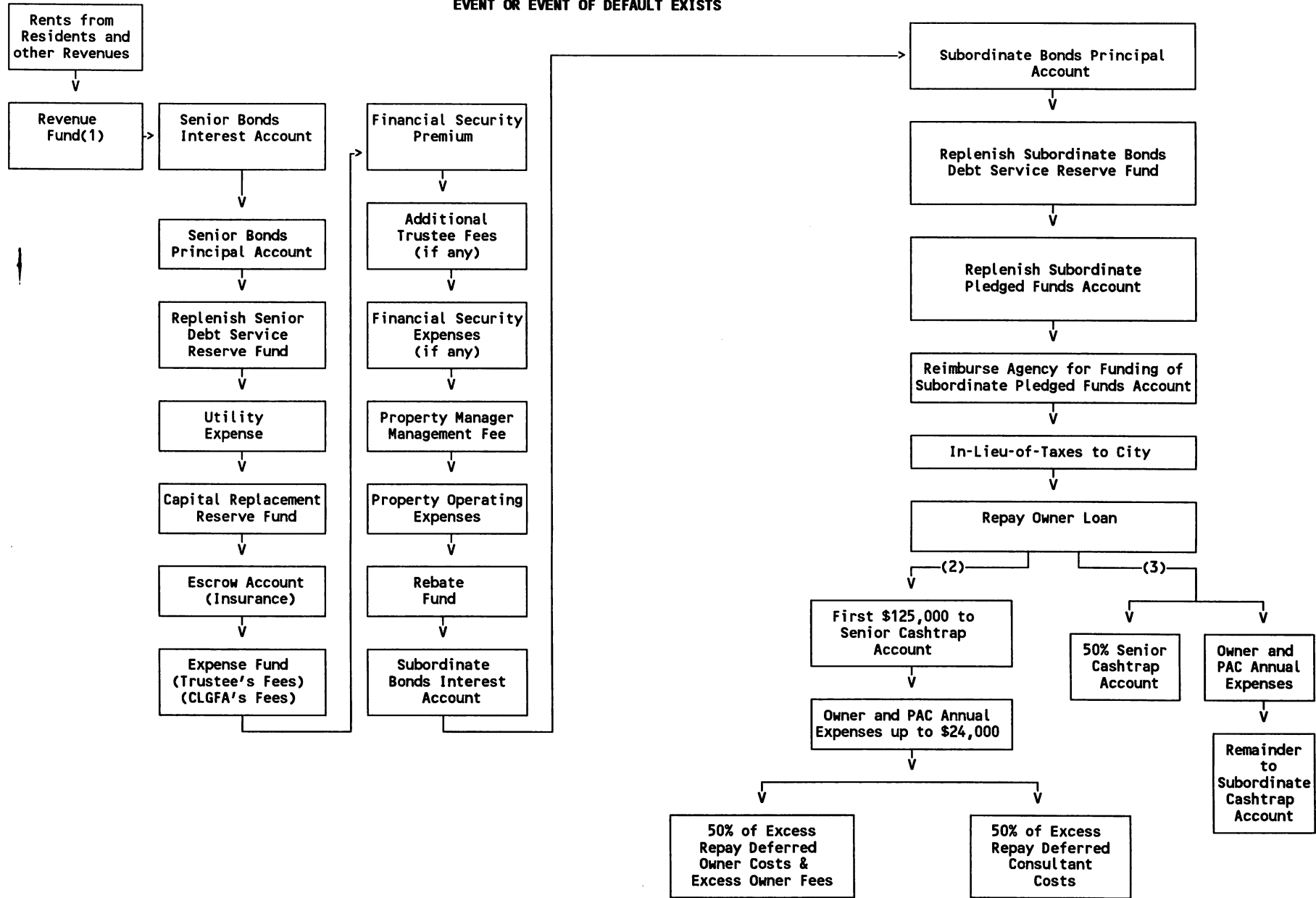
twenty-first, (A) except as otherwise set forth in (B) below, (1) prior to the payment of all Deferred Issuance Costs, Excess Revenues received during each current Fiscal Year will be transferred first, to the Senior Cashtrap Account in an amount equal to \$125,000 (provided that for the period from 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 Senior 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 Senior Bonds; and to pay one-twelfth of the next due CLGFA Fee if not allocated pursuant to *seventh* 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 the Senior Bonds and the 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 verified expenses 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 *seventh* above, and second to the Subordinate Cashtrap Account, and (3) after the payment of all Deferred Issuance Costs and the first Allocation Date upon which the 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 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 *seventh* above, and second, to transfer 100% of the remaining amounts to the Senior 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 will, upon receipt of written notice from the Controlling Party, 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 and to pay one-twelfth of the next due CLGFA Fee if not allocated pursuant to *seventh* 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 an amount equal to its verified 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 and to pay one-twelfth of the next due CLGFA Fee if not allocated pursuant to *seventh* 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 clause (B) above, 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 (A) above. 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 as set forth below under "—Existence of Trigger Event or an Event of Default." If no Bonds are Outstanding and all other Accounts are funded at the levels then required the Trustee shall pay to the Owner an amount equal to its expenses incurred 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 *seventh* above, and thereafter 100% of the Excess Revenues remaining on deposit in the Revenue Fund shall be deposited into the Senior Cashtrap Account.

The table on the next page sets forth a flow chart regarding the flow of funds prior to the occurrence of an "Event of Default" or "Trigger Event".

**FLOW OF FUNDS - NO TRIGGER
EVENT OR EVENT OF DEFAULT EXISTS**



(1) Amounts on deposit in Revenue Fund will be applied on each Allocation Date by the Trustee in the order indicated.

(2) So long as (a) the Deferred Issuance Costs have not been paid in full, (b) there is not an Event of Default or Trigger Event and (c) the Senior Debt Service Coverage Ratio does not exceed 1.60x, cashflow will follow this direction. (See "SECURITY FOR THE BONDS—Revenue Fund" herein).

(3) At such time as (a) the Deferred Issuance Costs have been paid in full, (b) there is not an Event of Default or Trigger Event and (c) the Senior Debt Service Coverage Ratio does not exceed 1.60x, cashflow will follow this direction. If the Senior Debt Service Reserve Coverage Ratio exceeds 1.60x for two consecutive Fiscal Years and certain other conditions are met, all of the remaining Revenues will be applied first to pay Owner's expenses and all remaining amounts will be deposited into the Subordinate Cashtrap Account, and no amounts will be deposited into the Senior Cashtrap Account unless such conditions are no longer met. (See "SECURITY FOR THE BONDS—Revenue Fund" herein).

Source: E. Wagner & Associates, Inc.

Existence of Trigger Event or an Event of Default. "Trigger Event" means as of the Closing Date any of the following:

- (a) the Senior Debt Service Coverage Ratio for the Project 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.

"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; and "Vacancy Factor" means with respect to a calendar month, a fraction, expressed as a percentage, equal to the actual number of vacant spaces in the Project as of the first day of the calendar month divided by the total number of spaces in the Project other than those used by the Property Manager which shall not exceed two.

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 the provisions set forth in the preceding paragraph, 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:

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 will deposit \$79,120 into the Senior Bonds Interest Account;

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, 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;

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;

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;

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 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;

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;

seventh, to deposit in the Expense Fund an amount equal to one-sixth of the next due semiannual payment of the Trustee's Fee (subject to the next sentence) and 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 Rent Adjustment Ordinance, the CLGFA Fee in an amount equal to the Rent Control Fee will not be allocated pursuant to this clause *seventh*;

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 paid thereto to the extent of such shortfall;

ninth, to pay any reasonable expenses of the Trustee incurred in accordance with the Indenture, plus an amount equal to any shortfall in the amount previously required to be paid thereto to the extent of such shortfall;

tenth, to pay any expenses or amounts due and payable to Financial Security under the Indenture or the Insurance Agreement, plus an amount equal to any shortfall in the amount previously required to be paid thereto to the extent of such shortfall;

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;

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 *fourth* 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;

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 the Indenture, 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

fourteenth, all remaining amounts to be deposited to the Senior Cashtrap Account.

Cashtrap Accounts

Funds deposited to the Senior Cashtrap Account are available solely for the Senior Bonds or as otherwise directed by Financial Security. Any funds remaining in the Senior Cashtrap Account when no Senior Bonds remain Outstanding under the Indenture and no amounts are payable to Financial Security will (i) if any Bonds are Outstanding be deposited to the Subordinate Cashtrap Account and (ii) if no Bonds are Outstanding, be transferred to the Owner.

Funds deposited to the Subordinate Cashtrap Account will 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 after drawing amounts from the Subordinate Debt Service

Reserve Fund or the Subordinate Pledged Funds Account, and (ii) second, to redeem or defease the Bonds as directed by the Owner.

AS LONG AS NO FINANCIAL SECURITY DEFAULT EXISTS, FINANCIAL SECURITY WILL HAVE THE SOLE RIGHT TO DIRECT REMEDIES UPON THE OCCURRENCE OF AN EVENT OF DEFAULT UNDER THE INDENTURE, AND FINANCIAL SECURITY MAY WAIVE EVENTS OF DEFAULT AND TRIGGER EVENTS, AT ANY TIME WITHOUT THE CONSENT OF OWNERS OF BONDS. FINANCIAL SECURITY HAS NO OBLIGATION TO CAUSE BONDS TO BE REDEEMED IF ANY EVENT OF DEFAULT OR TRIGGER EVENT EXISTS, AND AS LONG AS NO FINANCIAL SECURITY DEFAULT EXISTS, OWNERS HAVE NO RIGHTS TO DIRECT THE TRUSTEE WITH RESPECT TO SUCH MATTERS UNLESS FINANCIAL SECURITY GIVES ITS CONSENT TO ANY SUCH DIRECTION.

SUMMARY OF THE PLEDGE AGREEMENT

General

The Housing Assistance Pledge Agreement (the "Pledge Agreement") provides for the Agency to assist the Owner in connection with the repayment of the Bonds by a pledge in an amount not to exceed the Pledge Amount per Bond Year commencing with the Bond Year 1997-98 of Housing Set-Aside Revenues (as defined below) in the Agency's Low and Moderate Income Housing Fund (the "Housing Fund"), to be paid to the Trustee for the payment of principal and interest for the Bonds. "Housing Set-Aside Revenues" means monies allocated to the Agency derived from that portion of taxes levied upon assessable property within the Novato Redevelopment Project Area (the "Project Area") 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 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.

For a more detailed discussion of the Pledge Agreement, see "Appendix A—CERTAIN DEFINITIONS AND SUMMARY PROVISIONS OF THE LEGAL DOCUMENTS—The Pledge Agreement" herein.

Pledge of Pledged Tax Revenues

Under the Pledge Agreement, the Agency agrees to pledge the Pledged Tax Revenues to the repayment of the principal of and interest on the Bonds when due in order to enable the Owner to acquire the Project. Funds on deposit in the Subordinate Pledged Funds Account may not be used to redeem Bonds or to pay expenses relating to the Project and the Bonds. "Pledged Tax Revenues" as defined in the Pledge Agreement 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. "Pledge Amount" as defined in the Pledge Agreement 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. The Subordinate Pledged Funds Account will be initially funded in the amount of the Pledge Amount from the proceeds of the Bonds.

The obligations of the Agency pursuant to the Pledge Agreement are secured by a pledge of and first lien on Pledged Tax Revenues. The Agency covenants to take all actions and execute all documents as may be 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 under the Pledge Agreement, subject to the terms of the Pledge Agreement. The obligation of the Agency to make the payments required under the Pledge Agreement are payable solely from the Pledged Tax Revenues. The Agency's obligations under the Pledge Agreement, including the pledge of and first lien on the Pledged Tax Revenues, terminates upon the later to occur of: (a) payment in full of all obligations owed to the Agency under the Pledge Agreement, (b) the Termination Date and (c) March 31, 2012.

All amounts then on deposit in the Subordinate Pledged Funds Account on the Termination Date shall be applied by the Trustee first, to pay principal of and interest on any Bonds then Outstanding, 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 the Pledge Agreement, and third, (a) if the Pledge is terminated on or prior to April 1, 2009, 60% of the amount in the Subordinate Pledged Funds Account will be applied for capital improvements for the Project and the remaining funds will be transferred to the Agency and (b) if the Pledge is terminated after April 1, 2009, then all amounts on deposit in the Subordinate Pledged Funds Account will be transferred by the Trustee to the Agency.

Limitation on Future Indebtedness

The Agency may not issue or incur any Parity Lien Debt. The Agency shall not be restricted 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 under the Pledge Agreement. The Agency shall not incur or issue 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 under the Pledge Agreement.

Repayment of Obligation to Agency

All amounts paid by the Agency 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 calculated on the basis of a 360-day year of twelve 30-day months. Subject to the provisions of the Pledge Agreement, all such amounts owed to the Agency shall be paid, except as otherwise expressly provided in the Pledge Agreement, from Revenues in the priority set forth in the Indenture.

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.

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.

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN RISKS. The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks. Other factors affecting the Pledged Tax Revenues of the Agency are discussed herein under the caption "CONSIDERATIONS AFFECTING REDEVELOPMENT AGENCIES."

Limited Information on the Project

THE INFORMATION PROVIDED HEREIN REGARDING THE PROJECT IS BASED ON AVAILABLE INFORMATION PROVIDED PRIMARILY BY THE APPRAISER PURSUANT TO AN APPRAISAL REPORT DATED NOVEMBER 1, 1996, RELATED TO THE PROJECT AND BY THE PROPERTY MANAGER. INFORMATION FROM THE APPRAISAL REPORT IS INCLUDED IN RELIANCE UPON THE APPRAISER AS EXPERTS IN REAL ESTATE APPRAISAL AND EVALUATION, AND IS INCLUDED WITH THE WRITTEN CONSENT OF SUCH FIRM. INFORMATION PROVIDED BY THE PROPERTY MANAGER REGARDING THE PROJECT IS INCLUDED IN RELIANCE UPON THE PROPERTY MANAGER AS EXPERTS IN THE OWNERSHIP AND MANAGEMENT OF MOBILEHOME PARKS IN THE STATE OF CALIFORNIA, AND IS INCLUDED WITH THE WRITTEN CONSENT OF SUCH FIRM. HISTORICAL FINANCIAL INFORMATION REGARDING THE PROJECT IS LIMITED AS THERE ARE NO AUDITED FINANCIAL STATEMENTS FOR THE PROJECT AND SUCH HISTORICAL FINANCIAL INFORMATION IS NOT AVAILABLE IN RELIABLE FORM. NO PARTY IS WILLING TO CERTIFY OR PROVIDE ANY ADDITIONAL PROJECT INFORMATION OTHER THAN THE INFORMATION CONTAINED HEREIN. INVESTORS SHOULD RELY, IN MAKING THEIR INVESTMENT DECISIONS, SOLELY UPON THE INFORMATION PROVIDED HEREIN.

General

The Bonds are payable on a basis subordinate to the Senior Bonds (except as otherwise provided in the Indenture and described herein) solely from all amounts held by the Trustee under the Indenture (except amounts on deposit in the Senior Accounts, Policy Payments Account and the Rebate Fund) and, in certain circumstances, amounts, if any, realized pursuant to the exercise of remedies under the Indenture, the Loan Agreement and the Mortgage.

No representations or assurances can be made that revenues will be realized with respect to the Project in the amounts necessary to make payments sufficient to pay the principal of, premium, if any, and interest on the Bonds, or that the Trustee, upon the taking of remedial action under the Indenture, the Loan Agreement, the Pledge Agreement or the Mortgage, will be able to realize amounts sufficient for such purpose. Future revenues and expenses related to the Project are generally subject to, among other things, changes in government regulations, the capabilities of management, the competition and number of mobile home park spaces available in the area of the Project, changes in the neighborhood of the Project, prevailing market rentals in the areas of the Project and numerous other factors, including economic developments in the area and changes in the economy in general and the location of the Project in particular, and other conditions which are unpredictable. See "APPENDIX D—CITY OF NOVATO" for certain general and economic information regarding the City of Novato and the surrounding area.

Subordinate Nature of Bonds

Furthermore, except as otherwise specifically provided in the Indenture, the Senior Bonds are superior to and have priority over the Bonds, and the Bonds are junior and subordinate to the Senior Bonds. On each Interest Payment Date, the Trust Estate will be applied first to the payments of principal, if any, interest and premium, if any, then due on the Senior Bonds then to certain fees and expenses relating to the Bonds and the Project, and then to the payment of principal, if any, interest and premium, if any, then due on the Bonds; provided, however, that

amounts in the Subordinate Pledged Funds Account, the Subordinate Debt Service Reserve Fund and the Subordinate Cashtrap Account are solely for the benefit of and secure payment of the principal of and interest on, the Bonds.

Early Redemption Risks

In the event of redemption of the Bonds, a Bondholder's reinvestment opportunities may not provide a return equivalent to the return expected on the Bonds. The Bonds are subject to scheduled mandatory sinking fund redemption in part and are also subject to optional redemption on and after October 1, 2008. Under certain other circumstances, including but not limited to, earthquake and flood risks, the likelihood of which are not subject to projection, the Bonds may be redeemed at any time and without premium (see "THE BONDS—Extraordinary Redemption From Insurance or Condemnation Proceeds"). In addition, the PAC and the Corporation intend to pursue other low cost governmental and charitable sources of funds after the issuance of the Bonds. If successful, the proceeds from such sources may be deposited into an escrow account and used to redeem all or a portion of the Bonds on the first optional call date. No prediction can be made as to whether the PAC or the Corporation will be successful.

No Control of Remedies

So long as the Senior Bonds are outstanding, the owners of the Bonds shall have no right to direct any remedies or to foreclose upon the Project upon the occurrence and continuance of an Event of Default under the Indenture. The owners of the Senior Bonds, with the consent of Financial Security, and Financial Security will have the exclusive right to direct remedies, including foreclosing on the Mortgage, upon the occurrence and continuance of an Event of Default under the Indenture, even if such action is detrimental to the owners of the Bonds. Financial Security has no obligation to consider effects of its actions on the holders of the Subordinate Bonds. See "APPENDIX A—CERTAIN DEFINITIONS AND SUMMARY PROVISIONS OF THE LEGAL DOCUMENTS—THE INDENTURE—Events of Default" and "—Remedies" herein.

Limited Liability

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA NOR ANY POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF, NOR THE FAITH AND CREDIT OF CLGFA, THE OWNER, THE AGENCY, THE CITY, OR THE MEMBERS OF CLGFA, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. NONE OF THE STATE OF CALIFORNIA, ANY POLITICAL SUBDIVISION THEREOF, THE OWNER, THE AGENCY, THE CITY, AND THE MEMBERS OF CLGFA (EXCEPT CLGFA, TO THE LIMITED EXTENT OF THE ASSIGNMENT OF SUBSTANTIALLY ALL OF ITS RIGHT, TITLE AND INTEREST IN THE LOAN AGREEMENT AS SET FORTH IN THE INDENTURE) SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF CLGFA, AND NONE OF THE BONDS OR ANY OF CLGFA'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS WHATSOEVER. THE BONDS ARE SPECIAL OBLIGATIONS OF CLGFA AND DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE OWNER, THE AGENCY, THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE OWNER, THE CITY, THE AGENCY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THE REVENUES, ASSETS AND MONEYS PLEDGED UNDER THE INDENTURE. THE OWNER, THE AGENCY AND CLGFA HAVE NO TAXING POWER.

THE BONDS ARE NOT INSURED OR GUARANTEED BY ANY PERSON.

Limited Obligation of Owner

Revenues consist primarily of payments to be made by the Owner under the Loan Agreement and Note which are derived primarily from the Project. The obligations of the Owner (or any future owner of the Project) under the Loan Agreement and Note are not enforceable personally against the Owner and such obligations are secured only by the properties and liens specifically conveyed or encumbered as security therefor, including the Project and the revenues derived from the Project. No representation or assurance can be given that the Project will generate revenues to enable the Owner to meet its payment obligations under the Loan Agreement and Note. In the event that the Owner defaults in its obligations, payment of the principal of and interest on the Bonds will be payable from amounts on deposit in the Subordinate Pledged Funds Account, Subordinate Debt Service Reserve Fund and from amounts, if any, available in certain other funds held by the Trustee.

Conditions Which May Affect Owner's Ability to Pay

Numerous conditions, which are not accurately predictable, could have an impact upon the revenues and expenses of the Owner and, as a result, upon its ability to make timely payment under the Loan Agreement and the Subordinate Note. In particular, the ability of the Project to generate revenues and sufficient rental income to pay all interest on and principal of the Bonds as due will depend on achieving and maintaining a high occupancy rate in the Project. Factors that may affect the ability of the Owner to lease the mobile home sites of the Project and thus generate sufficient income include the supply and demand for mobile home facilities in the market area, changes in tax and zoning laws, the availability and costs of other competing housing facilities, the ability of residents to meet payments and other factors.

The ability of the Owner to generate sufficient income in the future will also depend upon other factors which cannot be predicted with any assurance. Such factors include general and local economic conditions which may affect demand for mobile home units. Spaces such as those which form the Project are subject to rising operating costs, fluctuating occupancy levels, adverse economic conditions and changes in neighborhood preferences. Other facilities, including mobilehome parks, already exist and others may be financed, developed, constructed and operated by any party and could compete with the Project for tenants. The existence of competing facilities could adversely affect occupancy and revenues of the Project. The ability of the Owner to generate sufficient income will depend on its ability to maintain occupancy of the Project at current occupancy levels. Thus, the cost of operating the Project may exceed gross revenues therefrom, and there can be no assurance that profitable operations can be achieved or maintained.

Liquidation of Security May Not Be Sufficient in the Event of Default

Bondholders must look primarily to the Project and the Pledged Tax Revenues to pay and satisfy the Bonds in accordance with their terms. See "SECURITY FOR THE BONDS." In the event the Trust Estate is insufficient to pay the amounts due under the Indenture and the Bonds, the owners of the Bonds will have no person or entity to pursue for any deficiency which may exist. The practical use of the Project is limited to its use as a mobile home park. If it were necessary to foreclose the lien of the Mortgage on the Project, net proceeds received will first be applied to pay principal of and accrued interest on the Senior Bonds. Thus, there may not be sufficient net proceeds after payment of the Senior Bonds to pay the principal of and accrued interest of the Bonds then Outstanding. Bondholders do not have benefit of a municipal bond insurance policy issued by Financial Security for the Senior Bonds.

Market for the Bonds

The Placement Agent is under no obligation to make a secondary market for the Bonds and no assurances can be given as to whether such a market will develop. If a secondary market exists, there can be no guarantee that the Bonds can be sold for any particular price. Prices upon resale of the Bonds could be substantially lower

than the original purchase price. In addition, due to the small size of the issue, any market for the Bonds will necessarily be limited in size, with only intermittent trading activity expected. Furthermore, no rating of the Credit of the Bonds has been sought or obtained from a national rating agency. Accordingly, a purchaser of the Bonds should be prepared to have his or her funds committed for an indefinite period of time, perhaps until the Bonds mature or are redeemed.

Bankruptcy

In addition to the limitation on remedies contained in the Indenture and the Loan Agreement, the rights and remedies provided in the Indenture and the Loan Agreement may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights generally.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the Owner and CLGFA, there are no involuntary petitions in bankruptcy. If the Owner were to file a petition under Chapter 9 of the Bankruptcy Code, the Bondholders and the Trustee could be prohibited from taking any steps to enforce their rights under the Indenture, and from taking any steps to collect amounts due from the Owner under the Indenture.

Certain Factors Affecting Mobile Home Parks Generally

Historically, mobile home parks in the City have operated at or near full occupancy. There can be no assurance that mobile home parks, including the Project, will continue to operate as such. In addition, mobile home parks in the City are subject to certain restrictions with respect to rent increases. See "SUMMARY OF THE RENT ADJUSTMENT ORDINANCE" herein.

Value of Project; Economic Feasibility

The economic feasibility of the Project depends in large part upon its being substantially occupied. The Owner is required, among other things, to rent a portion of the spaces to residents who qualify as "Very Low Income Residents," "Lower Income Residents" and "Moderate Income Residents" at restricted rental rates as described herein under the caption "APPENDIX A—CERTAIN DEFINITIONS AND SUMMARY PROVISIONS OF THE LEGAL DOCUMENTS—THE PLEDGE AGREEMENT." There can be no assurance that the Owner will be able to rent spaces to comply with these requirements or at rentals which will enable it to make timely payments under the Loan Agreement and the Note.

The Appraisal indicates that as of the date of the Appraisal, the appraised value of the Project was approximately equal to the outstanding principal amount of the [Senior Bonds and the Bonds]. Based upon the Appraisal, the PAC believes that the current fair market value of the Project if purchased by a private party may be less than the principal amount of the Senior Bonds and the Bonds because a private purchaser would (i) have to finance the acquisition of the Project conventionally, (ii) be subject to ad valorem taxation and (iii) require a higher return on equity than the Owner which is purchasing the Project for the benefit of the residents. There can be no assurance that funds sufficient to pay the principal amount of the Senior Bonds and the Bonds at maturity or earlier redemption could be obtained through the sale or refinancing of the Project to a private party. Such payments will, however, be additionally secured by the Senior Debt Service Reserve Fund and by certain other funds held by the Trustee, if available, although such amounts taken together, still may be insufficient to pay the principal of and interest on the Senior Bonds and the Bonds.

Environmental Risks

The PAC knows of no environmental problems or liabilities in or on the real property or on adjacent properties which would adversely affect the value of the Project as security. Since certain environmental problems are hidden by time, nature or both, it is possible that there could exist soil or groundwater contamination on site, which at some point in time might require remediation. However, the environmental soils analysis did not reveal any evidence of significant soil or groundwater contamination and the PAC has no reason to suspect that such exists.

Additionally, a Phase I Environmental Assessment was conducted on the Project and no evidence was found suggesting the Project has been affected by the improper use, storage or disposal of hazardous materials from existing or historical on-site sources. In the event the Project is determined at some future time, however, to require environmental remediation, the result could be a substantial or total loss of market value.

Earthquake Risk

According to the City of Novato Building Department, the Project is located within Zone 4, which is the highest earthquake risk zone in the State of California. Although the Owner is required to obtain and maintain earthquake insurance as described under "APPENDIX A—CERTAIN DEFINITIONS AND SUMMARY PROVISIONS OF THE LEGAL DOCUMENTS—THE LOAN AGREEMENT—Insurance," there can be no assurance that earthquake insurance will continue to be available at a reasonable cost or at any cost. See also "—Insufficient Insurance and Land Sale Proceeds" below. Additionally, the owner-occupied mobilehomes may be destroyed or damaged and the affected residents may be unable to pay their rents.

Flood Risk

According to the City of Novato, the majority of the Project is located in an area defined as "areas outside the 500-year flood plain and identified as an area of moderate or minimal hazard." A small portion of the Project is located in an area which is defined as "areas subject to 100-year flood." It is estimated that approximately 20 spaces in the Project are in this flood zone. The Owner is required to maintain flood insurance as described under "APPENDIX A— CERTAIN DEFINITIONS AND SUMMARY PROVISIONS OF THE LEGAL DOCUMENTS—THE LOAN AGREEMENT—Insurance." If flooding occurs, the owner-occupied mobilehomes may be destroyed or damaged and the affected residents may be unable to pay their rents.

Insufficient Insurance and Land Sale Proceeds

The Indenture provides that in the event of damage to, or destruction of the Project and the Controlling Party determines not to repair or replace the Project, the Controlling Party will direct the Trustee as to the exercise of remedies under the Mortgage including any sale of the real and personal property acquired through or in lieu of such exercise. The net proceeds are to be used to redeem all or a pro rata share of the Bonds as described in the Indenture. The Owner is required to maintain casualty insurance only in the amount equal to the replacement value of the Project (see the discussion under the heading "APPENDIX A—CERTAIN DEFINITIONS AND SUMMARY PROVISIONS OF THE LEGAL DOCUMENTS—THE LOAN AGREEMENT—Insurance"). Based on current value of the real property comprising the Project, the PAC expects that there would be sufficient net proceeds available from the sale of the real and personal property to redeem the Bonds; however, if real property values decline or the Trustee is unable to sell the real and personal property at an adequate price, the net proceeds may not be sufficient to redeem Bonds in a principal amount sufficient to reduce debt service to a level that can be supported by the Revenues from the remaining Project.

Resident Restrictions

The Owner, the PAC and the Agency are entering into a Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants dated as of March 1, 1997 (the "Pledge Agreement"). Pursuant to the Pledge Agreement, the Owner agrees to reserve at least 80 spaces in the Project (and upon the occurrence of certain events, 130 spaces in the Project) to very low, lower and moderate income tenants at affordable rents based on their income in order to comply with the requirements of the California Health and Safety Code. The obligations of the Owner to restrict spaces is subordinate to the obligation of the Owner to maintain the Senior Debt Service Coverage Ratio at 1.50x. See "APPENDIX A—CERTAIN DEFINITIONS AND SUMMARY PROVISIONS OF THE LEGAL DOCUMENTS—The Pledge Agreement" herein.

Reliance on Manager Expertise

The Owner was recently established pursuant to a Joint Exercise of Powers Agreement by and between the City and the Agency. See "THE OWNER" below. The PAC was created and is controlled by the residents of the

Project. See "—PAC Controlled by Residents" below. The City and the Agency have been active participants with respect to creating and maintaining affordable housing within the City. However, neither the City, the Agency, the PAC nor the Owner have ever owned, managed or operated a mobile home park. Consequently, the Owner and the Owners of the Bonds will be relying on the experience, expertise and abilities of the Manager for the successful operation of the Project. See "THE PROPERTY MANAGER" herein.

PAC Controlled by Residents

The PAC was created and is controlled by the residents of the Project. Although the PAC has covenanted to increase rents upon the occurrence of certain events in accordance with the Rent Adjustment Ordinance and has covenanted to operate the Project pursuant to the Delegation Agreement, it may not be in the best interest of the residents of the Project for the PAC to comply with such covenants and agreements. In such event, the Trustee, the Owner and others may need to pursue their respective remedies in order to enforce such covenants and agreements of the PAC.

Reduction of Pledged Tax Revenues

Pledged Tax Revenues allocated to the Agency are determined by the incremental assessed value of taxable property in the Project Area, the current rate or rates at which property in the Project Area is taxed, and the percentage of taxes collected in the Project Area. Several types of events which are beyond the control of the Agency could occur and cause a reduction in available Pledged Tax Revenues. A reduction of taxable values of property in the Project Area or a reduction of the rate of increase in taxable values of property in the Project Area caused by economic or other factors beyond the Agency's control (such as successful appeals by the property owner for a reduction in a property's assessed value, a reduction of the general inflationary rate, a reduction in transfers of property, the absence of one or more primary taxpayers, construction activity or other events that permit reassessment of property at a lower value, or the destruction of property caused by natural or other disasters) could occur, thereby causing a reduction in the Pledged Tax Revenues. Such a reduction in Pledged Tax Revenues could have an adverse impact on the ability to make timely payment of principal of and interest on the Bonds.

Second, in addition to the other limitations on Pledged Tax Revenues described herein, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing Pledged Tax Revenues payable to the Agency. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce the Pledged Tax Revenues and adversely affect the security of the Bonds.

Additionally, the Agency has no power to levy and collect property taxes. The receipt of Pledged Tax Revenues by the Agency is dependent on the timely payment of property taxes by property owners within the Project Area. Any substantial delinquencies in the payment of property taxes on property in the Project Area by a large number of owners could have an adverse effect on the Agency's ability to pay Pledged Tax Revenues to CLGFA. See "THE REDEVELOPMENT AGENCY OF THE CITY OF NOVATO" herein.

THE OWNER

The Owner was established pursuant to a Joint Exercise of Powers Agreement dated October 15, 1996, as amended on November 4, 1996, by and between the City and the Agency. The Owner was created for the purpose of financing, maintaining and operating land on which mobile homes or a mobile home park are, or may be, located in the City and all buildings, improvements and equipment related to such land. The Owner is authorized pursuant to Article 4 of the Bond Law to borrow money for the purpose of financing the acquisition of mobilehome parks in the City.

The Owner is administered by a Board of Directors, three members of which are appointed by the City Council of the City and two members of which are appointed by the PAC. The Board is currently comprised of the following persons appointed by the City Council:

<u>Name</u>	<u>Occupation</u>
Patricia Ekland	Novato Council Member, EPA Manager
Sonia Seeman	Deputy Redevelopment Director—Novato Redevelopment Agency
Phil Brown	Former City Manager

The obligations of the Owner under the Loan Agreement do not constitute a debt of the City or the Agency; and neither the City, the Agency, the State nor any of its political subdivisions, other than the Owner to the extent of the revenues pledged under the Indenture, is liable therefor.

THE PROJECT

THE INFORMATION PROVIDED HEREIN REGARDING THE PROJECT IS BASED ON AVAILABLE INFORMATION PROVIDED PRIMARILY BY PALMER, GROTH & PIETKA, INC. (THE "APPRAISER") PURSUANT TO AN APPRAISAL REPORT DATED NOVEMBER 1, 1996, RELATED TO THE PROJECT AND BY STORZ MANAGEMENT COMPANY, INC. (THE "PROPERTY MANAGER"). INFORMATION FROM THE APPRAISAL REPORT IS INCLUDED IN RELIANCE UPON THE APPRAISER AS EXPERTS IN REAL ESTATE APPRAISAL AND EVALUATION, AND IS INCLUDED WITH THE WRITTEN CONSENT OF SUCH FIRM. INFORMATION PROVIDED BY THE PROPERTY MANAGER REGARDING THE PROJECT IS INCLUDED IN RELIANCE UPON THE PROPERTY MANAGER AS EXPERTS IN THE OWNERSHIP AND MANAGEMENT OF MOBILEHOME PARKS IN THE STATE OF CALIFORNIA, AND IS INCLUDED WITH THE WRITTEN CONSENT OF SUCH FIRM. HISTORICAL FINANCIAL INFORMATION REGARDING THE PROJECT IS LIMITED AS THERE ARE NO AUDITED FINANCIAL STATEMENTS FOR THE PROJECT AND SUCH HISTORICAL FINANCIAL INFORMATION IS NOT AVAILABLE IN RELIABLE FORM. NO PARTY IS WILLING TO CERTIFY OR PROVIDE ANY ADDITIONAL PROJECT INFORMATION OTHER THAN THE INFORMATION CONTAINED HEREIN. INVESTORS SHOULD RELY, IN MAKING THEIR INVESTMENT DECISIONS, SOLELY UPON THE INFORMATION PROVIDED HEREIN.

General Description

Marin Valley Mobile Country Club Park (the "Project") is a 315-space mobilehome park on a parcel of approximately 63 acres located on the southern boundary of the City of Novato. Of the 315 spaces, 310 are double-wide spaces available to accommodate coaches with dimensions of at least 24 feet by 56 feet. Currently, two triple-wide coaches occupy two spaces, double-wide coaches occupy 285 spaces, single-wide coaches occupy 28 spaces and there were no spaces vacant as of February 1, 1997. Two of the 315 spaces are utilized by the Property Manager. Residency is limited to those 55 years of age and over. Project density is approximately 5 spaces per acre. Construction of the Project took place in the early 1970s. Site improvements include asphalt streets, partial curbs, gutters and streetlights. The Project includes a clubhouse, laundry building, sewage pumps building and equipment, recreational vehicle parking, and recreational amenities including a swimming pool, spa, saunas, shuffleboard and horseshoes.

The average monthly rent (excluding any pass-through charges for utilities or other purposes) is expected to be approximately \$462 per space, effective April 1, 1997, when a 5.8% rent increase becomes effective. The residents are on month-to-month rental agreements. Rents are restricted pursuant to a City ordinance. See "THE RENT ADJUSTMENT ORDINANCE." In addition, rents for spaces restricted to very low, lower and moderate income tenants are further restricted pursuant to the Pledge Agreement. See "APPENDIX A—Certain Definitions and Summary Provisions of the Legal Documents—The Pledge Agreement" herein. Water expenses are included in the individual residents' monthly rent. The residents pay for their sewer, trash removal, gas, electricity, cable and telephone expenses. Each space is individually metered for gas and electricity. The resident manager reads

the meters and the owner of the Project pays the entire gas and electricity expenses prior to reimbursement from the residents. The owner of the Project also pays the entire sewer and trash removal expenses prior to reimbursement from the residents. The cable and telephone expenses are paid directly by the residents.

The Project is located on the southern boundary of the City of Novato. The immediate area consists of natural surroundings with coaches cascading from west to east down a hillside. Many coaches and the park clubhouse enjoy extensive views of the northern section of the San Francisco Bay. The surrounding area is comprised of a small retail strip center, multifamily residential developments in average condition, and the Hamilton Army Air Field, which closed in 1974. The Project is located approximately 1/4 mile east of Highway 101, with the Hamilton Army Air Field being the only significant development in the immediate area.

The Project borders up-sloping property deeded to the Trust for Public Lands by the current owners of the Project and low lying land also currently owned by the Trust for Public Land. The likelihood of development of the up-sloping property is negligible due to the moderate to steep slope of such area, as well as the geological and stability issues involved with the development of such area. The likelihood of development of the low-lying land is unknown, as numerous issues would need to be resolved prior to development, including wetlands, low lying areas, potential flooding, drainage, limited access and noise problems with the adjacent railroad line. However no assurance can be given that future development will not occur on such undeveloped property which may have a detrimental impact on the Project.

Nearby residential development consists of single-family and multifamily developments located north and west of the Project. The majority of the residential development in the Project neighborhood is centered on the Hamilton Army Air Field, which closed in 1974. See "—Hamilton Army Airfield" below.

Commercial development in the immediate neighborhood surrounding the Project is scattered along Marin Valley Drive and Nave Drive. Developments include Creekside Market, Stefano's Pizza, Phoenix Garden Restaurant, Nave Lanes Bowling, and several churches. The Vintage Oaks Shopping Center is located on the east side of Highway 101, approximately 3/4 miles from the Project. This shopping center is anchored by Costco, and has Macy's, Marshalls, Target, Oshmans, and several restaurants. It is the largest commercial development in the immediate area. Closer to the Project, also on the west side of Highway 101, are several fastfood restaurants, the Best Western Inn, and the Skylark Motel.

The Marin Independent Journal is located just southwest of the Project on the west side of Highway 101. There are also several small office buildings located north along Alameda del Prado, which becomes Ignacio Boulevard. Further north and south of the subject property along Highway 101 there are numerous commercial and industrial developments. The major employers in the area are Fireman's Fund Insurance, Novato School District, Broderbund Software, and the City of Novato. The typical business in Novato is considered small business. The growth industries in the 1990s are projected to be tourism, due to the proximity of US Highway 101, software, telecommunication, multimedia and retail.

A variety of community services are located within close proximity to the Project. The Hamilton and Loma Verde Elementary Schools are located within two miles of the Project. Approximately four miles to the west of the Project is the Indian Valley College. Within the City of Novato city limits there are several parks and open space preserves. Less than three miles to the west is the Wallace Family Park. In the central business district of the City of Novato there is the Novato Municipal Swimming Pool, the Margaret Todd Senior Center, the Hill Gym, and the Silva Little League Baseball Field. The City is served by two major golf courses, the Marin Country Club and the Indian Valley Golf Club. Several houses of worship are located within the city limits. Other community services include the Novato Community Hospital, three private clinic/emergency treatment centers, and the Novato Fire Station.

Public transportation within the area is provided by Golden Gate Transit. Road systems are also plentiful and provide good access to the surrounding areas. Highway 101 is located less than 1/4 mile to the west of the Project and provides north to south access to the surrounding areas. The Marin County Airport (Gnoss Field) is located north of the city limits and provides business and recreational flying services, air charter, and flight training.

Hamilton Army Airfield

The Hamilton Army Airfield is located adjacent to the Project along the northern boundary. The base was decommissioned in 1974 and the City approved a Reuse Plan in 1995. The Reuse Plan outlines the modification and reuse of 1,493 existing housing units and the development of an additional 920 units, for a total of 2,413 housing units. The intended use of these housing developments is for very low, low and moderate income level housing and transitional housing for the homeless and market rate housing. Full occupancy levels are projected to be reached by the year 2004. According to the Hamilton Reuse Planning Authority Manager, the projected date of 2004 is aggressive and full occupancy levels may not be reached for several additional years.

In addition to the housing redevelopment planned for the airbase, 18.94 acres of commercial land have been approved as part of the New Hamilton Partnership Master Plan. The United States Coast Guard will retain control of the Spanish Housing area of the airfield which encompasses approximately 57 acres, which it will use as a search and rescue base.

General Information Regarding Mobilehome Parks

Mobilehomes are sometimes referred to as an intermediate step between apartments and owner occupied housing (condominiums and detached homes). Mobilehomes are generally considered more desirable than apartments because they afford greater privacy. At the same time, those with sufficient income and cash for down payments typically prefer to buy a traditional home, rather than rent space in a mobile home park. Thus, the space rent plus the mobile home (coach) mortgage payment must generally be less than the mortgage payment on traditional housing in the area.

Increasing land values near urban areas (especially during the 1980s) significantly curtailed the development of new parks. Also affecting new park construction was the advent of rent control during the 1980s. Many cities throughout the State have enacted rent control ordinances as a result of previous rent increases.

Because of the lack of supply and a growing demand for affordable housing in urban areas, mobilehome parks have been able to steadily increase space rents even during the recent recession. While rents for most types of real estate in California have dropped during the recession, mobilehome park rents have continued to rise, although not at their historic rates.

Residents of mobile home parks are homeowners and make significant investments in their homes and in on-site improvements. Moving a mobilehome from one community to another requires substantial cost and effort and often requires abandonment of on-site improvements such as landscaping, decks and carports. Because of the loss of equity in site improvements, the high cost of moving and the limited availability of vacant mobilehome park spaces, mobilehomes are seldom moved from their original locations. Instead, mobilehomes are usually sold in place when the homeowner wants to move.

The high costs associated with moving a mobilehome also serve to reduce rent delinquencies and collection losses. Pursuant to Section 798, *et seq.*, of the California Civil Code (the "Mobile Home Residency Law"), a mobile home park owner (after complying with the notice, cure period and other procedural requirements of the Mobile Home Residency Law) has the right to cause the removal of a mobile home if a resident fails to pay rent. Since the loss in value caused by the removal of the mobilehome would usually far exceed the amount of the rent delinquency the mobilehome owner, or the holder of a lien on the mobilehome, has a strong incentive to cure the rent default.

Mobilehome living has acquired substantial public acceptance as an affordable and attractive housing choice, particularly as an alternative to conventional single-family homes. According to the U.S. Census Bureau as of 1990, approximately 15.4 million people, or 7% of the U.S. population, live in mobilehomes. Mobilehomes comprise the fastest growing sector of the American housing industry. The desire to own one's own home, the relative affordability of mobilehomes and the variety of sizes, architectural styles, interior decor and amenities of mobilehomes are all factors that are believed to contribute to the growing popularity of mobilehome living as a housing choice.

Supply of Mobilehomes in Novato

Overview. Including the Project, there are five mobilehome parks in the City of Novato, with a total of 704 spaces. See "--Competing Mobile Home Parks" below.

Vacancies. There are no vacancies currently in the Project. As of November 1, 1996, there were seven vacancies of the 704 total spaces located in the City of Novato, all of which are in one mobilehome park. The parks in the City have experienced approximately the same vacancy rate over the last several years. The Project has been at 100% occupancy for the past several years.

Future Construction of Mobilehome Parks. There are no mobilehome parks either under construction or in the planning process in the Novato area due to generally slow economic conditions, decreased demand (low absorption rates) for new spaces and governmental restrictions.

The Project Appraisal

On November 1, 1996, Palmer Groth & Pietka Inc. (the "Appraiser") issued a report stating that the Appraiser has conducted an appraisal to estimate the market value of the Project, using generally accepted appraisal principles and theory, and with the intent to conform with the Uniform Standards of Professional Appraisal Practice Guidelines. Based upon the Appraiser's investigation and analysis of available information, and subject to the conditions and comments presented in the Report, the market value of the Project, as of October 31, 1996, was \$15,140,000. Such market value is estimated to have a 5% variance with respect to market value.

Competing Mobile Home Parks

Overview. There exist five mobilehome parks in Novato with a total of 704 spaces. Brief summaries of each park are contained below with the exception of the Project, which is described in another section.

Dean's RV Park. Dean's RV Park contains 46 RV spaces and has no vacancies.

Novato Mobile Home Park. The Novato Mobile Home Park contains 87 spaces and has no vacancies. The Novato Mobile Home Park recently redesigned its park and added a recreational vehicle section.

Redwood RV Park. Redwood RV Park is located outside the City limits with 44 spaces. Redwood RV Park has no vacant spaces.

Los Robles. Los Robles has 212 spaces and seven vacancies.

Project Capital Improvements

According to a ten-year capital improvement plan prepared by the Property Manager based on reports of independent consulting engineers, capital improvements required to be made to maintain and enhance the condition and value of the Project in the first year will total \$278,750. A portion of the proceeds of the Bonds in the amount of \$238,750 will be deposited with the Trustee and applied to pay most of the costs of the capital improvements required during the initial year of operation. Additionally, the Owner and the Property Manager are required to update this plan annually and the amount required to be deposited in the Replacement Reserve Fund will be adjusted to reflect the updated plan.

SUMMARY OF THE RENT ADJUSTMENT ORDINANCE

General

On February 22, 1996, the Novato City Council passed and adopted Ordinance No. 1341 (the "Rent Adjustment Ordinance") in an effort to stabilize space rents in mobilehome parks in the City of Novato. The Rent Adjustment Ordinance applies to mobilehome spaces within the City of Novato.

Definitions

For purposes of this heading only, the following terms and phrases shall have the following meanings:

"Base Year" or "Base Period" means the calendar year 1995.

"Board" means the City of Novato Rent Stabilization Board.

"Capital Improvements" has the same meaning as is ascribed to that term in the United States Internal Revenue Code. Ordinary maintenance and/or repairs which are deductible pursuant to 26 U.S.C. Section 167 of the Internal Revenue Code are not capital improvements.

"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.

"Exceptional circumstances" means unforeseen and unanticipated events including but not limited to natural disasters (floods, earthquake, fires and landslides) and vacancy rates of existing mobilehome spaces exceeding 25%. The Board shall have complete discretion in determining when an "exceptional circumstance" arises.

"Housing service" means a service provided by the Owner related to the use or occupancy of a mobilehome space, which is not a capital improvement as that term is defined herein, including but not limited to, repairs, replacement, maintenance, painting, lighting, heat, water, laundry facilities, refuse removal, recreational facilities, parking, security service and employee services.

"Maximum allowable rent" means the maximum amount of rent permitted to be charged a tenant for a mobilehome space.

"Owner" means the owner or operator of a mobilehome park or an agent or representative authorized to act on said Owner's or operator's behalf in connection with the maintenance or operation of such park.

"Rent" means the consideration paid for the right of use, possession and occupancy of property, including the right to the use of a space within a mobile home park on which to locate, maintain and occupy a mobilehome, site improvements and accessory structures for human habitation, including the use of the services and facilities of the park.

"Rent Stabilization Administration Fee" means the fee established from time to time by resolution of the City Council in accordance with the provisions of the Rent Adjustment Ordinance.

"Rent increase" means any increase in rent charged by an Owner to a tenant including any reduction in housing services without a corresponding reduction in the amount demanded or paid for rent.

"Tenancy" has the same meaning as is ascribed to that term in California Civil Code § 798.12.

"Tenant" means "homeowner," as the latter term is defined in Civil Code § 798.9, and shall include a person who is not currently a mobilehome space tenant in a mobilehome park but is a prospective mobilehome space tenant who desires the use of a mobilehome space and has presented himself/herself to the Owner as such (sometimes referred to hereafter as a "tenant to be").

City of Novato Stabilization Board

The Rent Adjustment Ordinance established the City of Novato Stabilization Board (the "Board"). The Board consists of five voting members of which none are mobile park home owners, operators or managers or a mobilehome park tenant or lessee subject to the terms of the Rent Adjustment Ordinance. In addition, there shall be two non-voting members who shall serve in an advisory capacity to the Board. One non-voting member is

chosen from candidates nominated by the Owners and one non-voting member is chosen from candidates nominated by the tenants.

The Novato City Council is authorized to appoint the initial members of the Board, although it has not yet taken action to appoint any members to the Board. Each Board member serves at the pleasure of the Council and, at any time for any or no reason, may be removed from the Board upon a majority vote of the City Council.

The Board's duties include, but are not limited to, the following:

(i) The Board shall perform the duties and exercise the powers set forth in the Rent Adjustment Ordinance and shall recommend ordinances to the Novato City Council as needed.

(ii) The Board shall appoint administrative hearing officers to hear individual rent adjustment applications.

(iii) The duties and responsibilities of the Board shall include the hearing of individual rent adjustment appeals and making determinations thereon.

Rent Increases

The Rent Adjustment Ordinance establishes a process by which Owners may obtain adjustments in mobilehome space rent. Owners may obtain rent increases in four ways:

1. **General Rate Adjustments.** Each January 1, commencing with January 1, 1997, an Owner may increase the rent charged for a mobilehome space by 75% of the percentage increase in the CPI occurring over no more than the most recent 12-month period for which CPI data is available since the last rent increase permitted.

Each January 1, commencing with January 1, 1997, each Owner shall decrease the rent charged for a mobilehome space by 75% of the percentage decrease in the CPI occurring over no more than the most recent 12-month period for which CPI data is available since the last rent increase permitted.

No Owner may increase rents pursuant to the General Rate Adjustments at any time when a park is delinquent in payments of the rent stabilization administration fee required pursuant to the Rent Adjustment Ordinance and/or is not in substantial compliance with other registration requirements.

2. **Pass-Throughs.** Amortized costs of beneficial capital improvements exceeding existing reserves for replacement, plus a reasonable profit and reasonable finance expenses incurred in connection therewith, shall be considered part of the rent, and at the option of the Owner, may be passed through to Tenants under rules and procedures adopted by the Board. Such capital improvement costs and profits, if elected to be passed through to Tenants by the Owner, shall not constitute a factor to be considered in determining fair and reasonable return, nor shall they be considered part of the rent base upon which future rent increases can be made in accordance with the General Rent Adjustment.

"Beneficial capital improvements" shall generally mean a capital improvement required to assure that the common facilities and areas of the park are decent, safe and sanitary or to assure the continuation of the existing level of park amenities and services, so long as such improvement has been completed.

3. **Tenant Approval.** An Owner can increase rent with the consent of the Tenants. If, within twenty-one (21) days after an Owner has served notice of a rent increase (except notice of a rent increase provided by General Rent Adjustments or by pass-throughs) on the Tenants, the Owner files with the Board a writing, signed by at least a majority of the Tenants in the park affected by the proposed rent increase consenting to the rent increase, the rent increase may take place on the date specified in the notice.

4. **Individual Adjustments.** In the event an Owner contends that the General Rate Adjustments and the pass throughs do not result in a just and reasonable return to the Owner, and the Tenants have not approved any

further rent increase, the Owner may file a petition for a hearing to determine the maximum allowable rent that will provide the Owner a fair and reasonable return. The Rent Adjustment Ordinance presumes that the net operating income produced by the park in the Base Year provided a fair and reasonable return. Net operating income is defined as gross income minus operating expenses. Owners are entitled to maintain and increase their net operating income in accordance with the change in the Consumer Price Index and the value of the pass throughs.

The Rent Adjustment Ordinance establishes the following hearing process through which net operating income adjustments may be obtained:

(a) the Board will appoint an administrative hearing officer to hear any individual adjustment petition or the Board may hear the petition itself;

(b) the hearing will be conducted in a manner deemed most suitable to insure the fundamental fairness to all parties concerned;

(c) no individual rent adjustment will be granted unless supported by a preponderance of the evidence submitted at the hearing;

(d) after reviewing the record and any additional evidence requested of the parties which was provided, the hearing officer or the Board will determine the amount of allowable rental increase, if any. The hearing officer or the Board will not make such determination unless it has made at least one of the following findings:

(i) The Owner's operating expenses in the Base Period were unusually high or low. In such instances, the operating expenses shall be adjusted to reflect normal operating expenses for the park for the period in question, assuming full occupancy levels in the park.

In determining whether the Owner's operating expenses were unusually high or low, the hearing officer and/or Board shall consider whether:

(A) the Owner made substantial capital improvements during the base period which were not reflected in the rent levels on the base date; or

(B) expenses were unusually high or low, relative to other years.

(ii) The rent was disproportionately low or high due to the fact, established by a preponderance of the evidence, that it was not established in an arms-length transaction or there were other peculiar circumstances that demonstrate that the rent was not set under general market conditions. In such instances, the rent shall be adjusted to reflect general market conditions for the base period in question, assuming full occupancy levels in the park.

Within 10 business days after the date of receipt of the hearing officer's or the Board's decision, the Owner, Tenant or any Board member may appeal to the Board.

As soon as practicable after the filing of the appeal and within 120 days from the date of filing of the petition for individual rent adjustment, the Board shall affirm, reverse or modify the decision of the hearing officer(s) or the Board. The appeal before the Board shall not be *de novo*, and no additional evidence other than that submitted at the hearing shall be admitted by the Board on appeal except where the Board finds that there is relevant evidence which, in the exercise of reasonable diligence, could not have been produced at the hearing or which was improperly excluded by the hearing officer or the Board. The Board shall affirm the hearing officer's or its own decision if it is supported by substantial evidence, and in reviewing the evidence on appeal the Board must resolve all conflicts in favor of the hearing officer's or its own decision and all legitimate and reasonable inferences indulged in to uphold the findings if possible.

If the hearing decision is timely appealed, the Board's decision to affirm, reverse or modify the hearing decision shall become final at the time of Board action and no appeal will lie thereafter.

THE PAC

The Owner is entering into a Delegation Agreement dated as of March 1, 1997 with the PAC whereby the PAC will be responsible for performing certain duties and obligations relating to the Project. Such obligations include retaining a property manager, subject to Financial Security approval, who will be responsible for, among other things, the day-to-day operations of the Project, submitting an annual budget to the Owner, maintaining records relating to the Project, performing maintenance and repairs to the Project and preparing a capital expenditure plan for the Project for submission to the Owner. See "RISK FACTORS—The PAC" herein.

THE PROPERTY MANAGER

The PAC expects to enter into a contract with Storz Management Company, Inc. (the "Manager") to manage the Project subsequent to the acquisition thereof by the Owner. The Property Manager has been managing mobilehome parks and recreational vehicle parks for more than 25 years, and currently provides management services in connection with 60 mobilehome parks and recreational vehicle parks in California, Oregon and Nevada, which aggregate over 8,000 spaces. The Property Manager owns over 20 mobilehome and recreational vehicle parks. The Property Manager manages a variety of mobilehome parks ranging from 38- to 479-space parks, both family and adult parks and parks ranging from low-income housing to five star parks.

The management agreement will be for an initial term of 12 months to be extended by written notice from the PAC, subject to Financial Security approval, to the Property Manager, in increments of 12 months. The PAC, subject to Financial Security approval, and the Property Manager shall each have the right to terminate the management agreement, with or without cause, at any time upon 30 days' prior written notice to the other party. The Property Manager will initially be paid a fee of \$4,167 per month.

THE REDEVELOPMENT AGENCY OF THE CITY OF NOVATO

General Description

The Redevelopment Agency of the City of Novato (the "Agency"), a component unit of the City, was created under the provisions of the Community Redevelopment Law (California Health and Safety Code, commencing with Section 33000), primarily to assist in the clearance and rehabilitation of areas determined to be in a declining condition within the City.

Agency Powers and Duties

The Agency functions as an independent entity and its policies are determined by the City Council of the City in a separate capacity as members of the Redevelopment Agency Board. The Agency exercises all the governmental functions as authorized under the Redevelopment Law and has among other powers the authority to acquire, administer, develop, lease or sell property, including the right of eminent domain and the right to issue bonds and expend the proceeds thereof. The Agency can clear buildings and other improvements and can develop as a building site any real property owned or acquired and in connection with such development, cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed.

The Agency may, out of funds available for such purposes, pay for all or part of the value of land and the cost of building facilities, structures or other improvements to be publicly owned and operated to the extent that such improvements are of benefit to a project area and no other reasonable means of financing are available. Most staff work is done by the officials and staff of the City, or by consultants to the Agency.

Organization

The City Council serves as the Board of Directors of the Agency. The City of Novato was incorporated as a general law city in 1960. The City operates under a council-manager form of government. The five Council Members are elected at large for staggered four-year terms.

The City Manager is appointed by the Agency to serve as the Agency's Executive Director who serves at the Board's pleasure as the administrative head of the Agency. The City Manager is responsible for appointment of all Agency employees except the Agency Attorney, who is appointed directly by the Board.

Members of the Board and their term of offices are shown below:

<u>Member</u>	<u>Position</u>	<u>Term Expires</u>
Pat Eklund	Chair	November 1997
Ernest J. Gray	Member	November 1997
Michael Di Giorgio	Member	November 1999
Carole Dillon-Knutson	Member	November 1999
Cynthia L. Murray	Member	November 1999

Senior Staff of the Agency include:

Roderick J. Wood, City Manager. Roderick J. Wood, Novato's City Manager since July 1992, has 24 years of city government experience. His previous experience includes managing the resort town of Indian Wells with 30 employees, a population of 2,900 and a budget over \$10 million, to the larger full service City of Escondido, with 835 employees, a population of 120,000 and an annual budget of \$140 million. Mr. Wood maintains in-depth experience in city planning, financial planning, redevelopment, community and economic development, community and intergovernmental relations, and public safety and community services. Educational credentials include a Bachelor of Arts Degree in Public Administration from San Diego State University and Graduate Studies in a Masters of Business Administration and Finance.

Richard Hill, City Finance Director. Richard Hill, Novato's Assistant City Manager since January 1988, has over 20 years experience in the public sector. His broad experience includes general district administration, engineering, personnel and labor management, contract and grant administration, and financing administration. He has handled public offerings in excess of \$100 million. Mr. Hill graduated from the University of California, Santa Cruz in June 1972 with a Bachelor of Arts in Mathematics and a Bachelor of Arts in Economics, and he has done graduate work in the Master of Arts program in Public Administration at San Jose State University.

Novato Redevelopment Project Area

The Redevelopment Plan for the Novato Redevelopment Project Area (the "Project Area") was adopted by the City Council on November 29, 1983, so that fiscal 1983/84 became the base year for the Project Area.

The Project Area contains approximately 120 acres of developable land on the east side of Highway 101, or about 2% of the City's land area.

The Project Area consists entirely of commercial land use.

The distribution of developed and undeveloped areas in the Project Area by land use is set forth below:

	<u>Vacant (Acres)</u>	<u>Developed (Acres)</u>	<u>Total (Acres)</u>
Commercial	30	90	120

Source: City/Agency Budget.

Since the adoption of the Redevelopment Plan in 1983 the total taxable valuation in the Project Area has increased from the base year (1983-84) value of \$3,316,029 to approximately \$107,656,055 by 1995-96 (excluding supplemental assessments for 1995-96).

The table below sets forth the assessed valuations and the total incremental valuation in the Project Area since 1990/91.

**TABLE 1
CITY OF NOVATO
Novato Redevelopment Project Area
Assessed Valuations and Incremental Valuations**

	<u>1990/91</u>	<u>1991/92</u>	<u>1992/93</u>	<u>1993/94</u>	<u>1994/95</u>	<u>1995/96</u>	<u>1996/97</u>
Assessed Valuation	33,596,117	48,141,016	92,649,553	101,885,962	107,656,055	104,804,795	115,885,560
Less: Base Year	<u>3,316,029</u>	<u>3,316,029</u>	<u>3,316,029</u>	<u>3,316,029</u>	<u>3,316,029</u>	<u>3,316,029</u>	<u>3,316,029</u>
Incremental Valuation	30,280,088	44,824,987	89,333,524	98,569,933	104,340,026	101,488,766	112,569,531

Source: State Comptroller Reports.

Base Year (1983-84) Assessed Value

The assessed valuation of property within the Project Area for the base year, 1983-84, is set forth below:

**PROJECT AREA
Base Year (1983-84) Assessed Value**

<u>Net Local Secured</u>	<u>Net Unsecured</u>	<u>Total Base Year Value</u>
2,478,461	837,568	3,316,029

Source: County Assessor.

Project Area Largest Taxpayers

For fiscal year 1995-96, the top ten largest taxpayers within the Project Area totaled 88.41%, or \$92,656,436 million, of the total assessed value of \$104,804,795 million for the Project Area. A list of the top ten taxpayers for 1995-96 follows:

REDEVELOPMENT AGENCY OF THE CITY OF NOVATO
Novato Redevelopment Project Area
Ten Largest 1995-96 Assesseees

<u>Taxpayer</u>	<u>Assessed Value</u>
Macy's	\$22,469,900
Campbell Estate	18,378,027
Target	12,265,719
Costco	10,758,104
Simworks	8,771,877
Cal Theatres	8,017,492
State Farm	3,826,862
Kemper	3,473,910
Hahn	2,500,950
Great Western Bank	<u>2,193,595</u>
Total Top Ten	<u>\$92,656,436</u>

Source: County Assessor.

Outstanding Debt

The Agency entered into a promissory agreement for the construction of certain on-site and off-site public improvements of the Vintage Oaks Retail Complex. As of June 30, 1995, there was \$8,338,906 of outstanding debt related to this promissory agreement. The payments to be made for the promissory agreement are received from property tax increments generated by the retail complex and lease revenue from the City to the Agency. The Housing Revenue is not available to the Agency for the payment of the promissory agreement.

Housing Set-Aside Revenues

The actual and projected Housing Set-Aside Revenues available to the Agency are set forth below. The projected Housing Set-Aside Revenue figures are estimated by the Agency based upon the assessed valuation for the Fiscal Year 1996-97 of \$115,885,560.

NOVATO REDEVELOPMENT PROJECT						
Actual and Projected Housing Set-Aside Revenues						
	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97⁽¹⁾</u>
Gross Assessed Value	\$48,141,016	\$92,649,553	\$101,885,962	\$107,656,055	\$104,804,795	\$115,885,560
Base Year Assessed Value	3,316,029	3,316,029	3,316,029	3,316,029	3,316,029	3,316,029
Incremental Assessed Value	44,824,987	89,333,524	96,569,933	104,340,026	101,488,766	112,569,531
Gross Tax Increment	448,250	893,335	985,699	1,043,400	1,014,888	1,125,895
Less: Adjustments for 2% Growth and Tax Admin. Fees	(211,227)	(199,489)	(111,197)	(190,352)	(113,548)	(199,744)
Net Incremental Tax Revenues	237,023	693,846	874,502	853,048	901,340	925,951
Amount Transferred to Housing Fund	82,099	171,987	213,011	208,188	227,878	224,999
% Change From Prior Year	-	109.49%	23.85%	(2.26)%	9.46%	(1.26)%

Source: Audited Financial Statements of the Agency.

⁽¹⁾Based on approved budget.

Termination of Pledge Agreement

The Redevelopment Plan for the Project Area of the Agency terminates on November 29, 2013 (the "Termination Date"). The Agency will not pay further indebtedness or receive property taxes after November 29, 2023, at which time the pledge by the Agency of Pledged Tax Revenues will end, which will occur before the final maturity date of the Bonds. See "SUMMARY OF THE PLEDGE AGREEMENT—Pledge of Pledged Tax Revenues" herein.

Agency's Financial Statements

The Agency's audited financial statements for the year ended June 30, 1996 are included as Appendix C to this Private Placement Memorandum.

CONSIDERATIONS AFFECTING REDEVELOPMENT AGENCIES

Article XIII A of the State Constitution

On June 6, 1978, California voters approved Proposition 13, or the Jarvis-Gann Initiative, which added Article XIII A to the State Constitution. The principal thrust of Article XIII A is to limit the amount of ad valorem taxes on real property to one percent (1%) of "full cash value" of such property, as determined by the County Assessor. Article XIII A defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value,' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." Furthermore, the "full cash value" of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed two percent (2%) per year or may be reduced.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Article XIII A exempts from the one percent (1%) tax limitation any voter approved indebtedness incurred prior to July 1, 1978, requires a vote of two-thirds of the qualified electorate after July 1, 1978 to impose special taxes, or certain additional ad valorem taxes, and requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

On September 22, 1978, the California Supreme Court upheld the general validity of Article XIII A against a series of challenges which attacked the Jarvis-Gann Initiative as a whole (*Amador Valley Joint Union School District v. State Board of Equalization*, 22 Cal.3d 208 (1978)). The Court found that it was premature to rule on the claim that Article XIII A impermissibly interfered with contracts in violation of the U.S. Constitution, stating that such a challenge must come when a specific contract or obligation is impaired.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amend Article XIII A. Proposition 58 amends Article XIII A to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (a) real property between spouses and (b) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A and allows persons age 55 or older to transfer the lower assessed value of their current residence to another newly purchased residence of equal or lesser value. For the exemption to apply, the new residence must be located in the same county and be purchased within two years after the sale of the previous residence. Proposition 60, as such, has no direct state or local fiscal effect unless the county board of supervisors passes an ordinance implementing it.

The passage of Proposition 58 and Proposition 60 may result in diminution of future increases in Tax Increment for the Agency. Although the extent of any decrease in Tax Increment in future years is not known, the Agency does not anticipate that any such decrease will have an impact on the Agency's ability to pay its obligations under the Pledge Agreement. However, the Agency has no power to levy and collect taxes. Any further reduction in the tax rate or the implementation of any constitutional or legislative property tax de-emphasis will reduce the Tax Increment and, accordingly, would have an adverse impact on the ability of the Agency to pay its obligations under the Pledge Agreement.

Limitation of Tax Revenues From Certain Increased Tax Rates

An initiative to amend the California Constitution to allow the Legislature to prohibit redevelopment agencies from receiving any of the property tax revenue raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness was approved by California voters at the November 8, 1988 general election. The initiative applies to tax rates levied to finance bonds approved by the voters on or after January 1, 1989.

State Financial Problems

The State continues to experience financial difficulties, and in recent years it has attempted to minimize its own problems by reducing funding for local agencies and by requiring redevelopment agencies to make payments for the benefit of school districts and community college districts throughout the State. If the State is unable to better address its problems in the future further reductions in funding for local government and/or the imposition of additional financial burdens on redevelopment agencies could result.

Bankruptcy and Foreclosure

On July 30, 1992 the United States Court of Appeals for the Ninth Circuit issued an opinion in a bankruptcy case entitled *In re Glasply Marine Industries* holding that ad valorem property taxes levied by a county in the State of Washington after the date that the property owner filed a petition for bankruptcy would not be entitled to priority over the claims of a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed subsequent to the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after the claims of all secured creditors. As a result, the secured creditor was able to foreclose on the subject property and retain all the proceeds from the sale thereof except the amount of the pre-petition taxes. Pursuant to this holding, post-petition taxes would be paid only as administrative expenses and only if a bankruptcy estate has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would become subject to current ad valorem taxes.

The *Glasply* decision is controlling precedent in bankruptcy courts in the State of California. The lien date for property taxes in California is the March 1 preceding the fiscal year for which the taxes are levied. Therefore, under *Glasply*, a bankruptcy petition filing would prevent the lien for property taxes levied in subsequent fiscal years from attaching so long as the property was part of the estate in bankruptcy. To the extent that *Glasply* is applied to property owners within the Project Areas who file for bankruptcy and whose taxes are a source of Tax Increment, the amount of Tax Increment available to the Agency may be reduced.

Property Tax Collection Procedures

In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all private liens arising pursuant to State law, on the secured property, regardless of the time of the creation of such liens.

Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent. The taxing authority has four ways of collecting unsecured personal property taxes: (a) initiating a civil action against the taxpayer, (b) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (c) filing a certificate of delinquency or record in the county recorder's office to obtain a lien on certain property of the taxpayer, and (d) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee.

A ten percent (10%) penalty is added to delinquent taxes, which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is sold to the State on or about March 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A ten percent (10%) penalty also applies to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

The valuation of property is determined as of March 1 each year, and installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31, and such taxes are levied at the prior year's secured tax rate.

State legislation enacted in 1990 (Statutes of 1990, Chapter 466), authorized county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. The applicability of this legislation to redevelopment agencies is in question at this time as it states that it is applicable to "local jurisdictions" and there is no reference in state statutes to redevelopment agencies as "local jurisdictions." The legislation also does not expressly state whether or not the administrative costs invoiced to local jurisdictions represent a first lien on property tax revenues. This issue could have an impact on debt service payments of local jurisdictions with outstanding bonded debt. There is also a question as to the computation method used by counties in determining property tax administrative cost burdens caused by local jurisdictions. This question relates to each local jurisdiction's proportionate share of the costs incurred by a county as a result of the administration of assessment, collection and allocation of property tax revenues. Marin County interprets this legislation to apply to redevelopment agencies and currently collects a property collection fee and property tax administration costs from the Agency by deducting such fee and costs from tax increment revenues prior to delivering such amounts to the Agency.

Reduction of Pledged Tax Revenues

Pledged Tax Revenues allocated to the Agency, which constitute the security for the Agency's Pledge, are determined by the incremental assessed value of taxable property in the Project Area, the current rate or rates at which property in the Project Area is taxed, and the percentage of taxes collected in the Project Area. Several types of events which are beyond the control of the Agency could occur and cause a reduction in available Pledged Tax Revenues. A reduction of taxable values of property in the Project Area or a reduction of the rate of increase in taxable values of property in the Project Area caused by economic or other factors beyond the Agency's control (such as successful appeals by the property owner for a reduction in a property's assessed value, a reduction of the general inflationary rate, a reduction in transfers of property, the absence of one or more primary taxpayers, construction activity or other events that permit reassessment of property at lower value, or the destruction of property caused by natural or other disasters) could occur, thereby causing a reduction in the Pledged Tax Revenues that secure the Agency's Pledge. Such a reduction in Pledged Tax Revenues could have an adverse impact on the Agency's ability to honor the Pledge. See "RISK FACTORS—Reduction of Pledged Tax Revenues" herein.

Second, in addition to the other limitations on Pledged Tax Revenues described herein under "CONSIDERATIONS AFFECTING REDEVELOPMENT AGENCIES," the California electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing Pledged Tax Revenues

payable to CLGFA. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce the Pledged Tax Revenues and adversely affect the security of the Pledge.

Assessment Appeals

If a taxpayer disagrees with the valuation assigned by the County Assessor to its property, an assessment appeal can be filed. Appeals filed against assessments could potentially lower taxable values originally determined by the County Assessor, if adjudication is in favor of the property owner. If an appeal which is resolved in favor of the property owner relates to property located within a redevelopment project area, a reduction in tax increment revenues could result.

Supplemental Assessments

California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next March 1 tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments for up to 14 months. This statute provides increased revenue to redevelopment agencies to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the March 1 lien date. To the extent such supplemental assessments occur within the Project Area, Tax Increment may increase.

Appropriations Limitation - Article XIII B

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the State Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The "base year" for establishing such appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subdivisions. refunds of taxes and benefit payments from retirement, unemployment insurance and disability insurance funds. Proceeds of taxes include, but are not limited to, all tax revenues and the proceeds to an entity or government from (a) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (b) the investment of tax revenues.

Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Although the tax rate is assumed to decline to one percent of taxable value and remain constant in subsequent years, current law permits taxing entities deriving revenues from the one percent rate to reduce their levies under certain circumstances. It is the apparent intent of the law to insulate the other taxing entities and redevelopment agencies from the effects of such reductions on their property tax revenues.

Effective September 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by an agency of proceeds of taxes levied by or on behalf of an agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by or an appropriation subject to the limitation of any other public body within the meaning or for purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions: *Bell Community Redevelopment Agency v. Woosley*, and *Brown v. Community Redevelopment Agency of the City of Santa*

Ana. In the Santa Ana decision, a petition for hearing was filed by the plaintiff and subsequently denied by the California Supreme Court. On the basis of these decisions, the Agency has not adopted an appropriations limit.

Unitary Property

Legislation adopted by the California Legislature in 1986 (Statutes of 1986, Chapter 1457) provides that, commencing with the 1988-89 fiscal year, assessed value derived from certain public utility property assessed by the State Board of Equalization is to be allocated as follows: (a) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable County-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro-rata basis and (b) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro-rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property is changed from March 1 to January 1. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is cited.

Proposition 87

Under prior State law, if a taxing entity increased the tax rate to obtain revenues to repay general obligation debt approved by two-thirds of the voters, the redevelopment agency with a project area that includes property affected by the tax rate increase would retain such increase as additional tax increment. Proposition 87, approved by the voters of the State on November 8, 1988, requires that all revenues produced by a tax rate increase to pay general obligation indebtedness approval by the voters after January 1, 1989, go directly to the taxing entity that increases the tax rate to repay the general obligation bonded indebtedness. As a result, redevelopment agencies no longer receive an increase in tax increment when taxes on property in the project area are increased to repay such voter approved general obligation debt.

Low and Moderate Income Housing Requirements

The Redevelopment Law requires redevelopment agencies to set aside in a low and moderate income housing fund not less than twenty percent (20%) of all tax increment derived from a redevelopment project area for which a final redevelopment plan has been adopted on or after January 1, 1977, or for any area which has been added to a project area by amendment to a redevelopment plan adopted on or after January 1, 1977. This low and moderate income housing requirement can be reduced or eliminated if a redevelopment agency finds annually by resolution, the following: (a) consistent with the housing element of the community's general plan, no need exists in the community to improve or increase the supply of low and moderate income housing in a manner which would benefit the project area; (b) consistent with the housing element of the community's general plan that some stated percentage less than twenty percent (20%) of the tax increment is sufficient to meet the housing needs of the community; or (c) that the community is making substantial efforts of equivalent impact, consisting of direct financing contributions of funds from local, state, and federal sources for low and moderate income housing to meet its existing and projected housing needs (including its share of regional housing needs). The Agency has not made any such finding.

LIMITATIONS ON ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee or CLGFA or the owners of the Bonds upon a default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the Federal Bankruptcy Code) and relevant banking and insurance law, the remedies provided may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights generally.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as CLGFA and the Owner, there are no involuntary petitions in bankruptcy. If the Owner were to file a petition under Chapter 9 of the Bankruptcy Code, the Bondholders and the Trustee could be prohibited from taking any steps to enforce their rights under the Indenture, and from taking any steps to collect amounts due from the Owner under the Indenture.

AS LONG AS NO FINANCIAL SECURITY DEFAULT EXISTS, OWNERS OF THE BONDS HAVE NO RIGHTS TO ENFORCE THE INDENTURE, AND FINANCIAL SECURITY MAY AMEND OR WAIVE CERTAIN PROVISIONS OF THE INDENTURE RELATING TO EVENTS OF DEFAULT AND TRIGGER EVENTS AT ANY TIME WITHOUT THE CONSENT OF OWNERS OF BONDS. FINANCIAL SECURITY HAS NO OBLIGATION TO CAUSE BONDS TO BE REDEEMED IF ANY EVENT OF DEFAULT OR TRIGGER EVENT EXISTS, AND AS LONG AS NO FINANCIAL SECURITY DEFAULT EXISTS, OWNERS HAVE NO RIGHTS TO DIRECT THE TRUSTEE WITH RESPECT TO SUCH MATTERS UNLESS FINANCIAL SECURITY GIVES ITS CONSENT TO ANY SUCH DIRECTION.

ABSENCE OF LITIGATION

As of the date of issuance of the Bonds, officers of the PAC and the Owner will execute certificates to the effect that there is no controversy or litigation now pending against the PAC, the Project and the Owner, or to the knowledge of their officers threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds.

TAX MATTERS

In the opinion of Kutak Rock, Bond Counsel, under laws, regulations, rulings and judicial decisions existing on the date of original delivery of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes. Bond Counsel is further of the opinion that the interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. CLGFA and the Owner have covenanted to comply with certain restrictions, conditions and requirements designed to assure that interest on the Bonds will not become includible in gross income from the date of issue of the Bonds. Failure to comply with these covenants may result in interest on the Bonds being included in gross income. The opinion of Bond Counsel assumes compliance with such covenants.

Bond Counsel is further of the opinion that interest on the Bonds does not constitute an item of tax preference for purposes of the alternative minimum tax imposed by the Code on individuals and corporations. However, for certain corporations interest on the Bonds is included in the "adjusted earnings" (i.e., alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code), and such corporations are required to include in the calculation of alternative minimum taxable income 75% of each such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations, corporations subject to the environmental tax imposed by Section 59A of the Code and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions and certain recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or contained) indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Bonds.

From time to time, there are legislative proposals in the United States Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance, sale and delivery, of the Bonds are subject to the approval of Kutak Rock, Bond Counsel. The approving opinion of Bond Counsel will be delivered with the Bonds in substantially the form attached to this Private Placement Memorandum as Appendix B. Certain other matters will be passed upon for the Owner by Nossaman, Guthner, Knox & Elliott, LLP, San Francisco, California, for the PAC by David Kenyon, Esq., and for CLGFA by Kutak Rock. David Kenyon, Esq., is also representing the PAC in connection with certain matters relating to the acquisition of the Project. The City of Novato is being represented by its counsel, Walter & Pistole, Sonoma, California, and the Redevelopment Agency of the City of Novato is being represented by its counsel, McDonough, Holland and Allen, Sacramento, California. Payment of the fees of Bond Counsel, counsel to CLGFA and counsel to the PAC is contingent upon the issuance of the Bonds. Payment of the fees of counsel to the Owner, counsel to the City of Novato and counsel to the Redevelopment Agency of the City of Novato is not contingent upon the issuance of the Bonds.

PRIVATE PLACEMENT

The Bonds are being privately placed by Sutro & Co. Incorporated and George K. Baum & Company (collectively, the "Placement Agent"). The Placement Agent is being paid a fee of \$23,775 in connection with its role as Placement Agent. Payment of the fees of the Placement Agent is contingent upon the issuance of the Bonds.

FINANCIAL ADVISORS

P.A. Hoon & Company, Inc. has been retained by the PAC as its Financial Advisor and Project Manager in connection with the acquisition of the Project and the issuance of the Senior Bonds and the Bonds. E. Wagner & Associates, Inc. has been retained by the City as its Financial Advisor in connection with the issuance of the Senior Bonds and the Bonds. American Government Financial Services Company has been retained by the CLGFA as its Financial Advisor in connection with the issuance of the Senior Bonds and the Bonds. None of the Financial Advisors are obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Private Placement Memorandum. Payment of the fees of P.A. Hoon & Company, Inc. is contingent upon the issuance of the Bonds and will be paid from revenues of the Project. Payment of the fees of E. Wagner & Associates, Inc. and American Government Financial Services Company is not contingent upon the issuance of the Bonds.

LIMITED CONTINUING DISCLOSURE

The Bonds are exempt from the secondary market disclosure provisions of Securities and Exchange Commission Rule 15c2-12, as amended, pursuant to paragraphs (d)(a)(i) of the Rule, because the Bonds are being issued in minimum denominations of \$100,000 and are being sold to no more than 35 persons, each of whom the Placement Agent reasonably believes has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the prospective investment and is not purchasing for more than one account or with a view to distributing the securities. The Owner, the Agency and the PAC have covenanted to provide limited disclosure information with respect to the Subordinate Bonds only as described in Appendix F hereto, and have not covenanted to provide any disclosure information on any ongoing basis to any nationally recognized municipal securities information repository or any other person.


MISCELLANEOUS

The foregoing summaries or descriptions of provisions of the Bonds, the Indenture, the Loan Agreement, the Delegation Agreement, the Pledge Agreement, the Continuing Disclosure Agreement and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof; and reference is made to said documents for full and complete statements of their provisions. Any statements in this Private Placement Memorandum involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Private Placement Memorandum is not to be construed as a contract or agreement between the Owner and the purchasers or owners of any of the Bonds.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING CLGFA CONTAINED IN APPENDIX E HERETO, CLGFA HAS NOT PARTICIPATED IN THE PREPARATION OF OR AUTHORIZED OR APPROVED THE USE OF THIS PRIVATE PLACEMENT MEMORANDUM, HAS ASSUMED NO RESPONSIBILITY HEREFOR, AND MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT HERETO OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION HEREIN. OTHER THAN WITH RESPECT TO INFORMATION CONCERNING CLGFA CONTAINED IN APPENDIX E HERETO, THE INFORMATION CONTAINED HEREIN HAS NOT BEEN PROVIDED BY OR DERIVED IN ANY WAY FROM CLGFA. THE ROLE OF CLGFA IN THIS TRANSACTION IS SOLELY TO ACT AS A FACILITATOR FOR THE SUBSTANTIVE PARTIES TO THE FINANCING DESCRIBED HEREIN.

The execution and delivery of this Private Placement Memorandum has been authorized by the Owner.

NOVATO FINANCING AUTHORITY

By 
Title: Treasurer

APPENDIX A

CERTAIN DEFINITIONS AND SUMMARY PROVISIONS OF THE LEGAL DOCUMENTS

The following is a summary of certain provisions of the principal legal documents and does not purport to be complete. Reference is hereby made to these documents which are available from the Trustee or the PAC upon request.

DEFINITIONS

The following are definitions of certain terms contained in the principal legal documents and used in this Private Placement Memorandum.

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

"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.

"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 the 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 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 the 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 the Senior Bonds and the Subordinate Bonds issued under the 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 designated as such created pursuant to the Indenture.

"*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 under the Indenture.

"*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 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.

"*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 designated as such created pursuant to the Indenture.

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

"*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 designated as such created pursuant to the Indenture.

"*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 under the Indenture 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 designated as such created pursuant to the Indenture.

"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 designated as such created pursuant to the Indenture.

"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.

"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.

"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 under the Indenture.

"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 in the Indenture which are legal investments under the laws of the State for moneys held thereunder.

"Escrow Account" means the Account established and maintained with respect to the Project by the Trustee pursuant to the Indenture.

"Event of Default" means any event of default specified in the Indenture.

"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) of the Indenture.

"Expense Fund" means the Account designated as such established and maintained with respect to the Project by the Trustee pursuant to the Indenture.

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

"*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 the Indenture.

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

"*Investment Agreement*" means an investment agreement in form and substance approved by the Controlling Party with an entity approved by the Controlling Party.

"*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 the Indenture.

"*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 the Indenture, including all principal, interest, prepayment fees or other fees due and payable on or prior to the applicable redemption date specified in the Indenture.

"*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 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 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, the 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 under the Indenture, *less* all operating expenses of the Project, including, without limitation, (a) the actual Management Fee then in effect, (b) ongoing transaction and Project expenses, (c) required payments into the Replacement Reserve Fund, (d) the Trustee's Fee and CLGFA's Fee, (e) Reserve Costs and (f) 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, the PAC 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 the Indenture*" or "*Outstanding thereunder*" means, when used with reference to the Bonds, as at any particular date, the aggregate of all Bonds authenticated and delivered under the 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 the Indenture or provisions satisfactory to the Trustee shall have been made therefor;
- (c) Bonds deemed to be paid in accordance with the Indenture; and
- (d) Bonds alleged to have been lost, stolen or destroyed pursuant to the 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 the Indenture until Financial Security has been paid as subrogee thereunder 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 the Indenture, including the making of any request, demand, authorization, direction, notice, consent or waiver thereunder, 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 designated as such created pursuant to the Indenture.

"*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 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*" means an amount equal to \$130,000 multiplied by a fraction which is derived by dividing the average annual debt service on the Subordinate Bonds as of the date of calculation by the average annual debt service on the Subordinate Bonds as of the Closing Date.

"*Pledge Payment Date*" means the February 15 or August 15, as applicable, commencing February 15, 1998 immediately preceding each Interest Payment Date or, if such day is not a Business Day, the next Business Day.

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

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

"*Policy Payments Account*" means the Account designated as such created pursuant to the Indenture.

"*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 the 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 designated as such created pursuant to the Indenture.

"*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 designated as such established pursuant to the Indenture.

"*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.

"*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.

"*Replacement Reserve Fund*" means the Account designated as such created pursuant to the Indenture.

"*Repurchase Agreement*" means a repurchase agreement meeting the criteria set forth in Exhibit C to the 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 designated as such created pursuant to the Indenture.

"*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 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 Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority, authorized, authenticated and delivered under and pursuant to the Indenture.

"*Senior Bonds Interest Account*" means the interest subaccount of the Bond Fund designated as such created pursuant to the Indenture 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 designated as such created pursuant to the Indenture which subaccount is for the sole benefit of the Holders of the Senior Bonds and Financial Security.

"*Senior Cashtrap Account*" means the Account designated as such created pursuant to the 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 designated as such created pursuant to the Indenture.

"*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 under the Indenture, as applicable.

"*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 the Owner 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 Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority, authorized, authenticated and delivered under and pursuant to the Indenture.

"Subordinate Bonds Interest Account" means the interest subaccount of the Bond Fund designated as such created pursuant to the Indenture 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 designated as such created pursuant to the Indenture which subaccount is for the sole benefit of the Holders of the Subordinate Bonds.

"Subordinate Cashtrap Account" means the Account designated as such created pursuant to the Indenture.

"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 Debt Service Reserve Fund" means the Account designated as such created pursuant to the Indenture.

"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 designated as such created pursuant to the 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 (a) 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), (b) maximum annual debt service with respect to the Subordinate Bonds (calculated on a calendar year basis) and (c) 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 in the Indenture 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 amount shall be required to be deposited into the Subordinate Debt Service Reserve Fund.

"Supplemental Indenture" means a supplement to the Indenture entered into pursuant to the provisions of the Indenture.

"Tax Certificate" means the Tax Certificate dated the Closing Date executed by CLGFA and the Owner.

"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 under the Indenture.

"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 to (a) all moneys, securities and investments (including any insurance or condemnation proceeds) held in or entitled to be held by the Trustee under the Indenture, and investments of all funds and accounts created in the 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; (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 the 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; (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 the 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; (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; (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 with respect to CLGFA's fee, the costs of issuance of the Bonds, and indemnification pursuant to the Loan Agreement; (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; (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; (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 under the Indenture or under the Mortgage; (i) all proceeds of the above and any proceeds thereof; and (j) the Mortgage.

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

THE TRUST INDENTURE

The following is a summary of certain provisions of the Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety to the full text of the Indenture.

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 in the Indenture and which shall be utilized for no other purpose, except as expressly authorized in the Indenture.

Anything therein 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 under the Indenture) 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 set forth in the Indenture. 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 therein 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 the Indenture and the Mortgage Loan Documents).

Moneys Held in Trust as Security

All moneys from time to time received by the Trustee and held in the Accounts created under the Indenture (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 the Indenture. Except as specifically provided in the Indenture, funds and other property in the Accounts created under the Indenture shall not be commingled with any other moneys or property in any other Account of the Trustee or any other Person.

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.

Subordination of Subordinate Bonds

The Subordinate Bonds are subordinated in priority and in right and time of payment to (a) all amounts due on the Senior Bonds, (b) 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 the Indenture, (c) any fees, charges and expenses due and payable to CLGFA or the Trustee in accordance with the Indenture, (d) 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 the Indenture, (e) the Management Fee and amounts required to be paid to the Property Manager pursuant to the Indenture and (f) any Premium or other amounts payable to Financial Security under the Insurance Agreement or under the 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 thereof 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 the Indenture, including moneys transferred thereto from the Subordinate Debt Service Reserve Fund, Subordinate Pledged Funds Account and Subordinate Cashtrap Account pursuant thereto. 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 thereunder 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 the Indenture; 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 preceding paragraph have been paid in full.

Notwithstanding any other provisions of the Indenture, as long as (a) any Senior Bonds are Outstanding or (b) 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 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 thereof 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 under the Indenture 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 the Indenture 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 under the Indenture 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.

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 set forth in the Indenture,

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 under the Indenture 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 therein; and provided further, that the Trustee shall have the right, without limitation, to enforce the provisions under the Pledge Agreement for the benefit of the Holders of the Subordinate Bonds.

If any proceeding or event referred to in the preceding paragraph 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 the preceding paragraph 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 the Indenture and provided further that such action is being taken to protect the rights of the Senior Bondholders and the Controlling Party; 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 the Indenture) of the Project (in which case the proceeds so collected shall be applied as provided in the first paragraph under this heading); 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 the Indenture prior to the commencement of any proceeding or event referred to in the preceding paragraph 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.

If any payments are received by the Subordinate Bondholders on account of the Subordinate Bonds contrary to the provisions under the Indenture, 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 under the Indenture and under the Insurance Agreement.

Costs of Issuance Fund

Pursuant to the Indenture, the Trustee is required to establish 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. 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.

Project Fund

Pursuant to the Indenture, the Trustee is required to establish 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 of which the obligation was incurred and that such payment is a proper charge against the 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.

Deferred Costs Fund

Pursuant to the Indenture, the Trustee is required to establish 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 the Indenture and use such amounts to pay (a) 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 (b) 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 letter of the Consultants and the Owner.

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.

Revenue Fund

Pursuant to the Indenture, the Trustee is required to establish and maintain 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 therein 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 which may be maintained as a minimum balance in the Deposit Only Account) and deposit such funds into the Revenue Fund.

Except for amounts credited to any Insurance Proceeds Subaccount, which amounts shall be applied as set forth in the last paragraph under this heading, the Trustee shall withdraw all funds on deposit in the Revenue Fund and apply such funds in the order of priority set forth in the Offering Statement under the caption "SECURITY FOR THE BONDS—Revenue Fund."

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. 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 the extraordinary mandatory redemption provisions under the Indenture and the terms of the Mortgage or (iii) pay expenses or fund any Account under the Indenture; 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 under the Indenture 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 and released 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 the extraordinary mandatory redemption provisions under the Indenture or (B) pay expenses or fund any Account created under the Indenture; 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 under the Indenture or under the Insurance Agreement. Liquidation proceeds will be applied in accordance with the event of default and remedies provision of the Indenture.

Shortfalls; Cashtrap Accounts

The Trustee is required to establish and maintain, (a) so long as any Senior Bonds are Outstanding or any amounts are due to Financial Security under the Indenture or under the Insurance Agreement, a separate trust account which shall be entitled "Senior Cashtrap Account," and, (b) so long as any Subordinate Bonds are Outstanding, a separate trust account which shall be entitled the 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 the Indenture.

Funds deposited in the Senior Cashtrap Account and the Subordinate Cashtrap Account will be applied by the Trustee as described in the Offering Statement under the caption "SECURITY FOR THE BONDS—Cashtrap Accounts."

Bond Fund

The Trustee is required to establish and shall maintain so long as any of the Bonds are Outstanding a separate trust fund designated as the Bond Fund. All amounts required to be transferred to, or deposited in, the Bond Fund pursuant to the terms of the Indenture shall be so transferred or deposited and held therein until disbursed as therein provided. Moneys in the Bond Fund shall be invested in accordance with the Indenture.

The Trustee is required to establish 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.

The Trustee is required to establish 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 Indenture. 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 Indenture.

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.

Subordinate Pledged Funds Account

The Trustee 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. 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 the Indenture.

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 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 Bondholder, the PAC and Financial Security.

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 in 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.

All amounts in excess of the Pledge Amount on deposit in the Subordinate Pledged Funds Account shall be applied as set forth in the Pledge Agreement.

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 provisions of the Indenture.

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 the Indenture. The Pledgor shall have the right to inspect such records at reasonable times upon one Business Day's prior notice to the Trustee.

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

Subordinate Debt Service Reserve Fund

The Trustee establishes and will maintain so long as any Subordinate Bonds remain Outstanding a separate trust fund designated as 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 in the Indenture. 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.

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 the Indenture, any portion of any Subordinate Insufficiency 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.

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 the Indenture.

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 under the Indenture 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 the Indenture on behalf of CLGFA, and to pay all other amounts due with respect to Subordinate Bonds due under the Indenture. 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 the Indenture, of the Outstanding Subordinate Bonds, (a) if there are Senior Bonds Outstanding shall be deposited to the Senior Cashtrap Account, or (b) if there are no Senior Bonds Outstanding, after payment of all other amounts due and payable under the Indenture 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.

Notwithstanding anything contained under this heading 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.

Expense Fund

The Trustee is required to establish a separate trust fund 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 the 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, including the reasonable fees and expenses of their respective counsel.

Insurance Reserves; Escrow Account

The Trustee is required to establish a separate trust fund which shall be designated as the Escrow Account.

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 the Indenture, 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. 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 or the Senior Debt Service Reserve Fund 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.

Amounts deposited in the Escrow Account may be withdrawn in the following order of priority only to (a) effect timely payment of Reserve Costs; (b) 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; (c) 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 (d) if no Bonds are Outstanding, clear and terminate the Escrow Account.

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 the Indenture.

The Owner is required to maintain, or 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 to, or to 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.

Replacement Reserve Fund

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 under the Indenture or under the Insurance Agreement, and applied solely as provided therein. 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 the Indenture, and any additional collections from the Owner for replacement reserves pursuant to 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 under the Indenture 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 the Indenture shall equal one-twelfth times \$130 per space located at the Project, which amount equals \$3,412.50 per month.

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 (a) 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, (b) the required repairs were performed in a satisfactory manner, and (c) the payment or reimbursement therefor is permitted under the terms of this heading (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 therein 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 the Indenture.

Rebate Fund

The Trustee is required to establish a separate trust fund designated as the Rebate Fund. Immediately following the calculation of any rebate obligation owed to the federal government by or on behalf of the Owner pursuant to the Indenture, the Trustee shall give written notice to Financial Security and deposit the amount of the such rebate obligation in the Rebate Fund on the next Allocation Date in accordance with the Indenture.

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 Indenture, if any, (b) second, to Financial Security to the extent of any amounts owing to Financial Security under the Indenture 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.

Investments

All moneys held as a part of each Account created under the Indenture (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 the Indenture, 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 therein 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 therein authorized, or for keeping the moneys held under the 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, as their respective interests may appear except for Eligible Investments made with respect to (a) 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 (b) the Subordinate Bonds Interest

Account, the Subordinate Bonds Principal Account, the Subordinate Pledged Funds Account, 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 (i) Eligible Investments made with funds on deposit in the Bond Fund shall (except as directed otherwise directed by the Controlling Party with respect to the Senior Bonds Principal Account and the Senior Bonds Interest Account) 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 (except as directed by the Controlling Party), 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 the 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 the Indenture. 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 the Indenture.

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 valuation of securities under the Indenture, 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 the 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.

In no event shall the Trustee purchase any investment under the Indenture 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.

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.

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.

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.

Events of Default

Each of the following events shall constitute an Event of Default under the Indenture:

- (a) failure to make or cause to be made any payment, in accordance with the 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 the Indenture 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 under the Indenture or under the Insurance Agreement, failure to make or cause to be made any payment in accordance with the Indenture (i) 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 the Indenture or in the Bonds and not described in another paragraph under this heading, 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 under the Indenture 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 under the Indenture or under the Insurance Agreement, any default or event of default exists under the Pledge Agreement or the Loan 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.

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 EVENT OF DEFAULT WILL EXIST OR MAY BE DECLARED WITH RESPECT TO ANY SUBORDINATE BONDS.

Remedies

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 the Indenture 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 the Indenture.

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 under the Indenture 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 under the Indenture while the Senior Bonds are Outstanding or any amounts are owed to Financial Security under the Indenture 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 acknowledge and agree that the Senior Bonds may be accelerated without any corresponding acceleration of the Subordinate Bonds.

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 the Indenture, in addition to any other remedies given to the Trustee under the Indenture 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 in the Indenture, take any or all of the following actions upon the occurrence of an Event of Default:

(a) (i) accelerate all of the Senior Bonds, (ii) with the consent of the Subordinate Bondholders accelerate all of the Subordinate Bonds, and (iii) if no Senior Bonds are Outstanding and no amounts are owed to Financial Security under the Indenture 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;

(b) by mandamus or other suit, action or proceeding at law or in equity, enforce the provisions of one or more Series of the Bonds, the 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;

(c) 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;

(d) 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;

(e) 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 therein granted or for the enforcement of any other appropriate legal or equitable remedy; or

(f) to apply funds in the Senior Cashtrap Account in accordance with the Indenture as directed by the Controlling Party.

No remedy by the terms of the 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 under the Indenture or now or hereafter existing at law or in equity or by statute.

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, it shall not be necessary to give any notice, other than such notice as may be required in the Indenture, and, with respect to remedies under other Mortgage Loan Documents, such notices as are required therein.

If any proceeding has been commenced to enforce any right or remedy under the Indenture, 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 thereto shall, to the extent permitted, not prohibited or required by the outcome of such proceeding, be restored to their respective former positions under the Indenture, and, thereafter, all rights and remedies of the Controlling Party shall continue as though no such proceeding had been instituted.

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.

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 the Indenture, and held in the Accounts created under the Indenture (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 the Indenture, 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 set forth in the Indenture (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).

Whenever moneys are to be applied pursuant to the provisions of the preceding paragraph, 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 (a) 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 (b) on or before such date set aside from the appropriate Accounts created under the 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.

Controlling Party; Right To Make Payment

Notwithstanding any other provision of the Indenture, the Controlling Party shall control the exercise of any remedies under the Indenture 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 the Indenture at its sole discretion. Notwithstanding any other provision thereof, 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 under the Indenture, 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 the Indenture.

Power of Bondholders To Direct Proceedings

Anything in the 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 under the Indenture shall have the right, by an instrument in writing executed and delivered to the Trustee and upon offer of security

and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred therein or thereby, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture; 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 under the Indenture against the Pledgor or otherwise concerning the Pledge Agreement. The Trustee 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 in the payment of the principal of, premium, if any, or interest on the Senior Bonds unless directed by the Holders of a majority in aggregate principal amount of Senior Bonds then Outstanding.

The Trustee

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 under the Indenture 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.

Resignation by Trustee. The Trustee may resign and be discharged of the trusts created by the 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.

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 the consent of the Controlling Party, (b) the Controlling Party or (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 and Financial Security is not owed any amounts under the Indenture 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.

Qualifications of Successor Trustee. Every successor in the trust under the Indenture 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.

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 the 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 the 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 thereof, 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.

Modification of Indenture

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 the 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 the 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 the Indenture or between the terms and provisions thereof and any other document executed or delivered in connection therewith;

(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 the Indenture as theretofore in effect;

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

(e) To add to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by CLGFA and the Owner which are not contrary to or inconsistent with the 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 the 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 the 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, 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 (a) is authorized or permitted by the Indenture and complies with its terms, (b) will be valid and binding upon CLGFA in accordance with its terms after its execution by CLGFA and the Trustee and (c) will comply with the Act and will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Consent of Bondholders.

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 under the Indenture or under the Insurance Agreement, Financial Security from time to time and at any time, execute and deliver indentures supplemental to the Indenture for the purposes of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing therein 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 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 the Indenture or (vi) any amendment to this section of the Indenture.

Discharge of Indenture

If and when the whole amount of the principal, premium, if any, and interest due and payable upon all of a Series 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 under the Indenture, 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 therein. 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 Bonds of the Series and to pay all scheduled fees and expenses related to the Bonds of the Series. 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 the Indenture to the contrary notwithstanding, a Series of Bonds shall not be deemed to have been paid pursuant to the preceding paragraph 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 under the Indenture 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 under the Indenture and under the Insurance Agreement) that the cash or Government Securities deposited under the Indenture will be sufficient to make all remaining payments when due on the Series of Bonds of the Series and other amounts payable under the Indenture 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 under the Indenture and under the Insurance Agreement) have received all fees, charges and expenses due or to be due under the 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 under the Indenture 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 under the Indenture and under the Insurance Agreement), to the effect that upon receipt by the Trustee of such deposit, the Series of Bonds of the Series will be deemed to be paid within the meaning of the Indenture 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 the 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 the Indenture, and Financial Security shall become the Holder of such Senior Bonds for all purposes of the 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 under the Indenture or under the Insurance Agreement, such Senior Bonds shall no longer be deemed Outstanding for purposes of the Indenture.

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

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).

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety to the full text of the Loan Agreement.

Loan by CLGFA; Payment of Principal, Premium, if Any, and Interest

Pursuant to the Loan Agreement, CLGFA will make 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 the Loan Agreement and the Notes to evidence the Owner's obligation to repay the Loan and any and all other amounts specified under the Loan Agreement but solely from Revenues and the Trust Estate.

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 the 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 therein. Notwithstanding any schedule of payments under the Loan Agreement, in the Notes or in the Loan Payment Schedule, but subject to the terms and provisions regarding priority of the Senior Note over the Subordinate Note, the Owner agrees to make payments under the Loan Agreement 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 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 under the Loan Agreement 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 the Senior Termination Date.

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 the 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 Account Agreement or as otherwise required by the Mortgage Loan Documents, for deposit in accordance with the Indenture.

Loan Payment Schedule. The Owner will covenant and agree that, each month during the term of the 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. 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 the Loan Agreement, 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. 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.

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 the Loan Agreement, commencing April 12, 1997, the following amounts in the following order of priority:

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

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

third, amounts required to replenish the Senior Debt Service Reserve Fund to an amount equal to the Senior Reserve Requirement;

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

fifth, amounts required to be paid into the Replacement Reserve Fund as set forth below;

sixth, amounts required to be paid as "Reserve Costs" as set forth below;

seventh, amounts required to be paid as "Fees" as set forth below;

eighth, amounts required to be paid for "Redemption of Senior Bonds" as set forth below;

ninth, amounts required to be paid as "Other Payments" as set forth below;

tenth, amounts required to be paid to the Property Manager as set forth below; and

eleventh, the Required Rebate Deposit.

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 the 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 the Indenture.

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 paragraph. 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 the Loan Agreement 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 the Indenture.

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 (a) one-twelfth of (i) the annual fees, if any, of any rating agency approved by the Controlling Party whose rating on the Senior Bonds is then in effect, (ii) the Trustee's Fee, (iii) CLGFA's Fee and (b) the monthly Premium due to Financial Security.

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 (a) 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 (b) 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 for redemption required pursuant to 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.

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 under this heading, such amounts to be paid in the priority set forth in the Indenture.

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 the Indenture.

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 *first* through *eighth* above have been made and the terms and provisions of the Loan Agreement are satisfied in full. If the terms and provisions of the Loan Agreement are satisfied and no Event of Default under the Indenture or Trigger Event exists, after making the payments set forth in *first* through *eighth* above, the Trustee shall deposit in the appropriate fund or account, on or before the Allocation Date of each month during the term of the Loan Agreement, commencing April 12, 1997, (a) due interest on the Subordinate Loan in the amount set forth in Column G of the applicable Loan Payment Schedule, (b) due principal of the Subordinate Loan in the amount set forth in Column H of the applicable Loan Payment Schedule, (c) the amount required to be deposited in the Subordinate Debt Service Reserve Fund pursuant to the Indenture, (d) the amount required to be deposited in the Subordinate Pledged Funds Account pursuant to the Indenture, (e) the amount required to reimburse the Pledgor for any payments made by the Pledgor under the Pledge Agreement, together with interest thereon, (f) the Monthly Payment required to be paid to the City of Novato under the In-Lieu-Of Tax Agreement and (g) the amount required to be paid to the Owner to satisfy any unsecured obligations of the Owner incurred pursuant to the Loan Agreement.

Unconditional Obligation. CLGFA, the Owner and the PAC agree that the Owner and the PAC 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 the Loan Agreement. The obligation of the Owner to make the Loan Payments and other payments required to be made under *second* through *ninth* above including payments due by reason of acceleration of the Owner's obligations under the Loan Agreement and to perform and observe its other agreements contained therein, 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 the 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 the Loan Agreement for any reason whatsoever; provided, however, that no payments shall be due and payable or made pursuant to *ninth* except in accordance with the terms and provisions of the Loan Agreement. Nothing therein 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.

Subordination

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

(a) 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 (i) the Senior Loan and the Senior Bonds; (ii) amounts due and payable pursuant to *second* through *ninth* above under the heading "Loan Payments"; and (iii) 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;

(b) 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 the 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

(c) 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.

Notwithstanding any other provision of the 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.

Each holder of the Subordinate Note and the Subordinate Bonds, by acceptance of its Note and 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 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 the 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 the 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 the 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 the Loan 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 the 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.

Notwithstanding anything contained in the Loan Agreement to the contrary, the Holders of the Subordinate Bonds and 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.

Optional Prepayments

No prepayment of the Loan may be made except to the extent and in the manner expressly permitted by the Loan Agreement and as contemplated by the Indenture.

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 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.

The Owner shall be obligated to cause any optional prepayment of (a) 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 (b) 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.

Extraordinary Mandatory Prepayment

The Loan is subject to extraordinary mandatory prepayment, as a whole or in part, subject to the provisions 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 the Loan Agreement.

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.

Transfer of Project

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. 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 therein 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:

(a) 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;

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

(c) 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;

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

(e) 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;

(f) 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;

(g) after taking the transfer into account, the Senior Debt Service Coverage Ratio for the Project equals or exceeds 1.50X (i) 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 (ii) 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;

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

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

Payment of Costs of Issuance

The Owner is 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 will not be entitled to any reimbursement therefor from CLGFA, the Owner, the Trustee, Financial Security or the Holders of any of the Bonds, nor will the Owner be entitled to any diminution in or postponement of the payments required to be paid by it under the Loan Agreement.

Capital Plan

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 PAC 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 (a) implementation of the capital pass-through charge as described in the immediately succeeding sentence or (b) the immediately following October 1.

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. If Financial Security is not the Controlling Party, the functions under this section need not be performed.

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 insured 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 the 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 not take out separate insurance with respect to the Project concurrent in form or contributing in the event of loss with that required by the 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 under the Loan Agreement 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 rating 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) above, proceeds of any Title Insurance Policy obtained pursuant to clause (f) above 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 the Indenture. All proceeds of insurance carried pursuant to clause (d) above shall be paid by the insurance company directly to the Trustee for deposit in the Revenue Fund to be applied as set forth in the Indenture.

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 the Loan Agreement.

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 prior written consent of Financial Security.

Events of Default

An "Event of Default" shall exist under the Loan Agreement if:

(a) any amount required to be paid or caused to be paid by the Owner under the Loan Agreement 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 (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 (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) above), 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 under the Loan Agreement 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 the Loan 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.

Remedies; Waivers

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,

(a) declare all or a portion of the amounts due under the 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 under the Loan Agreement 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

(b) 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 under the Loan Agreement or to enforce performance of any obligation of the Owner or the PAC under the Loan Agreement.

The amounts due under the 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 (a) 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 the 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.

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 thereto 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.

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 on the holder of the Subordinate Note or the Holders of the Subordinate Bonds.

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 the 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 thereunder, 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.

Remedies Cumulative

No remedy conferred upon or reserved to the Controlling Party or the Trustee by the 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 the 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 the Loan Agreement, it shall not be necessary to give any notice other than as otherwise specified in the Loan Agreement.

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 the Loan Agreement agree to be bound by the 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 the 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

under the Loan Agreement except as expressly required by the 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 the 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 under the Loan Agreement 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 under the Loan Agreement 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 under the Loan Agreement or other provisions hereof and to the release of any security at any time given for any payment under the Loan Agreement, 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 under the Loan Agreement, and to the acceptance of any and all other security for any payment thereunder, and agree that the addition of any such obligors or security shall not affect the liability of the parties thereto for any payment thereunder. Nothing therein 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 thereunder the existence of any claim, setoff, defense, reduction, abatement or other right which any of the parties thereto may have at any time against Financial Security or any other person.

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 the 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, in the judgment of the Trustee, 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 the Loan Agreement, the Notes or the Mortgage shall be governed by the provisions of the Indenture.

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

THE PLEDGE AGREEMENT

DEFINITIONS

The following are definitions of certain terms contained in the Pledge Agreement.

"*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 to the Pledge Agreement from time to time by the Agency, or by the Owner with the approval of the Agency, 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, with prior written notice to Financial Security, by the Agency as its official fiscal year period.

"*Area*" means the San Francisco Primary Metropolitan Statistical Area or, with respect to the provisions of Article V thereof, 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).

"*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.

"*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.

"*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 to the Pledge Agreement 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.

"*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.

"*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 the Pledge Agreement.

"*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 the Pledge Agreement.

"*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.

"*Pledge*" means the pledge of Pledged Tax Revenues pursuant to the Pledge Agreement.

"*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 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 Fiscal Year*" means the twelve-month period commencing July 1 and ending on June 30 of the succeeding calendar year, or any other twelve-month period selected and designated by the PAC, with prior written consent of Financial Security, as the official fiscal year period for the Project.

"*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 under the Pledge Agreement, (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 certain provisions of the Pledge Agreement with regard to Very Low, Lower and Moderate Income Residents remain in effect.

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

"*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.

"*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 the Pledge Agreement.

The following is a summary of certain provisions of the Pledge Agreement. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety to the full text of the Pledge Agreement.

Term of Agreement

The Pledge Agreement shall take effect upon the Closing Date and shall terminate upon the end of the Project Period.

Housing Assistance Pledge Obligation of Agency

In consideration of the Owner's acquisition of the Project and its agreement under the Pledge Agreement 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 set forth in the Pledge Agreement, and the issuance of the Subordinate Bonds to partially finance such acquisition, the Agency 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 in the Pledge Agreement. 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 the Pledge Agreement.

Assignment to Trustee

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

Payment of Pledged Tax Revenues

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 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.

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 the Indenture.

Release of Pledge and Amounts on Deposit in Subordinate Pledged Funds Account. The Agency's obligations under Articles II, III and IV of the Pledge 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: (a) no Subordinate Bonds remain Outstanding under the Indenture, and (b) November 29, 2023.

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.

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 the Pledge Agreement 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 to spend all amounts received pursuant to this section on capital expenditures (i) for which the proceeds of bonds the interest on which is excluded from gross income for federal income tax purposes may be expended, (ii) 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 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 the Subordinate Bonds to become includable in the gross income of the owners thereof for federal income tax purposes.

Obligations Absolute

The obligations of the Agency under the Pledge Agreement shall be absolute, and shall be paid or performed strictly in accordance with the Pledge 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, the Pledge Agreement or the Indenture or any Mortgage Loan Document; (b) any exchange or release of any other obligations thereunder; (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 the Pledge 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 the Pledge Agreement.

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 the Pledge Agreement but only to the extent of Pledged Tax Revenues. No indemnification is made under this section or elsewhere in the Pledge Agreement for willful misconduct or gross negligence under the Pledge Agreement by the Owner, the PAC, CLGFA or the Trustee, or any of their officers, agents, employees, successors or assigns.

Remedies

Whenever any breach or default under the Pledge 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 the Pledge Agreement; provided, however, that notwithstanding anything therein 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 the Pledge 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 the Pledge Agreement.

Repayment of Obligation to Agency

All amounts paid by the Agency under the Pledge Agreement 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. All such amounts owed to the Agency shall be paid, except as otherwise expressly provided in the Pledge Agreement, from Revenues in the priority set forth in Section 5.03(b) of the Indenture and any other funds made available therefor thereunder. Notwithstanding the termination of the Pledge and the other obligations of the Agency under the Pledge Agreement pursuant to the terms of the Pledge Agreement, the provisions thereunder with respect to the repayment obligations owed to the Agency as set forth in the Pledge Agreement and the agreement to raise rents as set forth therein, shall continue and be in full force and effect until all obligations owed to the Agency thereunder are repaid in full.

Very Low, Lower and Moderate Income Resident Restrictions

The PAC and the Owner represent, warrant and covenant 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 paragraph (n) below) 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 this paragraph (b), and paragraphs (d) and (f) below, 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 this paragraph (b), and paragraphs (d) and (f) below 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 paragraph (n) below) 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 next 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 the extension as provided in paragraph (n) below) 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) above.

(h) The PAC or the Owner will obtain, complete, and maintain on file Income Certifications as set forth in Exhibit C thereto 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 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) above, 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) above, 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) above, 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 the Pledge 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 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 the Pledge Agreement 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 the Pledge Agreement to the contrary, these requirements (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, the conditions of any loans or grants from 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 in the Pledge Agreement 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 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 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 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 the Pledge Agreement.

Termination of Restricted Units Requirements

The terms of the Pledge Agreement to the contrary notwithstanding, the requirements set forth therein regarding restricted units shall terminate and be of no further force and effect in the event of involuntarily noncompliance with the provisions of the Pledge 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 thereof, 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 the Pledge Agreement after an Increased Restriction Event, the Increased Restrictions under the Pledge Agreement will terminate 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 the Pledge Agreement will remain in effect and be enforced in compliance with the Pledge Agreement; and (ii) the provisions of the Pledge Agreement 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 the Pledge Agreement to the Bonds, including, without limitation, the maintenance of the Required Coverage Amount during an Increased Restriction Event.

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 the Pledge Agreement; (2) any repayments due the Agency under Sections 3.03 and 3.04 of the Pledge 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.

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 under the Pledge Agreement), 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 the Pledge 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 the Pledge 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 the Pledge 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 the Pledge 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 the Pledge 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 the Pledge Agreement and that such obligations and the Pledge 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 the Pledge Agreement. Except as otherwise provided therein, it is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of the Pledge Agreement 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 the Pledge Agreement. Upon any sale or other transfer which complies with the Pledge Agreement, the Owner and the PAC shall be fully released from their obligations thereunder, 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 therein 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 the Pledge Agreement.

Covenants To Run With the Land

The Owner hereby subjects the Project to the covenants, reservations and restrictions set forth in the Pledge Agreement. The Owner, the Agency and the PAC hereby declare their express intent that the covenants, reservations and restrictions set forth therein 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 the Pledge 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 the Pledge Agreement shall impair, defeat or render invalid the lien of any mortgage, deed of trust or like encumbrance securing the Bonds.

APPENDIX B

PROPOSED FORM OF THE OPINION OF BOND COUNSEL

March 13, 1997

\$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

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of \$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 (the "Bonds") pursuant to the Mark-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, and pursuant to Resolution No. 97-1 (the "Bond Resolution") of the California Local Government Finance Authority ("CLGFA") and a Trust Indenture dated as of March 1, 1997 (the "Indenture"), by and between CLGFA and First Trust of California, National Association, as trustee (the "Trustee"). The proceeds of the Bonds are being used, together with a portion of the proceeds of the Senior Bonds to be issued concurrently with the Bonds, to loan the proceeds to the Novato Financing Authority (the "Owner") pursuant to a Loan Agreement, dated as of March 1, 1997 (the "Loan Agreement"), by and among CLGFA, the Owner and the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") for the Owner's acquisition of the Marin Valley Mobile Country Club Park (the "Project"). The Bonds are special obligations of CLGFA, payable solely from the Trust Estate as defined in the Indenture.

We have examined originals, or copies identified to our satisfaction as being true copies, of such records of CLGFA and the Owner, certificates and other assurances from public officials and officers, an opinion of counsel to the Owner and such other documents, opinions and matters as we have considered necessary or appropriate under the circumstances to render this opinion.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or events occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and we have assumed the accuracy of the factual matters represented, warranted or certified in the documents. In addition, we call your attention to the fact that the foregoing obligations of CLGFA under the Bonds and the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting creditors' rights generally. In addition, the enforceability of the Bonds and the Indenture is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific enforcement or injunctive relief, regardless of whether considered in a proceeding in equity or at law. We express no opinion regarding the availability of equitable remedies. Further,

we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material related to the Bonds and express no opinion relating thereto.

On the basis of the foregoing, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we have deemed relevant under the circumstances, as of the date hereof, we are of the opinion that:

1. CLGFA is a joint powers authority duly organized and existing under the laws of the State of California with the power to adopt the Bond Resolution and to enter into the Indenture and the Loan Agreement, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Indenture and the Loan Agreement have been duly authorized, executed and delivered by CLGFA and, assuming due authorization, execution and delivery by the other parties thereto, represent valid and binding agreements of CLGFA enforceable in accordance with their respective terms. The Indenture creates a valid lien on the Trust Estate.

3. The Bonds have been validly authorized, executed and issued in accordance with the Bond Resolution and the Indenture and represent valid and binding special obligations of CLGFA, payable solely from the Trust Estate as defined in the Indenture.

4. Under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excluded from gross income for federal income tax purposes. Interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax imposed on individuals and corporations, however, such interest is included in the alternative minimum taxable income of certain corporations which must be increased by 75% of the excess of the adjusted current earnings of such corporation over the alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses) of such corporations.

5. Under existing laws, regulations and judicial decisions, interest on the Bonds is exempt from present State of California personal income tax.

In rendering the opinions in paragraph 4 above, we have relied upon representations and covenants of CLGFA in the Indenture and the Tax Compliance Certificate of even date herewith and the representations and covenants of the Owner and the PAC in the Loan Agreement and the Tax Compliance Certificate. Failure to comply with such covenants could cause interest on the Bonds to be included in gross income retroactive to the date of issue of the Bonds. Although we are of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Respectfully submitted,

APPENDIX C

**AUDITED FINANCIAL STATEMENTS
OF THE CITY OF NOVATO REDEVELOPMENT AGENCY
FOR FISCAL YEAR ENDING JUNE 30, 1996**

THE REDEVELOPMENT AGENCY OF
THE CITY OF NOVATO

FINANCIAL STATEMENTS
JUNE 30, 1996

* * *

THE REDEVELOPMENT AGENCY OF
THE CITY OF NOVATO

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C. G. UHLENBERG & CO. LLP

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT E. BARSANTI, C.P.A. PEGGY H. CHEN, C.P.A. JEFFREY J. IRA, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Members of the Board of the
Redevelopment Agency of the City of Novato
Novato, California

We have audited the accompanying component unit financial statements of the Redevelopment Agency of the City of Novato (the Agency), a component unit of the City of Novato, California (the City), as of and for the fiscal year ended June 30, 1996. These component unit financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Redevelopment Agency of the City of Novato as of June 30, 1996, and the results of its operations for the fiscal year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the component unit financial statements taken as a whole. The combining statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the component unit financial statements of the Agency. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements; and, in our opinion, the information is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

C. G. Uhlenberg & Co. LLP

November 5, 1996
Redwood City, California

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**THE REDEVELOPMENT AGENCY OF
THE CITY OF NOVATO**

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1996**

	Governmental Fund Types			Fiduciary Fund Type Agency	Account Groups General	Totals (Memorandum Only)	
	General	Special Revenue Housing	Capital Projects	Vintage Oaks Bond Administration	Long-term Debt	1996	1995
ASSETS AND OTHER DEBITS							
Cash and investments	\$ 40,681	\$ 304,512	\$ 4,312,252	\$ 12,099	\$ -	\$ 4,669,544	\$ 4,068,135
Loan receivable	-	2,100	-	-	-	2,100	-
Due from other governments	303,821	109,225	-	-	-	413,046	383,468
Amount to be provided for retirement of long-term debt	-	-	-	-	8,079,947	8,079,947	8,338,906
TOTAL ASSETS AND OTHER DEBITS	\$ 344,502	\$ 415,837	\$ 4,312,252	\$ 12,099	\$ 8,079,947	\$ 13,164,637	\$ 12,790,509
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ -	\$ 2,100	\$ -	\$ 2,000	\$ -	\$ 4,100	\$ 299,180
Accrued salaries	377	-	-	-	-	377	-
Accrued liabilities	37,442	-	-	-	-	37,442	32,499
Due to other funds	306,683	5,400	-	-	-	312,083	-
Trust and agency deposits	-	-	-	10,099	-	10,099	-
Long-term debt	-	-	-	-	8,079,947	8,079,947	8,338,906
Total Liabilities	344,502	7,500	-	12,099	8,079,947	8,444,048	8,670,585
Fund Equity:							
Fund Balances:							
Reserved	-	371,565	-	-	-	371,565	371,565
Unreserved	-	-	-	-	-	-	-
Designated	-	36,772	4,312,252	-	-	4,349,024	3,748,359
Total Fund Balances	-	408,337	4,312,252	-	-	4,720,589	4,119,924
Total Fund Equity	-	408,337	4,312,252	-	-	4,720,589	4,119,924
TOTAL LIABILITIES AND FUND EQUITY	\$ 344,502	\$ 415,837	\$ 4,312,252	\$ 12,099	\$ 8,079,947	\$ 13,164,637	\$ 12,790,509

See notes to component unit financial statements.

THE REDEVELOPMENT AGENCY OF
THE CITY OF NOVATO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	General	Special Revenue Housing	Capital Project	Total (Memorandum Only)
REVENUES:				
Taxes	\$ 673,464	\$ 227,876	\$ -	\$ 901,340
Use of money and property	325,033	24,927	234,364	584,324
Miscellaneous	168	-	-	168
Total Revenues	998,665	252,803	234,364	1,485,832
EXPENDITURES:				
Current:				
Community development	48,665	216,032	-	264,697
Debt service				
Principal retirement	258,960	-	-	258,960
Interest and fiscal charges	691,040	-	-	691,040
Total Expenditures	998,665	216,032	-	1,214,697
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	36,771	234,364	271,135
OTHER FINANCING SOURCES (USES):				
Operating transfers - In	-	-	4,312,276	4,312,276
Operating transfers - Out	-	-	(3,864,998)	(3,864,998)
Total Other Financing Sources (Uses)	-	-	447,278	447,278
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	36,771	681,642	718,413
FUND BALANCES AT BEGINNING OF YEAR	-	371,566	3,630,610	4,002,176
FUND BALANCES AT END OF YEAR	\$ -	\$ 408,337	\$ 4,312,252	\$ 4,720,589

See notes to component unit financial statements.

THE REDEVELOPMENT AGENCY OF
THE CITY OF NOVATO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	General			RDA Housing			Capital Project Funds		
	Budget	Actual (Budget Basis)	Variance Favorable (Unfavorable)	Budget	Actual (Budget Basis)	Variance Favorable (Unfavorable)	Budget	Actual (Budget Basis)	Variance Favorable (Unfavorable)
REVENUES:									
Taxes	\$ 705,880	\$ 673,464	\$ (32,416)	\$ 228,931	\$ 227,876	\$ (1,055)	\$ 208,000	\$ 234,364	\$ 26,364
Use of money and property	298,890	325,033	26,143	20,000	24,927	4,927	-	-	-
Miscellaneous	-	168	168	-	-	-	-	-	-
Total Revenues	1,004,770	998,665	(6,105)	248,931	252,803	3,872	208,000	234,364	26,364
EXPENDITURES:									
Current:									
Community development	1,004,548	998,665	5,883	460,176	216,032	244,144	-	-	-
Total Expenditures	1,004,548	998,665	5,883	460,176	216,032	244,144	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	222	-	(222)	(211,245)	36,771	248,016	208,000	234,364	26,364
OTHER FINANCING SOURCES (USES):									
Operating transfers - In	-	-	-	-	-	-	4,500,000	4,312,276	(187,724)
Operating transfers - Out	-	-	-	-	-	-	(3,864,998)	(3,864,998)	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	635,002	447,278	(187,724)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ 222	-	\$ (222)	\$ (211,245)	36,771	\$ 248,016	\$ 843,002	681,642	\$ (161,360)
FUND BALANCES AT BEGINNING OF YEAR					371,566			3,630,610	
FUND BALANCES AT END OF YEAR					\$ 408,337			\$ 4,312,252	

See notes to component unit financial statements.

**THE REDEVELOPMENT AGENCY OF
THE CITY OF NOVATO**

NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS

1. DESCRIPTION OF THE REDEVELOPMENT AGENCY AND REDEVELOPMENT PLAN

The Redevelopment Agency of the City of Novato (the Agency) was established December 29, 1983 under the provisions of the Community Redevelopment Law (California Health and Safety Code, commencing with Section 33000). The Project was established May 23, 1983 with the adoption of the Redevelopment Plan (the Plan) and encompasses approximately 400 acres in the Novato area. The primary purpose of the Agency is to assist in the clearance and rehabilitation of areas determined to be in a declining condition in the City of Novato (the City). The Agency functions as an independent entity and its policies are determined by the City Council of the Town in a separate capacity as members of the Redevelopment Agency Board (the Board). All staff work is performed by the officials and staff of the City, or by consultants to the Agency.

The Agency is a separate legal entity subject to oversight by the City Council of Novato (the Council). As the primary governing unit of the Agency, the Council exercises significant financial and management control over the Agency.

For financial reporting purposes, the Agency includes all funds and account groups of the Agency that are controlled by the Board. The Agency is an integral part of the City, and the accompanying financial statements are included as a component unit of the general purpose financial statements prepared by the City.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Funds and Account Groups

The accounts of the Agency are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the component unit financial statements in this report into categories as follows:

THE REDEVELOPMENT AGENCY OF
THE CITY OF NOVATO

NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS

Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the Agency. It is used to account for all financial resources of the general government not accounted for in another fund.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, including urban redevelopment.

Agency Funds - The Agency Fund is used to account for assets held by the Agency in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Account Groups:

General Long-Term Obligations Account Group - This account group was established to account for all long-term obligations of the City.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the component unit financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All Agency transactions are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Revenues considered susceptible to accrual include property taxes and interest revenue. Expenditures are generally recognized when the related fund liability is incurred except for principal and interest on long-term obligations which is recognized when due.

THE REDEVELOPMENT AGENCY OF
THE CITY OF NOVATO

NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS

C. Budgetary Policies and Accounting

The Agency operates under the general laws of the State of California and annually adopts a budget for its governmental funds to be effective July 1 for the ensuing fiscal year. The City Council may amend the budget by resolution during the fiscal year. Annual budgets are adopted on a basis not consistent with generally accepted accounting principles. Budget appropriations lapse at the end of the fiscal year unless encumbered by specific Council approval.

Budget information is presented for general, special revenue, and capital projects funds on a one year budgetary basis. Budgeted amounts appearing in the budgetary comparison statements are as originally adopted or as amended by the City Council through June 30, 1996.

D. Cash and Investments

The City pools cash from all sources except cash with fiscal agents and deferred compensation plan assets for the purpose of increasing income through investment activities.

E. Property Taxes

The Agency does not have the authority to levy tax, but does receive tax increments from the City's property tax through Marin County. These increments are the additional property tax created in a project area which exceeds the base year (year of Plan adoption) value because of improvements and reassessments. Property tax revenue is recognized when measurable and collectible.

F. Fund Balances

Fund balances consist of reserved and unreserved amounts. Reserved fund balances represent that portion of a fund balance which is not appropriable for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved fund balances.

Portions of unreserved fund balances may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change, have not been legally authorized and may not result in expenditures.

THE REDEVELOPMENT AGENCY OF
THE CITY OF NOVATO

NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS

G. Totals (Memorandum Only) Information

Columns on the accompanying component unit financial statements captioned Totals (Memorandum Only) do not present consolidated financial information. They are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data.

3. CASH AND INVESTMENTS

The Agency holds its cash in the City of Novato Treasury. The City maintains a cash and investment pool and allocates interest to the various funds based upon the average quarterly cash balances. Information regarding categorization of investments can be found in the City of Novato financial statements.

A. Authorized Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Records, certificates of deposit, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. The City is also authorized to enter in reverse repurchase agreements.

4. GENERAL LONG-TERM DEBT ACCOUNT GROUP

The activity in the General Long-Term Debt Account Group for the year ended June 30, 1996, is as follows:

	<u>Payable</u> <u>July 1, 1995</u>	<u>Debt</u> <u>Incurred</u>	<u>Debt</u> <u>Retirement</u>	<u>Payable</u> <u>June 30, 1996</u>
Loan	<u>\$8,338,906</u>	<u>\$ -</u>	<u>\$258,959</u>	<u>\$ 8,079,947</u>

The Redevelopment Agency entered into a promissory agreement with HNH Associates for the construction and financing of certain on site and off-site public improvements of the Vintage Oaks Retail Complex. The no interest promissory note is for \$9,000,000. Payments consist of two semi-annual installments which began in 1994 and end in the year 2013. The payments will be financed by the property tax increments to be generated by this retail complex and lease revenue from the City to the Agency.

THE REDEVELOPMENT AGENCY OF
THE CITY OF NOVATO

NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS

The annual debt service on the loan is as follows:

	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
1997	\$ 950,000	\$ 281,974	\$ 668,026
1998	950,000	305,224	644,776
1999	950,000	330,391	619,609
2000	950,000	357,634	592,366
2001	950,000	389,830	560,170
Thereafter	<u>10,550,000</u>	<u>6,413,889</u>	<u>4,136,111</u>
Total	<u>\$15,300,000</u>	<u>\$ 8,078,942</u>	<u>\$ 7,221,058</u>

THE REDEVELOPMENT AGENCY OF
THE CITY OF NOVATO

CAPITAL PROJECTS FUND
COMBINING BALANCE SHEET
JUNE 30, 1996

(WITH COMPARATIVE TOTALS FOR JUNE 30, 1995)

	RDA Community Center Maintenance	RDA Community Center Performing Arts	RDA Community Center Gymnastics	RDA Community Center Pool	<u>Totals</u>	
					1996	1995
ASSETS						
Cash and investments	\$ 1,131,197	\$ 2,028,791	\$ 1,115,835	\$ 36,429	\$ 4,312,252	\$ 3,630,611
TOTAL ASSETS	<u>\$ 1,131,197</u>	<u>\$ 2,028,791</u>	<u>\$ 1,115,835</u>	<u>\$ 36,429</u>	<u>\$ 4,312,252</u>	<u>\$ 3,630,611</u>
FUND EQUITY						
Fund Balances: Designated	\$ 1,131,197	\$ 2,028,791	\$ 1,115,835	\$ 36,429	\$ 4,312,252	\$ 3,630,611
TOTAL FUND EQUITY	<u>\$ 1,131,197</u>	<u>\$ 2,028,791</u>	<u>\$ 1,115,835</u>	<u>\$ 36,429</u>	<u>\$ 4,312,252</u>	<u>\$ 3,630,611</u>

**THE REDEVELOPMENT AGENCY OF
THE CITY OF NOVATO**

**CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 1996
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 1995)**

	RDA Community Center Maintenance	RDA Community Center Performing Arts	RDA Community Center Gymnastics	RDA Community Center Pool	Redevelopment Agency	Totals	
						1996	1995
REVENUES:							
Use of money and property	\$ 18,921	\$ 28,791	\$ 15,835	\$ 1,429	\$ 169,388	\$ 234,364	\$ 197,891
Total Revenues	\$ 18,921	\$ 28,791	\$ 15,835	\$ 1,429	\$ 169,388	\$ 234,364	\$ 197,891
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	18,921	28,791	15,835	1,429	169,388	234,364	197,891
OTHER FINANCING SOURCES (USES):							
Operating transfers - In	1,112,276	2,000,000	1,100,000	100,000	-	4,312,276	-
Operating transfers - Out	-	-	-	(65,000)	(3,799,998)	(3,864,998)	-
Total Other Financing Sources (Uses)	1,112,276	2,000,000	1,100,000	35,000	(3,799,998)	447,278	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,131,197	2,028,791	1,115,835	36,429	(3,630,610)	681,642	197,891
FUND BALANCES AT BEGINNING OF YEAR	-	-	-	-	3,630,610	3,630,610	3,432,719
FUND BALANCES AT END OF YEAR	\$ 1,131,197	\$ 2,028,791	\$ 1,115,835	\$ 36,429	\$ -	\$ 4,312,252	\$ 3,630,610



C. G. UHLENBERG & CO. LLP

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT E. BARSANTI, C.P.A. PEGGY H. CHEN, C.P.A. JEFFREY J. IRA, C.P.A.

INDEPENDENT AUDITOR'S COMPLIANCE REPORT

Members of the Board of the
Redevelopment Agency of the City of Novato
Novato, California

We have audited the component unit financial statements of the Redevelopment Agency of the City of Novato, a component unit of the City of Novato, California, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 5, 1996. We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the Agency is the responsibility of the Agency's management. As part of obtaining reasonable assurance about whether the component unit financial statements are free of material misstatement, we performed tests of the Agency's compliance with provisions of laws and regulations contained in the Guidelines for Compliance Audits of California Redevelopment Agencies issued by the State Controller's Office, Division of Local Government Fiscal Affairs.

The results of our tests indicated that, with respect to the items tested, the Redevelopment Agency of the City of Novato complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Redevelopment Agency of the City of Novato had not complied, in all material respects, with those provisions.

This report is intended for the information of the Redevelopment Agency of the City of Novato and the State Controller's Office. However, this report is a matter of public record and its distribution is not limited.

C. G. Uhlenberg & Co. LLP

November 5, 1996
Redwood City, California

APPENDIX D

CITY OF NOVATO

THE FOLLOWING INFORMATION CONCERNING THE CITY OF NOVATO (THE "CITY") AND SURROUNDING AREAS IS INCLUDED FOR THE PURPOSE OF SUPPLYING GENERAL INFORMATION REGARDING THE CITY AND THE COMMUNITY. THE BONDS DO NOT CONSTITUTE A DEBT OF THE CITY OR THE REDEVELOPMENT AGENCY OF THE CITY OF NOVATO (THE "AGENCY") AND NEITHER THE CITY, THE AGENCY, THE STATE OF CALIFORNIA NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON.

General

The City of Novato was incorporated in 1960. The City has a council-manager form of government. Five persons are elected by popular vote to serve four-year terms on the City Council. Elections are held every two years. The Mayor is separately elected to a one-year term by members of the City Council from among the City Council members. The Mayor acts as the presiding officer of the City Council. Policies established by the City Council are implemented through the office of the City Manager.

The City of Novato is located approximately 28 miles north of the City of San Francisco in Marin County. The City occupies 28 square miles and is traversed by U.S. Highway 101 which provides access to San Francisco to the South and Santa Rosa and beyond to the North. The City of Novato with a current population of approximately 46,500 is a prime residential community for people employed in the greater San Francisco Bay Area.

The majority of Marin County is surrounded by water with the Pacific Ocean to the west and the San Francisco and San Pablo Bays to the south and east. Most residents of Marin County reside in the eastern portion of the County while the western part of the County is sparsely populated. The topography is generally rugged with numerous mountains, forests and coastal areas. Marin County covers 606 square miles with 86 square miles of tidelands and approximately one-third of the total land area being parks and open space preserves. San Francisco County is located across the Golden Gate Bridge to the south and Contra Costa and Alameda Counties are located across the Richmond/San Rafael Bridge to the east. Sonoma County borders Marin County on the north.

Population

The population for the City, Marin County and the State of California are provided below:

<u>Year</u>	<u>City of Novato</u>	<u>Annual % Change</u>	<u>County of Marin</u>	<u>Annual % Change</u>	<u>State of California</u>	<u>Annual % Change</u>
1970	31,006	--%	206,038	--%	19,971,069	--%
1980	43,916	4.2	222,568	.8	23,668,562	1.6
1990	47,650	.8	230,096	.9	29,760,021	2.5
1991	47,250	(.8)	231,900	.8	30,296,000	1.8
1992	47,500	.5	234,200	1.0	30,845,000	1.8
1993	47,800	.6	236,000	.8	31,303,000	1.5
1994	48,150	.7	237,300	.6	31,661,000	1.1
1995	47,550	(1.2)	238,200	.4	31,910,000	.8
1996	46,500	(2.2)	239,500	.5	32,231,000	.1

For periods 1980 and 1990, percentage change of population calculated as an annual average percent of change.

Source: U.S. Census; California Department of Finance, Demographic Research Unit.

Employment

Marin County's labor force, employment and unemployment results for the years 1987 through 1996 are compared to the State of California and the nation in the following table.

**COUNTY OF MARIN
Civilian Labor Force
Employment and Unemployment Estimates
for the Marin County, State and Nation Yearly Average
1987—1996**

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Rate*</u>
1987				
Marin County	124,400	120,400	4,000	3.2%
California	13,737,500	12,946,500	791,000	5.8
U.S.	119,865,000	112,440,000	7,425,000	6.2
1988				
Marin County	127,400	123,600	3,800	3.0
California	14,132,000	13,383,800	748,200	5.3
U.S.	123,378,000	114,968,000	6,701,000	5.4
1989				
Marin County	129,000	125,600	3,400	2.6
California	14,517,400	13,780,000	737,400	5.1
U.S.	125,557,000	117,342,000	6,528,000	5.2
1990				
Marin County	130,500	127,200	3,300	2.5
California	15,193,400	14,319,200	874,200	5.8
U.S.	124,787,000	117,342,000	6,874,000	5.5
1991				
Marin County	128,900	124,000	4,900	3.8
California	15,176,600	14,004,200	1,172,400	7.7
U.S.	125,303,000	116,877,000	8,426,000	6.7
1992				
Marin County	128,500	121,900	6,600	5.1
California	15,334,900	13,939,100	1,395,800	9.1
U.S.	129,839,000	120,586,000	9,252,000	7.1
1993				
Marin County	130,900	124,200	6,700	5.1
California	15,359,500	13,918,300	1,441,200	9.4
U.S.	128,040,000	119,306,000	8,734,000	6.8
1994				
Marin County	129,600	123,600	6,000	4.6
California	15,461,800	14,132,900	1,328,900	8.6
U.S.	131,056,000	123,060,000	7,996,000	6.1
1995				
Marin County	128,000	122,500	5,500	4.3
California	15,415,800	14,205,900	1,209,600	7.8
U.S.	132,518,000	124,959,000	7,559,000	7.8
1996				
Marin County	130,400	126,000	4,400	3.4
California	15,508,200	14,382,800	1,125,400	7.3
U.S.	133,928,000	126,708,000	7,220,000	5.4

Source: California Employment Development Department, Labor Market Information Division; U.S. Bureau of Labor Statistics.

*Unemployment rate is based on unrounded data.

Employers

The City's proximity to the San Francisco Area provides significant employment opportunities to the City's residents.

A list of the 10 largest employers in the City is set forth below:

CITY OF NOVATO Ten Largest Employers

<u>Employer</u>	<u>No. of Employees</u>	<u>Products or Services</u>
Firemans Fund Insurance Co.	2,500	Insurance
Novato Unified School District	700	School District
Broderbund Software	550	Software Developer
Harris Corporation	500	Telephone Manufacturing
Novato Community Hospital	336	Hospital
Marin Independent Journal	320	Daily Newspaper
Mindscape	230	Software Company
Costco	200	Bulk Food Outlet
Harding Lawson Associates	200	Engineering Firm
City of Novato	185	City Government

Source: City of Novato Chamber of Commerce.

The major employers in the County of Marin are shown in the following table:

**COUNTY OF MARIN
25 Largest Employers
1995⁽¹⁾**

<u>Company</u>	<u>Business</u>	<u>Employees</u>
Firemans Fund	Insurance	2,500
County of Marin	County Government	1,700
U.S. Postal Service	Mail Collection/Delivery	1,579
San Quentin State Prison	Corrections	1,498
Marin General Hospital	Hospital	900
Novato Unified School District	School District	900
Autodesk Inc.	Software	853
Kaiser Permanente	HMO	850
Lucas Digital Ltd.	Film Production	700
Safeway Inc., N. Calif. Div.	Supermarket	675
Golden Gate Bridge, Highway and Transportation District	Public Agency	624
Fair, Issac and Co., Inc.	Data Analysis	510
Broderbund Software Inc.	Software	500
Harris Corp., Digital Telephone Systems Division	Telephone Manufacturing	500
Westamerica Bancorp	Banking	401
City of San Rafael	City Government	375
Mindscape Inc.	Software	360
College of Marin	College	350
Tamalpais Union High School District	High School District	320
Marin Independent Journal	Newspaper	280
Marin Municipal Water District	Public Water Supplier	246
CCH, Inc.	Electronic Publishing	220
Harding Lawson Associates, Inc.	Engineering Firm	220
Pacific Gas and Electric	Gas and Electric Utility	200
San Rafael City Schools	School District	167

⁽¹⁾As of December 1, 1995: Rankings based on full-time employees only.
Source: City of Novato Chamber of Commerce, San Francisco Business Times.

Employment Industry

The following shows employment by industry group in the County of Marin in 1995:

COUNTY OF MARIN Employment by Industry Group 1995

<u>Type of Employment</u>	<u>Percent</u>
Services	35.1%
Retail Trade	23.7
Government	11.9
Finance/Insurance/R.E.	11.1
Manufacturing	5.2
Mining/Construction	4.7
Wholesale Trade	4.2
Transportation/Public Utilities	2.8

Source: County of Marin.

Construction Activity

The following table summarizes available building activity volume data within the City for the fiscal years of 1991 through 1996:

CITY OF NOVATO Building Valuations

	<u>Residential</u>	<u>Commercial and Industrial</u>	<u>Total Valuation</u>
1991	\$18,292,893	\$ 8,459,645	\$26,752,538
1992	18,812,536	53,620,983	72,433,519
1993	23,491,425	73,581,486	97,082,911
1994	23,884,634	20,356,944	44,241,578
1995	22,467,010	12,585,415	35,052,425
1996	27,328,313	58,140,585	85,468,898

Source: City of Novato.

Commercial Activity

The following tables summarize the annual volume of taxable transactions within the City from 1987 through 1995.

CITY OF NOVATO Taxable Transactions (\$000)

	<u>Retail Outlets</u>	<u>Other Outlets</u>	<u>Total All Outlets</u>
1987	\$193,457	\$42,622	\$236,079
1988	213,635	56,446	270,081
1989	236,068	66,362	302,430
1990	243,012	67,097	310,109
1991	235,218	71,066	306,284
1992	304,033	78,238	382,271
1993	323,440	74,872	398,312
1994	346,395	77,665	424,060
1995	361,431	85,853	447,284
1996*	184,882	45,416	230,298

* First and Second Quarters of 1996 only.

Source: California State Board of Equalization.

Housing Supply

The following tables summarize the housing supply in the City from 1992 through 1996.

CITY OF NOVATO Summary of Housing Supply

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Single family					
Detached	10,313	10,354	10,385	10,450	10,509
Attached	3,518	3,518	3,535	3,535	3,535
Multifamily	4,502	4,552	4,554	4,554	4,554
Mobile Home	<u>640</u>	<u>640</u>	<u>640</u>	<u>640</u>	<u>640</u>
Totals	18,973	19,064	19,114	19,179	19,238
Vacancy Factors					
Occupied	18,403	18,488	18,537	18,415	17,778
Vacancy	552	558	560	733	1,349
Percentage	3.00	3.02	3.02	3.98	7.59

Source: California Department of Finance, Demographic Research Unit.

Utilities

General Telephone Company and Pacific Bell provide telephone services to the City. Pacific Gas and Electric provides natural gas and electric services in the City.

Water Service

North Marin Water District provides water service in the City.

Wastewater Collection and Treatment

The Novato Sanitary District provides wastewater collection and treatment services to the City.

Solid Waste Disposal

Novato Disposal Service provides garbage and recycling services in the City.

Transportation

Marin County is served by Highway 101, traveling north to south located in the eastern portion of the county. Highway 1, traveling north to south located in the western portion of the County provides access to Point Reyes National Seashore and other western areas of the County. Highway 37 provides access to Sonoma County traveling east. The Golden Gate Bridge and the Richmond/San Rafael Bridge provide access to the surrounding Bay Area communities. Golden Gate Transit, Sonoma County Transit, Red and White Fleet, RIDES, Dial-A-Ride Services and Whistlestop Wheels provide several kinds of local transportation including buses, carpools, vanpools, seniors and disabled transportation. In addition, ferry service is available from Sausalito, Tiburon and Larkspur to the downtown financial district of San Francisco.

The Marin County Airport (Gnoss Field) is located north of the Novato city limits and provides business and recreational flying services as well as air charter and flight training. The San Francisco International Airport is located south of Marin County across the Golden Gate Bridge and provides service to numerous domestic and international destinations.

Education

The Novato Unified School District provides education through eight elementary schools, three middle schools, two high schools and the North Marin Alternative School. Additionally, there is one community college and three parochial schools.

APPENDIX E

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

The California Local Government Finance Authority ("CLGFA") is a Joint Powers Agency ("JPA") duly organized and existing under the laws of the State of California (the "State"). CLGFA was formed pursuant to the terms of a Joint Exercise of Powers Agreement, dated as of July 1, 1993, (the "Joint Powers Agreement"), and Government Code Sections 6500-6515 (the "JPA Act"), with the express purpose of issuing bonds and other obligations to provide funds for the financing of public capital improvements, working capital, liability and other insurance and program needs, or projects whenever there are significant public benefits, and to make loans to its members and other local agencies. The Counties of Amador, Calaveras, Glenn, Inyo, Lassen, Modoc, Mono, Placer, and Tuolumne and the City of Novato are the current parties to the Joint Powers Agreement.

As of the date of issuance of the Bonds, an officer of CLGFA will execute a certificate to the effect that there is no controversy or litigation now pending against CLGFA, or to the knowledge of such officer threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds.

American Government Financial Services Company is serving as the independent financial advisor to the CLGFA in connection with the issuance of the Bonds and Subordinate Bonds. The fee of American Government Financial Services Company is not contingent upon the issuance of the Bonds.

CLGFA will receive a fee upon the issuance of the Bonds in the amount of \$20,000 from the proceeds of the Bonds to cover its calculated overhead, administrative, staff and Board member's time and other costs attributable to the Bonds and Subordinate Bonds. CLGFA will receive an annual fee equal to \$7,500 from revenues of the Project for these same purposes commencing with the third year after the issuance of the Bonds.

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB, a California nonprofit mutual benefit corporation (the "PAC"), NOVATO FINANCING AUTHORITY, a California joint powers authority (the "Authority"), 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 (the "Agency"), and FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, in its capacity as Dissemination Agent hereunder and in its capacity as trustee (the "Trustee") for the holders of the \$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 (the "Bonds") under the Trust Indenture between the California Local Government Finance Authority ("CLGFA") and the Trustee, dated as of March 1, 1997 (the "Indenture"). The PAC, the Authority, the Agency, the Dissemination Agent and the Trustee covenant and agree as follows:

Section 1. *Purpose of the Disclosure Agreement.* This Disclosure Agreement is being executed and delivered by the PAC, the Authority, the Agency, the Dissemination Agent and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds.

While the Delegation Agreement dated as of March 1, 1997, (the "Delegation Agreement") by and between the Authority and the PAC is in effect, the PAC, and upon termination of the Delegation Agreement, the Authority (the party then acting is herein referred to as the "Obligated Party") undertakes to provide the following information as provided in this Disclosure Agreement:

- (1) Project Annual Financial Information;
- (2) Project Audited Financial Statements, if any; and
- (3) Material Event Notices.

The Agency undertakes to provide Agency Audited Financial Statements as provided in this Disclosure Agreement.

Section 2. *Definitions.* In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Agency Audited Financial Statements*" means, in the case of the Agency, its annual audited financial statements.

"*Beneficial Owners*" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

"*Dissemination Agent*" means First Trust of California, National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Obligated Party and which has filed with the Trustee a written acceptance of such designation.

"*Holders*" means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in its depository system.

"*Material Event*" means any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Nonpayment-related Events of Default under and as defined in the Indenture;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of Bondholders;
- (viii) Bond calls (other than mandatory sinking fund redemptions);
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) Rating changes.

"Material Event Notice" means written or electronic notice of a Material Event.

"Project Annual Financial Information" means, in the case of the Obligated Party, the financial information or operating data with respect to the Project, provided at least annually, of the type included in Appendix A hereto, which Annual Financial Information may, but is not required to, include Project Audited Financial Statements, and which Annual Financial Information will include the then current Loan Payment Schedule in the form attached to the Loan Agreement as Exhibit B and the information contained in the following sections in the Private Placement Memorandum relating to the Bonds revised to reflect the prior Fiscal Year's actual results: (i) "THE PROJECT—General Description" and (ii) "THE REDEVELOPMENT AGENCY OF THE CITY OF NOVATO." If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board.

"Project Audited Financial Statements" means, in the case of the Obligated Party, the annual audited financial statements of the Project, if any.

Section 3. Provision of Annual Reports. (a) While any Bonds are outstanding, the Obligated Party shall, or shall cause the Dissemination Agent to, provide the Project Annual Financial Information on or before September 1 of each year (the "Report Date"), beginning on or before September 1, 1998, to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address. If the Dissemination Agent is to provide the Project Annual Financial Information, not later than 15 Business Days prior to said date, the Obligated Party shall provide the Project Annual Financial Information to the Dissemination Agent. The Obligated Party shall include with each such submission of Project Annual Financial Information to the Dissemination Agent a written representation addressed to the Dissemination Agent, upon which the Dissemination Agent may conclusively rely, to the effect that the Project Annual Financial Information is the Project Annual Financial Information required to be provided by it pursuant to this Disclosure Agreement and that it complies with the applicable requirements of this Disclosure Agreement. In each case, the Project Annual Financial Information may be submitted as a single document or as a set of documents, and all or any part of such Project Annual Financial Information may be provided by specific cross-reference to other documents previously provided to the Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address, or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the Municipal Securities Rulemaking Board, as provided in the definition of Project Annual Financial Information. The Project Audited Financial Statements, if any, may, but are not required to be, provided as a part of the Project Annual Financial Information.

(b) If not provided as part of the Project Annual Financial Information, the Obligated Party shall, or, upon furnishing such Project Audited Financial Statements to the Dissemination Agent, shall cause the Dissemination Agent to, provide Project Audited Financial Statements when and if available while any Bonds are Outstanding to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address.

(c) If by 15 Business Days prior to a Report Date the Dissemination Agent has not received a copy of the Project Annual Financial Information, the Dissemination Agent shall contact the Obligated Party to give notice that the Dissemination Agent has not received the Project Annual Financial Information and that such information must be provided to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address by the applicable Report Date.

(d) The Dissemination Agent shall:

(i) determine prior to the Report Date the name and address of each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address; and

(ii) to the extent the Obligated Party has provided the Project Annual Financial Information to the Dissemination Agent, file a report with the Obligated Party certifying that the Annual Financial Information has been provided by the Dissemination Agent to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address pursuant to this Disclosure Agreement, stating the date it was provided and listing each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address to which it was provided.

(f) If the Dissemination Agent does not receive the Project Annual Financial Information from the Obligated Party required by clause (a) of this Section by the applicable Report Date, the Dissemination Agent shall, without further direction or instruction from the Obligated Party, provide in a timely manner to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address notice of any such failure to provide to the Dissemination Agent Project Annual Financial Information by the applicable Report Date. For the purposes of determining whether information received from the Obligated Party is Project Annual Financial Information, the Dissemination Agent shall be entitled conclusively to rely on the written representation made by the Obligated Party pursuant to this Section.

Section 4. Reporting of Significant Events. (a)(i) If a Material Event occurs while any Bonds are Outstanding, the Obligated Party shall provide a Material Event Notice in a timely manner to the Dissemination Agent and instruct the Dissemination Agent to provide such Material Event Notice in a timely manner to the Holders and Beneficial Owners of the Bonds for which it has actual knowledge of its respective identity and address. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

(ii) The Trustee shall promptly advise the Obligated Party and the Authority if it is not then the Obligated Party of any Material Event with respect to the Bonds of which the Trustee has actual knowledge. For purposes of this Disclosure Agreement, "actual knowledge" of such Material Event shall mean knowledge by a Responsible Officer of the Trustee at the Corporate Trust Office of the existence of such Material Event.

(b) Whenever the Obligated Party obtains knowledge of the occurrence of a Material Event, whether because of a notice from the Trustee pursuant to subsection (a) or otherwise, the Obligated Party shall as soon as reasonably possible determine if such event would constitute material information for Bondholders.

(c) If the Obligated Party provides to the Dissemination Agent information relating to the Obligated Party or the Bonds, which information is not designated as a Material Event Notice, and directs the Dissemination Agent to provide such information to the Holders and Beneficial Owners of the Bonds, the Dissemination Agent shall provide such information in a timely manner to the Holders and Beneficial Owners of the Bonds for which it has actual knowledge of its respective identity and address.

Section 5. Provision of Agency Audited Financial Statements. (a) While any Bonds are outstanding and the Agency is obligated to pay the Pledge Amount under the Pledge Agreement upon the occurrence of certain

events, the Agency shall, or shall cause the Dissemination Agent to, provide Agency Audited Financial Statements on or before February 1 of each year (the "Agency Report Date") beginning on February 1, 1998, to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address. If the Dissemination Agent is to provide the Agency Audited Financial Statements, not later than 15 Business Days prior to said date, the Agency shall provide the Agency Audited Financial Statements to the Dissemination Agent.

(b) If by 15 Business Days prior to an Agency Report Date the Dissemination Agent has not received a copy of the Agency Audited Financial Statements, the Dissemination Agent shall contact the Agency to give notice that the Dissemination Agent has not received the Agency Audited Financial Statements and that such information must be provided to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address, by the applicable Agency Report Date.

(c) The Dissemination Agent shall:

(i) determine prior to the Agency Report Date the name and address of each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address; and

(ii) to the extent the Agency has provided the Agency Audited Financial Statements to the Dissemination Agent, file a report with the Agency certifying that the Agency Audited Financial Statements have been provided by the Dissemination Agent to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address, pursuant to the Disclosure Agreement, stating the date it was provided and listing each such Holder and Beneficial Owner to which it was provided.

Section 6. *Termination of Reporting Obligation.* The PAC's, the Authority's, the Agency's, the Dissemination Agent's and the Trustee's obligations under this Disclosure Agreement shall automatically terminate once the Bonds are no longer outstanding.

Section 7. *Dissemination Agent.* The Obligated Party may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent upon notice to the Dissemination Agent. The Dissemination Agent may resign at any time by providing 30 days' written notice to the Obligated Party and the Authority if it is not then the Obligated Party. The initial Dissemination Agent shall be First Trust of California, National Association.

Section 8. *Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Agreement, the PAC, the Authority, the Agency, the Dissemination Agent and the Trustee may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived by the parties hereto, if such amendment or waiver is approved by a majority of the Holders of the Bonds then outstanding under the Indenture; provided that neither the Trustee nor the Dissemination Agent shall be obligated to agree to any amendment that modifies the duties or liabilities of the Dissemination Agent or the Trustee without their respective consent thereto.

Section 9. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the PAC, the Agency and the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Project Annual Financial Information or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Agreement. If the PAC, the Agency or the Authority chooses to include any information in any Project Annual Financial Information or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the PAC, the Agency and the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Project Annual Financial Information or notice of occurrence of a Material Event.

Section 10. *Default.* In the event of a failure of the PAC, the Agency or the Authority, the Dissemination Agent or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee, at the written direction of the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall, but only to the extent the Trustee receives indemnification to its satisfaction, or any Beneficial Owner or Holder of any of the Bonds may seek mandate or specific performance by court order, to cause the PAC, the Authority, the Agency,

the Dissemination Agent or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement; provided that neither the PAC, the Authority, the Agency, the Dissemination Agent nor the Trustee shall be liable for monetary damages or any other monetary penalty or payment for breach of any of its obligations under this Section unless such breach shall have been willful or reckless. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of an "Event of Default" shall not apply to any such failure. The sole remedy under this Disclosure Agreement in the event of any failure of the Authority, the PAC, the Agency, the Dissemination Agent or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. *Duties, Immunities and Liabilities of Trustee and Dissemination Agent.* Article IX of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the PAC agrees to indemnify and save the Dissemination Agent and the Trustee and their officers, directors, employees and agents harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Obligated Party for its services provided hereunder and all expenses, legal fees and advances made or incurred by the Dissemination Agent hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Obligated Party or the Agency hereunder and shall not be deemed to be acting in a fiduciary capacity for the Obligated Party, the Agency, the Holders or Beneficial Owners of the Bonds or any other party. The obligations of the Obligated Party under this Section shall survive resignation or removal of the Dissemination Agent or Trustee and payment of the Bonds.

Section 12. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the PAC, the Authority, the Agency, the Trustee, the Dissemination Agent, CLGFA and the Beneficial Owners and Holders of any Bonds and shall create no rights in any other person or entity.

Section 13. *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 14. *Governing Law.* This Disclosure Agreement shall be governed by the laws of the State of California.

Section 15. *Counterparts*. This Disclosure 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.

Dated as of: March 1, 1997

NOVATO FINANCING AUTHORITY

By _____
Title _____

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

By _____
Title _____

**REDEVELOPMENT AGENCY OF THE CITY OF
NOVATO**

By _____
Title _____

**FIRST TRUST OF CALIFORNIA, NATIONAL
ASSOCIATION, as Trustee and as Dissemination
Agent**

By _____
Title _____

APPENDIX A

ANNUAL DISCLOSURE REPORT

\$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

Report For Period Ending _____

THE PROJECT

Name:

Address:

Occupancy

Number of Spaces _____

Number of Spaces Occupied as of Report Date _____

Rental Rates

Average \$ _____

Low \$ _____

High \$ _____

RENTAL INCOME

OTHER REVENUE

Total Revenue

EXPENSES

Salaries and Wages

Employee Benefits

Professional Services

Supplies and Other

Depreciation and Amortization

Interest Expense

Total Expense

Gain (loss) From Operations

NONOPERATING GAINS

Interest Income _____

**EXPENSES IN EXCESS OF
REVENUE AND GAINS**

ADD BACK:

**Depreciation and Amortization
Interest Expense**

NET OPERATING INCOME

\$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

PURCHASE CONTRACT

March 10, 1997

Novato Financing Authority
Novato, CA

Ladies and Gentlemen:

The undersigned, Sutro & Co. Incorporated, on behalf of itself and George K. Baum & Company (collectively, the "Underwriter"), offers to enter into this Purchase Contract with the Novato Financing Authority (the "Owner"). Upon execution of this Purchase Contract by the Underwriter and the Owner, and upon execution of Appendix B by the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") and Appendix C by the California Local Government Finance Authority ("CLGFA"), this Purchase Contract will be binding upon the Underwriter and the Owner. This offer for the purchase of \$15,485,000 of 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"), is made subject to the Owner's written acceptance of this Purchase Contract at or before 11:59 P.M., California time, on the date set forth above or on such later date as the Underwriter may agree and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Owner at any time prior to the acceptance hereof by the Owner. Simultaneously with the issuance of the Senior Bonds, \$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") will be issued. Terms not otherwise defined in this Purchase Contract shall have the same meanings set forth in the Trust Indenture dated as of March 1, 1997 (the "Indenture"), by and between CLGFA and First Trust of California, National Association, as trustee (the "Trustee"), or, if not defined therein, as defined in the Offering Statement (as defined herein).

Section 1. *Purchase, Sale and Delivery of the Senior Bonds.* Upon the terms and conditions and in reliance upon the representations, warranties and agreements contained herein

and in the Letter of Representation dated the date hereof and attached hereto as Appendix B, executed and delivered by the PAC (the "PAC Letter of Representation"), and the Letter of Representation dated the date hereof and attached hereto as Appendix C, executed and delivered by CLGFA (the "CLGFA Letter of Representation"), but subject to the terms and conditions herein set forth, the Authority and the PAC will cause CLGFA to execute and deliver \$15,485,000 aggregate principal amount of the Senior Bonds and the Underwriter agrees to purchase said Senior Bonds maturing in the principal amounts and at the dates and bearing interest as set forth on Appendix A attached hereto for offering to the public, at an aggregate purchase price of \$15,340,013.75 (representing \$15,485,000 aggregate principal amount of the Senior Bonds less the Underwriter's discount of \$116,137.50 and less an original issue discount of \$28,848.75), plus accrued interest thereon (such payment and delivery and the other actions contemplated hereby to take place at the time of such payment and delivery being herein sometimes called the "Closing").

Section 2. *The Senior Bonds.* The Senior Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in the Indenture. The principal of, premium, if any, and interest on the Senior Bonds shall be payable as provided in the Indenture and the Offering Statement. The Senior Bonds are being issued for the purposes set forth in the Offering Statement, including the making of a loan to the Owner for the acquisition and improvement of the Marin Valley Mobile Country Club Park (the "Project"), a 315-space mobile home park located in the City of Novato, California (the "City"). The proceeds of the Senior Bonds, together with the proceeds of the Subordinate Bonds, are being loaned by CLGFA to the Owner pursuant to a Loan Agreement dated as of March 1, 1997 (the "Loan Agreement") by and between CLGFA, the Owner and the PAC. The Owner is purchasing the Project from the owner thereof pursuant to the terms of an Agreement for Exchange of Real Property, as amended (the "Purchase Agreement"). The Owner is also entering into the Marin Valley Mobile Country Club Park Delegation Agreement dated as of March 1, 1997 (the "Delegation Agreement") with the PAC pursuant to which the PAC has agreed to perform certain duties and obligations related to the Project. The Project will be managed by Storz Management Company, Inc. (the "Property Manager"), pursuant to the terms of the Management Agreement dated as of March 1, 1997 (the "Management Agreement") by and between the PAC and the Property Manager. As additional security for the payment of the Senior Bonds, the Owner is conveying a first lien on and security interest in the Project to the Trustee pursuant to a 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. In consideration for the Owner's purchase of the Project with a portion of the proceeds of the Senior Bonds, the PAC, the Owner and the City will enter into an In-Lieu-Of-Tax Agreement dated as of March 1, 1997 (the "In-Lieu-Of-Tax Agreement") whereby the Owner will make in-lieu-of-tax payments to the City. In connection with the issuance of the Bonds, the PAC will be entering into a Deposit Only Account Agreement, dated as of March 1, 1997 (the "Deposit Only Agreement"), with the Property Manager, Bank of Marin and the Trustee. The scheduled payment of the principal 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. ("Financial Security"). Financial

Security, the Owner and the PAC will enter into an Insurance and Indemnity Agreement dated as of March 1, 1997 (the "Insurance Agreement") which sets forth the conditions precedent to the issuance of the Policy. To induce Financial Security to issue the Policy, the Owner and the Agency will enter into an Indemnity Agreement, dated as of March 1, 1997 (the "Indemnity Agreement"), with Financial Security. With respect to the issuance of the Subordinate Bonds, the Redevelopment Agency of the City of Novato (the "Agency") will enter into the Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants dated as of March 1, 1997 (the "Pledge Agreement") with the Owner and the PAC. The Indenture, the Loan Agreement, the Management Agreement, the Delegation Agreement, the Mortgage, the Insurance Agreement, the In-Lieu-Of-Tax Agreement, the Deposit Only Agreement, the Pledge Agreement, the Indemnity Agreement and this Purchase Contract are hereinafter collectively referred to as the "Bond Documents."

Section 3. **Public Offering.** The Underwriter agrees to make a *bona fide* public offering of all of the Senior Bonds at a price, with respect to the Senior Bonds, not to exceed the public offering price set forth on the cover of the Offering Statement, plus accrued interest, and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell the Senior Bonds to certain dealers (including dealers depositing Senior Bonds into investment trusts) and others at prices lower than the public offering price stated on the cover of the Offering Statement.

Section 4. **The Offering Statement.**

(a) The Preliminary Offering Statement dated March 5, 1997, including the cover page and Appendices thereto, relating to the Senior Bonds (the "Preliminary Offering Statement"), as amended to conform to the terms of this Purchase Contract and with changes and amendments to the date hereof as have been mutually agreed to by the Owner and the Underwriter, is referred to herein as the "Offering Statement."

(b) The Preliminary Offering Statement has been prepared for use in connection with the public offering, sale and distribution of the Senior Bonds by the Underwriter. The Owner hereby represents and warrants that the Preliminary Offering Statement delivered to the Underwriter is deemed final by the Owner as of the date thereof, except for the omission of such information which is dependent upon the final pricing of the Senior Bonds for completion, all as permitted to be excluded by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). A form of the Offering Statement, dated the date hereof, marked to show changes to the Preliminary Offering Statement is delivered herewith.

(c) As soon as practicable after the date hereof, and in any event within seven business days after the acceptance of this Purchase Contract by the Owner and, in the event the date of Closing is less than seven business days following the date hereof, upon request of the Underwriter, the Owner shall deliver or cause to be delivered to the Underwriter, without charge, in sufficient time to accompany any confirmation requesting

payment from any customers of the Underwriter, a reasonable number of copies of the final Offering Statement relating to the Senior Bonds, which will be determined by an officer duly authorized by the Owner to be a final Offering Statement for purposes of Rule 15c2-12.

(d) The Owner ratifies the use of the Preliminary Offering Statement and authorizes the Offering Statement to be used in connection with the offering of the Senior Bonds.

(e) If, after the date of this Purchase Contract to and including the date the Underwriter is no longer required to provide an Offering Statement to potential customers who request the same pursuant to Rule 15c2-12 (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in Rule 15c2-12) and (ii) the time when the Offering Statement is available to any person from a nationally recognized municipal securities repository, but in no case less than 25 days after the "end of the underwriting period" for the Senior Bonds), the Owner becomes aware of any fact or event which might or would cause the Offering Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances when the Offering Statement is delivered to a purchaser, not misleading, or if it is necessary to amend or supplement the Offering Statement to comply with the law, the Owner will promptly notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request), and if, in the opinion of the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Offering Statement, the Owner will forthwith prepare and furnish, at the expense of the Owner (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Offering Statement so that the statements in the Offering Statement as so amended and supplemented will not, in light of the circumstances when the Offering Statement is delivered to a purchaser, be misleading or so that the Offering Statement will comply with the law. If such notification shall be subsequent to the Closing, the Owner shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Offering Statement.

(f) The Owner and the PAC will undertake, with respect to the Senior Bonds and pursuant to a Continuing Disclosure Agreement, dated as of March 1, 1997 (the "Senior Disclosure Agreement"), by and among the Owner, the PAC and First Trust of California, National Association (the "Dissemination Agent"), to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of the undertaking is set forth in the Preliminary Offering Statement and will also be set forth in the Offering Statement.

(g) The Owner, the Agency and the PAC will undertake, with respect to the Subordinate Bonds and pursuant to a Continuing Disclosure Agreement, dated as of March 1, 1997 (the "Subordinate Disclosure Agreement," and, together with the Senior Disclosure Agreement, the "Disclosure Agreements"), by and among the Owner, the PAC, the Agency and the Dissemination Agent, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of the undertaking is set forth in the Preliminary Private Placement Memorandum and will also be set forth in the Private Placement Memorandum.

Section 5. [*Reserved*].

Section 6. *Representations, Warranties and Agreements of the Owner.* The Owner represents and warrants to and agrees with the Underwriter that:

(a) The Owner is, and will be at the Closing Date, duly organized and validly existing as a joint exercise of powers authority of the State of California under the Constitution and laws thereof and has, and at the Closing Date will have, full legal right, power and authority, under the Joint Exercise of Powers Agreement dated October 15, 1996, as amended on November 4, 1996 (the "JPA Agreement"), between the City of Novato (the "City") and the Redevelopment Agency of the City of Novato (the "Agency"), its other organizational documents and otherwise, (i) to enter into the Bond Documents to which it is a party, the Disclosure Agreements, the Capital Improvements Agreement, dated as of the Closing Date (the "Capital Improvements Agreement"), by and between the Owner and the PAC, and the Premium Letter dated the Closing Date, by and between the Owner and Financial Security (the "Owner Documents") (ii) to adopt Resolution No. 97-1 dated February 21, 1997 (the "Owner Resolution") authorizing the issuance of the Senior Bonds and the execution and delivery of the Owner Documents, and (iii) to carry out, give effect to and consummate the transactions contemplated by the Owner Documents, the Offering Statement, the Owner Resolution and any Owner resolutions or agreements referred to therein.

(b) The Owner has complied, and will at the Closing Date be in compliance, with all applicable laws and the documents referred to in subsection (a) hereof.

(c) The Owner has, or prior to the Closing Date, will have, duly and validly taken all official action necessary to: (i) duly adopt the Owner Resolution, (ii) approve and authorize the execution and delivery of the Owner Documents, the Offering Statement and any other applicable agreements; and (iii) authorize and approve the performance by the Owner of its obligations contained in, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions contemplated by, each of said documents.

(d) The Owner Documents conform to the descriptions thereof set forth in the Offering Statement; and the Senior Bonds, when delivered to and paid for by the

Underwriter at the Closing in accordance with the provisions hereof, and (assuming due authorization, execution and delivery by the respective other parties thereto, where necessary) the Owner Documents, and all other applicable agreements will constitute the valid, legal and binding obligations of the Owner, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought; and the Senior Bonds will be entitled to all of the benefits and security of the Indenture.

(e) To the best knowledge of the Owner, the Owner is not, and at the Closing Date will not be, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or default under any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order, or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Owner is a party or is otherwise subject or bound.

(f) The adoption of the Owner Resolution and the execution and delivery of the Owner Documents and all other applicable agreements and the other instruments contemplated by any of such documents to which the Owner is a party, and compliance with the provisions of each thereof, will not, in any respect material to the transactions referred to herein or contemplated hereby, conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order, the JPA Agreement or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Owner is a party or is otherwise subject or bound.

(g) To the best knowledge of the Owner, all approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Owner of its obligations hereunder and under the Owner Documents, the Owner Resolution and all other applicable agreements have been obtained or will be obtained prior to the Closing.

(h) To the best knowledge of the Owner, the Indenture creates for the benefit of the owners from time to time of the Senior Bonds a valid pledge of, lien upon and security interest in the Revenues (as defined in the Indenture) pledged thereby, subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(i) No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body is pending or, to the best knowledge of the Owner, threatened, in any way affecting the existence of the Owner or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Senior Bonds, the application of the proceeds thereof in accordance with the Indenture, the collection or application of any moneys or revenues pledged or to be pledged to pay the principal of and interest on the Senior Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Senior Bonds, the JPA Agreement, the Owner Documents, the Owner Resolution, any other applicable agreements, or any action of the Owner contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Offering Statement or the powers of the Owner or its authority with respect to the Senior Bonds, the Owner Documents, the Owner Resolution, any other applicable agreements, or which would adversely affect the exclusion from gross income for federal income tax purposes of interest paid on the Senior Bonds or the exemption thereof from California personal income taxation; nor to the best knowledge of the Owner, is there any basis therefor.

(j) The Owner will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Senior Bonds for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and will assist, if necessary, in the continuation of such qualifications in effect as long as required for the distribution of the Senior Bonds; provided, however, that the Owner shall not be required to consent to service of process outside of California.

(k) The Owner will not apply the proceeds of the Senior Bonds to any purpose other than the purposes described in the Indenture and all other applicable documents and as described in the Offering Statement, provided that this paragraph shall not be construed to prevent either the temporary investment of bond proceeds or the use thereof to redeem Senior Bonds as provided for in the Indenture.

(l) The Owner will not use or invest proceeds of the Senior Bonds in any manner which would cause the Senior Bonds to be considered arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986.

(m) The Owner will take any action reasonably necessary to assure or maintain the exclusion from gross income for purposes of federal income taxes of interest on the Senior Bonds and will not take any action, or permit any action to be taken with respect to which it may exercise control, which would result in the loss of such exclusion.

(n) Any certificate signed by any official of the Owner authorized to do so shall be deemed a representation and warranty by the Owner to the Underwriter as to the statements made therein.

(o) The Owner covenants and agrees to enter into the Disclosure Agreement on or before the date of delivery of the Senior Bonds with such changes as may be agreed to in writing by the Underwriter and which shall not be unreasonably withheld.

(p) The Owner agrees that all representations, warranties and covenants made by the Owner herein, and in certificates, agreements or other instruments delivered pursuant hereto or in connection herewith, shall be deemed to have been relied upon by the Underwriter, and that all representations, warranties and covenants made by the Owner herein and therein and all the Underwriter's rights hereunder and thereunder shall survive the delivery of the Senior Bonds.

Section 7. Termination. The Underwriter may terminate its obligations hereunder by written notice to the Owner if, at any time subsequent to the date hereof and on or prior to the Closing Date:

(a) legislation shall be enacted or any action shall be taken by the Securities and Exchange Commission which, in the reasonable opinion of counsel to the Underwriter has the effect of requiring the offer or sale of the Bonds to be registered under the Securities Act of 1933 or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939 or any event shall have occurred or shall exist which, in the reasonable judgment of the Underwriter, makes untrue or incorrect in any material respect any statement or information contained in the Offering Statement or is not reflected in the Offering Statement but should be reflected therein in order to make the statements or information contained therein, in light of the circumstances under which such statements were made, not misleading in any material respect; or

(b) (i) in the reasonable judgment of the Underwriter, the market price of the Bonds is adversely affected because: (A) additional material restrictions not in force as of the effective date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (B) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, underwriters; (C) a general banking moratorium shall have been established by federal, New York or California authorities; or (D) a war involving the United States of America shall have been declared, or any other national or international calamity shall have occurred (economic or otherwise), or any conflict involving the armed forces of the United States of America shall have escalated to such a magnitude as to materially affect the ability of the Underwriter to sell the Senior Bonds in the secondary market; (ii) there shall have occurred any material

change, or any other event which in the opinion of the Underwriter materially adversely affects the Underwriter's ability to sell the Senior Bonds in the secondary market, or any material development involving a prospective change in, or affecting particularly the economy of the State, generally or the mortgage market in the general area of the State, which, in the reasonable judgment of the Underwriter materially impairs the investment quality of the Senior Bonds or the ability of the Underwriter to sell the Senior Bonds in the secondary market; or (iii) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance, sale or delivery of the Bonds or in any way contesting or affecting any authority for or the validity of the Bonds, any of the proceedings of CLGFA or the Owner taken with respect to the issuance or sale thereof, the pledge or application of any moneys or securities provided for the payment of the Bonds or the existence or powers of CLGFA, the Agency or the Owner; or

(c) there shall have occurred any change which, in the reasonable judgment of the Underwriter, makes unreasonable or unreliable any of the assumptions upon which payment of debt service on the Bonds is predicated.

Section 8. *Closing.*

(a) At 8:00 a.m. California time, on March 13, 1997, or at such other time and date as shall have been mutually agreed upon by the Owner and the Underwriter (the "Closing"), the Owner will cause the Trustee to deliver, or cause to be delivered, subject to the terms and conditions hereof, the Senior Bonds in accordance with paragraph (b) below, duly executed in accordance with the Indenture and the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Senior Bonds as set forth in Section 2 of this Purchase Contract by wire transfer of immediately available funds to the order of the Trustee. Payment for the Senior Bonds as aforesaid, shall be made at the offices of Nossaman, Guthner, Knox & Elliott in San Francisco, California, as Owner Counsel, or such other place as shall have been mutually agreed upon by the Owner and the Underwriter.

(b) Delivery of the Senior Bonds shall be made to The Depository Trust Company, in New York, New York. The Senior Bonds shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, all as provided in the Indenture and in such amounts as the Underwriter may request not less than two business days prior to the Closing, and shall be made available to the Underwriter at least one business day before the Closing for purposes of inspection.

Section 9. *Closing Conditions.* The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and agreements of the Owner contained herein and in reliance upon the respective representations, warranties and agreements of the PAC and CLGFA contained in the PAC Letter of Representation and the CLGFA Letter of Representation, respectively, and in reliance upon the representations, warranties and agreements

to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Owner of its obligations hereunder and the performance by the PAC and CLGFA of their respective obligations contained in the PAC Letter of Representation and the CLGFA Letter of Representation, respectively, and under such documents and instruments at or prior to the Closing, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Senior Bonds shall be conditioned upon the performance by the Owner of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and the performance by the PAC and CLGFA of their respective obligations contained in the PAC Letter of Representation and CLGFA Letter of Representation, respectively, and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Owner of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

(a) The representations and warranties of the Owner contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) The Owner shall have performed and complied with all agreements and conditions required by this Purchase Contract to be performed or complied with by it prior to or at the Closing;

(c) The representations and warranties of the PAC and CLGFA contained in the PAC Letter of Representation and the CLGFA Letter of Representation, respectively, shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(d) At the time of the Closing, (i) the Bond Resolution and the Owner Resolution shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Offering Statement and the Private Placement Memorandum dated March 12, 1997 with respect to the Subordinate Bonds (the "Private Placement Memorandum") shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter; (ii) the net proceeds of the sale of the Bonds shall be deposited and applied as described in the Offering Statement and in the Indenture; and (iii) all actions of CLGFA and the Owner required to be taken by them shall be performed in order for Bond Counsel to deliver their respective opinions referred to hereafter;

(e) At the time of the Closing, all official action of CLGFA and the Owner, relating to the Bonds, the Offering Statement, the Private Placement Memorandum, the Bond Resolution, the Owner Resolution, the Bond Documents and the Disclosure Agreement shall be in full force and effect and shall not have been amended, modified

or supplemented, and the Underwriter shall have received, in appropriate form, evidence thereof;

(f) At or prior to the Closing, the Offering Statement, the Private Placement Memorandum, the Bond Documents and the Disclosure Agreement shall have been duly executed and delivered by the parties thereto, CLGFA shall have duly adopted the Bond Resolution and duly executed the Bonds and the Owner shall have duly adopted the Owner Resolution;

(g) At the time of the Closing, the Trustee shall deliver the Bonds in accordance with the requirements hereof;

(h) The Owner shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money, or have failed to pay or remit lease payments under a financing lease structure, where such failure to remit or pay is material in amount, or relates to a material obligation of the Owner or is material relative to the Owner's financial position;

(i) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Purchase Contract shall be reasonably satisfactory in legal form and effect to the Underwriter;

(j) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(i) The Offering Statement and the Private Placement Memorandum, and each supplement or amendment thereto, if any, executed on behalf of the Owner by its authorized signatory, as may have been agreed to by the Underwriter, the reports and audits, if any, referred to or appearing in the Offering Statement and the Private Placement Memorandum, and consents to the inclusion of references in the Offering Statement and Private Placement Memorandum to such reports and audits;

(ii) The Bond Resolution and the Owner Resolution, having been duly adopted by CLGFA and the Owner, respectively, as being in full force and effect, with such supplements or amendments as may have been agreed to by the Underwriter;

(iii) Executed copies of the Bond Documents and the Disclosure Agreement;

(iv) An Appraisal Report of the Project dated November 1, 1996, which appraisal shall not have been amended without the approval of the Underwriter;

(v) A copy of the Phase I Environmental Assessment prepared by Dames & Moore, which report shall not have been amended without the approval of the Underwriter;

(vi) A copy of a mortgagee's title insurance policy or mortgagee's title insurance binder or commitment to issue a title insurance policy, in standard ALTA form B-1970, as to the Project, including any necessary zoning endorsement, insuring the Trustee as mortgagee against title losses with respect to the Project, in an amount equal to the original aggregate face amount of the Bonds issued by a company authorized to issue the same and acceptable to the Underwriter and making reference to no liens or encumbrances that are not acceptable to the Underwriter and containing no exceptions that are not acceptable to the Underwriter.

(vii) A letter from an insurance advisor to the PAC, dated as of the Closing and addressed to the Trustee and the Underwriter, to the effect that as of the date thereof the PAC is in compliance with all of the insurance requirements set forth in the Bond Documents;

(viii) The approving opinions of Bond Counsel, dated as of the Closing and addressed to CLGFA, Financial Security, the Owner and the PAC, in substantially the form set forth in Appendix B of the Offering Statement with respect to the Senior Bonds and in substantially the form set forth in Appendix B of the Private Placement Memorandum with respect to the Subordinate Bonds, and a letter addressed to the Underwriter from Bond Counsel allowing the Underwriter to rely on said approving opinions;

(ix) A supplemental opinion of Bond Counsel, dated as of the Closing and addressed to the Underwriter, Financial Security and CLGFA, to the effect that:

(A) CLGFA has full right and lawful authority to enter into and perform the Indenture and Loan Agreement, and the Indenture and the Loan Agreement have been duly authorized, executed and delivered by CLGFA, and assuming due authorization, execution, and delivery by the other parties thereto, constitute valid and legally binding obligations of CLGFA, enforceable in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and by the application of equitable principles if equitable remedies are sought;

(B) The statements contained in the Offering Statement under the captions entitled "INTRODUCTORY STATEMENT," "THE

BONDS" (except information relating to The Depository Trust Company), "SECURITY FOR THE BONDS," "SUMMARY OF THE RENT ADJUSTMENT ORDINANCE," "RISK FACTORS," "TAX MATTERS," "APPENDIX A," "APPENDIX B" and "APPENDIX C insofar as such statements purport to summarize certain provisions of the Senior Bonds, the Rent Adjustment Ordinance, the Indenture, the Loan Agreement, the Pledge Agreement, the approving opinion of Bond Counsel and the Disclosure Agreement are accurate in all material respects;

(C) The statements contained in the Private Placement Memorandum under the captions entitled "INTRODUCTORY STATEMENT," "THE BONDS" (except information relating to The Depository Trust Company), "SECURITY FOR THE BONDS," "SUMMARY OF THE RENT ADJUSTMENT ORDINANCE," "RISK FACTORS," "TAX MATTERS," "APPENDIX A," "APPENDIX B" and "APPENDIX C" insofar as such statements purport to summarize certain provisions of the Subordinate Bonds, the Rent Adjustment Ordinance, the Indenture, the Loan Agreement, the Pledge Agreement, the approving opinion of Bond Counsel and the Disclosure Agreement are accurate in all material respects;

(D) The Bonds are exempt from registration pursuant to Section 3(a)(2) of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(E) If the purchaser of the Project and the borrower under the Loan Agreement was an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and exempt from federal income tax under Section 501(a) of the Code, assuming such borrower has assumed all obligations, duties and representations made by the Owner and the PAC under the Loan Agreement and the Tax Compliance Certificate, on the date hereof the Bonds would constitute qualified 501(c)(3) bonds under the Code and the interest on the Bonds would not be includable in the gross income of the owners of the Bonds for purposes of federal income taxation and interest on the Bonds would be exempt from State of California personal income taxes;

(x) An opinion of counsel to the Trustee, addressed to the Underwriter, CLGFA, the Owner, Financial Security, the Agency and the PAC and dated as of the Closing to the effect that:

(A) the Trustee has been duly organized and is validly existing in good standing as a national banking association under the laws of the

United States of America with full corporate power to undertake the trusts of the Indenture and to enter into the Indenture, the Mortgage, the Deposit Only Agreement and the Disclosure Agreements;

(B) the Trustee has duly authorized, executed and delivered the Indenture, the Mortgage, the Deposit Only Agreement and the Disclosure Agreements and by all proper corporate action has authorized the acceptance of the trusts of the Indenture;

(C) assuming the corporate power and legal authority of, and the due authorization, execution and delivery by the other parties thereto, the Indenture, the Deposit Only Agreement and the Disclosure Agreements constitute valid and binding agreements of the Trustee enforceable against the Trustee in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium or other similar laws, or equitable principles relating to or limiting creditors' rights generally;

(D) the Bonds have been validly authenticated and delivered by the Trustee;

(E) no authorization, approval, consent or other order of any governmental agency or, to such counsel's knowledge, any other person or corporation is required for the valid authorization, execution and delivery of the Indenture, the Mortgage, the Deposit Only Agreement and the Disclosure Agreements by the Trustee or the authentication of the Bonds (except that such counsel need express no view as to federal or state securities laws); and

(F) to the best of such counsel's knowledge there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee's participation in, or in any way contesting the powers of the Trustee with respect to the transactions contemplated by the Bonds, the Indenture, the Mortgage, the Deposit Only Agreement, the Disclosure Agreements or any other agreement, document or certificate related to such transactions;

(xi) An opinion of Bond Counsel, addressed to the Underwriter, Financial Security and the Trustee and dated as of the Closing, to the effect that:

(A) CLGFA is a validly existing joint powers authority duly created and existing under the laws of the State of California, with full legal right, power and authority to issue the Bonds, to adopt the Bond

Resolution and to execute and deliver and perform its obligations under the Bond Documents to which it is a party;

(B) the Bond Resolution has been duly adopted by the Board and has not been modified, amended, rescinded or revoked and is in full force and effect as of the date hereof; and

(C) the Bonds have been validly authorized, executed and delivered in accordance with the Bond Resolution and the Indenture and represent legal, valid and binding special obligations of CLGFA, payable in accordance with their respective terms;

(xii) An opinion of Bond Counsel (subject to certain qualifications and exceptions set forth therein), addressed to Financial Security and dated as of the Closing, to the effect that:

(A) The Mortgage is in proper form for recording in order to create, when recorded in the appropriate recording office, a lien on the Mortgaged Estate (as defined in the Mortgage). Recording of the Mortgage in the real property records of the County of Marin, will impart constructive notice to third parties of the contents of such Mortgage, including the lien on the Mortgaged Estate created by the Mortgage.

(B) The Mortgage following its due execution and delivery by Owner, shall constitute the legal, valid and binding obligations of Owner enforceable against Owner in accordance with its terms.

(C) The UCC-1's are in form sufficient to create and perfect a security interest in the personal property in favor of the Trustee as a secured party with respect to those items of personal property to which a security interest may be perfected by filing.

(D) Upon filing and recording, the Owner, on behalf of the Holders of the Bonds and Financial Security, will have a valid and enforceable lien on the Mortgaged Estate. No other filing or recording is necessary to perfect and maintain the security interests created by the Mortgage in the Mortgaged Estate.

(E) No taxes, recording or filing fees or other governmental charges will be payable in connection with the execution and delivery of the Loan Documents and the recording and filing of such documents which must be recorded or filed to obtain and maintain the liens created by the Mortgage except for nominal filing and recording fees

(F) We have reviewed the Preliminary Title Insurance Report committing to insure the lien of the Mortgage, and although we express no opinion or belief as to the accuracy or completeness of the matters contained therein, we believe that the commitment is in a form customarily accepted and relied upon for real estate lending transactions in the State of California.

(G) The rates of interest required to be paid as set forth in the Series A Note and the Series B Note do not violate any usury law of the State of California.

(H) The filing of the UCC-1's in the Office of the Secretary of State and the Official Records of Marin County, California, are the only filings or recordings necessary to perfect the security interest created by the Mortgage in the Owner's rights in that part of the collateral described therein (i) constituting fixtures, and (ii) other than fixtures in which a security interest may be perfected by the filing of a financing statement with the office of the California Secretary of State. In this connection, we advise you that (x) the office where a deed of trust on the real estate would be recorded is the proper place to file a financing statement to perfect a security interest in "crops," or certain "timber," "minerals or the like (including oil and gas)," or "accounts resulting from [their] sale" (as those terms are used in Section 9-103 and 9-401 of the State UCC, and (y) action other than the filing of a financing statement is necessary to perfect a security interest in certain personal property (e.g., deposit accounts, insurance and motor vehicles).

(I) In a properly presented case, the federal and state courts presiding in the State of California should recognize the validity of the choice of law provisions set forth in the Loan Documents. If any federal or state court presiding in such State does not recognize the validity of the choice of law provisions set forth in the Loan Documents, then such Loan Documents constitute the valid and binding obligations of Owner in accordance with their respective terms under the laws of the State.

(xiii) An opinion of counsel to the Owner, addressed to the Underwriter, CLGFA, the Owner, Financial Security, the Agency and the PAC and the Trustee and dated as of the Closing, to the effect that:

(A) the Owner is a validly existing joint powers authority duly created and legally existing under the laws of the State of California, with full legal right, power and authority to adopt the Owner Resolution and to execute and deliver and perform its obligations under the Owner Documents;

(B) the Owner Resolution has been duly adopted by the Board of Directors of the Owner and has not been modified, amended, rescinded or revoked and is in full force and effect as of the date hereof;

(C) as of the date hereof, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, pending or to my knowledge threatened against the Owner which: (1) in any way affects the existence of the Owner or in any way challenges the respective powers of the several officers or titles of the members or officials of the Board or the Owner to such offices; (2) affects or seeks to prohibit, restrain or enjoin the application of the proceeds of the sale of the Bonds, or materially adversely affects the collection of revenues or assets of the Owner available to pay the principal of and interest on the Bonds, or in any way contests or affects as to the Owner the validity or enforceability of the Owner Resolution, the JPA Agreement or the Owner Documents, or contests the powers of the Owner or its authority with respect to the execution, delivery or adoption of the Owner Resolution or the Owner Documents, or contests the completeness or accuracy of the Offering Statement or the Private Placement Memorandum, or in any way contests or challenges the consummation of the transactions contemplated thereby or which might materially adversely affect the operations of the Owner; nor, to the best of my knowledge, is there any basis for any such action, suit, proceeding, inquiry or investigation wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the JPA Agreement, the Owner Resolution and the Owner Documents or the performance by the Owner of its obligations thereunder, or the authorization, execution, delivery or performance by the Owner of the Owner Documents;

(D) the Owner Documents have been duly authorized, executed and delivered by the Owner and assuming due authorization, execution and delivery by each of the parties thereto other than the Owner, the Owner Documents to which it is a party constitute the legal, valid and binding obligations of the Owner, enforceable against the Owner in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally and to equitable principles when equitable remedies are sought;

(E) no order, filing, consent, approval, exemption of or registration with any governmental authority, creditor or other third party (other than as have been completed or obtained or as may be required under any blue sky law) is required in connection with the execution and delivery by the Owner of, or performance by the Owner of its obligations under the Owner Documents;

(F) to my knowledge, after reasonable investigation, the Owner is not in material breach or default under any applicable constitutional provision, law or administrative regulation of the State of California or the United States or any applicable judgment, order or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Owner is a party or to which the Owner or any of its property or assets is otherwise subject or bound, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a material default or event of default under any such instrument, in each case which would materially adversely affect the validity or enforceability or ability of the Owner to perform any of its obligations under the Owner Documents;

(G) the adoption of the Owner Resolution, the execution and delivery of the Owner Documents, and compliance with the obligations of the Owner contained therein, will not conflict with or constitute a material breach of or default under any constitutional provision, law, administrative regulation, judgment, order or decree, or to the best of my knowledge, any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Owner is a party or to which the Owner or any of its property or assets is otherwise subject, nor will such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Owner or under the terms of any such law, regulation, resolution or instrument except as expressly provided in the Owner Documents;

(H) the statements and information contained in the Offering Statement and the Private Placement Memorandum relating to the Owner (except for the financial, demographic and statistical data and except for the information concerning The Depository Trust Company, CLGFA, the PAC, and Financial Security, as to all of which, no opinion or view is expressed), as of the date thereof and hereof, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(xiv) An opinion of counsel to the City, addressed to the Underwriter, CLGFA, the Owner, Financial Security, the Agency, the PAC and the Trustee and dated as of the Closing, to the effect that:

(A) the City Resolution has been duly adopted by the Novato City Council and has not been modified, amended, rescinded or revoked and is in full force and effect as of the date hereof;

(B) the City Documents have been duly authorized, executed and delivered by the City and assuming due authorization, execution and delivery by the other parties thereto, the City Documents constitute the legal, valid and binding obligations of the City, enforceable against the City in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally and to equitable principles when equitable remedies are sought; and

(C) Ordinance No. 1341 has been duly passed and adopted by the Novato City Council and has not been modified, amended, rescinded or revoked and is in full force and effect as of the date hereof;

(xv) An opinion of counsel to the Agency, addressed to the Underwriter, Financial Security, CLGFA, the Agency, the Owner, the PAC and the Trustee and dated as of the Closing, to the effect that:

(A) the Agency is a validly existing agency duly created and legally existing under the laws of the State of California, with full legal right, power and authority to adopt Resolution No. R-3-97, adopted March 4, 1997 (the "Agency Resolution") and to execute and deliver and perform its obligations under the Pledge Agreement, the Indemnity Agreement and the Subordinate Disclosure Agreement (the "Agency Documents");

(B) the Agency Resolution has been duly adopted by the Board of Directors of the Agency and has not been modified, amended, rescinded or revoked and is in full force and effect as of the date hereof;

(C) the Agency Documents have been duly authorized, executed and delivered by the Agency and assuming due authorization, execution and delivery by the other parties thereto, the Agency Documents constitute the legal, valid and binding obligations of the Agency, enforceable against the Agency in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally and to equitable principles when equitable remedies are sought;

(D) to my knowledge, after reasonable investigation, the Agency is not in material breach or default under any applicable constitutional provision, law or administrative regulation of the State of California or the United States or any applicable judgment, order or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Agency is a party or to which

the Agency or any of its property or assets is otherwise subject or bound, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a material default or event of default under any such instrument, in each case which would materially adversely affect the validity or enforceability or ability of the Agency to perform any of its obligations under the Agency Documents;

(E) the adoption of the Agency Resolution, the execution and delivery of the Agency Documents, and compliance with the obligations of the Agency contained therein, will not conflict with or constitute a material breach of or default under any constitutional provision, law, administrative regulation, judgment, order or decree, or to the best of my knowledge, any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Agency is a party or to which the Agency or any of its property or assets is otherwise subject, nor will such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Agency or under the terms of any such law, regulation, resolution or instrument except as expressly provided in the Agency Documents; provided, however, that such opinion will not cover such matters as the application of Article 34 of the California Constitution, compliance with the California Environmental Quality Act or the validity or enforceability of other actions of the Agency, or the effect and enforceability of the Rent Adjustment Ordinance and covenants of the PAC with respect thereto.

(xvi) An opinion of counsel to the PAC addressed to the Underwriter, CLGFA, the Owner, Financial Security, the PAC, the Agency and the Trustee and dated as of the Closing, to the effect that:

(A) the PAC is validly and legally existing as a nonprofit, mutual benefit corporation with full legal right, power and authority to execute and deliver and perform its obligations under the Bond Documents to which it is a party, the Disclosure Agreement, the Deposit Only Account Agreement dated as of March 1, 1997 (the "Deposit Only Agreement"), by and among the PAC, the Trustee, the Property Manager and Bank of Marin, and the Capital Improvement Agreement (the "PAC Documents");

(B) as of the date hereof, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, pending or to my knowledge threatened against the PAC which: (1) in any way affects the existence of the PAC or in any way challenges the respective powers of the several officers or titles of the

members or officials of the PAC to such offices; (2) contests the powers of the PAC or its authority with respect to the execution, delivery or adoption of the PAC Documents, or contests the completeness or accuracy of the Offering Statement or the Private Placement Memorandum, or in any way contests or challenges the consummation of the transactions contemplated thereby or which might materially adversely affect the operations of the PAC; nor, to the best of my knowledge, is there any basis for any such action, suit, proceeding, inquiry or investigation wherein an unfavorable decision, ruling or finding would materially adversely affect the authorization, execution, delivery or performance by the PAC of the PAC Documents;

(C) the PAC Documents have been duly authorized, executed and delivered by the PAC, and assuming due authorization, execution and delivery by each of the parties thereto other than the PAC, the PAC Documents constitute the legal, valid and binding obligations of the PAC enforceable against the PAC in accordance with their terms, subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally and to equitable principles when equitable remedies are sought;

(D) except as disclosed in the Offering Statement and the Private Placement Memorandum, no order, filing, consent, approval, exemption of or registration with any governmental authority, creditor or other third party (other than as have been completed or obtained or as may be required under any blue sky law) is required in connection with the execution and delivery by the PAC of, or performance by the PAC of its obligations under the PAC Documents;

(E) to my knowledge, after reasonable investigation, the PAC is not in material breach or default under any applicable constitutional provision, law or administrative regulation of the State of California or the United States or any applicable judgment, order or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the PAC is a party or to which the PAC or any of its property or assets is otherwise subject or bound, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a material default or event of default under any such instrument, in each case which would materially adversely affect the validity or enforceability or ability of the PAC to perform any of its obligations under the PAC Documents;

(F) the execution and delivery of the PAC Documents and compliance with the obligations of the PAC contained therein, will not

conflict with or constitute a material breach of or default under any constitutional provision, law, administrative regulation, judgment, order or decree, or to the best of my knowledge, any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the PAC is a party or to which the PAC or any of its property or assets is otherwise subject, nor will such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the PAC or under the terms of any such law, regulation, resolution or instrument except as expressly provided in the PAC Documents; and

(G) the statements and information contained in the Offering Statement and the Private Placement Memorandum relating to the PAC (except for the financial, demographic and statistical data and except for the information concerning The Depository Trust Company, CLGFA, the Owner and Financial Security, as to all of which, no opinion or view is expressed), as of the date thereof and hereof, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(xvii) An opinion of counsel to the Property Manager addressed to the Underwriter, CLGFA, the Owner, Financial Security, the Agency, the PAC and the Trustee and dated as of the Closing to the effect that:

(A) the Property Manager is a corporation duly organized, validly existing and in good standing under the laws governing its creation and existence and has full corporate power and authority to own its property, to carry on its business as presently conducted and to enter into and perform its obligations under each transaction document to which it is a party (the "Property Manager Documents");

(B) the Property Manager has duly authorized, executed and delivered the Property Manager Documents, and the Property Manager Documents constitute the valid and binding obligations of the Property Manager, enforceable against the Property Manager in accordance with their terms, except as enforceability may be limited by applicable bankruptcy and insolvency laws, other similar laws affecting the enforcement of creditors' rights generally and general equity principles;

(C) the execution, delivery and performance by the Property Manager of the Property Manager Documents and the consummation of the transactions therein contemplated and compliance with the terms

thereof do not violate the provisions of the articles of incorporation or by-laws of the Property Manager, and do not conflict with or violate any state or federal law, rule or regulation governing the Property Manager, or of any judgment, order or decree to be applicable to the Property Manager, or any court, regulatory body, administrative agency, government or governmental body having jurisdiction over the Property Manager or its properties;

(D) the Property Manager is duly qualified or licensed to own its properties and to do business as it is currently conducted and is in good standing in each jurisdiction (including, without limitation, the jurisdiction in which the Project is located) in which it owns or leases property of a nature or transacts business of a type that would require it to so qualify or be licensed, except for such jurisdictions where the failure to so qualify or be licensed would not result in a material liability or disability by reason of such failure or have a material adverse effect on the Project or the ability of the Property Manager to enter into and perform its obligations under the Property Manager Documents;

(E) the execution and delivery by the Property Manager of the Property Manager Documents, the compliance by the Property Manager with all of the applicable provisions of the Property Manager Documents and the consummation of the transactions contemplated therein will not conflict with or result in a breach of any of the terms or provisions of, constitute a default under or result in a breach of any of the terms and provisions of or the acceleration of any obligation under any indenture, mortgage, deed of trust, security deed, loan agreement or other document, agreement or instrument to which the Property Manager is a party or by which the Property Manager is bound or to which any of the property or assets of the Property Manager is subject, nor will such action result in any violation of any of the provisions of the articles of incorporation or bylaws of the Property Manager, or any statute or any order, rule or regulation of any court or governmental or regulatory agency, body or official having jurisdiction over the Property Manager or any of its properties;

(F) no consent, approval, authorization, order, registration or qualification of or with any court or governmental or regulatory agency, body or official is required for the execution and delivery by the Property Manager of each Manager Document, or the compliance by the Property Manager with all the provisions of the Property Manager Documents, or the consummation of the transactions therein contemplated, except such as have been obtained;

(G) there are no legal or governmental proceedings pending or, to our knowledge, threatened (i) asserting the invalidity of any of the Property Manager Documents, (ii) seeking to prevent the consummation of any of the transactions contemplated by the Property Manager Documents, (iii) which, if adversely determined to the Property Manager, would have a material adverse effect on the financial condition or results of operations of the Property Manager, or the performance by the Property Manager of its respective obligations under, or the validity or enforceability of, the Property Manager Documents; and

(H) we have examined the description of the Property Manager in the Offering Statement and the Private Placement Memorandum under the caption "THE PROPERTY MANAGER" and nothing has come to our attention that would lead us to believe that the description of the Property Manager in the Offering Statement and Private Placement Memorandum as of the date thereof or as of the date hereof (other than the financial information therein, as to which we express no belief) contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

(xviii) An opinion of Kutak Rock, addressed to the Underwriter, Financial Security and CLGFA and dated as of the Closing, to the effect that, on the basis of the information which was developed in the course of our performance as Bond Counsel, and without having undertaken to verify independently the accuracy, completeness or fairness of the statements contained in the Offering Statement, based on our discussions, inquiries, review and participation and in reliance thereon and on the records, proceedings and documents referred to in the Offering Statement, nothing has come to our attention which leads us to believe that the Offering Statement (excluding therefrom any financial, technical, statistical or tabular data, including projections or as to the information about book-entry, The Depository Trust Company, Financial Security, or Appendix D to the Offering Statement) as to which no opinion or view is expressed), on the date thereof, and as of the Closing Date, contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading in any material respect;

(xix) A certificate of the Trustee dated as of the Closing, signed by a duly authorized officer of the Trustee, and in form and substance satisfactory to CLGFA, Financial Security, the Owner, the PAC and the Underwriter, to the effect that:

(A) the Trustee has been duly organized and is validly existing in good standing as a state banking corporation under the laws of the State of California with full corporate power to undertake the trust of the Indenture and the Mortgage and to enter into the Indenture and the Mortgage;

(B) the Trustee has duly authorized, executed and delivered the Indenture and the Mortgage and by all proper corporate action has authorized the acceptance of the trust of the Indenture and the Mortgage; and

(C) the Bonds have been validly authenticated by the Trustee;

(xx) A certificate of CLGFA, dated as of the Closing, signed by the Executive Director of CLGFA and in form and substance satisfactory to the Trustee, Financial Security and the Underwriter, to the effect that:

(A) the representations, warranties and agreements of CLGFA contained in the Bond Documents are true and correct in all material respects as of the Closing;

(B) no litigation is pending with respect to which CLGFA has been served or, to the best of such official's knowledge, threatened (either in state or federal court) (1) to restrain or enjoin the execution or delivery of the Bonds; (2) in any way contesting or affecting the authority for the execution or delivery of the Bonds or the validity of the Bonds, the Bond Resolution or the Bond Documents, or (3) in any way contesting the existence or powers of CLGFA;

(C) the statements contained in the Offering Statement and the Private Placement Memorandum under the caption "APPENDIX E—CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY" insofar as they relate to CLGFA do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xxi) A certificate of the Owner, dated as of the Closing, signed by the Chair of the Owner and in form and substance satisfactory to the Trustee, Financial Security, CLGFA, the PAC and the Underwriter, to the effect that:

(A) the representations, warranties and agreements of the Owner contained in the Owner Documents are true and correct in all material respects as of the Closing;

(B) no litigation is pending with respect to which the Owner has been served or, to the best of such official's knowledge, threatened (either in state or federal court) (1) in any way contesting or affecting the authority for the issuance of the Bonds or the validity of the Bonds, or the validity of execution of the Owner Resolution or the Owner Documents, (2) in any way contesting the existence or powers of the Owner or (3) to restrain or enjoin the issuance or delivery of the Bonds or the collection of Revenues pledged under the Indenture;

(C) the information contained in the Offering Statement and the Private Placement Memorandum insofar as they relate to the Owner, as of the date thereof and as of the Closing Date, is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and

(D) there has been no material adverse change in the financial condition or results of operations of the Owner from the date of the Offering Statement and the Private Placement Memorandum to the date of such certificate;

(xxii) A certificate of the Agency dated as of the Closing, signed by a duly authorized officer of the Agency and in form and substance satisfactory to the Trustee, Financial Security, the Owner, CLGFA, the PAC and the Underwriter to the effect that:

(A) the representations, warranties and agreements of the Agency contained in the Pledge Agreement are true and correct in all material respects as of the Closing;

(B) no litigation is pending with respect to which the Agency has been served or, to the best of such official's knowledge, threatened (either in state or federal court) (1) in any way contesting or affecting the validity of the Pledge Agreement, (2) in any way contesting the existence or powers of the Agency or (3) to restrain or enjoin the collection of the Housing Set-Aside Revenues (as defined in the Indenture) pledged under the Indenture; and

(C) the information contained in the Private Placement Memorandum insofar as they relate to the Agency, as of the date thereof and as of the Closing Date, is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the

light of the circumstances under which they were made, not misleading in any material respect;

(xxiii) A certificate of the PAC dated as of the Closing, signed by a duly authorized officer of the PAC and in form and substance satisfactory to the Trustee, Financial Security, the Owner, CLGFA and the Underwriter to the effect that:

(A) the PAC is duly created and legally existing pursuant to the constitution and laws of the State of California;

(B) the PAC has complied with the PAC Documents and the relevant laws of the State;

(C) the PAC has duly authorized and approved the PAC Documents and has duly authorized and approved the execution and delivery of, and the performance by the PAC of the obligations contained in the PAC Documents;

(D) the PAC is not in material breach of, or default under, any applicable law or administrative regulation of the State, any department, division, agency or instrumentality thereof, or of the United States of America, or any applicable judgment or decree, or any loan agreement, note, resolution, certificate, agreement or other instrument to which the PAC is a party or is otherwise subject which would have a material effect on the PAC Documents and the execution and delivery of the PAC Documents and compliance with the provisions thereof will not conflict with, or constitute a material breach of, or default under, any applicable law or administrative regulation of the State of California, any department, division, agency or instrumentality thereof, or of the United States of America, or any applicable judgment or decree or any loan agreement, note, resolution, certificate, agreement or other instrument to which the PAC is a party or is otherwise subject;

(E) all approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the PAC of its obligations under the PAC Documents have been obtained;

(F) the PAC Documents shall constitute valid and binding obligations of the PAC, enforceable in accordance with their terms, subject to any applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights generally;

(G) no litigation is pending or, to the best knowledge of the PAC, threatened (either in state or federal court) (1) in any way affecting the existence of the title of any member, officer or employee of the PAC to the office held by such member, officer or employee, or the validity or enforceability of the PAC Documents, (2) in any way contesting the existence or powers of the PAC or (4) to restrain or enjoin the issuance or delivery of the Bonds or the collection of Revenues pledged under the Indenture; and

(H) the information contained in the Offering Statement and the Private Placement Memorandum relating to the PAC and the Project is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect;

(xxiv) A certificate of the Property Manager dated as of the Closing, signed by a duly authorized officer of the Property Manager and in form and substance satisfactory to Financial Security, the Trustee, the Owner, the PAC, CLGFA and the Underwriter to the effect that:

(A) the Property Manager is duly created and existing pursuant to the constitution and laws of the State of California;

(B) the Property Manager has complied with the Property Manager Documents;

(C) the Property Manager has duly authorized and approved the Property Manager Documents and has duly authorized and approved the execution and delivery of, and the performance by the Property Manager of the obligations contained in the Property Manager Documents;

(D) the Property Manager is not in material breach of, or default under, any applicable law or administrative regulation of the State, any department, division, agency or instrumentality thereof, or of the United States of America, or any applicable judgment or decree, or any loan agreement, note, resolution, certificate, agreement or other instrument to which the Property Manager is a party or is otherwise subject which would have a material effect on the Property Manager Documents and the execution and delivery of the Property Manager Documents and compliance with the provisions thereof will not conflict with, or constitute a material breach of, or default under, any applicable law or administrative regulation of the State of California, any department, division, agency or instrumentality thereof, or of the United States of

America, or any applicable judgment or decree or any loan agreement, note, resolution, certificate, agreement or other instrument to which the Property Manager is a party or is otherwise subject;

(E) all approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the Property Manager of its obligations under the Property Manager Documents have been obtained;

(F) the Property Manager Documents shall constitute valid and binding obligations of the Property Manager enforceable in accordance with their terms, subject to any applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights generally;

(G) no litigation is pending or, to the best knowledge of the Property Manager, threatened (either in state or federal court) (1) in any way affecting the existence of the title of any member, officer or employee of the Property Manager to the office held by such member, officer or employee, (2) in any way contesting or affecting the validity or enforceability of the Property Manager Documents or (3) in any way contesting the existence or powers of the Property Manager; and

(H) based upon the Property Manager's experience in owning and managing mobile home parks in the State of California, the statements contained in the Offering Statement and the Private Placement Memorandum under the captions "PROJECTED PROJECT FINANCIAL PROFORMAS," "RISK FACTORS" (insofar as such statements therein relate to the Project), "THE PROJECT" and "THE PROPERTY MANAGER" do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xxv) certified copies of resolutions of the Trustee, CLGFA, the PAC, the Agency, the City of Novato and the Owner authorizing, as applicable, the execution and delivery of the Bonds, the Bond Documents, the distribution of the Preliminary Offering Statement, the distribution of the Offering Statement, the distribution of the Preliminary Private Placement Memorandum and the distribution of the Private Placement Memorandum;

(xxvi) a certified copy of the JPA Agreement by and between the City and the Agency by which the Owner was created and any amendments thereto;

(xxvii) a certified copy of the Joint Exercise of Powers Agreement by which CLGFA was created and any amendments thereto;

(xxviii) a certified copy of CLGFA's, the Owner's and the PAC's Articles of Incorporation and Bylaws, as applicable;

(xxix) a non-arbitrage certificate delivered by the Authority in form satisfactory to the Owner and Bond Counsel;

(xxx) a copy of the Policy of Financial Security;

(xxxi) an opinion of counsel to Financial Security dated as of the Closing and addressed to the Underwriter, the Owner and CLGFA in form and substance satisfactory to the Underwriter, the Owner and CLGFA, to the effect that:

(A) Financial Security is a stock insurance company duly organized and validly existing under the laws of the State of New York and authorized to transact financial guaranty insurance business therein;

(B) the Policy and the Insurance Agreement have been duly authorized, executed and delivered by Financial Security;

(C) the Policy and the Insurance Agreement constitute the valid and binding obligation of Financial Security, enforceable in accordance with their terms, subject, as to enforcement of remedies, to bankruptcy, insolvency, reorganization, rehabilitation, moratorium and other similar laws affecting the enforceability of creditors' rights generally applicable in the event of bankruptcy or insolvency of Financial Security and to the application of general principles of equity; and

(D) counsel has reviewed the description of Financial Security under the caption "BOND INSURANCE—Financial Security Assurance Inc." in the Offering Statement and the information provided in the Offering Statement with respect to Financial Security is limited and does not purport to provide the scope of disclosure required to be included in a prospectus with respect to a registrant under the Act in connection with the offer and sale of securities of such registrant. Within such limited scope of disclosure, however, there has not come to my attention any information which would cause me to believe that the description of Financial Security referred to above, as of the date of the Offering Statement, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except

that no opinion is rendered with respect to any financial statements or other financial information contained or referred to therein);

(xxxii) a certificate of Financial Security, dated as of the Closing, signed by an officer of Financial Security and in form and substance mutually satisfactory to Financial Security, CLGFA and the Underwriter;

(xxxiii) written evidence satisfactory to the Underwriter, the Owner, the PAC and CLGFA that the Senior Bonds have obtained the rating of "AAA" from Standard & Poor's and "Aaa" from Moody's;

(xxxiv) a certified copy of Ordinance No. 1341 of the City (the "Rent Adjustment Ordinance");

(xxxv) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter, the Owner, CLGFA, the PAC, Financial Security or Bond Counsel may reasonably request to evidence compliance by the Trustee, CLGFA, the PAC and the Owner with all legal requirements, the truth and accuracy, as of the Closing, of the representations of CLGFA, the Trustee, the PAC and the Owner and the due performance or satisfaction by CLGFA, the Trustee, the PAC and the Owner at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by CLGFA, the Trustee, the PAC and the Owner.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the Owner shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Senior Bonds contained in this Purchase Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Senior Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the Owner shall be under any further obligation hereunder, except that the respective obligations of the Owner and the Underwriter set forth in Section 11 hereof shall continue in full force and effect.

Section 10. *[Reserved]*.

Section 11. *Expenses.* The Owner hereby agrees to pay, but solely from the proceeds of the Senior Bonds or from Revenues of the Project, the costs of issuing the Senior Bonds, including but not limited to (i) the cost of preparation and printing of the Senior Bonds; (ii) the cost of preparation, printing and distribution of the Preliminary Offering Statement, the Offering Statement and the Private Placement Memorandum; (iii) the fees and disbursements of Bond Counsel and counsel to CLGFA and the Owner; (iv) the fees and disbursements of the rating agencies; (v) the fees and disbursements of the Trustee and the Dissemination Agent; (vi) the fees and disbursements of Financial Security and its counsel; (vii) the fees and disbursements of the financial advisors of the Owner, the PAC and CLGFA; and (ix) the fees and disbursement of any other engineers, accountants, appraisers, attorneys and other experts, consultants or advisors retained by CLGFA, the Owner or the Underwriter in connection with the issuance of the Senior Bonds. The Underwriter shall pay all filing fees and all advertising expenses in connection with the public offering of the Senior Bonds.

Section 12. *Notices.* Any notice or other communication to be given to the Owner under this Purchase Contract may be given by delivering the same in writing to the Owner at its address set forth above, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to 201 California Street, San Francisco, CA 94111.

Section 13. *Successors.* This Purchase Contract is made solely for the benefit of the Owner and the Underwriter (including their successors or assigns) and no other person shall acquire or have any right hereunder or by virtue hereof. All the representations, warranties, covenants, and agreements contained herein shall remain operative and in full force and effect and shall survive delivery of and payment for the Senior Bonds hereunder, regardless of any investigation made by the Underwriter or on its behalf.

Section 14. *Facilitation by CLGFA.* In order to induce CLGFA to facilitate the transactions contemplated herein and the private placement of the Subordinate Bonds, CLGFA may rely upon the representations, warranties, covenants and agreements of all parties herein and in all documents (including agreements, certificates, opinions and other documents) delivered at the Closing. Such reliance shall survive the Closing.

Section 15. *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 16. *Limited Obligation.* 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 Purchase Contract.


Section 17. *Governing Law.* This Purchase Contract shall be governed by the laws of the State.

Section 18. *Counterparts.* This Purchase Contract may be signed in any number of counterpart copies, but all such copies shall constitute one and the same instrument.

Section 19. *Effectiveness.* This Purchase Contract shall become effective by and between the Owner and the Underwriter upon the execution of the acceptance hereof by the Owner.


Very truly yours,

SUTRO & CO. INCORPORATED, as representative

By 
Name: DOUGLAS L. CHARCHEVKO
Title: SR. VICE PRESIDENT

Accepted this 12 day of March, 1997.

NOVATO FINANCING AUTHORITY

By 
Name: RICHARD HILL
Title: TREASURER

APPENDIX A

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>
1998	\$215,000	3.90%	100.000%
1999	225,000	4.20	100.000
2000	230,000	4.35	100.000
2001	240,000	4.45	99.794
2002	255,000	4.55	99.755
2003	265,000	4.65	99.718
2004	275,000	4.75	99.683
2005	290,000	4.85	99.651
2006	305,000	4.95	99.621
2007	320,000	5.05	99.593
2008	335,000	5.20	99.568
2009	350,000	5.30	99.544
2010	370,000	5.40	99.522
2011	390,000	5.50	99.501
2012	410,000	5.60	99.483
2020	4,275,000	5.80	99.875
2027	6,735,000	5.85	99.875

APPENDIX B

PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB LETTER OF REPRESENTATION

March 10, 1997

Novato Financing Authority
Novato, CA

Sutro & Co. Incorporated,
as representative
San Francisco, CA

Ladies and Gentlemen:

Pursuant to a purchase contract dated the date hereof (the "Purchase Contract") with Sutro & Co. Incorporated, on behalf of itself and George K. Baum & Company (collectively, the "Underwriter"), which the Novato Financing Authority (the "Owner") has approved, the Owner proposes to sell \$15,485,000 aggregate principal amount of Senior Revenue Bonds, Series 1997A (Marin Valley Mobile Country Club Park Acquisition Project), by the Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority (the "Senior Bonds") to finance the acquisition of the Project (as defined in the Purchase Contract) by the Owner. Simultaneously with the issuance of the Senior Bonds, \$15,485,000 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") will be issued. The offering of the Senior Bonds is described in a preliminary offering statement dated March 5, 1997 (the "Preliminary Offering Statement") and in an offering statement dated the date hereof (the "Offering Statement").

The Senior Bonds shall be issued and secured under the provisions of a 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"). The Senior Bonds shall be payable from payments made by the Owner under a Loan Agreement dated as of March 1, 1997 (the "Loan Agreement"), by and between CLGFA, the Owner and the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC"), from amounts held in certain funds established pursuant to the Indenture. The Senior Bonds shall be further secured by the execution and delivery of a deposit only account agreement dated as of March 1, 1997 (the "Deposit Only Agreement"), by and among Storz Management Company, Inc. (the "Property Manager"), the PAC and the Trustee whereby the

PAC and the Property Manager will grant a security interest in the Deposit Only Account for the benefit of the holders of the Senior Bonds. The PAC is also entering into the Delegation Agreement dated as of March 1, 1997 (the "Delegation Agreement") with the Owner pursuant to which the PAC has agreed to perform certain duties and obligations related to the Project. The Project will be managed by the Property Manager pursuant to the terms of the Management Agreement dated as of March 1, 1997 (the "Management Agreement") by and between the PAC and the Property Manager. In consideration for the Owner's purchase of the Project with a portion of the proceeds of the Senior Bonds, the PAC, the Owner and the City of Novato will enter into an In-Lieu-Of-Tax Agreement dated as of March 1, 1997 (the "In-Lieu-Of-Tax Agreement") whereby certain in-lieu-of-tax payments will be made to the City from revenues of the Project.

The PAC will undertake, pursuant to a Continuing Disclosure Agreement, dated March 1, 1997 (the "Disclosure Agreement"), by and among the PAC, the Owner and the Trustee, to provide certain annual financial information and notices of the occurrence of certain events, if material.

The scheduled payment of the principal 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. ("Financial Security"). Financial Security, the Owner and the PAC will enter into an Insurance and Indemnity Agreement dated as of March 1, 1997 (the "Insurance Agreement") which sets forth the conditions precedent to the issuance of the Policy.

This Letter of Representation is being delivered pursuant to the Purchase Contract and all capitalized terms not defined herein shall have the meanings given to such terms in the Purchase Contract. The Loan Agreement, the Deposit Only Agreement, the Management Agreement, the Disclosure Agreement, the Delegation Agreement, the Insurance Agreement, the In-Lieu-Of-Tax Agreement and this Letter of Representation are together referred to herein as the "Legal Documents."

In order to induce you to enter into the Purchase Contract, CLGFA to facilitate the transaction and to permit the Underwriter to make a public offering of the Senior Bonds therein contemplated, the PAC hereby represents, warrants, covenants and agrees with you as follows, the provisions of paragraphs (a) through (q) being true as of the date hereof:

(a) The PAC is validly existing as a nonprofit, mutual benefit corporation with full legal right, power and authority to execute and deliver and perform its obligations under the Legal Documents.

(b) At the date of execution by the PAC of this Letter of Representation, the statements and information contained in the Offering Statement (except for the financial, demographic and statistical data not relating to the PAC and the Project and except for the information concerning The Depository Trust Company, CLGFA, the Owner, the Property Manager and Financial Security), dated the date hereof relating to the Senior

Bonds, are true and correct in all material respects for the purposes for which their use is or was authorized; and all statements therein, to the extent the information in such sections relate to the PAC and the Project, do not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements made in such sections in light of the circumstances under which they are or were made, not misleading. Neither this Letter of Representation nor any other document, certificate or written statement furnished to the Underwriter or the Owner by or relating to the PAC contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein, under the circumstances under which they are or were made, not misleading.

(c) Subsequent to the respective dates as of which information referred to in the foregoing paragraph (b) is given and except as set forth or contemplated in the Offering Statement, no event has occurred which has affected or may affect materially and adversely the business, properties, operations, prospects or financial condition of the PAC.

(d) Neither the execution and delivery of the Legal Documents and compliance with the provisions on the PAC's part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the term hereof and thereof, conflicts with or constitutes a breach of or default under nor contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the PAC is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the PAC or the Project under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Legal Documents.

(e) To the best knowledge of the PAC, the PAC and the Project is not in breach of or default under in any material respect any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the PAC is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(f) To the best knowledge of the PAC, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened wherein an adverse decision, ruling or finding would (i) result in any material and adverse change in the condition (financial or otherwise), business or prospects of the PAC or the Project or which would materially and adversely affect the activities or properties of the PAC or the Project, (ii) materially and adversely affect the

transactions contemplated by this Letter of Representation or the Purchase Contract or (iii) materially and adversely affect the validity or enforceability of the Legal Documents.

(g) The PAC has the full power and authority to execute and deliver the Legal Documents and perform its obligations hereunder and thereunder and to engage in the transactions contemplated by the foregoing, and the Legal Documents have been duly authorized by the PAC and, when executed by the respective parties thereto, will constitute the legal, valid and binding obligation of the PAC enforceable against the PAC in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights and except as the indemnification provisions hereof may be limited by applicable securities laws or public policy.

(h) The written information supplied by the PAC to the Owner, CLGFA, Bond Counsel and the Underwriter with respect to the Project to be financed with the proceeds of the Senior Bonds is true, correct and complete in all material respects for the purposes for which it was supplied.

(i) No consent, approval, authorization or other action by a governmental or regulatory authority that has not been obtained is or will be required by the PAC for the delivery and sale of the Bonds or the consummation of the other transactions contemplated by this Letter of Representation, the Purchase Contract and the Offering Statement, except for such licenses, certificates, approvals, variances or permits which may be necessary for the construction or operation of the Project which the PAC has applied for (or will apply for in the ordinary course of business) and expects to receive, and except as may be required under the state securities or Blue Sky laws in connection with the sale of the Senior Bonds by the Underwriter.

(j) The PAC hereby authorizes the use by the Underwriter of the Purchase Contract, this Letter of Representation and the information therein and herein in connection with the sale of the Senior Bonds.

(k) The PAC will deliver all opinions, certificates, letters and other instruments and documents reasonably required by the Underwriter, CLGFA and this Letter of Representation.

(m) Any certificate of the PAC delivered to the Underwriter shall be deemed a representation and warranty by the PAC to the Underwriter and CLGFA as to the statements made therein.

(n) The PAC shall indemnify and hold harmless the Underwriter, CLGFA, the Owner, the Trustee, each of their respective members, officers, agents and employees and each person who controls the Underwriter within the meaning of Section 15 of the Securities Act of 1933 (such Act being herein called the "Act" and any such person being

herein sometimes called an "Indemnified Party"), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Party may become subject under any statute or at law or in equity or otherwise and shall reimburse any such Indemnified Party for any legal or other expense incurred by it in connection with investigating any claims against it and defending any actions, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Offering Statement in the section titled "THE PROJECT" to the extent that the information contained in such caption relates to the PAC or the Project, or the omission or alleged omission by the PAC to state in such section a material fact necessary to make the statements therein not misleading. This indemnity agreement shall not be construed as a limitation on any other liability which the PAC may otherwise have to any Indemnified Party provided that in no event shall the PAC be obligated for double indemnification.

An Indemnified Party shall, promptly after the receipt of notice of the commencement of any action against such Indemnified Party in respect of which indemnification may be sought against the PAC notify the PAC in writing of the commencement thereof. In case any such action shall be brought against an Indemnified Party and such Indemnified Party shall notify the PAC of the commencement thereof, the PAC may, or if so requested by such Indemnified Party shall, participate therein or assume the defense thereof, with counsel satisfactory to such Indemnified Party, and after notice from the PAC to such Indemnified Party of an election so to assume the defense thereof, the PAC will not be liable to such Indemnified Party under this paragraph for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that unless and until the PAC assumes the defense of any such action at the request of such Indemnified Party, the PAC shall have the right to participate at its own expense in the defense of any such action. If the PAC shall not have employed counsel to have charge of the defense of any such action or if an Indemnified Party shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to the PAC (in which case the PAC shall not have the right to direct the defense of such action on behalf of such Indemnified Party), legal and other expenses incurred by such Indemnified Party shall be borne by the PAC.

The PAC shall not be liable for any settlement of any such action effected without its consent by any Indemnified Party, but if settled with the consent of the PAC or if there be a final judgment for the plaintiff in any such action against the PAC or any Indemnified Party, with or without the consent of the PAC, the PAC agrees to indemnify and hold harmless such Indemnified Party to the extent provided in this Letter of Representation.

In the event an Indemnified Party is entitled to receive Indemnification from other parties in addition to the PAC the aggregate amounts which such Indemnified Party shall

be entitled to receive from any or all of the indemnifying parties shall not exceed the amount of actual loss to such Indemnified Party.

The indemnity provided herein is not intended to supersede any indemnity to which any Indemnified Party is entitled under the Loan Agreement and the Delegation Agreement or to which CLGFA is entitled under any other agreement or document relating to the Bonds. Any indemnity hereunder is provided in addition to any indemnity under the Loan Agreement.

(o) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in paragraph (n) is applicable but for any reason is held to be unavailable from the PAC, the PAC 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 from persons other than the Indemnified Party, such as persons who control the PAC within the meaning of the Act) to which the PAC and the Indemnified Party may be subject in such proportion so that the Underwriter is responsible for that portion represented by the percentage that the underwriting discount set forth in the Offering Statement bears to the initial offering price of the Senior Bonds appearing thereon and the PAC is responsible for the balance; 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 (o), 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 (o). No party shall be liable for contribution with respect to any action or claim settled without consent.

(p) After the Closing, (i) if any event relating to or affecting the PAC or the Project shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Offering Statement in order to make the Offering Statement not misleading in the light of the circumstances existing at the date of Closing, the PAC will forthwith prepare and furnish to the Underwriter (at the expense of the PAC for 90 days from the date of Closing, and thereafter at the expense of the Underwriter) a reasonable number of copies of an amendment or a supplement to the Offering Statement (in form and substance satisfactory to counsel for the Underwriter) which will amend or supplement the Offering Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Offering Statement is

delivered to a purchaser, not misleading. For the purposes of this section, the PAC will furnish such information with respect to itself and the Project as you may from time to time request.

(q) The PAC covenants and agrees to enter into an undertaking (the "Undertaking") to provide ongoing disclosure for the benefit of the holders of the Senior Bonds on or before the date of delivery of the Senior Bonds, as required by Section (b)(5)(i) of Rule 15c2-12, which undertaking shall be a part of the Continuing Disclosure Agreement dated March 1, 1997, and in the form as summarized in the Preliminary Offering Statement, with such changes as may be agreed to in writing by the Underwriter.

The representations, warranties, agreements and indemnities contained herein shall survive the Closing under the Purchase Contract and any investigation made by or on behalf of the Owner or the Underwriter or any such director, officer or any such controlling person of any matters described in or related to the transactions contemplated hereby and by the Purchase Contract, the Offering Statement and the Legal Documents.

In order to induce CLGFA to facilitate the transactions contemplated herein, CLGFA may rely upon the representations, warranties, covenants and agreements of the PAC contained herein and contained in any other documents delivered pursuant hereto or otherwise delivered by the PAC at Closing. Such reliance by CLGFA shall survive the Closing.

This Letter of Representation shall be binding upon and inure solely to the benefit of the Underwriter, the Owner, the PAC and any such member, officer, director or any such controlling person, and their respective personal representatives, successors and assigns, and no other person or firm shall acquire or have any right under or by virtue of this letter agreement.

This Letter of Representation may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument, which shall be governed by laws of the State of California.

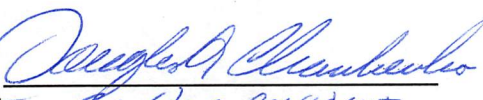
If the foregoing is in accordance with the understanding of the Owner and the Underwriter of the agreement between us, kindly sign and return to the PAC the enclosed duplicate of this letter agreement whereupon this will constitute a binding agreement between us in accordance with the terms hereof.

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB

By 
Title: Pres

Accepted and confirmed as of
the date first above written:

SUTRO & CO. INCORPORATED,
as representative

By 
Title SA. VICE PRESIDENT

NOVATO FINANCING AUTHORITY

By 
Title Treasurer

It is the understanding of CLGFA that the scheduled payment of the principal 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. ("Financial Security").

This Letter of Representation is being delivered pursuant to the Purchase Contract and all capitalized terms not defined herein shall have the meanings given to such terms in the Purchase Contract. The Loan Agreement and the Indenture are together referred to herein as the "Legal Documents."

CLGFA accepts the Purchase Contract and the PAC Letter of Representation and hereby represents, warrants, covenants and agrees with you as follows, the provisions of paragraphs (a) through (k) being true as of the date hereof:

(a) CLGFA hereby represents that the information in the Offering Statement under the heading "APPENDIXE—CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY" is fair and accurate and does not contain any untrue statement of a material fact and does not omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(b) CLGFA is, and will be at the Closing Date, a joint powers authority of the State of California (the "State"), duly organized and existing under the laws of the State, and with full legal right, power and authority to issue and deliver the Senior Bonds to the Underwriter pursuant to Resolution No. 97-1 dated February 19, 1997 (the "Bond Resolution") authorizing the issuance of the Bonds, to enter into the Legal Documents to which it is a party, to adopt the Bond Resolution and to carry out and perform its obligations under the Legal Documents.

(c) The Bond Resolution has been duly adopted by CLGFA, is in full force and effect and constitutes the legal, valid and binding action of CLGFA.

(d) At the Closing Date, CLGFA will be in compliance in all material respects with the covenants and agreements contained herein, in the Bond Resolution and in the other Legal Documents and, to the knowledge of CLGFA, no event of default will exist which, with the giving of notice or passage of time, or both, would constitute an event of default by CLGFA under or breach by CLGFA of the Bond Resolution or the Legal Documents.

(e) To the best knowledge of CLGFA, the adoption of the Bond Resolution and the execution and delivery of the Legal Documents and the Bonds and compliance with the provisions hereof and thereof do not and will not as of the Closing Date conflict with or constitute on the part of CLGFA a breach or violation of or default under any constitutional provision or statute of the State or the United States or any indenture, mortgage, deed of trust, resolution, note agreement or other agreement or instrument to

Offering Statement not misleading in the light of the circumstances existing at the date of Closing, CLGFA will forthwith prepare and furnish to the Underwriter (at the expense of CLGFA for 90 days from the date of Closing, and thereafter at the expense of the Underwriter) a reasonable number of copies of an amendment or a supplement to Appendix E to the Offering Statement (in form and substance satisfactory to counsel for the Underwriter) which will amend or supplement Appendix E to the Offering Statement so that such appendix will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Offering Statement is delivered to a purchaser, not misleading. For the purposes of this section, CLGFA will furnish such information with respect to itself as you may from time to time request.

(j) CLGFA will not use or invest proceeds of the Bonds in any manner which would cause the Bonds to be considered arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986; provided that the Owner shall control and direct the investments of all Bond proceeds.

(k) CLGFA will take any action reasonably necessary to assure or maintain the exclusion from gross income for purposes of federal income taxes of interest on the Bonds and will not take any action, or permit any action to be taken with respect to which it may exercise control, which would result in the loss of such exclusion.

It shall be a condition to Closing that all documents required to be delivered and all other requirements set forth under the Purchase Contract have been received, waived or otherwise modified to the satisfaction of CLGFA.

The representations, warranties and agreements contained herein shall survive the Closing under the Purchase Contract and any investigation made by or on behalf of the Owner or the Underwriter or any such director, officer or any such controlling person of any matters described in or related to the transactions contemplated hereby and by the Purchase Contract, the Offering Statement and the Legal Documents.

This Letter of Representation shall be binding upon and inure solely to the benefit of the Underwriter, the Owner, CLGFA and any such member, officer, director or any such controlling person, and their respective personal representatives, successors and assigns, and no other person or firm shall acquire or have any right under or by virtue of this letter agreement.

This Letter of Representation may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument, which shall be governed by laws of the State of California.

If the foregoing is in accordance with the understanding of the Owner and the Underwriter of the agreement between us, kindly sign and return to CLGFA the enclosed duplicate of this letter agreement whereupon this will constitute a binding agreement between us in accordance with the terms hereof.

CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY

By Marisa L. Bague
Title: Executive Director

Accepted and confirmed as of
the date first above written:

SUTRO & CO. INCORPORATED,
as representative

By Donald Chamberlain
Title Sr. Vice President

NOVATO FINANCING AUTHORITY

By Paul Hill
Title Treasurer

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB, a California nonprofit mutual benefit corporation (the "PAC"), NOVATO FINANCING AUTHORITY, a California joint powers authority (the "Authority") and FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, in its capacity as Dissemination Agent hereunder and in its capacity as trustee (the "Trustee") for the holders of the \$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 (the "Bonds") under the Trust Indenture between the California Local Government Finance Authority ("CLGFA") and the Trustee, dated as of March 1, 1997 (the "Indenture"). The PAC, the Authority, the Dissemination Agent and the Trustee covenant and agree as follows:

Section 1. *Purpose of the Disclosure Agreement.* This Disclosure Agreement is being executed and delivered by the PAC, the Authority, the Dissemination Agent and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with, and constitutes the written undertaking of the Project Owner for the benefit of the Bondholders required by, Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. § 240.15c2-12) (the "Rule").

While the Delegation Agreement dated as of March 1, 1997, (the "Delegation Agreement") by and between the Authority and the PAC is in effect, the PAC, as an "obligated person" within the meaning of the Rule, and upon termination of the Delegation Agreement, the Authority, as an "obligated person" within the meaning of the Rule (the party then acting as the "obligated party" is herein referred to as the "Obligated Party"), undertakes to provide the following information as provided in this Disclosure Agreement:

- (1) Annual Financial Information;
- (2) Audited Financial Statements; and
- (3) Material Event Notices.

Section 2. *Definitions.* In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Financial Information*" means, in the case of the Obligated Party, the financial information or operating data with respect to the Project, provided at least annually, of the type included in Appendix A hereto, which Annual Financial Information may, but is not required

to, include Audited Financial Statements, and which Annual Financial Information will include the information contained in the following sections in the Offering Statement relating to the Bonds revised to reflect the prior Fiscal Year's actual results: "PROJECTED PROJECT FINANCIAL PROFORMAS" and "THE PROJECT—General Description." If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board.

"*Audited Financial Statements*" means the annual audited financial statements related to the Project.

"*Beneficial Owners*" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

"*Dissemination Agent*" means First Trust of California, National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Obligated Party and which has filed with the Trustee a written acceptance of such designation.

"*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.

"*Holder*s" means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in its depository system.

"*Material Event*" means any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Nonpayment-related Events of Default under and as defined in the Indenture;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of Bondholders;

- (viii) Bond calls (other than mandatory sinking fund redemptions);
 - (ix) Defeasances;
 - (x) Release, substitution, or sale of property securing repayment of the Bonds;
- and
- (xi) Rating changes.

"Material Event Notice" means written or electronic notice of a Material Event.

"NRMSIR" means a nationally recognized municipal securities information repository, as recognized from time to time by the Securities and Exchange Commission for the purposes referred to in the Rule; the NRMSIRs as of the date of this Disclosure Agreement being as follows: Bloomberg Municipal Repositories, Post Office Box 840, Princeton, New Jersey 08542-0840, Phone: (609) 279-3200, Facsimile: (609) 279-5962; The Bond Buyer, Attention: Municipal Disclosure, 395 Hudson Street, New York, New York 10014, Phone: (212) 807-3814, Facsimile: (212) 989-9282, Internet: Disclosure @ Muller.com; Disclosure, Inc., 5161 River Road, Bethesda, Maryland 20816, Attention: Document Acquisitions/Municipal Securities, Phone: (301) 951-1450 (for Issuer-related questions) and (800) 638-8241 (for purchase of documents), Facsimile: (301) 718-2329 (for obligated persons to submit documents); Kenny Information Systems, Inc., 65 Broadway - 16th Floor, New York, New York 10006, Attention: Kenny Repository Service, Phone: (212) 770-4595, Facsimile: (212) 797-7994; Moody's NRMSIR, Public Finance Information Center, 99 Church Street, New York, New York 10007, Phone: (800) 339-6306, Facsimile: (212) 553-1460; R.R. Donnelley Financial, Municipal Securities Disclosure Archive, 559 Main Street, Hudson, MA 01749, Phone: (800) 580-3670, Facsimile: (508) 562-1969.

"Participating Underwriter" means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"SID" means a state information depository as operated or designated by the State of California as such for the purposes referred to in the Rule. As of the date of this Disclosure Agreement, there is no SID operated or designated by the State of California as such for the purposes referred to in the Rule.

Section 3. Provision of Annual Reports. (a) While any Bonds are outstanding, the Obligated Party shall, or shall cause the Dissemination Agent to, provide the Annual Financial Information on or before February 1 of each year (the "Report Date"), beginning on or before February 1, 1998, to each then existing NRMSIR, the SID, if any, and Financial Security. If the Dissemination Agent is to provide the Annual Financial Information, not later than 15 Business Days prior to said date, the Obligated Party shall provide the Annual Financial Information to the Dissemination Agent. The Obligated Party shall include with each such submission of Annual Financial Information to the Dissemination Agent a written representation

addressed to the Dissemination Agent, upon which the Dissemination Agent may conclusively rely, to the effect that the Annual Financial Information is the Annual Financial Information required to be provided by it pursuant to this Disclosure Agreement and that it complies with the applicable requirements of this Disclosure Agreement. In each case, the Annual Financial Information may be submitted as a single document or as a set of documents, and all or any part of such Annual Financial Information may be provided by specific cross-reference to other documents previously provided to each NRMSIR and the SID, if any, or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the Municipal Securities Rulemaking Board, as provided in the definition of Annual Financial Information. The Audited Financial Statements, if any, may, but are not required to be, provided as a part of the Annual Financial Information.

(b) If not provided as part of the Annual Financial Information, the Obligated Party shall, or, upon furnishing such Audited Financial Statements to the Dissemination Agent, shall cause the Dissemination Agent to, provide Audited Financial Statements when and if available while any Bonds are Outstanding to each then existing NRMSIR and the SID, if any.

(c) If by 15 Business Days prior to a Report Date the Dissemination Agent has not received a copy of the Annual Financial Information, the Dissemination Agent shall contact the Obligated Party to give notice that the Dissemination Agent has not received the Annual Financial Information and that such information must be provided to the NRMSIRS and SID, if any, by the applicable Report Date.

(d) The Dissemination Agent shall:

(i) determine prior to the Report Date the name and address of each NRMSIR and each SID, if any; and

(ii) to the extent the Obligated Party has provided the Annual Financial Information to the Dissemination Agent, file a report with the Obligated Party certifying that the Annual Financial Information has been provided by the Dissemination Agent to each NRMSIR and SID, if any, pursuant to this Disclosure Agreement, stating the date it was provided and listing each then existing NRMSIR and the SID, if any, to which it was provided.

(f) If the Dissemination Agent does not receive the Annual Financial Information from the Obligated Party required by clause (a) of this Section by the applicable Report Date, the Dissemination Agent shall, without further direction or instruction from the Obligated Party, provide in a timely manner to the Municipal Securities Rulemaking Board, to the SID, if any, and Financial Security, notice of any such failure to provide to the Dissemination Agent Annual Financial Information by the applicable Report Date. For the purposes of determining whether information received from the Obligated Party is Annual Financial Information, the Dissemination Agent shall be entitled conclusively to rely on the written representation made by the Obligated Party pursuant to this Section.

Section 4. *Reporting of Significant Events.* (a)(i) If a Material Event occurs while any Bonds are Outstanding, the Obligated Party shall provide a Material Event Notice in a timely manner to the Dissemination Agent and Financial Security and instruct the Dissemination Agent to provide such Material Event Notice in a timely manner to the Municipal Securities Rulemaking Board and the SID, if any. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

(ii) The Trustee shall promptly advise the Obligated Party, Financial Security and the Authority if it is not then the Obligated Party of any Material Event with respect to the Bonds of which the Trustee has actual knowledge. For purposes of this Disclosure Agreement, "actual knowledge" of such Material Event shall mean knowledge by a Responsible Officer of the Trustee at the Corporate Trust Office of the existence of such Material Event.

(b) Whenever the Obligated Party obtains knowledge of the occurrence of a Material Event, whether because of a notice from the Trustee pursuant to subsection (a) or otherwise, the Obligated Party shall as soon as reasonably possible determine if such event would constitute material information for Bondholders.

(c) If the Obligated Party provides to the Dissemination Agent information relating to the Obligated Party or the Bonds, which information is not designated as a Material Event Notice, and directs the Dissemination Agent to provide such information to NRMSIRs, the Dissemination Agent shall provide such information in a timely manner to the NRMSIRs or the Municipal Securities Rulemaking Board and the SID, if any.

Section 5. *Termination of Reporting Obligation.* The PAC's, the Authority's, the Dissemination Agent's and the Trustee's obligations under this Disclosure Agreement shall automatically terminate once the Bonds are no longer outstanding.

Section 6. *Dissemination Agent.* The Obligated Party may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent upon notice to the Dissemination Agent. The Dissemination Agent may resign at any time by providing 30 days' written notice to the Obligated Party and the Authority if it is not then the Obligated Party. The initial Dissemination Agent shall be First Trust of California, National Association.

Section 7. *Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Agreement, the PAC, the Authority, the Dissemination Agent and the Trustee may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived by the parties hereto, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to the Authority and the Trustee, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, provided that the Authority shall

have provided notice of such delivery and of the amendment to each then existing NRMSIR or the MSRB and the SID, if any, provided that neither the Trustee nor the Dissemination Agent shall be obligated to agree to any amendment that modifies the duties or liabilities of the Dissemination Agent or the Trustee without their respective consent thereto. Any such amendment shall satisfy, unless otherwise permitted by the Rule, the following conditions:

(i) The amendment may only be made in connection with a change in circumstances that arises from a change in legal reimbursements, change in law or change in the identity, nature or status of the obligated person or type of business conducted;

(ii) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment does not materially impair the interests of Beneficial Owners and Holders of any of the Bonds, as determined either by parties unaffiliated with the Borrower (such as the Trustee or counsel expert in federal securities laws), or by approving vote of Bondholders pursuant to the terms of the Indenture at the time of the amendment. The initial Annual Financial information after the amendment shall explain, in narrative form, the reasons for the amendment and the effect of the change, if any, in the type of operating data or financial information being provided.

Section 8. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the PAC and the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Agreement. If the PAC or the Authority chooses to include any information in any Annual Financial Information or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the PAC and the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of a Material Event.

Section 9. *Default.* In the event of a failure of the PAC or the Authority, the Dissemination Agent or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee, at the written direction of any Participating Underwriter or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall, but only to the extent the Trustee receives indemnification to its satisfaction, or any Beneficial Owner or Holder of any of the Bonds may seek mandate or specific performance by court order, to cause the PAC, the Authority, the Dissemination Agent or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement; provided that neither the PAC, the Authority, the Dissemination Agent nor the Trustee shall be liable for monetary damages or any other monetary

penalty or payment for breach of any of its obligations under this Section unless such breach shall have been willful or reckless. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of an "Event of Default" shall not apply to any such failure. The sole remedy under this Disclosure Agreement in the event of any failure of the Authority, the PAC, the Dissemination Agent or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

Section 10. *Duties, Immunities and Liabilities of Trustee and Dissemination Agent.* Article IX of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the PAC agrees to indemnify and save the Dissemination Agent and the Trustee and their officers, directors, employees and agents harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Obligated Party for its services provided hereunder and all expenses, legal fees and advances made or incurred by the Dissemination Agent hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Obligated Party hereunder and shall not be deemed to be acting in a fiduciary capacity for the Obligated Party, the Holders or Beneficial Owners of the Bonds or any other party. The obligations of the Obligated Party under this Section shall survive resignation or removal of the Dissemination Agent or Trustee and payment of the Bonds.

Section 11. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the PAC, the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters, CLGFA, Financial Security and the Beneficial Owners and Holders of any Bonds and shall create no rights in any other person or entity.

Section 12. *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 13. *Interpretation.* It being the intention of the PAC and the Authority that there be full and complete compliance with the Rule, this Disclosure Agreement shall be construed in accordance with the written guidance and no-action letters published from time to time by the Securities and Exchange Commission and its staff with respect to the Rule.

Section 14. *Governing Law.* This Disclosure Agreement shall be governed by the laws of the State of California.

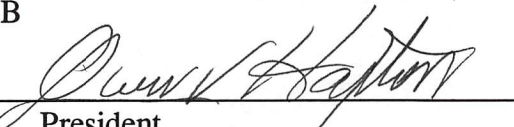
Section 15. *Counterparts.* This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated as of: March 1, 1997

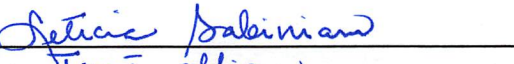
NOVATO FINANCING AUTHORITY

By 
Title Chair

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY
CLUB

By 
Title President

FIRST TRUST OF CALIFORNIA,
NATIONAL ASSOCIATION, as Trustee
and as Dissemination Agent

By 
Title Trust officer

APPENDIX A

ANNUAL DISCLOSURE REPORT

\$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

Report For Period Ending _____

THE PROJECT

Name: _____

Address: _____

Occupancy

Number of Spaces _____

Number of Spaces Occupied as of Report Date _____

Rental Rates

Average \$ _____

Low \$ _____

High \$ _____

RENTAL INCOME

OTHER REVENUE

Total Revenue

EXPENSES

Salaries and Wages
Employee Benefits
Professional Services
Supplies and Other
Depreciation and Amortization
Interest Expense
Total Expense

Gain (loss) From Operations

NONOPERATING GAINS

Interest Income

**EXPENSES IN EXCESS OF
REVENUE AND GAINS**

ADD BACK:

Depreciation and Amortization
Interest Expense

NET OPERATING INCOME

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB, a California nonprofit mutual benefit corporation (the "PAC"), NOVATO FINANCING AUTHORITY, a California joint powers authority (the "Authority"), 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 (the "Agency"), and FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, in its capacity as Dissemination Agent hereunder and in its capacity as trustee (the "Trustee") for the holders of the \$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 "Bonds") under the Trust Indenture between the California Local Government Finance Authority ("CLGFA") and the Trustee, dated as of March 1, 1997 (the "Indenture"). The PAC, the Authority, the Agency, the Dissemination Agent and the Trustee covenant and agree as follows:

Section 1. *Purpose of the Disclosure Agreement.* This Disclosure Agreement is being executed and delivered by the PAC, the Authority, the Agency, the Dissemination Agent and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds.

While the Delegation Agreement dated as of March 1, 1997, (the "Delegation Agreement") by and between the Authority and the PAC is in effect, the PAC, and upon termination of the Delegation Agreement, the Authority (the party then acting is herein referred to as the "Obligated Party") undertakes to provide the following information as provided in this Disclosure Agreement:

- (1) Project Annual Financial Information;
- (2) Project Audited Financial Statements, if any; and
- (3) Material Event Notices.

The Agency undertakes to provide Agency Audited Financial Statements as provided in this Disclosure Agreement.

Section 2. *Definitions.* In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Agency Audited Financial Statements" means, in the case of the Agency, its annual audited financial statements.

"*Beneficial Owners*" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

"*Dissemination Agent*" means First Trust of California, National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Obligated Party and which has filed with the Trustee a written acceptance of such designation.

"*Holder*" means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in its depository system.

"*Material Event*" means any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
 - (ii) Nonpayment-related Events of Default under and as defined in the Indenture;
 - (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (v) Substitution of credit or liquidity providers, or their failure to perform;
 - (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
 - (vii) Modifications to rights of Bondholders;
 - (viii) Bond calls (other than mandatory sinking fund redemptions);
 - (ix) Defeasances;
 - (x) Release, substitution, or sale of property securing repayment of the Bonds;
- and
- (xi) Rating changes.

"*Material Event Notice*" means written or electronic notice of a Material Event.

"*Project Annual Financial Information*" means, in the case of the Obligated Party, the financial information or operating data with respect to the Project, provided at least annually,

of the type included in Appendix A hereto, which Annual Financial Information may, but is not required to, include Project Audited Financial Statements, and which Annual Financial Information will include the then current Loan Payment Schedule in the form attached to the Loan Agreement as Exhibit B and the information contained in the following sections in the Private Placement Memorandum relating to the Bonds revised to reflect the prior Fiscal Year's actual results: (i) "THE PROJECT—General Description" and (ii) "THE REDEVELOPMENT AGENCY OF THE CITY OF NOVATO." If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board.

"*Project Audited Financial Statements*" means, in the case of the Obligated Party, the annual audited financial statements of the Project, if any.

Section 3. *Provision of Annual Reports.* (a) While any Bonds are outstanding, the Obligated Party shall, or shall cause the Dissemination Agent to, provide the Project Annual Financial Information on or before September 1 of each year (the "Report Date"), beginning on or before September 1, 1998, to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address. If the Dissemination Agent is to provide the Project Annual Financial Information, not later than 15 Business Days prior to said date, the Obligated Party shall provide the Project Annual Financial Information to the Dissemination Agent. The Obligated Party shall include with each such submission of Project Annual Financial Information to the Dissemination Agent a written representation addressed to the Dissemination Agent, upon which the Dissemination Agent may conclusively rely, to the effect that the Project Annual Financial Information is the Project Annual Financial Information required to be provided by it pursuant to this Disclosure Agreement and that it complies with the applicable requirements of this Disclosure Agreement. In each case, the Project Annual Financial Information may be submitted as a single document or as a set of documents, and all or any part of such Project Annual Financial Information may be provided by specific cross-reference to other documents previously provided to the Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address, or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the Municipal Securities Rulemaking Board, as provided in the definition of Project Annual Financial Information. The Project Audited Financial Statements, if any, may, but are not required to be, provided as a part of the Project Annual Financial Information.

(b) If not provided as part of the Project Annual Financial Information, the Obligated Party shall, or, upon furnishing such Project Audited Financial Statements to the Dissemination Agent, shall cause the Dissemination Agent to, provide Project Audited Financial Statements when and if available while any Bonds are Outstanding to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address.

(c) If by 15 Business Days prior to a Report Date the Dissemination Agent has not received a copy of the Project Annual Financial Information, the Dissemination Agent shall contact the Obligated Party to give notice that the Dissemination Agent has not received the

Project Annual Financial Information and that such information must be provided to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address by the applicable Report Date.

(d) The Dissemination Agent shall:

(i) determine prior to the Report Date the name and address of each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address; and

(ii) to the extent the Obligated Party has provided the Project Annual Financial Information to the Dissemination Agent, file a report with the Obligated Party certifying that the Annual Financial Information has been provided by the Dissemination Agent to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address pursuant to this Disclosure Agreement, stating the date it was provided and listing each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address to which it was provided.

(f) If the Dissemination Agent does not receive the Project Annual Financial Information from the Obligated Party required by clause (a) of this Section by the applicable Report Date, the Dissemination Agent shall, without further direction or instruction from the Obligated Party, provide in a timely manner to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address notice of any such failure to provide to the Dissemination Agent Project Annual Financial Information by the applicable Report Date. For the purposes of determining whether information received from the Obligated Party is Project Annual Financial Information, the Dissemination Agent shall be entitled conclusively to rely on the written representation made by the Obligated Party pursuant to this Section.

Section 4. *Reporting of Significant Events.* (a)(i) If a Material Event occurs while any Bonds are Outstanding, the Obligated Party shall provide a Material Event Notice in a timely manner to the Dissemination Agent and instruct the Dissemination Agent to provide such Material Event Notice in a timely manner to the Holders and Beneficial Owners of the Bonds for which it has actual knowledge of its respective identity and address. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

(ii) The Trustee shall promptly advise the Obligated Party and the Authority if it is not then the Obligated Party of any Material Event with respect to the Bonds of which the Trustee has actual knowledge. For purposes of this Disclosure Agreement, "actual knowledge" of such Material Event shall mean knowledge by a Responsible Officer of the Trustee at the Corporate Trust Office of the existence of such Material Event.

(b) Whenever the Obligated Party obtains knowledge of the occurrence of a Material Event, whether because of a notice from the Trustee pursuant to subsection (a) or otherwise, the Obligated Party shall as soon as reasonably possible determine if such event would constitute material information for Bondholders.

(c) If the Obligated Party provides to the Dissemination Agent information relating to the Obligated Party or the Bonds, which information is not designated as a Material Event Notice, and directs the Dissemination Agent to provide such information to the Holders and Beneficial Owners of the Bonds, the Dissemination Agent shall provide such information in a timely manner to the Holders and Beneficial Owners of the Bonds for which it has actual knowledge of its respective identity and address.

Section 5. *Provision of Agency Audited Financial Statements.* (a) While any Bonds are outstanding and the Agency is obligated to pay the Pledge Amount under the Pledge Agreement upon the occurrence of certain events, the Agency shall, or shall cause the Dissemination Agent to, provide Agency Audited Financial Statements on or before February 1 of each year (the "Agency Report Date") beginning on February 1, 1998, to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address. If the Dissemination Agent is to provide the Agency Audited Financial Statements, not later than 15 Business Days prior to said date, the Agency shall provide the Agency Audited Financial Statements to the Dissemination Agent.

(b) If by 15 Business Days prior to an Agency Report Date the Dissemination Agent has not received a copy of the Agency Audited Financial Statements, the Dissemination Agent shall contact the Agency to give notice that the Dissemination Agent has not received the Agency Audited Financial Statements and that such information must be provided to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address, by the applicable Agency Report Date.

(c) The Dissemination Agent shall:

(i) determine prior to the Agency Report Date the name and address of each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address; and

(ii) to the extent the Agency has provided the Agency Audited Financial Statements to the Dissemination Agent, file a report with the Agency certifying that the Agency Audited Financial Statements have been provided by the Dissemination Agent to each Holder and Beneficial Owner of the Bonds for which it has actual knowledge of its respective identity and address, pursuant to the Disclosure Agreement, stating the date it was provided and listing each such Holder and Beneficial Owner to which it was provided.

(d) The Agency shall provide written notice to Financial Security Assurance, Inc., within 30 days after any change made by the Agency with respect to the timing of the official fiscal year period of the Agency.

Section 6. *Termination of Reporting Obligation.* The PAC's, the Authority's, the Agency's, the Dissemination Agent's and the Trustee's obligations under this Disclosure Agreement shall automatically terminate once the Bonds are no longer outstanding.

Section 7. *Dissemination Agent.* The Obligated Party may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent upon notice to the Dissemination Agent. The Dissemination Agent may resign at any time by providing 30 days' written notice to the Obligated Party and the Authority if it is not then the Obligated Party. The initial Dissemination Agent shall be First Trust of California, National Association.

Section 8. *Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Agreement, the PAC, the Authority, the Agency, the Dissemination Agent and the Trustee may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived by the parties hereto, if such amendment or waiver is approved by a majority of the Holders of the Bonds then outstanding under the Indenture; provided that neither the Trustee nor the Dissemination Agent shall be obligated to agree to any amendment that modifies the duties or liabilities of the Dissemination Agent or the Trustee without their respective consent thereto.

Section 9. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the PAC, the Agency and the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Project Annual Financial Information or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Agreement. If the PAC, the Agency or the Authority chooses to include any information in any Project Annual Financial Information or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the PAC, the Agency and the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Project Annual Financial Information or notice of occurrence of a Material Event.

Section 10. *Default.* In the event of a failure of the PAC, the Agency or the Authority, the Dissemination Agent or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee, at the written direction of the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall, but only to the extent the Trustee receives indemnification to its satisfaction, or any Beneficial Owner or Holder of any of the Bonds may seek mandate or specific performance by court order, to cause the PAC, the Authority, the Agency, the Dissemination Agent or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement; provided that neither the PAC, the Authority, the

Agency, the Dissemination Agent nor the Trustee shall be liable for monetary damages or any other monetary penalty or payment for breach of any of its obligations under this Section unless such breach shall have been willful or reckless. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of an "Event of Default" shall not apply to any such failure. The sole remedy under this Disclosure Agreement in the event of any failure of the Authority, the PAC, the Agency, the Dissemination Agent or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. *Duties, Immunities and Liabilities of Trustee and Dissemination Agent.* Article IX of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the PAC agrees to indemnify and save the Dissemination Agent and the Trustee and their officers, directors, employees and agents harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Obligated Party for its services provided hereunder and all expenses, legal fees and advances made or incurred by the Dissemination Agent hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Obligated Party or the Agency hereunder and shall not be deemed to be acting in a fiduciary capacity for the Obligated Party, the Agency, the Holders or Beneficial Owners of the Bonds or any other party. The obligations of the Obligated Party under this Section shall survive resignation or removal of the Dissemination Agent or Trustee and payment of the Bonds.

Section 12. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the PAC, the Authority, the Agency, the Trustee, the Dissemination Agent, CLGFA and the Beneficial Owners and Holders of any Bonds and shall create no rights in any other person or entity.

Section 13. *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 14. *Governing Law.* This Disclosure Agreement shall be governed by the laws of the State of California.


Section 15. *Counterparts.* This Disclosure 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.

Dated as of: March 1, 1997

NOVATO FINANCING AUTHORITY

By 
Title Chair

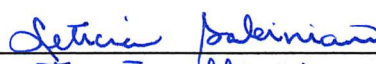
PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY
CLUB

By 
Title President

REDEVELOPMENT AGENCY OF THE
CITY OF NOVATO

By 
Title Chair

FIRST TRUST OF CALIFORNIA,
NATIONAL ASSOCIATION, as Trustee
and as Dissemination Agent

By 
Title Trust officer

APPENDIX A

ANNUAL DISCLOSURE REPORT

\$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

Report For Period Ending _____

THE PROJECT

Name: _____

Address: _____

Occupancy

Number of Spaces _____

Number of Spaces Occupied as of Report Date _____

Rental Rates

Average \$ _____

Low \$ _____

High \$ _____

RENTAL INCOME

OTHER REVENUE

Total Revenue

EXPENSES

Salaries and Wages
Employee Benefits
Professional Services
Supplies and Other
Depreciation and Amortization
Interest Expense
Total Expense

Gain (loss) From Operations

NONOPERATING GAINS

Interest Income

**EXPENSES IN EXCESS OF
REVENUE AND GAINS**

ADD BACK:

Depreciation and Amortization
Interest Expense

NET OPERATING INCOME

No. R-1

\$215,000.00

**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:
3.900%	October 1, 1998	March 1, 1997	130667AA6

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: TWO HUNDRED FIFTEEN THOUSAND DOLLARS

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

**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:
4.200%	October 1, 1999	March 1, 1997	130667AB4

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: TWO HUNDRED TWENTY-FIVE THOUSAND DOLLARS

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

No. R-3

\$230,000.00

**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:
4.350%	October 1, 2000	March 1, 1997	130667AC2

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: TWO HUNDRED THIRTY THOUSAND DOLLARS

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

No. R-4

\$240,000.00

**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:
4.450%	October 1, 2001	March 1, 1997	130667AD0

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: TWO HUNDRED FORTY THOUSAND DOLLARS

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

No. R-5

\$255,000.00

**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:
4.550%	October 1, 2002	March 1, 1997	130667AE8

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: TWO HUNDRED FIFTY-FIVE THOUSAND DOLLARS

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

No. R-6

\$265,000.00

**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:
4.650%	October 1, 2003	March 1, 1997	130667AF5

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: TWO HUNDRED SIXTY-FIVE THOUSAND DOLLARS

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

No. R-7

\$275,000.00

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

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

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
4.750%	October 1, 2004	March 1, 1997	130667AG3

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: TWO HUNDRED SEVENTY-FIVE THOUSAND DOLLARS

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**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**SENIOR REVENUE BONDS, SERIES 1997A
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NOVATO FINANCING AUTHORITY
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CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY**

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
4.850%	October 1, 2005	March 1, 1997	130667AH1

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: TWO HUNDRED NINETY THOUSAND DOLLARS

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No. R-9

\$305,000.00

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**SENIOR REVENUE BONDS, SERIES 1997A
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CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY**

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
4.950%	October 1, 2006	March 1, 1997	130667AJ7

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: THREE HUNDRED FIVE THOUSAND DOLLARS

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.

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INTEREST RATE: MATURITY DATE: DATED DATE: CUSIP:
5.050% October 1, 2007 March 1, 1997 130667AK4

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: THREE HUNDRED TWENTY THOUSAND DOLLARS

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.

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**SENIOR REVENUE BONDS, SERIES 1997A
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INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
5.200%	October 1, 2008	March 1, 1997	130667AL2

**REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119**

PRINCIPAL AMOUNT: THREE HUNDRED THIRTY-FIVE THOUSAND DOLLARS

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.

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INTEREST RATE: MATURITY DATE: DATED DATE: CUSIP:
5.300% October 1, 2009 March 1, 1997 130667AM0

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: THREE HUNDRED FIFTY THOUSAND DOLLARS

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.

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INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
5.400%	October 1, 2010	March 1, 1997	130667AN8

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: THREE HUNDRED SEVENTY THOUSAND DOLLARS

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.

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INTEREST RATE: MATURITY DATE: DATED DATE: CUSIP:
5.500% October 1, 2011 March 1, 1997 130667AP3

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: THREE HUNDRED NINETY THOUSAND DOLLARS

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.

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INTEREST RATE: MATURITY DATE: DATED DATE: CUSIP:
5.600% October 1, 2012 March 1, 1997 130667AQ1

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: FOUR HUNDRED TEN THOUSAND DOLLARS

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.

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INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
5.800%	October 1, 2020	March 1, 1997	130667AY4

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: FOUR MILLION TWO HUNDRED SEVENTY-FIVE THOUSAND DOLLARS

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.

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INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
5.850%	October 1, 2027	March 1, 1997	130667BF4

REGISTERED OWNER: CEDE & CO.
Tax I.D. Number 13-2555119

PRINCIPAL AMOUNT: SIX MILLION SEVEN HUNDRED THIRTY-FIVE THOUSAND DOLLARS

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.

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(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.

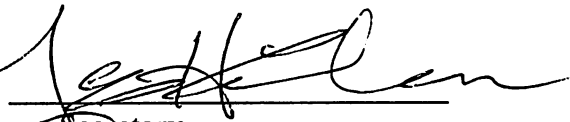
STATEMENT OF INSURANCE

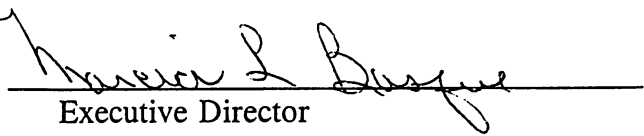
Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to First Trust of California, National Association or its successor, as paying 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 
Secretary

By 
Executive Director

CERTIFICATE OF AUTHENTICATION

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

Dated: March 13, 1997

FIRST TRUST OF CALIFORNIA, NATIONAL
ASSOCIATION, AS TRUSTEE

By *Leticia Sabini*
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.

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-1

\$1,585,000.00

**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:
7.500%	October 1, 2024	March 13, 1997	130667BH0

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. ANY TRANSFER MADE IN VIOLATION OF THE INDENTURE SHALL BE VOID AND OF NO EFFECT.

REGISTERED OWNER: CUDD & CO.

PRINCIPAL AMOUNT: ONE MILLION FIVE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

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</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

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.

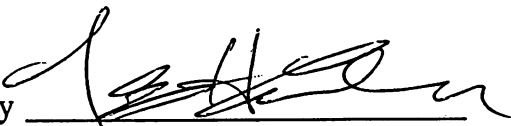
The Holder of each Bond, by acceptance of such Bond, expressly agrees and acknowledges that (i) whether or not CLGFA or the Owner is insolvent, no payments will be due and payable on any Bond, if (A) the Trustee does not rightfully hold sufficient funds in the Subordinate Bonds Principal Account or the 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 
Secretary

By 
Executive Director

CERTIFICATE OF AUTHENTICATION

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

Dated: March 13, 1997

**FIRST TRUST OF CALIFORNIA, NATIONAL
ASSOCIATION, AS TRUSTEE**

By *Leticia Sabina*
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.

INITIAL LOAN PAYMENT SCHEDULE
FOR ALLOCATION DURING EFFECTIVE PERIOD

\$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

\$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

Effective Period: Closing Date through June 1998

A	B	C	D	E	F	G	H
<u>Monthly Interest Payment on Senior Bonds⁽¹⁾</u>	<u>Monthly Principal Payment on Senior Bonds⁽¹⁾⁽²⁾</u>	<u>Reserve Costs⁽³⁾</u>	<u>Replacement Reserve Fund⁽⁴⁾</u>	<u>Fees and Expenses</u>	<u>Management Fee and Monthly Operating Expenses</u>	<u>Monthly Interest Payment on Subordinate Bonds⁽²⁾⁽⁵⁾</u>	<u>Monthly Principal Payment on Subordinate Bonds⁽²⁾⁽⁵⁾</u>
\$79,120 (03/13/97-10/01/97)	\$11,944	Insurance: \$3,133.96	\$3,412	Trustee: \$675	Management Fee: \$4,584.34 (through 03/31/98)	\$10,896.88 (03/13/97 - 10/01/97)	\$1,666.67
\$71,928 (10/02/97-06/30/98)		Taxes: \$0.00		CLGFA: \$625	\$4,167 (04/01/98-06/30/98)	\$9,843.75 (10/02/97 - 06/30/98)	
				FSA Premium ⁽⁷⁾ :			
					Operating Expenses ⁽⁶⁾ (see attached)		

⁽¹⁾ If amounts change during year, indicate month of change and new amounts. Interest will change in October 1997.

⁽²⁾ First principal payment for the Senior Bonds date due October 1, 1998. Principal for Senior Bonds will change in October 1998. First principal payment due October 1, 1997 for the Subordinate Bonds.

⁽³⁾ Insurance will change in March 1998. No taxes due while Project owned by Novato Financing Authority.

⁽⁴⁾ Three hundred fifteen units at \$130 per unit per annum (Updated Capital Plan due May 1, 1998). Any adjustments to Capital Plan will become effective in October 1998.

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

⁽⁶⁾ Updated Operating Budget due May 1998.

⁽⁷⁾ Calculated monthly pursuant to the Premium Letter and paid monthly in advance.

JOINT EXERCISE OF POWERS AGREEMENT
CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

THIS JOINT EXERCISE OF POWERS AGREEMENT, dated for convenience as of July 1, 1993, by and among the County Members (hereinafter defined), the City Members (hereinafter defined) and any other public agencies that may hereafter be added as parties pursuant to the terms hereof (with the County Members and the City Members collectively referred to herein as the "Members") identified on the signature page hereto and incorporated by reference herein.

WITNESSETH:

WHEREAS, Articles 1 and 2 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") authorize the Members to create a joint exercise of powers entity to be designated the "California Local Government Finance Authority" (the "Authority") which has the power to jointly exercise any powers common to any or all of the Members;

WHEREAS, the Members are each empowered by law to undertake certain projects and programs, including, among other things, the power to acquire, sell or lease real property for its respective use, and to incur indebtedness for the purpose of financing the construction, acquisition, improvement and rehabilitation of homes as authorized by the Act;

WHEREAS, the Members are each authorized to issue bonds, expend bond proceeds, borrow and loan money for its public purposes under various provisions of law, and acquire, sell, develop, lease or administer property pursuant to various provisions of law;

WHEREAS, Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") authorizes and empowers the Authority to, among other things, issue bonds and other obligations, including certificates of participation, to provide funds for the financing of public capital improvements, working capital, liability and other insurance and program needs, or projects whenever there are significant public benefits, make secured and unsecured loans to and enter into other agreements with its Members and other local agencies to finance and refinance indebtedness of its Members and other local agencies incurred in connection with public capital improvements undertaken by such Members and other local agencies, and purchase Bonds, as defined in the Act, issued by its Members and other local agencies for financing public capital improvements, working capital, liability and other insurance and program needs, or projects whenever there are "significant public benefits", as defined in the Act;

WHEREAS, the Act further authorizes and empowers the Authority to sell such bonds to public or private purchasers at public or negotiated sale; and

WHEREAS, by this Agreement the Members desire to create and establish the California Local Government Finance Authority for the purposes set forth herein and to exercise the powers described herein and as provided by law.

NOW, THEREFORE, the Members, for and in consideration of the mutual premises and agreements herein contained, do each agree as follows:

SECTION 1. Definitions

Unless the context otherwise requires, the terms defined in this Section 1 shall for all purposes of this Agreement have the meanings herein specified.

"Act" means Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (Sections 6500-6599), including the Marks-Roos Local Bond Pooling Act of 1985, as amended.

"Agreement" means this Joint Exercise of Powers Agreement, as the same now exists or as it may from time to time be amended by any supplemental agreement entered into pursuant to the provisions hereof.

"Authority" means the California Local Government Finance Authority created by this Agreement.

"Board" means the governing board or the executive board of the Authority as described in Sections 7 and 8, respectively.

"Boardmember" means a duly appointed director of the Board.

"Bonds" means bonds, notes, warrants, leases, certificates of participation, installment purchase agreements, loan agreements and other securities or obligations issued by the Authority or financing agreements entered into by the Authority pursuant to the Act and any other obligation given to the term "Bonds" under the Act.

"City Member" means each city which is a party to this Agreement, including the initial Cities identified on the signature page of this Agreement and each additional city added pursuant to the provisions of this Agreement.

"County Member" means each county which is a party to this Agreement, including the initial Counties identified on the signature page of this Agreement and each additional county added pursuant to the provisions of this Agreement.

"Member" means each County Member, City Member and any other public agency which is a party to this Agreement.

SECTION 2. Purpose

This Agreement is made pursuant to the Act to provide for the joint exercise of powers common to any of its Members and other local agencies as provided in this Agreement, including without limitation assisting in financing the purposes authorized by the Act. The Members are each empowered by the laws of the State of California to exercise various powers and to further various programs. The purposes of this Agreement is to provide financing of public capital improvements, working capital, liability and other insurance and program needs, or projects whenever there are significant public benefits, including constructing, acquiring and rehabilitating homes and providing financing therefor for the benefit of the residents thereof, by, among other things, making secured and unsecured loans to and entering into any other agreements with its Members and other local agencies, and purchasing Bonds, as defined in the Act, issued by its Members and local agencies. These common powers will be jointly exercised in the manner hereinafter set forth.

SECTION 3. Creation of Authority: Addition of Members

(a) There is hereby created pursuant to the Joint Powers Law an agency and public entity to be known as the "California Local Government Finance Authority." As provided in the Act, the Authority shall be a public entity separate from the Members.

(b) Within 30 days after the effective date of this Agreement or any amendment hereto, the Authority will cause a notice of this Agreement or amendment to be prepared and filed with the office of the Secretary of State of California in the manner set forth in Section 6503.5 of the Act.

(c) Additional Members may be added upon the affirmative vote of a majority of the Boardmembers. The addition of any new Member shall become effective upon the execution on behalf of such Member of a counterpart of this Agreement.

SECTION 4. Term

This Agreement shall become effective as of the date hereof and shall continue until such time as all Bonds and the interest thereon shall have been paid in full, or provision for such payment shall have been made, whichever period is shorter, or at such time as the Authority shall no longer own or hold any interest in a public capital improvement or program.

SECTION 5. Powers: Restriction Upon Exercise

(a) To effectuate the purposes hereof, the Authority shall have the power to exercise any and all powers of the Members and other participating local agencies under the Act and other applicable provisions of law, subject, however, to the conditions and restrictions hereinbefore and hereinafter in this Agreement contained. Each Member may also separately exercise any and all such powers.

(b) The Authority may adopt, from time to time, such bylaws, guidelines, rules and regulations for the conduct of its meetings and the activities of the Authority as are necessary or desirable for the purposes hereof.

(c) The Authority shall have the power to finance and refinance public capital improvements, including without limitation, financing residential home mortgages, through the issuance of Bonds. The Authority shall have the power to purchase, with the amounts received or to be received by it pursuant to a bond purchase agreement, bonds issued by any of its Members and other local agencies at public or negotiated sale, for the purposes set forth in Section 2 hereof, all in accordance with the Act. Any such bonds so purchased may be held by the Authority or sold to public or private purchasers at public or negotiated sale, in whole or in part. The Authority shall set any other terms and conditions on any purchase or sale contemplated herein as it deems to be necessary, appropriate and in the public interest, in furtherance of the Act.

The Authority shall have the power to enter into the California Rural Home Mortgage Finance Authority in order to participate in that authority's programs to finance residential home mortgages.

(d) The Authority may issue or cause to be issued Bonds and other indebtedness, and pledge any property or revenues as security to the extent permitted under the Act, including Article 4 of the Act or any other applicable provision of law.

The Bonds, together with the interest and premium, if any, thereon of the Authority shall not constitute debts, liabilities or obligations of any Member. The Members hereby agree that any such Bonds issued by the Authority shall not constitute general obligations of the Authority but shall be payable solely from the moneys pledged to the repayment of principal of or interest on such Bonds under the terms of the resolution, indenture, trust agreement or other instrument pursuant to which such Bonds are issued. Neither the Members nor the Authority shall be obligated to pay the principal of or premium, if any, or interest on the Bonds, or other costs incidental thereto, except from the revenues and funds pledged therefor, and neither the faith and credit nor the taxing power of the Members or the Authority shall be pledged to the payment of the principal of or premium, if any, or interest on the Bonds, nor shall the Members of the Authority be obligated in any manner to make any appropriation for such payment.

No covenant or agreement contained in any Bond shall be deemed to be a covenant or agreement of any Director, or any officer, agent or employee of the Authority in an individual capacity, and neither the Governing Board or the Executive Board of the Authority nor any officer thereof executing the Bonds shall be liable personally on any Bond or be subject to any personal liability or accountability by reason of the issuance of any Bonds.

The Members hereby agree that any or all of them may consent in writing to become obligated for the repayment of Bonds issued by the Authority upon the terms and conditions thereof.

(e) The Authority shall have the power to make secured and unsecured loans and to enter into agreements with and purchase obligations of any or all of its Members and other local agencies in order to finance and/or refinance indebtedness incurred by such Members or other local agencies in connection with public capital improvements, working capital, liability and other insurance and program needs undertaken by the Members and other local agencies, including without limitation, financing residential home mortgages.

(f) The Authority is hereby authorized to do all acts necessary for the exercise of such powers, including, but not limited to, any or all of the following: to make and enter into contracts; to employ agents and employees; to acquire, construct, provide for maintenance and operation of, or maintain and operate, any buildings, works or improvements; to acquire, hold or dispose of property wherever located, including property subject to home mortgages; to incur debts, liabilities or obligations; to receive gifts, contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporations and any governmental entity; to sue and be sued in its own name; and generally to do any and all things necessary or convenient to accomplish the purpose set forth in Section 2 hereof. All property, equipment, supplies, funds and records of the Authority shall be owned by the Authority, except as otherwise provided in this Agreement.

(g) The Authority shall have the power to exercise any and all powers necessary or convenient to the purpose of performing various financial services, including without limitation, financial analysis and planning, capital budgeting and planning, capital funding, selection of finance professionals and other related services, for the benefit of the Authority and any or all of its Members and other local agencies.

(h) The manner in which the Authority shall exercise its powers and perform its duties is and shall be as permitted under the Act. Notwithstanding the foregoing, the Authority shall have any additional powers conferred under the Act.

(i) Subject to the applicable provisions of any indenture or resolution providing for the investment of moneys held thereunder, the Authority shall have the power to invest any money in the treasury pursuant to Section 10(b) hereof that is not required for the immediate necessities of the Authority, as the Authority determines is advisable, in the same manner and upon the same conditions as local agencies pursuant to Section 53601 of the Government Code of the State of California.

(j) Such powers shall be exercised subject only to such restrictions upon the manner of exercising such powers as are imposed upon the County of Placer in the exercise of such powers, as provided in section 6509 of the Act.

(k) Pursuant to the provisions of Section 6508.1 of the Government Code of the State of California, the debts, liabilities and obligations of the Authority shall not be debts, liabilities and obligations of the Members.

SECTION 6. Termination of Powers

The Authority shall continue to exercise the powers herein conferred upon it until the termination of this Agreement, except that if any Bonds are issued and delivered, then in no event shall the exercise of the powers herein granted be terminated until all Bonds so issued and delivered and the interest thereon shall have been paid or provision for such payment shall have been made.

SECTION 7. Governing Board

(a) The Governing Board shall consist of members selected by each Member. The term of the initial Boardmembers shall be staggered, so that one-third serve for one year, one-third serve for two years, and one-third serve for three years, as determined by lot drawn by those Boardmembers present at the initial meeting of the Board and as assigned by the Board as to those Boardmembers not present at the initial meeting. Thereafter, each Boardmember shall serve a term of three years. Any appointment to fill an unexpired term, however, shall be for the unexpired term.

(b) Members of the governing bodies of the Members may serve as Boardmembers. The governing body of each public agency represented on the Board may designate an alternate Boardmember to act on its behalf and in the absence of the principal Boardmember and to exercise all of the rights and privileges of the principal Boardmember, including the right to be counted in constituting a quorum, to participate in the proceedings of the Governing Board, to execute and deliver documents, and to vote upon any and all matters. No such person may represent more than one Boardmember at any meeting of the Governing Board. Any such designation shall be in writing, shall be filed with the secretary of the Authority and shall be effective for the meeting, meetings or other period of time specified in the writing.

(c) Boardmembers shall not receive any compensation for serving in their capacity as Boardmembers, but shall be entitled to reimbursement for any expenses actually incurred in connection with serving as a Boardmember if the Governing Board shall determine that those expenses shall be reimbursed and there are unencumbered funds available for that purpose.

(d) The Governing Board shall be empowered to review and reject, pursuant to rules developed by the Governing Board, any financings.

SECTION 8. Executive Board

(a) Contracts and financing documents of the Authority shall be approved by the Executive Board, which shall consist of three Boardmembers or such larger odd number as may be determined by the Governing Board by resolution. The Boardmembers shall be elected by the Governing Board. The initial Boardmembers shall serve staggered terms, one for one year, one for two years and one for three years. Thereafter, each Boardmember shall serve a term of three years. Any appointment to fill an unexpired term, however, shall be for the unexpired term.

(b) Boardmembers of the governing bodies of the Members may be eligible to serve as Boardmembers of the Executive Board. Whenever a Boardmember is a member of the governing body of a Member, such member of a governing body may designate his or her deputy to act as such Boardmember in his or her place and stead to all intents and purposes, including the right to be counted in constituting a quorum, to participate in the proceedings of the Executive Board, to execute and deliver documents, and to vote upon any and all matters. No such person may represent more than one Boardmember at any meeting of the Executive Board. Any such designation shall be in writing, shall be filed with the secretary of the Authority and shall be effective for the meeting, meetings or other period of time specified in the writing.

(c) Boardmembers shall not receive any compensation for serving in their capacity as Boardmembers without the approval of the Governing Board, but shall be entitled to reimbursement for any expenses actually incurred in connection with serving as a Boardmember if the Executive Board shall determine that those expenses shall be reimbursed and there are unencumbered funds available for that purpose.

SECTION 9. Meetings of the Boards

(a) Each Board shall hold at least one regular meeting each year, and, by resolution, may provide for the holding of regular meetings at more frequent intervals. The date upon which, and the hour and place at which, each regular meeting shall be held shall be fixed by resolution of the Board.

(b) All meetings of each Board shall be called, noticed, held and conducted subject to the provisions of the Ralph M. Brown Act (Chapter 9 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 54950 thereof).

(c) The secretary of the Authority shall cause minutes of all meetings of each Board to be kept and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Boardmember and to each Member.

(d) A majority of the Boardmembers shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn from time to time. Each Boardmember shall have one vote.

SECTION 10. Officers; Duties; Official Bonds

(a) The Governing Board shall elect a chair of the Authority and a vice chair of the Authority from among its Boardmembers. The officers shall perform the duties normal to those offices and as otherwise may be provided in the by-laws of the Authority. The Chair shall sign all contracts on behalf of the Authority, and shall perform such other duties as may be imposed by the Board. The Vice Chair shall act, sign contracts and perform all of the Chair's duties in the absence of the Chair. The treasurer of a county appointed from time to time by the Governing Board shall be the Treasurer of the Authority. The Governing Board shall select an auditor of the Authority. The Secretary shall perform those duties that may be imposed by the Board. A Boardmember may hold more than one office of the Authority.

(b) Subject to the applicable provisions of any indenture or resolution providing for a trustee or other fiscal agent, the Treasurer is designated as the depository of the Authority to have custody of all the money of the Authority, from whatever source, and, as such, shall have the powers, duties and responsibilities specified in Section 6505.5 of the Act.

(c) The Auditor shall have the powers, duties and responsibilities specified in Section 6505.5 of the Act.

(d) The Treasurer and Auditor of the Authority are designated as the public officers or persons who have charge of, handle, or have access to any property of the Authority, and each such officer shall file an official bond with the secretary of the Authority in the amount of \$100,000. If and to the extent permitted by law, any such officer may satisfy this requirement by filing an official bond in at least that amount obtained in connection with another public office.

(e) If the Treasurer and Auditor appointed by the Governing Board as set forth in subsection (a) of this Section are not the treasurer and auditor, respectively, of one of the Members, the Governing Board shall appoint one of its officers or employees to either or both of such positions. The offices of treasurer and auditor may be held by separate officers or employees of the Authority or combined and held by one officer or employee; provided that such person or persons shall comply with the duties and responsibilities of such office or offices as set forth in the Act. In the event the Governing Board designates its officers or employees to fill the functions of treasurer or auditor, or both, such officers or employees shall cause periodic independent audits to be made by a certified public accountant, or public accountant, in compliance with Section 6505 of the Government Code of the State of California.

(f) The Authority shall be staffed by the Regional Council of Rural Counties or any successor thereto. The Governing Board shall have the power to appoint such other

officers and employees as it may deem necessary with such powers and authority as it shall determine and to retain independent financial advisors, counsel, consultants, accountants and other contractors. The Governing Board shall have the power, by resolution, to the extent permitted by the Act or any other applicable law, to delegate any of its functions to one or more of the Boardmembers or officers or agents of the Authority and to cause any of said Boardmembers, officers or agents to take any actions and execute any documents or instruments for and in the name and on behalf of the Board or the Authority. The Governing Board may establish an Executive Committee to oversee day-to-day administrative matters of the Authority, subject to policy approval by the Board. The Governing Board may also establish any other committees for any lawful purpose as it may determine.

SECTION 11. Fiscal Year

Unless and until changed by resolution of the Board, the fiscal year of the Authority shall be the period from July 1 of each year to and including the following June 30, except for the first fiscal year which shall be the period from the date of this Agreement to June 30, 1994.

SECTION 12. Disposition of Assets

Upon termination of this Agreement, all assets of the Authority shall be distributed to the respective Members and other participating local agencies in such manner as shall be agreed by the Members.

SECTION 13. Bonds

The Authority shall have power to issue Bonds in accordance with the provisions of the Act for the purpose of raising funds necessary to carry out its powers under this Agreement and to enter into appropriate agreements to secure those Bonds. The Authority shall also have the power to issue any other forms of indebtedness authorized by the Act in accordance with the provisions of the Act for those purposes.

SECTION 14. Agreement Not Exclusive: Operation in Jurisdiction of Member

This Agreement shall not be exclusive, and each Member expressly reserves its rights to carry out other public capital improvements and programs as provided for by law and to issue other obligations for those purposes. This Agreement shall not be deemed to amend or alter the terms of other agreements among the Members, except as expressly provided herein; provided that, the Authority shall not make or purchase any home mortgage secured by any home within the jurisdiction of a Member financed by an issue of Bonds without the consent of the Member to the issuance of those Bonds and that the giving or withholding of that consent is in the sole and absolute discretion of the Member but, if given by the Member and then relied upon by the Authority for purposes of entering into agreements with developers, lenders, other Members or others, such consent may not be revoked.

SECTION 15. Conflict of Interest Code

The Authority by resolution shall adopt a Conflict of Interest Code as required by law.

SECTION 16. Contributions and Advances

Contributions or advances of public funds and of personnel, equipment or property may be made to the Authority by any Member or any other local agency for any of the purposes of this Agreement. Payment of public funds may be made to defray the cost of any contribution. Any advance may be made subject to repayment, and in that case, shall be repaid, in the manner agreed upon by the advancing Member or other local agency and the Authority at the time of making the advance.

SECTION 17. Accounts and Reports: Annual Budget and Administrative Expenses

(a) The Authority shall establish and maintain those funds and accounts as may be required by good accounting practice and by any provision of any resolution or indenture of the Authority securing the Bonds. The books and records of the Authority shall be open to inspection at all reasonable times by each Member and its representatives. The Authority shall give a written report of all financial activities for each fiscal year to each Member within 120 days after the close of each fiscal year.

(b) Subject to Section 10(e), the auditor of the Authority shall either make, or contract with a certified public accountant or public accountant to make, an annual audit of the accounts and records of the Authority. In each case, the minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Section 26909 of the Government Code of the State of California and shall conform to generally accepted auditing standards. When an audit of accounts and records is made by a certified public accountant or public accountant, a report thereof shall be filed as public records with each Member and also with the county auditor of each county which is, or in which there is, a Member. The report shall be filed within 12 months of the end of the fiscal year under examination.

(c) Any costs of the audit, including contracts with, or employment of, certified public accountants or public accountants in making an audit pursuant to this Section, shall be borne by the Authority and shall be a charge against any unencumbered funds of the Authority available for the purpose.

(d) In any year in which the annual budget of the Authority does not exceed \$5,000, the Board may replace the annual special audit with an audit covering a two-year period.

(e) Annually prior to July 1 of each year, the Board shall adopt a budget for administrative expenses of the Authority in the succeeding Fiscal Year, which shall include all expenses not included in any Bond issue of the Authority. The estimated annual administrative

expenses of the Authority shall be paid from the Authority's funds, as determined by the Board, or if necessary, allocated by the Board to the Members and other participating local agencies equally or another proportion as determined by the Board.

(f) All the books, records, accounts and files referred to in this Section shall be open to the inspection of owners of Bonds to the extent and in the manner provided in any resolution or indenture providing for the issuance of Bonds.

SECTION 18. Breach

If default shall be made by any Member in any covenant contained in this Agreement, the default shall not excuse any Member from fulfilling its obligations under this Agreement, and each Member shall continue to be liable for the performance of all conditions herein contained. Each Member hereby declares that this Agreement is entered into for the benefit of the Authority created hereby, and each Member hereby grants to the Authority the right to enforce, by whatever lawful means the Authority deems appropriate, all of the obligations of each of the parties hereunder. Each and all of the remedies given to the Authority hereunder or by any law now or hereafter enacted are cumulative, and the exercise of one right or remedy shall not impair the right of the Authority to any or all other remedies.

SECTION 19. Indemnification

To the full extent permitted by law, the Board may authorize indemnification by the Authority of any person who is or was a Boardmember or alternate Boardmember of the Board, or an officer, employee or other agent of the Authority, and who was or is a party or is threatened to be made a party to a proceeding by reason of the fact that such person is or was such a member or alternate member of the Board, or an officer, employee or other agent of the Authority, against expenses, judgements, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Authority and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful and, in the case of an action by or in the right of the Authority acted with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

SECTION 20. Immunities

All of the privileges and immunities from liabilities, exemptions from laws, ordinances and rules, all pension, relief, disability, workers' compensation, and other benefits which apply to the activity of officers, agents or employees of any of the Members or other local agencies when performing their respective functions, shall apply to them to the same degree and extent while engaged as Boardmembers or otherwise as an officer, agent or other representative of the Authority or while engaged in the performance of any of their functions or duties under the provisions of this Agreement.

SECTION 21. Severability

Should any part, term or provision of this Agreement be decided by the courts to be illegal or in conflict with any law of the State of California, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms or provisions hereof shall not be affected thereby.

SECTION 22. Successors; Assignment

This Agreement shall be binding upon and shall inure to the benefit of the successors of the parties. Except to the extent expressly provided herein, no Member may assign any right or obligation hereunder without the consent of the Board.

SECTION 23. Amendment of Agreement

This Agreement may be amended by the Board. Notice of each such amendment shall be given by the Board to each Member and shall be binding upon each Member unless notice is given by a Member to the Authority within 30 days of receipt of such amendment that it does not consent thereto.

SECTION 24. Withdrawal of Members

A Member may withdraw from this Agreement upon written notice to the Board; provided however, that no such withdrawal shall result in the dissolution of the Authority so long as any Bonds or other obligations of the Authority remain outstanding. Any such withdrawal shall be effective only upon receipt of notice of withdrawal by the Board and the filing of the notice as an amendment to this Agreement.

SECTION 25. Miscellaneous

(a) 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.

(b) The section headings herein are for convenience only and are not to be construed as modifying or governing the language in the section referred to.

(c) Wherever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.

(d) This Agreement is made in the State of California, under the Constitution and laws of such State and is to be so construed.

(c) This Agreement is the complete and exclusive statement of the agreement among the parties hereto, which supersedes and merges all prior proposals, understandings, and other agreements, whether oral, written, or implied in conduct, between and among the parties relating to the subject matter of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY

By: Thomas L. Borge
Title: Executive Director

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

COUNTY OF AMADOR

By: Stephanie A. M. O'Connell
Title: Chairman

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

COUNTY OF CALAVERAS

By: Thomas M. Ray
Title: Chairman of the Board

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

COUNTY OF INYO

By: Sam Dean
Title: Chairman
Board of Supervisors

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

COUNTY OF Glenn

By: Marilyn F Baker
Marilyn F Baker
Title: Chairman, Board of Supervisors

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

COUNTY OF Lassen

By: *Jim Chapman*
Title: Chairman
Lassen County Board of Supervisors

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

COUNTY OF MODOC

By: Joseph Ellett
Title: Chairman, Modoc County Board of Supervisors



STATE OF CALIFORNIA SS
COUNTY OF MODOC.

I, MAXINE MADISON, MODOC COUNTY CLERK
DO HEREBY CERTIFY THAT THIS IS A FULL,
TRUE AND CORRECT COPY OF THE ORIGINAL
DOCUMENT ON FILE IN MY OFFICE.

WITNESS MY HAND AND OFFICIAL SEAL THIS
29th DAY OF Sept 1893

MAXINE MADISON, COUNTY CLERK
By Lucas M. [Signature] DEPUTY

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

COUNTY OF MONO

By: *Daniel A. Paranick*
Title: Daniel A. Paranick, Vice-Chairman
Mono County Board of Supervisors

APPROVED AS TO FORM:

Neil McCarroll
Mono County Counsel Office

Dated: *October 5, 1993*

The foregoing instrument is a full, true and correct copy of the original on file in this office.

Attest: *October 8* 19 *93*
NANCY WELLS, Clerk of the Board of Supervisors in and for the County of Mono, California.
Nancy S. Jordan, Deputy Clerk
Signature

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

COUNTY OF _____

By: Phil Grueh
Title: SUPERVISOR

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

COUNTY OF TUOLUMNE

By: Larry A. Rotelli
LARRY A. ROTELLI
Title: CHAIRMAN
BOARD OF SUPERVISORS

Dated: Sept 14, 1993

ATTEST:

Edna M. Bowcutt, Clerk of the Board
of Supervisors

Edna M. Bowcutt

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 Joint Exercise of Powers Agreement, dated as of July 1, 1993, adopted by said Authority at a [regular/special] meeting thereof, at the time and by the vote therein stated, which original agreement 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 Les H. Cohen
Secretary, California Local Government
Finance Authority

\$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

\$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

**INCUMBENCY AND SIGNATURE CERTIFICATE OF CALIFORNIA LOCAL
GOVERNMENT FINANCE AUTHORITY**

The undersigned hereby state and certify:

(a) that they are the duly appointed, qualified and acting Executive Director and Secretary, respectively, of the California Local Government Finance Authority ("CLGFA"), a joint powers authority duly organized and existing under the laws of the State of California, and as such are familiar with the facts herein certified and are authorized and qualified to certify the same;

(b) that the following are now, and have continuously been since the dates of the beginning of their respective current terms of office shown below, the duly appointed, qualified and acting members of the Board of Directors of CLGFA, and the dates of the beginning and ending of their respective current terms of office are hereunder correctly designated opposite their names:

<u>Members</u>	<u>County</u>	<u>Beginning Date of Current Term</u>	<u>Ending Date of Current Term</u>
Tom Bamert	Amador	1-1-97	12-31-97
Tom Tryon	Calaveras	1-1-97	12-31-97
Linda Arcularius	Inyo	1-1-97	12-31-97
Chuck Harris	Glenn	1-1-97	12-31-97
Claud Neely	Lassen	1-1-97	12-31-97
Nancy Huffman	Modoc	1-1-97	12-31-97
Tom Farnetti	Mono	1-1-97	12-31-97
Harriet White	Placer	1-1-97	12-31-97
Ken Marks	Tuolumne	1-1-97	12-31-97
to be designated	City of Novato	3-1-97	12-31-97

(c) that the signatures set forth opposite the names and title of the following persons are the true and correct specimen, or are the genuine, signatures of such person, each of whom holds the office designated:

Name/Title

Signature

Name: _____
Title: _____

Marcia L. Basque

Name: _____
Title: _____

Name: _____
Title: _____

Name: _____
Title: _____

Name: _____
Title: _____

(d) that the above-named persons are each duly designated "Authorized CLGFA Representatives" of CLGFA, as such term is defined in that certain Trust Indenture, dated as of March 1, 1997, by and between CLGFA and First Trust of California, National Association, as trustee (the "Trustee") relating to the above referenced Bonds; and

(e) that for and on behalf of CLGFA, the Bonds have been executed by the manual signature of the within-named Executive Director and attested to by the manual signature of the within-named Secretary.

Dated: March _____, 1997

CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY

Marcia L. Basque

Executive Director

[Signature]

Secretary

\$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**

\$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**

**CLOSING CERTIFICATE OF CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY**

The undersigned, with regards to the above referenced Bonds (the "Bonds"), hereby states and certifies:

(a) that she is the duly appointed, qualified and acting Executive Director of 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, and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(b) that she is an Authorized CLGFA Representative, as such term is defined in that certain Trust Indenture, dated March 1, 1997 (the "Indenture"), by and between First Trust of California, National Association, as trustee, and CLGFA;

(c) that on February 19, 1997 the Board of Directors of CLGFA duly adopted Resolution No. 97-1 (the "Resolution"), which Resolution has not been amended, modified, supplemented, rescinded or repealed and remains in full force and effect as of the date hereof;

(d) that the representations, warranties and covenants of CLGFA contained in the Bond Documents and the Letter of Representation attached to the Purchase Contract are true and correct in all material respects on and as of the date hereof as if made on the date hereof, and CLGFA has complied with all of the terms and conditions of the Bond Documents to which it is a party, and the Letter of Representation required to be complied with by CLGFA at or prior to the date hereof;

(e) that the information in the Preliminary Offering Statement, the Offering Statement and the Private Placement Memorandum under the caption "APPENDIX E—CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY" insofar as they relate to CLGFA is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in light of the circumstance under which they were made, not misleading;

(f) that to the best of my knowledge no event affecting CLGFA has occurred since the date of the Offering Statement and the Private Placement Memorandum which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Offering Statement and the Private Placement Memorandum for the purpose for which it is to be used or in order to make the statements therein, in light of circumstance under which they were made, not misleading; and

(g) that there is no action, suit, proceeding, inquiry or investigation which is pending or, to the best of my knowledge in this official capacity, after due inquiry, threatened against CLGFA by or before any court, governmental agency or public board or body which:

(i) in any way questions the existence or powers of CLGFA or the titles of the officers of CLGFA in their respective capacities,

(ii) affects, contests or seeks to prohibit, restrain or enjoin the issuance, execution or delivery of any of the Bonds, or in any way contests or affects the authority for the execution or delivery of the Bonds or the validity of the Bonds, the Resolution or any of the Bond Documents.

Dated: March _____, 1997

CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY

By 
Executive Director

[Signature Page for the Closing Certificate of California
Local Government Finance Authority]

\$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

\$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

TAX COMPLIANCE CERTIFICATE

1. *In General.*

1.1. The undersigned is the Executive Director of the California Local Government Finance Authority ("CLGFA") and hereby certifies to the statements contained herein.

1.2. This Tax Compliance Certificate (this "Tax Compliance Certificate") is executed for the purpose of establishing the reasonable expectations of CLGFA as to future events regarding \$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 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 Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority (the "Subordinate Bonds" and together with the Senior Bonds, the "Bonds"). CLGFA has not been notified of any listing or proposed listing of CLGFA by the Internal Revenue Service as an issuer that may not certify its bonds. CLGFA's reasonable expectation that the Bonds are not "arbitrage bonds" is based upon § 148 of the Internal Revenue Code of 1986, as amended and the regulations thereunder.

1.3. The factual representations contained in this Tax Compliance Certificate are true and correct and, to the best of the knowledge, information and belief of the undersigned, the expectations contained in this Tax Compliance Certificate are reasonable.

1.4. The undersigned is an officer of CLGFA to whom the responsibility of issuing and delivering the Bonds has been delegated.

1.5. Certifications with respect to the structuring of the Bonds and the price and yield calculations and reserve fund sizing referenced in Sections 3, 7 and 12 are based on representations made by Sutro & Co. Incorporated, San Francisco, California, as representative

of the underwriters of the Senior Bonds and the placement agent for the Subordinate Bonds (the "Underwriter"), and are contained in Exhibit A hereto. Certifications with respect to certain aspects of the Project (as herein defined), investments of proceeds of the Bonds and the calculation and funding of any required payments of rebate to the United States are based upon representations made by the Novato Financing Authority (the "Owner") and are contained in Exhibit F. CLGFA is not aware of any facts or circumstances that would cause it to question the accuracy of the representations made by the Underwriter or the Owner.

1.6. The terms used herein and not defined below shall have the same meanings as defined in the Trust Indenture, dated as of March 1, 1997, by and between CLGFA and First Trust of California, National Association, as trustee. The following words and phrases shall have the following meanings:

"Abusive Arbitrage Device" means any action which has the effect of (i) enabling CLGFA to exploit the difference between taxable and tax-exempt interest rates to obtain a material financial advantage; and (ii) overburdening the tax-exempt bond market as defined in § 1.148-10 of the Regulations.

"Accounting Method" means both the overall method used to account for the Gross Proceeds of the Bonds (e.g., the cash method or a modified accrual method) and the method used to account for or allocate any particular item within that overall accounting method (e.g., accounting for Investments, Expenditures, allocations to and from different sources and particular items of the foregoing).

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

"Average Economic Life" means the average reasonably expected economic life of the Facilities as defined in § 147(b) of the Code.

"Average Maturity" means the average maturity of the Bonds as defined in § 147(b) of the Code.

"Bond Counsel" means a law firm of nationally recognized bond counsel who is requested to deliver its approving opinion with respect to the issuance of and the exclusion from federal income taxation of interest on the Bonds.

"Bond Fund" means the Bond Fund established pursuant to the Governing Instrument.

"Bond Insurer" 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.

"Bond Year" means the period commencing October 1 of each calendar year and terminating on September 30 of the immediately succeeding calendar year during the term of the

Bonds, except that the first Bond Year shall commence on the Date of Issuance and end on September 30, 1997 (unless a different period is required by the Regulations).

"*Bond Yield or yield on the Bonds*" means the Yield of the Bonds calculated in accordance with § 1.148-4 of the Regulations.

"*Capital Expenditure*" means any cost of a type that is properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under § 1.150-2(c) of the Regulations) under general federal income tax principles. For example, costs incurred to acquire, construct or improve land, buildings and equipment generally are capital expenditures. Whether an Expenditure is a Capital Expenditure is determined at the time the Expenditure is paid with respect to the property. Future changes in law do not affect whether an Expenditure is a Capital Expenditure.

"*Capital Project*" means all Capital Expenditures, plus related working capital expenditures to which the de minimis rule under § 1.148-6(d)(3)(ii)(A) of the Regulations applies, that carry out the governmental purpose of an issue. For example, a Capital Project may include Capital Expenditures for one or more building improvements or equipment, plus related start-up operating costs.

"*Class of Investments*" means one of the following, each of which represents a different Class of Investments:

- (a) Each category of yield restricted Purpose Investment and Program Investment, as defined in § 1.148-1(b), that is subject to a different definition of materially higher Yield under § 1.148-2(d)(2);
- (b) Yield restricted Nonpurpose Investments; and
- (c) All other Nonpurpose Investments.

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

"*Computation Date*" means an Installment Computation Date or the Final Computation Date.

"*Computation Date Credit*" means on the last day of each Bond Year during which there are Gross Proceeds subject to the rebate requirement of Section 12 hereof, and on the Final Computation Date, the amount of \$1,000.

"*Consistently Applied*" means applied uniformly within a fiscal period and between fiscal periods to account for Gross Proceeds of an issue and any amounts that are in a commingled fund.

"*Costs of Issuance*" means all costs incurred in connection with the issuance of the Bonds, other than fees paid to or on behalf of credit enhancers as fees for "qualified guarantees" as defined in § 1.148-4(f) of the Regulations. Examples of Costs of Issuance include (but are not limited to):

(a) underwriter's discount (whether realized directly or derived through purchase of the Bonds at a discount below the price at which a substantial number of the Bonds are sold to the public);

(b) counsel fees (including Bond Counsel, CLGFA's counsel, Owner's Counsel and any other specialized counsel fees incurred in connection with the issuance of the Bonds);

(c) financial advisor fees incurred in connection with the issuance of the Bonds;

(d) rating agency fees (except for any such fee that is paid in connection with or as a part of the fee for credit enhancement of the Bonds);

(e) trustee or paying agent fees incurred in connection with the issuance of the Bonds;

(f) accountant fees incurred in connection with the issuance of the Bonds;

(g) printing costs (for the Bonds and of the preliminary and final Offering Statements);

(h) costs incurred in connection with the required public approval process (e.g., publication costs for public notices generally and costs of the public hearing); and

(i) CLGFA's fees to cover administrative costs and expenses incurred in connection with the issuance of the Bonds.

"*Costs of Issuance Fund*" means the Costs of Issuance Fund established pursuant to the Governing Instrument.

"*Current Outlay of Cash*" means an outlay reasonably expected to occur not later than five (5) banking days after the date as of which the allocation of Gross Proceeds to the Expenditure is made.

"*Date of Issuance*" means March 13, 1997.

"*Deferred Costs Fund*" means the Deferred Costs Fund established pursuant to the Governing Instrument.

"*Deposit-Only Account*" means the deposit-only account established pursuant to the Deposit Only Account Agreement.

"*Discharged*" means, with respect to any Bond, the date on which all amounts due with respect to such Bond are actually and unconditionally due, if cash is available at the place of payment, and no interest accrues with respect to such Bond after such date.

"*Economic Accrual Method*" (also known as the *constant interest method* or *actuarial method*) means the method of computing Yield that is based on the compounding of interest at the end of each compounding period.

"*Escrow Account*" means the Escrow Account established pursuant to the Governing Instrument.

"*Exempt Person*" means any organization described in § 501(c)(3) of the Code or the State or a local governmental unit of the State.

"*Expenditure*" means a book or record entry which allocates Proceeds of the Bonds in connection with a Current Outlay of Cash.

"*Expense Fund*" means the Expense Fund established pursuant to the Governing Instrument.

"*Facilities*" means the Capital Project financed or refinanced with the Proceeds of the Bonds as shown in Exhibit E hereto.

"*Fair Market Value*" means the price at which a willing buyer would purchase an Investment from a willing seller in a bona fide, arm's-length transaction. Fair Market Value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (i.e., the trade date rather than the settlement date). Except as otherwise provided in this definition, an Investment that is not of a type traded on an established securities market (within the meaning of § 1273 of the Code), is rebuttably presumed to be acquired or disposed of for a price that is not equal to its Fair Market Value. The Fair Market Value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price. The following guidelines shall apply for purposes of determining the Fair Market Value of the obligations described below:

(a) *Certificates of Deposit.* The purchase of certificates of deposit with fixed interest rates, fixed payment schedules and substantial penalties for early withdrawal will be deemed to be an Investment purchased at its Fair Market Value on the purchase date if the Yield on the certificate of deposit is not less than:

(i) The Yield on reasonably comparable direct obligations of the United States; and

(ii) The highest Yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(b) *Guaranteed Investment Contracts.* A Guaranteed Investment Contract is a Nonpurpose Investment that has specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate, and also includes any agreement to supply Investments on two or more future dates (e.g., a forward supply contract). The purchase price of a Guaranteed Investment Contract is treated as its Fair Market Value on the purchase date if:

(i) The Owner makes a bona fide solicitation for a specified Guaranteed Investment Contract and receives at least three bona fide bids from providers that have no material financial interest in the issue (e.g., as underwriters or brokers);

(ii) The Owner purchases the highest-yielding Guaranteed Investment Contract for which a qualifying bid is made (determined net of broker's fees);

(iii) The Yield on the Guaranteed Investment Contract (determined net of broker's fees) is not less than the Yield then available from the provider on reasonably comparable Guaranteed Investment Contracts, if any, offered to other persons from a source of funds other than gross proceeds of tax-exempt bonds;

(iv) The determination of the terms of the Guaranteed Investment Contract takes into account as a significant factor the Owner's reasonably expected drawdown schedule for the amounts to be invested, exclusive of amounts deposited in debt service funds and reasonably required reserve or replacement funds;

(v) The terms of the Guaranteed Investment Contract, including collateral security requirements, are reasonable; and

(vi) The obligor on the Guaranteed Investment Contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the Guaranteed Investment Contract.

"Final Computation Date" means the date the last Bond is Discharged.

"Future Value" means the Value of a Receipt or Payment at the end of any interval as determined by using the Economic Accrual Method and equals the Value of that Payment or Receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the Yield on the Bonds, using the same compounding interval and financial conventions used to compute the Yield on the Bonds.

"*Governing Instrument*" means the Trust Indenture dated as of March 1, 1997, by and between California Local Government Finance Authority ("CLGFA") and First Trust of California, National Association, as trustee, (the "Trustee") and any amendments and supplements thereto.

"*Gross Proceeds*" means any Proceeds or Replacement Proceeds of the Bonds.

"*Installment Computation Date*" means the last day of the fifth Bond Year and each succeeding fifth Bond Year as stated in Section 9 hereof.

"*Investment*" means any Purpose Investment or Nonpurpose Investment, including any other tax-exempt bond.

"*Investment Instructions*" means the letter of instructions set forth as an exhibit to this Tax Compliance Certificate dated the Date of Issuance.

"*Investment Proceeds*" means any amounts actually or constructively received from investing Proceeds of the Bonds.

"*Investment-Type Property*" means any property, other than property described in § 148(b)(2)(A), (B), (C) or (E) of the Code that is held principally as a passive vehicle for the production of income. Except as otherwise provided, a prepayment for property or services is Investment-Type Property if a principal purpose for prepaying is to receive an Investment return from the time the prepayment is made until the time payment otherwise would be made. A prepayment is not Investment-Type Property if:

(a) The prepayment is made for a substantial business purpose other than Investment return and CLGFA has no commercially reasonable alternative to the prepayment; or

(b) Prepayments on substantially the same terms are made by a substantial percentage of persons who are similarly situated to CLGFA but who are not beneficiaries of tax-exempt financing.

"*Issue Price*" means, except as otherwise provided, issue price as defined in §§ 1273 and 1274 of the Code. Generally, the Issue Price of bonds that are publicly offered is the first price at which a substantial amount of the bonds is sold to the public. Ten percent is a substantial amount. The public does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers. The Issue Price does not change if part of the issue is later sold at a different price. The Issue Price of bonds that are not substantially identical is determined separately. The Issue Price of bonds for which a bona fide public offering is made is determined as of the sale date based upon reasonable expectations regarding the initial public offering price. If a bond is issued for property, the applicable Federal tax-exempt rate is used in lieu of the Federal rate in determining the Issue Price under § 1274 of

the Code. The Issue Price of bonds may not exceed their Fair Market Value as of the sale date. The Issue Price of the Bonds is \$17,069,922.50.

"Loan Agreement" means the Loan Agreement dated as of March 1, 1997, by and among CLGFA, the Novato Financing Authority (the "Owner") and the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") and any amendments and supplements thereto.

"Net Sale Proceeds" means Sale Proceeds, less the portion of those Sale Proceeds invested in a reasonably required reserve or replacement fund under § 148(d) of the Code and as part of a minor portion under § 148(e) of the Code.

"Nonpurpose Investment" means any security, obligation, annuity contract or Investment-Type Property as defined in § 148(b) of the Code, including "specified private activity bonds" as defined in § 57(a)(5)(C) of the Code, but excluding all other obligations the interest on which is excludible from federal gross income, which is not acquired to carry out the governmental purpose of an issue.

"Payments" means, for purposes of computing the Rebate Amount, (a) amounts actually or constructively paid to acquire a Nonpurpose Investment (or treated as paid to a commingled fund); (b) for a Nonpurpose Investment that is allocated to an issue on a date after it is actually acquired (e.g., an Investment that becomes allocable to Transferred Proceeds or to Replacement Proceeds) or that becomes subject to the rebate requirement of the Code on a date after it is actually acquired (e.g., an Investment allocated to a reasonably required reserve or replacement fund for a construction issue at the end of the two-year spending period), the Value of that Investment on that date; (c) for a Nonpurpose Investment that was allocated to an issue at the end of the preceding computation period, the Value of that Investment at the beginning of the computation period; (d) on the last day of each Bond Year during which there are amounts allocated to Gross Proceeds of an issue that are subject to the rebate requirement of the Code, and on the final maturity date, a Computation Date Credit; and (e) Yield Reduction Payments on Nonpurpose Investments made pursuant to § 1.148-5(c) of the Regulations. For purposes of computing the Yield on an Investment (including the Value of the Investment), Payment means amounts to be actually or constructively paid to acquire the Investment; provided, however, that payments made by a conduit borrower are not treated as paid until the conduit borrower ceases to receive the benefit of earnings on those amounts. Payments on Investments, including Guaranteed Investment Contracts, are adjusted for Qualified Administrative Costs of acquiring a Nonpurpose Investment.

"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 Agency, and any amendments and supplements thereto.

"Policy" means, with respect to the Senior Bonds only, the Municipal Bond Insurance Policy issued by the Bond Insurer, including any endorsement thereto.

"*Policy Payments Account*" means the Policy Payments Account established by the Governing Instrument.

"*Pre-Issuance Accrued Interest*" means amounts representing interest that accrued on an obligation for a period not greater than one year before the Date of Issuance but only if those amounts are paid within one year after the Date of Issuance.

"*Proceeds or proceeds*" means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of an issue. Proceeds do not include, however, amounts actually or constructively received with respect to a Purpose Investment that are properly allocable to the immaterially higher Yield under § 1.148-2(d) of the Regulations or § 143(g) of the Code or to qualified administrative costs recoverable under § 1.148-5(e) of the Regulations.

"*Project*" has the meaning given to such term in Section 2.1 hereto.

"*Project Fund*" means the Project Fund established pursuant to the Governing Instrument.

"*Purpose Investment*" means any security or obligation that is acquired to carry out the governmental purpose of an issue.

"*Qualified Administrative Costs*" means reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody and similar costs. General overhead costs and similar indirect costs of the issuer such as employee salaries and office expenses and costs associated with computing the Rebate Amount are not Qualified Administrative Costs. In general, administrative costs are not reasonable unless they are comparable to administrative costs that would be charged for the same Investment or a reasonably comparable Investment if acquired with a source of funds other than Gross Proceeds of tax-exempt bonds.

"*Qualified Hedging Transaction*" means a contract which meets the requirements of § 1.148-4(h)(2) of the Regulations.

"*Rebate Amount*" means the excess of the Future Value of all Receipts on Nonpurpose Investments over the Future Value of all the Payments on Nonpurpose Investments. Future Value is computed as of the Computation Date. Rebate Amount additionally includes any penalties and interest on underpayments reduced for recoveries of overpayments.

"*Rebate Analyst*" shall mean the entity, if any, chosen by the Owner to determine the amount of required deposits to the Rebate Fund, if any.

"*Rebate Fund*" means the Rebate Fund established pursuant to the Governing Instrument.

"*Receipts*" means, for purposes of computing the Rebate Amount, (a) amounts actually or constructively received from a Nonpurpose Investment (including amounts treated as received

from a commingled fund), such as earnings and return of principal; (b) for a Nonpurpose Investment that ceases to be allocated to an issue before its disposition or redemption date (e.g., an Investment that becomes allocable to Transferred Proceeds of another issue or that ceases to be allocable to the issue pursuant to the universal cap under § 1.148-6 of the Regulations) or that ceases to be subject to the rebate requirement of the Code on a date earlier than its disposition or redemption date (e.g., an Investment allocated to a fund initially subject to the rebate requirement of the Code but that subsequently qualifies as a bona fide debt service fund), the Value of that Nonpurpose Investment on that date; and (c) for a Nonpurpose Investment that is held at the end of a computation period, the Value of that Investment at the end of that period. For purposes of computing Yield on an Investment, Receipts means amounts to be actually or constructively received from the Investment, such as earnings and return of principal (including the Value of an Investment). Receipts on Investments, including Guaranteed Investment Contracts, are adjusted (reduced) for Qualified Administrative Costs.

"*Recomputation Event*" means a transfer, waiver, modification or similar transaction of any right that is part of the terms of the Bonds or a Qualified Hedging Transaction is entered into, or terminated, in connection with the Bonds.

"*Regulation*" or "*Regulations*" means the temporary, proposed or final Income Tax Regulations promulgated by the Department of the Treasury and applicable to the Bonds, including §§ 1.148-0 through 1.148-11, § 1.149 and §§ 1.150-1 and 1.150-2 as issued by the Internal Revenue Service on June 18, 1993 for bonds issued after July 1, 1993.

"*Replacement Proceeds*" means amounts which have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to conclude that the amounts would have been used for that governmental purpose if the proceeds of the Bonds were not used or to be used for that governmental purpose, as more fully defined in § 1.148-1(c) of the Regulations.

"*Replacement Reserve Fund*" means the Replacement Reserve Fund established pursuant to the Governing Instrument.

"*Revenue Fund*" means collectively, the Revenue Fund established pursuant to the Governing Instrument and the Deposit Only Account defined in the Governing Instrument.

"*Sale Proceeds*" means any amounts actually or constructively received from the sale of the Bonds, including amounts used to pay underwriters' discount or compensation and accrued interest other than Pre-Issuance Accrued Interest.

"*Senior Cashtrap Account*" means the Senior Cashtrap Account established pursuant to the Governing Instrument.

"*Senior Debt Service Reserve Fund*" means the Senior Debt Service Reserve Fund established pursuant to the Governing Instrument.

"*SLGS*" means United States Treasury Certificates of Indebtedness, Notes and Bonds—State and Local Government Series.

"*State*" means the State of California.

"*Subordinate Cashtrap Account*" means the Subordinate Cashtrap Account established pursuant to the Governing Instrument.

"*Subordinate Debt Service Reserve Fund*" means the Subordinate Debt Service Reserve Fund established pursuant to the Governing Instrument.

"*Subordinate Pledged Funds Account*" means the Subordinate Pledged Funds Account established pursuant to the Governing Instrument.

"*Tax Compliance Certificate*" means this Tax Compliance Certificate.

"*Transferred Proceeds*" means Proceeds of a refunding issue which become transferred proceeds of a refunding issue and cease to be Proceeds of a prior issue when Proceeds of the refunding issue discharge any of the outstanding principal amount of the prior issue. The amount of Proceeds of the prior issue that become transferred proceeds of the refunding issue is an amount equal to the Proceeds of the prior issue on the date of that discharge multiplied by a fraction:

(a) The numerator of which is the principal amount of the prior issue discharged with Proceeds of the refunding issue on the date of that discharge; and

(b) The denominator of which is the total outstanding principal amount of the prior issue on the date immediately before the date of that discharge.

"*Universal Cap*" means the Value of all outstanding Bonds.

"*Value*" means Value as determined under § 1.148-4(e) of the Regulations for a Series 1997 Bond and Value determined under § 1.148-5(d) of the Regulations for an Investment.

"*Yield or yield*" means, for purposes of determining the Yield on the Bonds, the Yield computed under the Economic Accrual Method using consistently applied compounding intervals of not more than one year. A short first compounding interval and a short last compounding interval may be used. Yield is expressed as an annual percentage rate that is calculated to at least four decimal places (e.g., 5.1234 percent). Other reasonable, standard financial conventions, such as the 30 days per month/360 days per year convention, may be used in computing Yield but must be consistently applied. The Yield on an issue that would be a Purpose Investment (absent § 148(b)(3)(A) of the Code) is equal to the Yield on the conduit financing issue that financed that Purpose Investment. The Yield on a fixed yield issue is the discount rate that, when used in computing the present Value as of the issue date of all

unconditionally payable payments of principal, interest and fees for qualified guarantees on the issue and amounts reasonably expected to be paid as fees for qualified guarantees on the issue, produces an amount equal to the present Value, using the same discount rate, of the aggregate issue price of bonds of the issue as of the issue date. In the case of obligations purchased or sold at a substantial discount or premium, the Regulations prescribe certain special Yield calculation rules. For purposes of determining the Yield on an Investment, the Yield is computed under the Economic Accrual Method, using the same compounding interval and financial conventions used to compute the Yield on the Bonds.

The Yield on an Investment allocated to the Bonds is the discount rate that, when used in computing the present Value as of the date the Investment is first allocated to the Bonds of all unconditionally payable receipts from the Investment, produces an amount equal to the present Value of all unconditionally payable payments for the Investment. The Yield on an Investment shall not be adjusted by any hedging transaction entered into in connection with such Investment unless the Owner has received an opinion of Bond Counsel that such an adjustment is permitted by the Regulations. Yield shall be calculated separately for each Class of Investments.

"*Yield Reduction Payment*" means a payment to the United States of America with respect to an Investment which is treated as a Payment for that Investment that reduces the Yield on that Investment in accordance with § 1.148-5(c) of the Regulations. Yield Reduction Payments include Rebate Amounts paid to the United States of America.

1.7. *Reliance on CLGFA Information.* Bond Counsel shall be permitted to rely, after due inquiry, upon the contents of any certification, document or instructions provided pursuant to this Tax Compliance Certificate and shall not be responsible or liable in any way for the accuracy of their contents or the failure of CLGFA to deliver any required information.

2. *The Purpose of the Bonds.*

2.1. The Bonds are being issued for the purpose of providing funds for the following purposes (collectively, the "Project"):

(a) to defray the costs of acquiring and improving a mobilehome park known as the Marin Valley Mobile Country Club, together with the buildings, structures, improvements and facilities located thereon (other than the owner-occupied mobile homes located thereon);

(b) to fund a reasonably required reserve fund for the Bonds; and

(c) to pay the Costs of Issuance of the Bonds.

2.2. The portion of the Bonds to be used to finance the Project, together with investment income, does not exceed the amount necessary to provide financing for the Project.

2.3. CLGFA does not expect that the plan of financing relating to the Bonds will result in the creation of any Replacement Proceeds within the meaning of § 1.148-1(c) of the Regulations other than amounts to be deposited in a bona fide debt service fund. The Average Maturity of the Bonds (20.42 years) does not exceed the Average Economic Life of the Facilities (28.12 years as shown in Exhibit E hereto) by more than 120%.

3. *Source and Disbursement of Funds.*

3.1. The Senior Bonds will be sold to the public at a purchase price equal to \$15,484,922.50 (representing the par amount of the Senior Bonds, less an original issue discount of \$28,848.75 plus accrued interest of \$28,771.25). The Underwriter will retain an underwriting discount on the Senior Bonds of \$116,137.50. The Subordinate Bonds will be privately placed with a single holder at a purchase price equal to the par amount of the Subordinate Bonds (\$1,585,000.00). There is no accrued interest on the Subordinate Bonds. The Underwriter will retain a placement agent fee on the Subordinate Bonds of \$23,265.00. Accordingly, the net amount received by CLGFA from the sale of the Bonds will be \$16,930,520.00.

3.2. The \$16,930,520.00 received by CLGFA is being loaned to the Owner pursuant to the Loan Agreement and is expected to be needed and fully expended as follows:

(a) the \$28,771.25 of accrued interest on the Senior Bonds will be deposited to the Bond Fund and used to pay interest on the first interest payment date for the Senior Bonds;

(b) \$15,057,945.23 of the Proceeds of the Bonds will be deposited to the Project Fund;

(c) \$238,000.00 of the Proceeds of the Bonds will be deposited to the Replacement Reserve Fund;

(d) \$133,742.50 of the Proceeds of the Senior Bonds will be paid to the Bond Insurer as the initial premium for the Policy, the costs of counsel to the Bond Insurer and the costs of obtaining credit reviews from the rating agencies to access the capital charge to the Bond Insurer;

(e) \$1,000,000.00 of the Proceeds of the Bonds will be deposited to the Senior Debt Service Reserve Fund;

(f) \$145,000.00 of the Proceeds of the Bonds will be deposited to the Subordinate Debt Service Reserve Fund;

(g) \$130,000.00 of the Proceeds of the Bonds will be deposited to the Subordinate Pledged Funds Account;

(h) \$6,483.00 of the Proceeds of the Bonds will be deposited to the Escrow Account; and

(i) \$190,578.02 of the Proceeds of the Bonds will be paid as Costs of Issuance.

4. *Temporary Period for Certain Proceeds.*

4.1. Amounts which were received as Pre-Issuance Accrued Interest on the Bonds will be expended within one year from the Date of Issuance of the Bonds. In addition, a portion of the proceeds of the Bonds will be used to pay Costs of Issuance and Qualified Guarantee Fees within a one-year period beginning on the Date of Issuance of the Bonds. The Proceeds described in the preceding two sentences will be invested pursuant to temporary periods without regard to investment yield limitation.

4.2. Within six months after the Date of Issuance of the Bonds the Owner will enter into contracts with third parties for the Facilities portion of the Project obligating expenditures in excess of 5% of the Net Sale Proceeds of the Bonds.

4.3. The acquisition and improvement of the Facilities portion of the Project will commence within six months of the Date of Issuance and will proceed with due diligence to completion.

4.4. The \$15,057,945.23 of Proceeds of the Bonds deposited to the Project Fund and the \$238,000.00 of Proceeds of the Bonds deposited to the Capital Improvement Subaccount of the Replacement Reserve Fund, together with anticipated investment income thereon, is expected to be expended for payment of costs which are directly related to and necessary for the financing of the Facilities portion of the Project. All of the Proceeds deposited to the Project Fund are expected to be expended to purchase the Project on the Date of Issuance. All of the Proceeds deposited to the Capital Improvement Subaccount of the Replacement Reserve Fund are expected to be expended on capital improvements to the Project within one year of the Date of Issuance. Such Proceeds are expected to be expended substantially in accordance with the schedules shown in Exhibit E hereto. Such Proceeds will be invested without regard to investment yield limitation as described in Section 6 of this Tax Compliance Certificate.

4.5. Any interest earnings or investment gains realized from the investment of any other moneys considered to be Proceeds of the Bonds will be invested without regard to yield limitation for the later of the period ending (i) three years after the Date of Issuance or (ii) a one-year period beginning on the date of receipt. After the period of unrestricted reinvestment of investment earnings described in this Section, such earnings will not be invested in obligations that bear a yield in excess of one-eighth of one percent (.125%) above the yield of the Bonds.

5. Revenue Fund and Bond Fund.

5.1. The Owner collects all revenues and income from its operations of the Project in the Deposit Only Account which is transferred on the twelfth day of each month (or the next succeeding Business Day if such day is not a Business Day) to the Revenue Fund. Only certain moneys are withdrawn from the Revenue Fund for the benefit of the Bonds. There can be no assurance that other moneys in the Revenue Fund will be available to pay debt service on the Bonds if the Owner encounters financial difficulty. Amounts deposited to the Deposit Only Account and Revenue Fund that are not deposited to the Bond Fund established by the Governing Instrument are not reasonably expected to pay debt service on the Bonds and that do not otherwise become Gross Proceeds as described herein may be invested without regard to yield limitation and without regard to the Rebate Requirements set forth in Section 13 of this Tax Compliance Certificate.

5.2. The Bond Fund will be a bona fide debt service fund, which will be used to pay the principal of and interest on the Bonds as the same become due and which will be depleted at least once a year (except for a reasonable carryover amount not to exceed the greater of one-twelfth of the annual debt service on the Bonds or one-year's interest earnings on such funds). It is reasonably expected that all amounts received by the Owner as income from the investment of moneys held in the Bond Fund will be expended to pay the principal of and interest on the Bonds within one year of receipt thereof.

5.3. All moneys deposited to the Bond Fund to pay debt service on the Bonds may be invested without regard to yield limitation and to the extent required by the Code are subject to the rebate requirements of Section 13 of this Tax Compliance Certificate.

5.4. Certain Revenues deposited in the Deferred Costs Fund, the Escrow Account, the Expense Fund and the Replacement Reserve Fund, and Revenues released by the Trustee to CLGFA, the Property Manager, the Owner, the PAC, the Consultants and the City will not be used to pay debt service on the Bonds but will be used to pay operation and maintenance expenses and for other lawful purposes as determined by the Owner. Such moneys are not expected to be used to pay debt service on the Bonds and there is no guarantee that such moneys would be available to pay such debt service in the event the Owner encounters financial difficulty. Such moneys are not Proceeds or Replacement Proceeds of the Bonds, are not subject to investment yield limitation and are not subject to the rebate requirements applicable to the Bonds.

6. Project Fund and Replacement Reserve Fund.

6.1. The \$15,057,945.23 of Bond Proceeds deposited to the Project Fund and the \$238,000.00 of Bond Proceeds deposited to the Capital Improvement Subaccount of the Replacement Reserve Fund will be invested in obligations that bear a yield in excess of the yield of the Bonds until the date which is three years from the Date of Issuance. After the period of unrestricted investment as set forth in this Subsection, any Proceeds remaining in the Project

Fund and the Capital Improvement Subaccount of the Replacement Reserve Fund will not be invested in obligations which bear a yield in excess of one-eighth of one percent (.125%) above the yield of the Bonds.

6.2. Any interest earnings or investment gains realized from the investment of moneys on deposit in the Project Fund and the Capital Improvement Subaccount will be reinvested pending disbursement in obligations that bear a yield in excess of the yield of the Bonds. The period of unrestricted investment of such earnings will not exceed the longer of (a) a one-year period beginning on the date of receipt of such investment income or (b) the period ending on the date which is three years from the Date of Issuance. After the period of unrestricted reinvestment of investment earnings described in this Subsection, such earnings will not be invested in obligations that bear a yield in excess of one-eighth of one percent (.125%) above the yield of the Bonds.

6.3. Pursuant to the Governing Instrument the Owner will make deposits from Revenues into the Replacement Reserve Fund. Other than Bond Proceeds deposited into the Capital Improvement Subaccount of the Replacement Reserve Fund, no Proceeds of the Bonds will be deposited in the Replacement Reserve Fund. Other than Bond Proceeds deposited into the Capital Improvement Subaccount, amounts deposited in the Replacement Reserve Fund are not reasonably expected to be used to pay debt service on the Bonds. There is no assurance that the Replacement Reserve Fund would be available to make such payments if the Owner experiences financial difficulty. Other than Bond Proceeds deposited into the Capital Improvement Subaccount, the Replacement Reserve Fund will not be treated by the Owner as containing Gross Proceeds of the Bonds. Consequently, the Replacement Reserve Fund will be invested without regard to yield limitation and will not be considered subject to the rebate requirements of the Code.

7. *Reserve Funds.*

7.1. The Subordinate Pledged Funds Account, Subordinate Debt Service Reserve Fund and Senior Debt Service Reserve Fund have been established to provide security for the payment of annual debt service on the Bonds over their term in the event other sources of payment are insufficient and to provide for the sale of the Bonds at an interest rate that is economical for CLGFA, and is, in the best judgment of CLGFA, based on the representation of the Underwriter contained in Exhibit A, customary in connection with the issuance of securities of the general character of the Bonds and is necessary to effectuate the economical financing of the Project. Pursuant to the Governing Instrument, (i) the Senior Debt Service Reserve Fund is required to be funded as of the Date of Issuance of the Bonds in an amount equal to the Senior Reserve Requirement (defined in the Governing Instrument); (ii) the Subordinate Debt Service Reserve Fund is required to be funded as of the Date of Issuance of the Bonds in an amount equal to the Subordinate Reserve Requirement (defined in the Governing Instrument); and (iii) the Subordinate Pledged Funds Account is required to be funded as of the Date of Issuance of the Bonds in an amount equal to the Pledge Amount (defined in the Governing Instrument).

7.2. Amounts collectively deposited in the Senior Debt Service Reserve Fund, Subordinate Debt Service Reserve Fund and Subordinate Pledged Funds Account up to the least of (i) ten percent (10%) of the original offering price of the Bonds (\$1,704,115.00); (ii) maximum annual debt service on the Bonds (\$2,095,830.00) or (iii) 125% of average annual debt service on the Bonds (\$1,381,956.00) may be invested without regard to yield limitations. Amounts collectively deposited in the Senior Debt Service Reserve Fund, Subordinate Debt Service Reserve Fund and Subordinate Pledged Funds Account in excess of such limits shall be invested at a Yield not in excess of the Bond Yield plus 1/8%. In determining whether the aggregate reserve fund investment limit for the Bonds has been reached, any discount on investment obligations will be taken into account ratably each year as Proceeds invested at an unrestricted Yield.

7.3. Investments of moneys described in this Section 7 will be subject to the rebate requirements as set forth in Section 13 of this Tax Compliance Certificate.

8. *Cashtrap Accounts.* The Governing Instrument establishes a Senior Cashtrap Account and a Subordinate Cashtrap Account (collectively, the "Cashtrap Accounts") to accumulate certain deposits from the Revenue Fund. Moneys deposited in the Cashtrap Accounts are expected first to provide additional security for payment of debt service on the Bonds and second to provide for payment of debt service on the Bonds at the times stated in the Governing Instrument. Deposits to the Cashtrap Accounts will be considered Gross Proceeds of the Bonds. To the extent that the amounts collectively on deposit in the Cashtrap Accounts are in an amount equal to the sum of (i) \$1,481,956.00 (125% average annual debt service on the Bonds plus \$100,000.00) less (ii) amounts on deposit in the Reserve Funds described in Section 7 hereof, such amounts may be invested without regard to investment yield limitations. Amounts on deposit in the Cashtrap Accounts in excess of this limit shall be invested at a Yield not in excess of the Bond Yield. In determining whether this limit has been reached, any discount on investment obligations will be taken into account ratably each year as Proceeds invested at any unrestricted Yield.

9. *Arbitrage Representations and Elections.*

9.1. CLGFA will use, and will cause the Owner to use, a reasonable, Consistently Applied Accounting Method to account for Gross Proceeds, Investments and Expenditures for the Bonds. CLGFA shall additionally use, and will cause the Owner to use, a Consistently Applied Accounting Method for allocating Proceeds of the Bonds to Expenditures, subject to the Current Outlay of Cash rule.

9.2. CLGFA shall not commingle Proceeds of the Bonds with any other funds.

9.3. In connection with the Bonds, there has not been created or established and CLGFA does not expect that there will be created or established, any sinking fund, pledged fund or similar fund (other than as specifically identified in the Governing Instrument), including without limitation any arrangement under which money, securities or obligations are pledged

directly or indirectly to secure the Bonds or any contract securing the Bonds or any arrangement providing for compensating or minimum balances to be maintained by CLGFA with any owner or credit enhancer of the Bonds.

9.4. CLGFA will not enter into or engage in any Abusive Arbitrage Devices. If the Owner invests any of the Gross Proceeds in certificates of deposit or pursuant to an investment contract or a certificate of deposit, CLGFA will comply, or cause the Owner to comply, with the certifications in the form attached hereto as Exhibits C-1 through C-6.

9.5. As directed by the Owner, CLGFA hereby makes the following elections and other choices pursuant to the Regulations with respect to the Bonds:

(a) CLGFA elects the bond year stated in the definition of the Bond Year;

(b) CLGFA elects to avail itself of all unrestricted yield investments granted in the Regulations for temporary period, reasonably required reserve fund and minor portion investments;

(c) CLGFA elects to treat the last day of the fifth Bond Year (October 1, 2001) as the initial Installment Computation Date and the initial rebate payment date. CLGFA elects to treat the last day of each subsequent fifth Bond Year as subsequent Installment Computation Dates and subsequent rebate payment dates. CLGFA may change or adjust such dates as permitted by the Regulations; and

(d) With respect to the Universal Cap, CLGFA as of the Date of Issuance does not expect that the operation of the Universal Cap will result in a reduction or reallocation of Gross Proceeds of the Bonds and that CLGFA (i) does not expect to pledge funds (other than those described in the Governing Instrument) to the payment of the Bonds; (ii) expects to expend Sale Proceeds of the Bonds within the expected temporary periods; and (iii) does not expect to retire any of the Bonds earlier than shown in the Yield computations for the Bonds.

10. *Transferred Proceeds.* In connection with the issuance of the Bonds and the financing of the Project, there are no Transferred Proceeds.

11. *Rebate Fund.* CLGFA's moneys deposited in the Rebate Fund and the investments thereon may be invested without regard to investment yield limitation and are not subject to the Rebate Requirement of Section 13 of this Tax Compliance Certificate. Investment Proceeds of the Bonds deposited in the Rebate Fund may be invested without regard to investment yield limitation for a one-year period beginning on the date of receipt and thereafter at a yield not in excess of the yield on the Bonds. Investment of such proceeds of the Bonds in the Rebate Fund are subject to the Rebate Requirement of Section 13 of this Tax Compliance Certificate.

12. *Price of the Bonds and Yield of the Bonds.*

12.1. The Underwriter has represented that the initial offering price to the public (excluding bond houses, brokers and other intermediaries) at which a substantial amount of the Senior Bonds were sold is \$15,484,922.50 which is the par amount of the Senior Bonds, less an original issue discount in the amount of \$28,848.75 plus Pre-Issuance Accrued Interest in the amount of \$28,771.25. The Underwriter has represented that the Subordinate Bonds will be privately placed with a single holder at a purchase price equal to the par amount of the Subordinate Bonds (\$1,585,000.00).

12.2. As used in this Tax Compliance Certificate, the term "yield" refers to the discount rate which, when used in computing the present worth of all payments of principal and interest to be paid on an obligation, produces an amount equal to the issue price. The calculations of yield have been made on the basis of semiannual compounding using a 360-day year and upon the assumption that payments are made on the last day of each semiannual interest payment period. For purposes of computing yield, the purchase price of any obligation is equal to the fair market value as of the date of a binding contract to acquire such obligation. The yield on the Bonds has been calculated by the Underwriter to be not less than 6.460686%.

12.3. In computing the yield on the Bonds, the total premium paid to the Bond Insurer have been treated as interest on the Bonds. The Underwriter, in Exhibit A hereto, has represented that the amount of such premium is less than the present value of the interest savings achieved as a result of the use of bond insurance (using as the discount rate for such present value the yield on the Bonds determined with regard to such premium).

13. *Rebate Requirement and Investment Instructions.*

13.1. *Arbitrage Compliance.* CLGFA acknowledges that the continued exclusion of interest on the Bonds from gross income of the recipients thereof for purposes of federal income taxation depends, in part, upon compliance with the arbitrage limitations imposed by § 148 of the Code, including the rebate requirement described in § 148(f) of the Code. CLGFA hereby agrees and covenants that it shall not permit at any time or times any of the proceeds of the Bonds or other funds of CLGFA to be used, directly or indirectly, to acquire any asset or obligation, the acquisition of which would cause the Bonds to be "arbitrage bonds" for purposes of § 148 of the Code. CLGFA further agrees and covenants that it shall do and perform all acts and things necessary in order to ensure that the requirements of § 148 of the Code and the Regulations are met, including the payment to the United States of America of the required portion of the Rebate Amount as of each Computation Date (the "Rebate Requirement"). To that end, CLGFA will cause the Owner to retain, at the Owner's own expense, a Rebate Analyst to make such determinations and calculations as may be necessary in order to ensure that CLGFA takes the actions described in the Investment Instructions with respect to the Investment of Gross Proceeds on deposit in the funds and accounts established under the Governing Instrument. The provisions of the Investment Instructions are by this reference expressly

incorporated herein. CLGFA has covenanted that it will comply with the Investment Instructions and CLGFA expects that it will so comply.

13.2. Pursuant to this Tax Compliance Certificate, CLGFA will cause the Owner to establish such Accounting Methods and keep all such records as are necessary to determine any Rebate Amount for a period of at least six years after the final retirement of the Bonds.

14. *Miscellaneous.*

14.1. *Change in Ownership of the Project.* The Owner intends to own and operate the Project at all times during the term of the Bonds except that the Owner may transfer the Project to an Exempt Person pursuant to the terms of the Loan Agreement. The Owner and CLGFA do not know of any reason why the Project will not be so used in the absence of (i) supervening circumstances not now anticipated by it, (ii) adverse circumstance beyond its control or (iii) obsolescence of such insubstantial parts or portions thereof as may occur as a result of normal use thereof. The Owner will not change the use, ownership or nature of any portion of the Project so long as any of the Bonds are outstanding (including any transfer pursuant to the Loan Agreement) unless, in the written opinion of Bond Counsel, such change will not result in the inclusion of interest on the Bonds in the gross income of the recipient thereof for purposes of federal income taxation. The Owner may without an opinion sell or otherwise dispose of minor parts or portions of the Project as may be necessary due to normal wear, tear or obsolescence.

14.2. *Representations as to Limits on the Use of Proceeds.* In order to ensure that interest on the Bonds is excludible from the gross income of the recipients thereof for purposes of federal income taxation, CLGFA hereby covenants as follows:

(a) CLGFA will not take or permit to be taken any action which would cause the Bonds to be deemed private activity bonds under the Code. The Bonds will be considered "private activity bonds" other than qualified 501(c)(3) bonds if: (1) more than 10% of the Proceeds of the Bonds is used directly or indirectly in the business of a nongovernmental person and (2) more than 10% of the debt service on the Bonds is directly or indirectly (a) secured by any interest in property used in a private business or (b) derived from payments made with respect to property used in a private business. No more than 5% of any such private use and any such private security for or private payment of the Bonds may be unrelated to the Project. Bonds will be considered "private activity bonds" if more than the lesser of 5% of proceeds of the Bonds or \$5,000,000 is loaned to non-Exempt Persons.

(b) CLGFA will not permit payment of the principal of or the interest on more than 10% of the Bonds (under the terms of such Bonds or any underlying arrangement) to be directly or indirectly secured by any interest in property used or to be used for a private business use (or by any interest in payments in respect of such property), or to be derived from payments (whether or not to CLGFA) in respect of property (or borrowed money) used or to be used for a private business use. In the event

that Proceeds of the Bonds are to be used for any private business use that is not related (or is disproportionate) to any government use of such proceeds (and to payments, property and borrowed money with respect to any such private business use), the proceeding covenant shall apply but not more than 5% (rather than 10%) of the Bonds may be so secured. This requirement is referred to herein as the "private payment test."

In determining whether the Bonds meet the private payment test, CLGFA will compare the present value of the payments taken into account to the present value of the debt service to be paid over the term of the Bonds. Debt service will include reasonable credit enhancement fees but will not include any amount to be paid from Proceeds of the Bonds. For example, debt service will not include accrued or capitalized interest or other amounts to be paid with Proceeds of the Bonds (e.g., with Proceeds in the Reserve Fund). For purposes of the discount rate to be applied in such present value calculations, the Yield on the Bonds has been computed by the Underwriter to be 6.467%.

Payments taken into account in determining whether the Bonds meet the private payment test will include payments made for any private business use and payments in respect of property financed (directly or indirectly) with Proceeds of the Bonds. However, any payment that is properly allocable to the payment of ordinary or necessary expenses directly attributable to the operation and maintenance of the Property financed with the Proceeds of the Bonds (other than general overhead or administrative expenses) will not be included as a payment taken into account. Similarly, payments by a person for use of Proceeds will only be included to the extent that the present value of such payments does not exceed the present value of the debt service allocable to that person's use of Proceeds. For example, if 10% of the Proceeds of the Bonds were used by a person, payments by such person would not be taken into account to the extent that the present value of such payments exceeded the present value of 10% of the debt service on the Bonds.

For purposes of the private payment test, certain incidental uses of a facility may be disregarded to the extent that the Proceeds of the Bonds which result in the incidental use do not exceed 2-1/2% of the total Proceeds of the Bonds. The use of a facility by a person will be treated as an incidental use if such use does not involve the transfer to such person of possession and control of space that is separated physically from other areas of the facility and is not related to any other use of the facility by the same person. For example, use of space in common areas of an office building for coin-operated telephones, advertising displays, vending machines or a newsstand or shoe shine stand may be disregarded.

(c) The Bonds are not and shall not become directly or indirectly federally guaranteed. Bonds will be considered to be "federally guaranteed" if the payment of principal or interest with respect to such Bonds is guaranteed (in whole or in part) by the United States of America (or any agency or instrumentality thereof) or 5% or more of the Proceeds of the Bonds is used in making loans the payment of principal or interest

with respect to which is guaranteed or invested (directly or indirectly) in federally insured deposits or accounts.

(d) CLGFA shall file Internal Revenue Form 8038-G pursuant to Section 149(e) of the Code.

(e) CLGFA shall not sell any other obligations within fifteen (15) days of the sale of the Bonds pursuant to a common plan of financing with the Bonds and payable from the same source of funds or having substantially the same claim to the same source of funds used to pay the Bonds.

(f) CLGFA will not allow the Project to be used in the trade or business of any person who is a non-Exempt Person unless it seeks an opinion of Bond Counsel that such use would not adversely affect the tax-exemption of interest on the Bonds. CLGFA acknowledges that in determining whether all or any portion or function of the Project is used, directly or indirectly, in the trade or business of a non-Exempt Person, use of any portion or function of the Project by a non-Exempt Person pursuant to a lease, sublease, management contract, service contract or other arrangement must be examined.

A lease, sublease, management contract, service contract or other arrangement between CLGFA and a non-Exempt Person with respect to the Project or any portion or function thereof will not result in the Project being used for federal income tax purposes in the trade or business of the non-Exempt Person if the guidelines set forth in Rev. Proc. 93-19 or Rev. Proc. 97-13 are met.

(g) CLGFA shall keep or cause to be kept records of the expenditure of Gross Proceeds of the Bonds on the Project. Such records as are maintained by CLGFA may, at the option of CLGFA, be maintained by electronic filing or record keeping systems.

14.3. *Representations by CLGFA for Purposes of IRS Form 8038-G.* § 149(e) of the Code requires as a condition to qualification for tax-exemption that CLGFA provide to the Secretary of the Treasury certain information with respect to the Bonds and the application of the proceeds derived therefrom. The following representations of CLGFA will be relied upon by Bond Counsel in satisfying this information reporting requirement. Accordingly, CLGFA hereby represents, covenants and warrants to the best of its knowledge, for the benefit of Bond Counsel and the registered owners of the Bonds, the truth and accuracy of (a) through (r) below:

- (a) Issuer's employer identification number 68-0326505
- (b) Number of 8038-G reports previously filed by CLGFA
this calendar year -0-
- (c) Issue price of the Bonds \$17,041,151.25

(d)	Proceeds used for Accrued Interest	\$28,771.25
(e)	Costs of Issuance (including Underwriter's Discount)	\$310,479.52
(f)	Reasonably required Reserve Fund Deposits	\$1,275,000.00
(g)	Proceeds used for Credit Enhancement	\$133,742.50
(h)	Proceeds used to refund prior issue	-0-
(i)	Nonrefunding Proceeds	\$15,321,929.02
(j)	Date of final maturity of the Bonds	10/1/2027
(k)	Interest Rate on the final maturity of the Bonds	5.85%
(l)	Issue price of the final maturity of the Bonds	\$1,977,525.00
(m)	Issue price on the entire issue of the Bonds	\$17,041,151.25
(n)	Stated redemption price at maturity of the final maturity of the Bonds	\$1,980,000.00
(o)	Stated redemption price at maturity of the entire issue of the Bonds	\$17,070,000.00
(p)	Weighted average maturity of the Bonds	20.424078 years
(q)	Yield on the entire issue of the Bonds	6.460686%
(r)	Net interest cost of the Bonds	5.911%

14.4 *Additional Tax Covenants.* In order to ensure that interest on the Bonds is excludible from the gross income of the recipients thereof for purposes of federal income taxation, CLGFA hereby represents and covenants as follows:

(a) CLGFA will comply with, and make all filings required by, all effective rules, rulings or regulations promulgated by the Department of the Treasury or IRS with respect to obligations described in § 103 of the Code, such as the Bonds.

(b) CLGFA shall not sell any other tax-exempt obligations within fifteen (15) days of the sale date of the Bonds pursuant to the same plan of financing with the Bonds and payable from substantially the same source of funds, determined without regard to qualified guaranties from unrelated parties and used to pay the Bonds.

15. *Amendments.* Notwithstanding any other provision hereof, any provision of this Tax Compliance Certificate may be deleted or modified at any time at the option of CLGFA, if CLGFA has obtained an opinion, in form and substance satisfactory to CLGFA, of Bond Counsel that such deletion or modification will not adversely affect the exclusion of interest on the Bonds from the gross income of the recipients thereof for purposes of federal income taxation.

[End of Tax Compliance Certificate]

IN WITNESS WHEREOF, the undersigned has set his hand as of March 13, 1997.

CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY

By Marcia L. Basque
Executive Director

[Signature Page for Tax Compliance Certificate]

EXHIBIT A

TO

TAX COMPLIANCE CERTIFICATE

\$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**

\$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 undersigned, on behalf of Sutro & Co. Incorporated and George K. Baum & Company, the underwriters of the 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 (the "Senior Bonds") and the placement agents of the 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 (the "Subordinate Bonds", and collectively with the Senior Bonds, the "Bonds") hereby represents: (i) that the offering price of the Bonds stated in Sections 3.1 and 12.1 of the Tax Compliance Certificate, dated March 13, 1997 (the "Tax Compliance Certificate"), represents the maximum initial offering price at which a substantial amount of each maturity of the Bonds was offered for sale and sold to the public (exclusive of bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) through a bona fide offering, (ii) that such initial offering price was established by a bona fide bid without regard to any amounts which would increase the yield on any maturity of the Bonds above its market yield, and (iii) that the description of the interest rates and yields contained in the final Official Statement with respect to the Bonds constitute a true and correct summary thereof.

The yield on the Bonds stated in Section 12.2 of the Tax Compliance Certificate, calculated in accordance with the Regulations, is not less than 6.460686%, and that the representation as to the cost effectiveness of the bond insurance stated in Section 12.3 is true and correct.

The undersigned, on behalf of the Underwriter, represents that the establishment of the Senior Debt Service Reserve Fund, the Subordinate Debt Service Reserve Fund, the Subordinate Pledged Funds Account and the Cashtrap Accounts at the level of funding described in Sections 7 and 8 of the Tax Compliance Certificate is, in the best judgment of the undersigned, reasonably required to obtain the issuance of the Bonds at an economical interest rate and is, in

the judgment of the undersigned, established at a level of funding comparable to that found for obligations similar to the Bonds issued within the past year.

We understand that this Certificate shall form a part of the basis for the opinion, dated the date hereof, of Kutak Rock, as Bond Counsel, to the effect that interest on the Bonds is not includible in the gross income of the recipients thereof for purposes of federal income taxation under existing laws, regulations, rulings and judicial decisions.

IN WITNESS WHEREOF, the undersigned has set his hand as of March 13, 1997.

SUTRO & CO. INCORPORATED

By 

SR. Vice President

EXHIBIT B

TO

TAX COMPLIANCE CERTIFICATE

INVESTMENT INSTRUCTIONS

March 13, 1997

California Local Government
Finance Authority
Sacramento, California

Novato Financing Authority
Novato, California

\$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**

\$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**

Ladies and Gentlemen:

This letter sets forth instructions (these "Instructions") regarding the investment and disposition of moneys deposited in various funds and accounts created under the Trust Indenture, dated March 1, 1997 (the "Governing Instrument"), by and between California Local government finance Authority ("CLGFA") and First Trust of California, National Association, as trustee (the "Trustee") authorizing and providing for the issuance of the above-captioned obligations (the "Bonds").

The purpose of these Instructions is to assure that the investment of moneys in the funds and accounts described herein will comply with the arbitrage limitations imposed by § 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder (the "Regulations"). These Instructions implement the investment provisions of the Tax Compliance Certificate executed by CLGFA on the date of issue of the Bonds and constitute the "Investment Instructions" referred to in said Tax Compliance Certificate. Terms not otherwise

defined herein shall have the definitions ascribed to such terms in the Tax Compliance Certificate and the Governing Instrument.

1. **Computation of Yield.** For purposes of these Instructions, the term "yield" shall have the meaning set forth in the Regulations. The Regulations provide that the term "yield" means that yield which when used in computing the present worth of all payments of principal and interest to be paid on an obligation produces an amount equal to the purchase price of such obligation. The yield of the Bonds and the yield of obligations acquired with moneys described in these Instructions shall be computed by using the same frequency of interest compounding. In the case of the Bonds, the purchase price is \$17,069,922.50 which is the offering price to the public, including accrued interest. The yield of the Bonds is not less than 6.460686%.

2. **Investments—General.** The purchase price of all investments purchased in connection with the Bonds must be the market price of the investment obligation on an established market or the investment must be in Tax-Exempt Bonds, as defined in the Regulations. This means that you cannot pay a premium to adjust the yield and that you cannot accept a lower interest rate than is usually paid. Currently, if an obligation cannot be purchased on an established market or a bona fide bid price cannot be established at a yield which does not exceed the target restricted yield, you are limited to (i) the making of Yield Reduction Payments for eligible Investments defined in the Regulations or (ii) the acquisition of United States Treasury Certificates of Indebtedness, Notes and Bonds—State and Local Government Series ("SLGS" as defined in the Tax Compliance Certificate) which yield no more than the target restricted yield. These United States Treasury obligations are available through the Bureau of Public Debt in Parkersburg, West Virginia.

For further information on market value requirement or investments, see the definition of "Fair Market Value" in the Tax Compliance Certificate.

3. **Bond Fund and Revenue Fund.**

(a) Moneys held in the Bond Fund and the Revenue Fund to pay debt service directly or indirectly on the Bonds will constitute proceeds of the Bonds. Moneys in the Bond Fund and the Revenue Fund to pay debt service which will be depleted once a year to pay debt service on the Bonds (except for a reasonable carryover amount not to exceed the greater of one year's interest thereon or one-twelfth of annual debt service on the Bonds) may be invested without regard to investment yield limitation. All other moneys in such funds (i.e., moneys other than described in the preceding sentence) must be invested at a yield not in excess of the yield on the Bonds, except as described in the next paragraph.

(b) Certain net Revenues deposited in the Revenue Fund will not be used to pay debt service on the Bonds but will be used to pay operation and maintenance expenses and for other lawful purposes as determined by CLGFA and/or deposited in the Deferred Costs Fund, the Escrow Account, the Expense Fund and the Replacement

Reserve Fund. Such moneys are not expected to be used to pay debt service on the Bonds and there is no guarantee that such moneys would be available to pay such debt service in the event CLGFA encounters financial difficulty. Such moneys are not Proceeds or Replacement Proceeds of the Bonds, are not subject to investment yield limitation and are not subject to the rebate requirements applicable to the Bonds.

4. *Reserved.*

5. *Reserve Funds and Cashtrap Accounts.* Amounts deposited in the Reserve Funds and Cashtrap Accounts thereafter may be invested without regard to investment yield limitation to the extent described in Sections 7 and 8 of the Tax Compliance Certificate. Amounts deposited in the Reserve Fund greater than the limits described in Sections 7 and 8 shall be invested at a yield not in excess of the Bond Yield.

6. *Project Fund, Replacement Reserve Fund and the Rebate Fund.*

(a) Original Proceeds of the Bonds deposited in the Project Fund and the Capital Improvement Subaccount of the Replacement Reserve Fund established by the Governing Instrument may be invested in obligations that bear a yield in excess of the yield of the Bonds. The period of unrestricted investment of such Original Proceeds shall end on the date which is five years from the Date of Issuance. After the period of unrestricted yield, any such Original Proceeds of the Bonds remaining in the Project Fund and the Capital Improvement Subaccount of the Replacement Reserve Fund may not be invested in obligations that bear a yield in excess of one-eighth of one percent (.125%) greater than the yield of the Bonds.

(b) Any interest earnings or investment gains realized from the investment of moneys deposited in the Project Fund and the Capital Improvement Subaccount established by the Governing Instrument may be reinvested pending disbursement in obligations that bear a yield in excess of the yield of the Bonds. The period of unrestricted investment of such earnings shall not exceed the longer of (i) a one-year period beginning on the date of receipt of each amount of investment income, or (ii) a period ending on the date which is five years from the Date of Issuance. After the period of unrestricted investment, such interest earnings and investment gains may not be invested in obligations that bear a yield in excess of one-eighth of one percent (.125%) greater than the yield of the Bonds.

(c) CLGFA's moneys deposited in the Rebate Fund and the investments thereon may be invested without regard to investment yield limitation and are not subject to the Rebate Requirement of Section 13 of the Tax Compliance Certificate. Investment Proceeds of the Bonds deposited in the Rebate Fund may be invested without regard to investment yield limitation for a one-year period beginning on the date of receipt and thereafter at a yield not in excess of the yield on the Bonds. Investment of such proceeds

of the Bonds in the Rebate Fund are subject to the Rebate Requirement of Section 13 of the Tax Compliance Certificate.

7. *Rebate Requirement for Bonds.*

(a) By the end of each and every fifth Bond Year for the Bonds and upon the final maturity date of the Bonds or any earlier date of redemption of the Bonds in whole (each such date a Computation Date), you must determine the Rebate Amount, if any, to be paid to the United States of America. The first Computation Date is October 1, 2001.

(b) § 148(f) of the Code requires the payment to the United States of America of the Rebate Amount. Except as provided below, the Construction Fund, the Bond Fund, the Reserve Fund, the Rebate Fund and all other funds or accounts treated as containing Gross Proceeds, are subject to this rebate requirement.

(c) In accordance with the requirements set out in the Code and pursuant to the Governing Instrument, CLGFA has created the Rebate Fund under the Governing Instrument, and used as provided in this Section.

(i) On or before 25 days following each Computation Date, an amount shall be deposited to the Rebate Fund so that the balance of the Rebate Fund shall equal the aggregate Rebate Amount as of such determination date.

(ii) Amounts deposited in the Rebate Fund shall be invested in accordance with the Investment Instructions.

(iii) All money at any time deposited in the Rebate Fund shall be held for payment to the United States of America of the Rebate Amount.

(iv) For purposes of crediting amounts to the Rebate Fund or withdrawing amounts from the Rebate Fund, Nonpurpose Investments shall be valued in the manner provided in this Investment Instructions.

(d) In order to meet the rebate requirement of § 148(f) of the Code, CLGFA agrees and covenants to take the following actions:

(i) For each Investment of amounts held with respect to the Bonds in (A) the Bond Fund, (B) the Reserve Funds, (C) the Project Fund, (D) the Capital Improvement Subaccount of the Replacement Reserve Fund, (E) the Cashtrap Accounts and (F) the Rebate Fund, CLGFA shall record the purchase date of such Investment, its purchase price, accrued interest due on its purchase date, its face amount, its coupon rate, its Yield, the frequency of its interest payment, its disposition price, accrued interest due on its disposition date and its

disposition date. CLGFA shall determine the Fair Market Value for such Investments and the Yield thereon as may be required by the Regulations. The Yield for an Investment shall be calculated by using the method set forth in the Regulations.

(ii) For each Computation Date specified in paragraph 7(a) above, CLGFA shall compute the Yield on the Bonds as required by the Regulations based on the definition of issue price contained in § 148(h) of the Code and the Regulations. The Bonds constitute a fixed yield bonds, as defined in § 1.148-1 of the Regulations. Should a Recomputation Event occur, CLGFA should seek advice of Bond Counsel or Rebate Analyst to recompute the Yield on the Bonds as required by the Regulations based on the definitions of issue price contained in § 148(h) of the Code using payments or prepayments of the principal of, premium, if any, and interest on the Bonds required by the Regulations. For purposes of this Investment Instruction, the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Bonds were sold is the Issue Price. Any reasonable amounts paid by CLGFA for credit enhancement (including the Surety Bond for the Reserve Fund) may generally be treated as interest on the Bonds for purposes of Yield computation to the extent permitted by the Regulations.

(iii) Subject to the special rules set forth in paragraphs (iv) and (v) below, CLGFA shall determine the amount of earnings received on all Nonpurpose Investments described in paragraph (i) above, for each Computation Date. In addition, where Nonpurpose Investments are retained by CLGFA after retirement of the Bonds, any unrealized gains or losses as of the date of retirement of the Bonds must be taken into account in calculating the earnings on such Nonpurpose Investments to the extent required by the Regulations.

(iv) In determining the Rebate Amount computed pursuant to this Section, (A) all earnings on any bona fide debt service fund (including the Bond Fund) shall not be taken into account, (B) the Universal Cap applicable to the Bonds pursuant to § 1.148-6(b)(2) of the Regulations shall be taken into account, (C) all Issuer elections and other choices set forth in the Tax Compliance Certificate shall be taken into account and (D) all spending exceptions to rebate met by CLGFA shall be taken into account.

(v) For each Computation Date specified in paragraph 7(a) above, CLGFA shall calculate for each Investment described in paragraphs (i) and (iii) above, an amount equal to the earnings which would have been received on such Investment at an interest rate equal to the Yield on the Bonds as described in paragraph (ii) above. The method of calculation shall follow that set forth in the Regulations.

(vi) For each Computation Date, CLGFA shall determine the amount of earnings received on all Investments held in the Rebate Fund for the Computation Date. The method of calculation shall follow that set forth in the Regulations.

(vii) For each Computation Date, CLGFA shall calculate the Rebate Amount, by any appropriate method to be described in the Code and Regulations applicable or which becomes applicable to the Bonds. The determination of the Rebate Amount shall account for the amount (to be rounded down to the nearest multiple of \$100) equal to the sum of all amounts determined in paragraph (iii), all amounts determined in paragraphs (v) and (vi), and less any amount which has previously been paid to the United States of America.

(viii) If the Rebate Amount exceeds the amount on deposit in the Rebate Fund, CLGFA shall immediately deposit such amount into the Rebate Fund.

8. *Payment to United States of America.*

(a) Not later than sixty (60) days after each Installment Computation Date (or such longer period as may be permitted by the Regulations), CLGFA shall pay to the United States of America an amount that, when added to the Future Value as of such Computation Date of previous rebate payments made for the Bonds, equals at least ninety percent (90%) of the Rebate Amount required to be on deposit in the Rebate Fund as of such payment date. No later than sixty (60) days after the Final Computation Date, CLGFA shall pay to the United States an amount that, when added to the Future Value as of such Computation Date of previous rebate payments made for the Bonds, equals at least one hundred percent (100%) of the balance remaining in the Rebate Fund.

(b) CLGFA shall mail each payment of an installment to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255. Each payment shall be accompanied by Internal Revenue Form 8038-T, and, if necessary, a statement summarizing the determination of the Rebate Amount. No form need be filed if the required rebate payment is \$-0-.

(c) If on any Computation Date, the aggregate amount earned on Nonpurpose Investments in which the Gross Proceeds of the Bonds are invested is less than the amount that would have been earned if the obligations had been invested at a rate equal to the Yield on the Bonds, such deficit may be withdrawn from the Rebate Fund. CLGFA may direct that any overpayment of rebate may be recovered from any Rebate Amount previously paid to the United States of America pursuant to § 1.148-3(i) of the Regulations.

(d) CLGFA shall also pay any penalty or interest on underpayments of Rebate Amount not paid in a timely manner pursuant to the Code and the Regulations.

9. **Recordkeeping.** In connection with the rebate requirement, CLGFA shall maintain the following records:

(a) CLGFA shall record all amounts paid to the United States of America.

(b) CLGFA shall retain records of the rebate calculations until six years after the retirement of the last obligation of the Bonds.

10. **Rebate Analyst.**

(a) CLGFA may appoint a Rebate Analyst and any successor Rebate Analyst for the Bonds, subject to the conditions set forth in this Section. The Rebate Analyst and each successor Rebate Analyst shall signify its acceptance of the duties imposed upon it hereunder by a written instrument of acceptance delivered to CLGFA under which such Rebate Analyst will agree to discharge its duties pursuant to this Investment Instructions and the Tax Compliance Certificate in a manner consistent with prudent industry practice.

(b) The Rebate Analyst may at any time resign and be discharged of the duties and obligations by giving notice to CLGFA. The Rebate Analyst may be removed at any time by an instrument signed by CLGFA. CLGFA may, upon the resignation or removal of the Rebate Analyst, appoint a successor Rebate Analyst.

(c) Each successor Rebate Analyst shall be either a firm of independent accountants or Bond Counsel or another entity experienced in calculating rebate payments required by § 148(f) of the Code.

(d) In order to provide for the administration of the matters pertaining to arbitrage rebate calculations set forth herein and in the Tax Compliance Certificate, CLGFA may provide for the employment of the Rebate Analyst on or prior to May 31, 2001. The charges and fees for such Rebate Analyst shall be paid by CLGFA upon presentation of an invoice for services rendered in connection therewith.

11. **Yield Reduction Payments.** CLGFA may instruct the Rebate Analyst to compute any Yield Reduction Payments for eligible Investments defined in the Regulations; shall provide for payment of one hundred percent (100%) of any Yield Reduction Payments to the United States no later than the dates described in Section 8 hereof and shall keep records of the determination of any such Yield Reduction Payments for the period described in Section 9 hereof.

12. *Change in Law.* These Instructions are based on law in effect as of this date, and we undertake no obligation to monitor or update the status of these Instructions. Statutory or regulatory changes, including but not limited to clarifying Regulations, may affect these Instructions.

Very truly yours,

KUTAK ROCK

By _____

EXHIBIT C-1

**FORM OF DEALER CERTIFICATION OF BONA FIDE
BID PRICE OF A CERTIFICATE OF DEPOSIT**

I, [Name], [Position] of [Entity Providing the Certification] (the "Dealer") HEREBY CERTIFY that the Dealer maintains an active secondary market in certificates of deposit of a type similar to that [sold/purchased] by the Dealer on behalf of California Local Government Finance Authority ("CLGFA"), and that the price at which the certificate of deposit was [sold to/purchased from] CLGFA is the bona fide bid price quoted by the Dealer in an active secondary market maintained by the Dealer in such certificates of deposit.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of _____ 19__.

By _____
Title: _____

EXHIBIT C-2

**FORM OF DEALER CERTIFICATION FOR A
CERTIFICATE OF DEPOSIT FOR WHICH
NO ACTIVE SECONDARY MARKET EXISTS**

I, [Name], [Position], of [Entity Providing Certificate] (the "Dealer") HEREBY CERTIFY that there is no active secondary market in certificates of deposit of the type [sold/purchased] on behalf of the California Local Government Finance Authority [to/from] the Dealer (the "Certificate of Deposit"); that the yield on the Certificate of Deposit is as high or higher than the yield on comparable obligations traded on an active secondary market, and as high or higher than the yield available on reasonably comparable direct obligations offered by the United States Treasury; that the Dealer maintains an active secondary market in comparable certificates of deposit, and that this Certification is based on actual trades adjusted to reflect the size and term of the Certificate of Deposit and the stability and reputation of the person issuing it.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of _____
19__.

By _____
Title: _____

EXHIBIT C-3

**FORM OF PROVIDER CERTIFICATION
FOR A CERTIFICATE OF DEPOSIT**

I, [Name], [Position], of [Entity Providing the Certificate of Deposit] (the "Provider")
HEREBY CERTIFY that the yield on the Certificate of Deposit entered into on [DATE] is not
less than the highest yield that the Provider publishes or posts for comparable collateralized
certificates of deposit offered to the public (including other state and local governmental units).
The yield on the Certificate of Deposit is equal to _____% and the yield on the comparable
direct obligation offered by the United States Treasury is equal to _____%.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of _____
19__.

By _____
Title: _____

EXHIBIT C-4

**FORM OF PROVIDER CERTIFICATION
FOR AN INVESTMENT CONTRACT**

I, [Name], [Position], of [Entity Providing Investment Contract] (the "Provider")
HEREBY CERTIFY in connection with the Investment Contract between [NAME] and the
Provider dated as of [DATE] (the "Investment Contract") that the yield on the Investment
Contract is at least equal to the yield offered on reasonably comparable investment contracts
offered to other persons, if any, from a source of funds other than gross proceeds of an issue
of tax-exempt bonds and that the amount of administrative costs that are reasonably expected to
be paid by the Provider to third parties in connection with the Investment Contract is
\$_____. For purposes of this certification, administrative costs include all brokerage or
selling commissions paid by the Provider to third parties in connection with the Investment
Contract, legal or accounting fees, Investment advisory fees, recordkeeping, safekeeping,
custody and other similar costs or expenses.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of _____
19__.

By _____
Title: _____

EXHIBIT C-5

**FORM OF THE CERTIFICATION FOR A
CERTIFICATE OF DEPOSIT INVOLVING THREE BIDS**

I, _____, Executive Director, of the California Local Government Finance Authority ("CLGFA"), HEREBY CERTIFY in connection with the certificates of deposit of the type purchased by CLGFA that such purchase was made pursuant to the _____, adopted by CLGFA, after receipt of at least three bids and that the certificates of deposit were purchased from the highest bidder in an arm's-length transaction without regard to yield.

IN WITNESS WHEREOF, I have hereunto set my hand this 13 day of MARCH

1997.

By 
Executive Director

[Signature Page to Exhibit C-5 of Tax Compliance Certificate]

EXHIBIT C-6

**FORM OF THE CERTIFICATION FOR AN
INVESTMENT CONTRACT INVOLVING THREE BIDS**

I, _____, Executive Director, of the California Local Government Finance Authority ("CLGFA"), HEREBY CERTIFY in connection with the Investment contract between CLGFA and _____ (the "Provider") dated as of _____, _____ (the "Investment Contract") that (i) at least three bids on the Investment Contract were received from persons other than those with a material financial interest in the _____, (ii) the yield on the Investment Contract purchased is at least equal to the yield offered under the highest bid received from an uninterested party, (iii) the price of the Investment Contract takes into account as a significant factor CLGFA's expected drawdown for the funds to be invested (other than float funds or reasonably required reserve or replacement funds) and (iv) any collateral security requirements for the Investment Contract are reasonable.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of _____

1997.

By _____
Executive Director

[Signature Page to Exhibit C-6 of Tax Compliance Certificate]

EXHIBIT D

REIMBURSEMENT RESOLUTION

None

EXHIBIT E

DESCRIPTION OF PROJECT AND EXPENDITURE OF PROCEEDS

BREAKDOWN:

Equipment	\$ 110,000	5 years
Building	400,000	40 years
Land Improvements [includes pads, roads, sewers, etc.]	3,000,000	20 years
Land	<u>11,840,000</u>	<u>30 years</u>
Purchase Price	\$15,350,000	28.12 years

EXHIBIT F

CERTIFICATE OF OWNER

\$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


\$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 undersigned, on behalf of the Novato Financing Authority (the "Owner"), has reviewed the accompanying Tax Compliance Certificate of the California Local Government Finance Authority, hereby acknowledges and confirms the accuracy of the representations contained therein, and agrees to be bound to the requirements set forth therein to the extent applicable.

The undersigned understands that this Certificate shall form a part of the basis for the opinion, dated the date hereof, of Kutak Rock, as Bond Counsel, to the effect that interest on the Bonds is not includible in the gross income of the recipients thereof for purposes of federal income taxation under existing laws, regulations, rulings and judicial decisions.

IN WITNESS WHEREOF, the undersigned has set his hand as of the 13 day of March, 1997.

NOVATO FINANCING AUTHORITY

By 
Title Treasurer

8038-G

Information Return for Tax-Exempt Governmental Obligations

Under Internal Revenue Code section 145(e)

OMB No. 1545-0720

Rev. May 1995

See separate instructions.

Note: Use Form 8038-GC if the issue price is under \$100,000.

Department of the Treasury Internal Revenue Service

Reporting Authority

If Amended Return, check here

1 Issuer's name: California Local Government Finance Authority
2 Issuer's employer identification number: 68 0326505
3 Number and street: 1020 12th Street
4 Report number: G1997 - 1
5 City, town, or post office, state, and ZIP code: Sacramento, California 95814
6 Date of issue: 3/13/97
7 Name of issue: Senior Revenue Bonds, Series 1997A and Subordinate Revenue Bonds, Series 1997B
8 CUSIP number: 130667BF4

Part II Type of Issue (check applicable box(es) and enter the issue price) Project

9 Education
10 Health and hospital
11 Transportation
12 Public safety
13 Environment
14 Housing (checked) 17,041,151.25
15 Utilities
16 Other
17 If obligations are tax or other revenue anticipation bonds
18 If obligations are in the form of a lease or installment sale

ORIGINAL ISSUE
ACKNIT COPY ONLY
MAY

Part III Description of Obligations

Table with columns: (a) Maturity date, (b) Interest rate, (c) Issue price, (d) Stated redemption price at maturity, (e) Weighted average maturity, (f) Yield, (g) Net interest cost. Row 1: 10/1/2027, 5.850%, 1,977,525.00, 1,980,000, 20.424078 yr., 6.467%, 5.911%.

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

Table with columns: Description, Amount. Rows include: Proceeds used for accrued interest (28,771.25), Issue price of entire issue (17,041,151.25), Proceeds used for bond issuance costs (310,479.52), Proceeds used for credit enhancement (133,742.50), Proceeds allocated to reasonably required reserve or replacement fund (1,275,000.00), Proceeds used to currently refund prior issues (-0-), Proceeds used to advance refund prior issues (-0-), Total (1,719,222.02), Nonrefunding proceeds of the issue (15,321,929.02).

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

Enter the remaining weighted average maturity of the bonds to be currently refunded
Enter the remaining weighted average maturity of the bonds to be advance refunded
Enter the last date on which the refunded bonds will be called
Enter the date(s) the refunded bonds were issued

Part VI Miscellaneous

Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)
Enter the amount of the bonds designated by the issuer under section 255(b)(3)(B)(iii)
Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract
Enter the final maturity date of the guaranteed investment contract
Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units
If this issue is a loan made from the proceeds of another tax-exempt issue, check box
If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box
If the issuer has identified a hedge, check box

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature of issuer's authorized representative: Marcia L. Basque, dated 3/13/97. Type of print name and title: Marcia L. Basque, Executive Director

ATTACHMENT TO

FORM 8038-G

Line 14— The proceeds of the Bonds were lent to the Novato
Financing Authority, c/o Redevelopment Agency of the
City of Novato, 900 Sherman Avenue, Novato, California
94945; Employer Identification Number: [Applied For].

**CALIFORNIA LOCAL GOVERNMENT FINANCE
AUTHORITY**

PLAN OF INQUIRY

**Regarding
Revenue Bonds**

**Facilitating the Acquisition
of the
MARIN VALLEY MOBILE COUNTRY CLUB PARK
by the
NOVATO FINANCING AUTHORITY**

February 19, 1997

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

PLAN OF INQUIRY

REGARDING

REVENUE BONDS FACILITATING THE ACQUISITION

OF THE

MARIN VALLEY MOBILE COUNTRY CLUB PARK

BY THE

NOVATO FINANCING AUTHORITY

This Plan of Inquiry is adopted by the California Local Government Finance Authority (the "CLGFA") to assist the CLGFA in pursuing its inquiry in connection with facilitation of a financing transaction (the "Transaction") for the Novato (California) Financing Authority (the "Novato Authority") involving the sale of Senior Revenue Bonds, Series 1997A (the "Senior Bonds") and Subordinate Revenue Bonds, Series 1997B (the "Subordinate Bonds"). The proceeds of sale of the Bonds are to be used primarily for the acquisition by the Novato Authority of the Marin Valley Mobile Country Club Park (the "Park") through a loan (the "Loan") to be repaid by the Novato Authority and the Park Acquisition Corporation of the Marin Valley Mobile Country Club Park (the "PAC") to be managed by Park residents overseeing Park operations carried out by Storz Management Company ("Storz"), as professional managers of the Park. Certain capitalized terms used herein are defined in note 1.¹

The payment of debt service on the Senior Bonds is to be secured by a first lien mortgage and a gross pledge (before Park operation and maintenance costs) of Park revenues and is to be insured by Financial Security Assurance as the Credit Enhancer. Due to the issuance of the Credit Enhancer's insurance policy, the Senior Bonds are to be rated "AAA" by Standard & Poor's Ratings Group ("S&P") and "Aaa" by Moody's Investors Service ("Moody's").

In addition, the underlying Project/program credit is to be rated by S&P and Moody's at not lower than "A-" and "A3," respectively.

The payment of debt service on the Subordinate Bonds is to be secured by a net pledge of Park revenues (after payment of debt service on the Senior Bonds and Park operations and maintenance costs and ongoing costs associated with the Bonds), and is to be further secured by a pledge of \$130,000 annually of the Redevelopment Agency of the City of Novato (the "Novato

¹ Reference is made herein collectively to the Senior Bonds and the Subordinate Bonds as the "Bonds." Reference is made herein to the present owners of the Park as the "Present Park Owners." Reference is made herein to Storz, which is to serve as the professional management for the Park, as the "Park Management," and to Financial Security Assurance as the "Credit Enhancer." Collective reference is made herein to the Park, the PAC, the Present Park Owners and the Park Management as the "Park Parties." Collective reference is made herein to the Offering Statement (the "Offering Statement") and the Private Placement Memorandum (the "Private Placement Memorandum") used in the offering and sale of the Senior Bonds and the Subordinate Bonds, respectively, as the "Offering Documents."

Redevelopment Agency”) housing set-aside funds. The Subordinate Bonds are to be nonrated, and are to be purchased by The Benham Group (the “Subordinate Bond Purchaser”), which is to provide an investment letter described herein to the effect that it is a sophisticated investor, buying the Subordinate Bonds for its own account, and not relying to any extent whatsoever on the CLGFA or its financial advisor, American Government Financial Services Company (the “CLGFA Financial Advisor”), for information in connection with the Transaction.

The CLGFA is to be indemnified for and secured against any and all costs and liabilities that it may incur at any time in connection with the Transaction from any and all City of Novato Redevelopment Agency housing set-aside funds and Park revenues after payment of debt service on the Bonds and Park operations and maintenance costs.

The CLGFA hereby makes the following determinations, among others, regarding the Transaction:

1. The CLGFA is facilitating the Transaction to assist the Novato Authority in obtaining funding for the acquisition of the Park from the Present Park Owners in order to provide affordable housing to the park residents and to provide affordable housing opportunities to persons and families of low and moderate income within the City of Novato.
2. The sole credit for the payment of debt service on the Bonds is to be provided by and through the Novato Authority’s Park revenues, the Novato Redevelopment Agency in the case of the Subordinate Bonds and the Credit Enhancer in the case of the Senior Bonds, and the CLGFA shall not be obligated in any respect whatsoever, directly or indirectly, to make any payments with respect to such debt service, except to pay over amounts, if any, received from those sources.
3. The CLGFA’s credit or financial interests are not to be pledged or implicated in the Transaction in any manner whatsoever, directly or indirectly. This Plan of Inquiry is intended to meet that goal by (i) enumerating steps to assure that no such direct or indirect pledge by the CLGFA is present in or implied by the Transaction; (ii) assuring that the CLGFA has made all reasonable inquiry that may be required of it under the federal and state securities laws; and (iii) assisting the CLGFA in avoiding any other potential, but unanticipated, indirect financial implications that may be present for the CLGFA in connection with the Transaction.
4. Based on representations received by the CLGFA from the Novato Authority, the Novato Redevelopment Agency and the Park Parties, the Novato Authority’s acquisition of the Park will serve a public purpose and will benefit the residents of the City of Novato, and the Transaction is an appropriate means of furthering that public purpose.

BACKGROUND—RATIONALE FOR THIS PLAN OF INQUIRY

Basic Principles Applicable to Municipal Securities Disclosure

This Plan of Inquiry is intended to assist the CLGFA by providing a road map toward satisfaction of reasonable CLGFA responsibilities that may be asserted with respect to disclosures made to investors in the Transaction and to document the care exercised by the CLGFA in making inquiry regarding those disclosures and the Transaction as a whole. The CLGFA's inquiry efforts are to be directed toward satisfaction of all federal and state securities laws in a careful, conservative and reasonable manner. The disclosures of the Park Parties, the Novato Authority, the Novato Redevelopment Agency, the Credit Enhancer, any investment provider and any other party are their respective responsibilities, and not those of the CLGFA in the absence of significant contrary notice.

In recent years, the application of the federal securities laws to municipal securities transactions has been expanding. The Securities and Exchange Commission (the "SEC" or "Commission") has asserted that "issuers" of municipal securities are "primarily" responsible for disclosures in their offerings. For example, the SEC stated in its Release No. 34-26985 that:

[I]ssuers are primarily responsible for the content of their disclosure documents and may be held liable under the federal securities laws for misleading disclosure.... Because they are ultimately liable for the content of their disclosure, issuers should insist that any persons retained to assist in the preparation of their disclosure documents have a professional understanding of the disclosure requirements under the federal securities laws.

This view was recently underscored by SEC staff assertions as follows:

The Commission has pointed out for a long time that issuers are primarily responsible for disclosure. *No one knows better than the issuer where the closets are, or what skeletons may be in the closets.* No professional mind can read as to where they may be. [Emphasis added.]

These assertions are made principally with relation to two legal provisions: SEC Rule 10b-5 and Section 17(a) of the Securities Act of 1933. The language of the two provisions is similar. Rule 10b-5 was adopted by the Commission under Section 10(b) of the Securities Exchange Act of 1934. Section 10(b), directed specifically at fraud, provides:

It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national securities exchange— ...

(b) To use or employ, in connection with the purchase or sale of any security registered on a national securities exchange or any security not so registered, any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

Rule 10b-5 provides:

It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange,

(a) to employ any device, scheme, or artifice to defraud,

(b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or

(c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person,

in connection with the purchase or sale of any security.

In 1989, the SEC adopted its Rule 15c2-12, among other things, to prohibit investment banking firms from underwriting most issues of municipal securities unless the "issuers" have provided disclosure documents. The "issuer" concept in Rule 15c2-12 is sufficiently broad to recognize the presence in a state or local government finance transaction of multiple "issuers," particularly in the context of conduit financings. In 1994, in Release No. 34-33741, the Commission stated its views to the effect that issuers also have continuing disclosure responsibilities. In 1995, Rule 15c2-12 was extended by the Commission to require underwriters also to obtain undertakings from issuers and other "obligated persons" to make continuing disclosure for the lives of their securities issues. Again, under Rule 15c2-12, there may be multiple "obligated persons" present in a transaction.

In 1996, the SEC set forth certain views as to the responsibilities of issuer officials in its Report on the Orange County Supervisors. In the Report, the SEC indicated that governmental officials *authorizing and approving* a disclosure document are required to see that disclosure is made of material information of which they are aware or should be aware. The SEC stated:

Based on the Supervisors' significant knowledge relating to the County's finances, they should have understood the materiality of that information to the County's ability to repay the municipal securities. The Supervisors therefore had a duty to take steps appropriate under the circumstances to assure accurate disclosure was made to investors regarding this material information. The Supervisors, however, failed to take appropriate steps. *For example, while the Supervisors believed that they could rely on the County's officials, employees or other agents with respect to these offerings, they never questioned these officials, employees or other agents regarding the disclosure of this information; nor did they become familiar with the disclosure regarding the County's financial condition.* Had they taken such or similar steps, it should have been apparent to each Supervisor, in light of his or her knowledge, that the disclosure regarding the County's financial condition may have been materially false or misleading.

Consequently, the Supervisors failed to assure appropriate disclosure of these matters by authorizing and approving the dissemination of misleading disclosure documents. This failure denied investors the fair and accurate disclosure required under the federal securities laws.²

This Plan of Inquiry seeks to implement the SEC's views. Among other steps, this Plan of Inquiry effectuates the SEC's admonitions in part by placing responsibility for authorizing and approving the dissemination of the Offering Documents on the Novato Authority and the Park Parties, and the Credit Enhancer as to the Credit Enhancer's information in the case of the Senior

² SEC, Securities Exchange Act of 1934 Rel. No. 36761, REPORT OF INVESTIGATION IN THE MATTER OF COUNTY OF ORANGE, CALIFORNIA AS IT RELATES TO THE CONDUCT OF THE MEMBERS OF THE BOARD OF SUPERVISORS (Jan. 24, 1996). [Emphasis added.]

Bonds and the Novato Redevelopment Agency as to its information in the case of the Subordinate Bonds (except as to brief CLGFA information to be contained in an appendix to each of the Offering Documents). Neither the CLGFA nor any of its officials or the CLGFA Financial Advisor shall approve or authorize the dissemination of the Offering Documents.

As additional care, this Plan provides for (i) careful and thorough review of the Offering Documents by Qualified Professionals, as defined herein, with extensive knowledge of and experience with federal and state securities law application to transactions in municipal securities, followed by written reports and opinions thereon, as may be appropriate, to the CLGFA prepared by some or all of such Qualified Professionals; and (ii) careful review of Transaction documentation and full opportunity for questions by key CLGFA officials of the Novato Authority and the Park Parties, so that the CLGFA officials are able to gain necessary assurances as to disclosure of material information of which they are or should be aware.

Applicable Standards of Care

This Plan of Inquiry is directed toward satisfaction of the most rigorous federal securities law standards that could be asserted against the CLGFA and its officials. The applicable standards under the federal securities laws for imposition of remedies through SEC action are twofold. First, under Rule 10b-5, available both to the SEC and investors, the test is one of "recklessness." Rule 10b-5 is enforceable by both the SEC and investors in private actions. This has been defined in rather extreme terms by the federal courts of appeal, such as the Ninth Circuit, which defined the concept as:

[A] highly unreasonable omission, involving not merely simple, or even inexcusable negligence, but *an extreme departure from the standards of ordinary care*, and which presents a danger of misleading buyers or sellers that is either known to the defendant or is so obvious that the actor must have been aware of it.³

Under portions of Section 17(a) of the Securities Act of 1933, which is enforceable by the SEC (but not investors), a negligence test is applied.⁴ There are at least two possible negligence tests. One such test is framed in terms of the care that would be exercised by a reasonable person under the circumstances. The second is a stricter test framed in terms of the care that would be exercised by a reasonable person in the management of that person's own affairs. There does not appear to be a definitive statement as to which test should be applied.

As a practical matter, this may be irrelevant due to the negligence tests present in the securities laws of the vast majority of states. A public issuer may be confronted with the application of a multitude of state laws to sales of its securities to investors in multiple jurisdictions. This is because, as a general rule, a state's securities laws apply to offers and sales of securities within that state. In any case, even if a single state's law is to be applied in the interest of uniformity, a public issuer may not be able to determine in advance which state's laws will apply.

³ *Hollinger v. Titan Capital Corp.*, 914 F.2d 1564, 1569 (quoting *Sundstrand Corp. v. Sun Chem. Corp.*, 553 F.2d 1033, 1045 (7th Cir.), cert. denied, 434 U.S. 875 (1977). [Emphasis added.]

⁴ *SEC v. Aaron*, 446 U.S. 680 (1980).

In the interest of safety, it should be assumed that a strict negligence test will be applied to the Transaction.

While the applicable test that would be applied in investor litigation or that is most likely to result in SEC enforcement action, *i.e.*, recklessness, is framed in terms of the “standards of ordinary care,” the SEC has not informed the municipal securities market what “standards of ordinary care” are to be followed. That is, it is unclear whether the CLGFA may look to general practices in the municipal securities market or must look also to practices in the corporate or broader securities markets in determining what it should do.

From its actions in Orange County, in which the SEC criticized the Supervisors for relying on staff and municipal bond professionals’ recommendations, a common practice for local governments, it appears that the SEC is looking to the broader context in the financial markets for the “standards of ordinary care” it is now applying to municipal finance transactions. Thus, under present conditions, governmental issuers appear to be well-advised not to rely simply on the practices followed by their local government counterparts in carrying out their functions. In the case of the CLGFA, to be conservative, given the absence of guidance by the SEC, the practices of corporate and other securities issuers shall also be taken into account, even if those practices were developed by corporate securities issuers under other and stricter legal standards that are inapplicable to the CLGFA.

Such application by the SEC has not been tested in court. Nevertheless, it will be followed in the Transaction, so that the CLGFA and its officials will make necessary inquiry, and furthermore will take reasonable action to assure that skilled professionals, with a professional understanding of the disclosure requirements of the securities laws, do so, as well.

In summary, this Plan of Inquiry is intended to assure satisfaction by the CLGFA of the stricter of the negligence tests, so that no reasonable questions can be raised as to the CLGFA’s actions under any of the potentially applicable negligence or recklessness standards. This Plan is not directed toward any challenge of SEC application, but rather to avoid circumstances that may necessitate such a challenge.

The “Issuer” and “Obligated Person” Concepts

The CLGFA is serving as a conduit for a financing for the Novato Authority and the Park Parties. Under its Rule 15c2-12, the SEC recognized that, in a conduit financing, the credit of the governmental entity in CLGFA’s position generally is not involved. Accordingly, the Commission devised a definition of an “issuer of municipal securities,” as follows

The term “issuer of municipal securities” means the governmental issuer specified in section 3(a)(29) of the Act and the issuer of any separate security....

The proceeds of sale of the Bonds (other than proceeds spent for Transaction costs) are to be loaned through the Loan to the Novato Authority to enable the Novato Authority to pay the costs of acquisition of the Park. The Novato Authority’s payment of principal of and interest on the Loan from Park revenues, in part through a delegation of certain management responsibilities to the PAC, and certain Novato Redevelopment Agency funds is to provide the amounts necessary to

pay debt service on the Bonds. These payment obligations of the Novato Authority (acting in part through the PAC) and the Novato Redevelopment Agency are “separate securities.”

Thus, the Novato Authority and the Novato Redevelopment Agency, as the issuers of separate securities are appropriately viewed as “issuers” under SEC Rule 15c2-12. Moreover, putting aside for the present the credit role of the Credit Enhancer, the Novato Authority (acting in part through the PAC) and the Novato Redevelopment Agency are the primary credits in the Transaction because their funds, not the CLGFA’s, are pledged to the payment of debt service on the Bonds. This means that the underwriters are able to and shall look to the Novato Authority, the Novato Redevelopment Agency, the PAC, the Credit Enhancer and investment providers for the credit-related disclosures in the Offering Documents. Consequently, the Novato Authority, the Novato Redevelopment Agency, the Park Parties and the Credit Enhancer are appropriately viewed as the central elements of the disclosure effort in the Transaction and the manner in which the Transaction will be best presented to the market and investors. In the words of SEC staff, there will be no CLGFA “closets” or “skeletons” relevant to disclosures in the Transaction in any way.

The Novato Authority, the Novato Redevelopment Agency, the Park Parties and the Credit Enhancer are also appropriately viewed as the central elements of the relevant representations, agreements and certifications relating to the Offering Documents (other than brief CLGFA information), whether under Rule 15c2-12, the Bond Purchase Agreement or otherwise.

For continuing disclosure purposes, a similar concept comes into play under Rule 15c2-12. In this instance, the focus is on “obligated persons,” defined by the SEC as follows:

The term “obligated person” means any person, including an issuer of municipal securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the municipal securities to be sold in the Offering (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

As in the case of the initial issuance of the Bonds, the Novato Authority’s, the Novato Redevelopment Agency’s and the PAC’s central roles are to be evidenced by the execution of a continuing disclosure agreement. The CLGFA’s responsibility for continuing disclosure regarding the Transaction is vastly reduced, and perhaps completely eliminated, since the CLGFA will not directly “support payment of all, or part of the obligations.” At most, the CLGFA will assign to the Trustee the right to receive payments from the Novato Authority (in part acting through the PAC) and the Novato Redevelopment Agency and, in a technical sense, may authorize maintenance through the Trustee of certain funds and accounts under the Trust Agreement. This may or may not be sufficient for the CLGFA to be regarded as an “obligated person” under SEC Rule 15c2-12, but it is no more than a technical status. The inflexibility of the SEC’s Rule may require nevertheless that the CLGFA’s financial statements be filed annually with the Nationally-Recognized Municipal Securities Information Repositories, even though those financial statements are irrelevant and immaterial to the credit support for the Transaction. The advice and a written opinion of Bond Counsel shall be received on this subject.

General Tenor of the Transaction

The Transaction is to be an offering of Bonds payable through the Novato Authority's obligations (in part acting through the PAC) to repay the Loan from Park revenues and, in the case of the Senior Bonds, insurance payments by the Credit Enhancer, and in the case of the Subordinate Bonds, housing set-aside funds pledged by the Novato Redevelopment Agency. Substantively, the information that is relevant for disclosure to investors will be information of the Novato Authority, the Novato Redevelopment Agency, the Park Parties and the Credit Enhancer.

The appropriate roles and responsibilities of governmental entities, such as the CLGFA, facilitating conduit offerings for other borrowers, usually private parties, has been the subject of some degree of examination by authorities in the field. The SEC itself has recognized that whether an obligation is a private activity obligation can affect the nature of an underwriter's inquiry regarding an issue.⁵ Practitioners have been more specific. Sections and Committees of the National Association of Bond Lawyers and American Bar Association stated recently that:

In connection with the issuance of conduit obligations, the focus of the inquiries shifts appropriately from the [governmental] issuer to the private borrower whose credit is actually the source of repayment for the obligations.⁶

The Government Finance Officers Association, representing the state and local government finance officials across the nation, framed an even stronger statement in making recommendations for disclosure in conduit offerings:

Normally, in offerings involving separate conduit securities, a governmental issuer need provide only limited disclosure, such as the identity of the governmental issuer, its role in the transaction, and its authority. ...

...

The information in this section should be provided in an offering of securities of a conduit issuer; the information should be the responsibility of the conduit [borrower], and not of the governmental issuer.⁷

The Association then recommends that the governmental entity facilitating the transaction, such as the CLGFA, receive assurances from the substantive parties, such as the Novato Authority, the Novato Redevelopment Agency and the Park Parties, as to materially accurate and complete disclosures in the Offering Documents and the conduit borrower's provision of continuing disclosures.^{8 9}

⁵ SEC Release 34-26100 44-62, 53 F.R. at 37787-91 (Sept. 22, 1988).

⁶ American Bar Association and National Association of Bond Lawyers, DISCLOSURE ROLES OF COUNSEL IN STATE AND LOCAL GOVERNMENT SECURITIES OFFERINGS at 84 (2d ed. 1994).

⁷ Government Finance Officers Association, DISCLOSURE GUIDELINES FOR STATE AND AUTHORITY SECURITIES AT SECTIONS VI AND X (1991).

⁸ *Id.* at Procedural Statement No. 11.

⁹ In addition, in terms of guidance for practitioners, the following analysis was written almost ten years ago as to private borrowers in conduit financings:

In summary, given the foregoing, three important themes are emphasized in this Plan of Inquiry. First, the substantive disclosures and disclosure documents in the Transaction shall not be the CLGFA's, but rather the Novato Authority's, the Novato Redevelopment Agency's, the Park Parties' and the Credit Enhancer's. The CLGFA shall not authorize or approve those disclosures or their dissemination or act formally in any way upon those disclosures. Second, even though those disclosures shall not be the CLGFA's, given the absence of definition from the SEC as to what the CLGFA should do, the CLGFA shall receive full comfort as if those disclosures may be the basis for a CLGFA responsibility to make inquiry. Therefore, the CLGFA shall rely upon Qualified Professionals for such inquiry to the extent reasonable, as discussed below. Third, the CLGFA shall, through its officials as discussed herein, carefully review the Novato Authority's Offering Documents to see that there is disclosure of all material information of which the CLGFA or its officials are aware or should be aware. This three-pronged approach is designed to place the CLGFA in a position in which it shall have satisfied every admonition that has been given to it by securities regulatory authorities.

Reliance upon Professionals

The CLGFA shall rely reasonably upon professionals in the Transaction, including both municipal bond professionals and other experts in specific fields. According to a key SEC staff member, the CLGFA is entitled to rely on professional experts. He stated:

Of course you can rely on experts, lawyers, and financial advisors—just as officials of public companies do. That reliance, however, must be reasonable. What is the standard? The Orange County report says the following:

“In authorizing the issuance of securities and related disclosure documents, a public official may not authorize disclosure that the official knows to be false; nor may a public official authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading.”¹⁰

This is, of course, a circular statement that attempts to define the standards of ordinary care by reference to the recklessness concept, which is based on the standards of ordinary care. What stands out are the references to (i) the authorization of disclosure documents (which the CLGFA shall not do in the Transaction, other than authorizing use of its own brief appendix); and (ii) circumstances in which public companies place reliance on experts (“just as officials of public companies do”).

The private entity in most conduit offerings ... would appear to be the practical party in interest. From that standpoint, the private entity should assume, under normal circumstances, that it has the responsibility for preparing and developing the necessary information for presentation to investors. Such private entities bear responsibility, together with underwriters, counsel and certain other parties participating in the offerings. Those other parties would not appear to include the issuer or its officials under normal circumstances. Indeed, the practice of issuer signature or approval of the official statement for a conduit offering seems inappropriate at best and dangerous for the issuer at worst.

R. Doty, *STATE AND AUTHORITY DEBT FINANCING*, “Chapter 8A—*Disclosure Process in State and Authority Securities Transactions*” at § 8:19 (D. Gelfand, ed., Callaghan & Co., Deerfield, IL, 1988 revision). [Footnotes omitted.]

¹⁰ Paul S. Maco, Director of the SEC's Office of Municipal Securities, “Maco Speaks: What Do Issuers Have to Do to Stay Clean?” *The Bond Buyer* at 35 (June 24, 1996).

This raises the question of the standards of care applicable to public companies. The applicable standard for public companies is stated in Section 11 of the Securities Act of 1933 (which it must be noted is in fact inapplicable to municipal entities). According to Section 11(b), which provides a defense, reliance is, in general, appropriate if there is "no reasonable ground to believe" and no belief in fact that the disclosure document is materially inaccurate or incomplete. Section 11(c) then tests reasonableness of behavior according to the stricter negligence test of what a prudent person would do in the management of that person's own property. It should be noted that this test is the same as the stricter of the two negligence tests potentially applicable to the CLGFA under Section 17(a) of the Securities Act of 1933 and state securities laws.

While, in the municipal securities market, the "reasonableness" of reliance is not defined, the potential equivalency of the negligence tests under Section 11(c) and Section 17(a) (and state securities laws) necessitates conservatism. Accordingly, as in its general overall approach to inquiry in the Transaction, in its reliance on professionals, the CLGFA shall seek to satisfy again the strictest possible negligence test that could be applied against it. For this purpose, the CLGFA will look to general principles, the only guidance available.

Thus, the CLGFA shall carefully consider and determine when it is able to place reliance upon professionals rendering reports or opinions in the Transaction. General guidance for such reliance is found in the following criteria adapted from **DISCLOSURE ROLES OF COUNSEL IN STATE AND LOCAL GOVERNMENT SECURITIES OFFERINGS**, which criteria are to be applied herein to permit the CLGFA to rely upon municipal bond professionals and other experts when the following has been demonstrated:¹¹

- A. The apparent competency of the professional.
- B. A determination whether the subject matter appears to be within the area of the professional's expertise.
- C. The appearance of actual performance by the professional in accordance with professional standards, based on inquiry and absence of reason to know that the professional is not performing its responsibilities.
- D. An absence of disabling conflicts of interest on the part of the professional or the CLGFA.
- E. Apparent access on the part of the professional to sufficient relevant information to form a basis for its report or opinion.
- F. Clear identification among Transaction parties and disclosure to investors of the roles being performed by the professional and the extent of reliance.
- G. A careful review of the professional's report or opinion.

¹¹ Published by a committee of the National Association of Bond Lawyers and two Sections of the American Bar Association, at 68-69 (2d ed. 1994).

The foregoing were stated technically in **DISCLOSURE ROLES OF COUNSEL** with respect to the reliance of counsel upon other counsel. If the guidance assists those professionals in relying upon each other, then it follows that it would be likely to assist less-knowledgeable laypeople in their own reliance upon a professional.

One additional criterion is added by the CLGFA to the foregoing list: namely, the professionals upon whom the CLGFA places reliance must also have a professional understanding of the disclosure requirements under the federal securities laws, so as to satisfy the SEC's mandate in that respect.

Reference is made herein to a professional satisfying each of the foregoing criteria as to its work in the Transaction as a "Qualified Professional."

All professional firms employed in the Transaction, including without limitation, the underwriters, all counsel (other than counsel to The Benham Group, as the Subordinate Bond Purchaser), and all financial advisors, shall submit to the Executive Director a written statement as to why the CLGFA is entitled to rely upon them in accordance with the foregoing criteria. Because certain of the criteria are likely to have a fluid application during the course of the Transaction, the Executive Director shall monitor the continuing performance of each of the Qualified Professionals.

If the Executive Director is satisfied that each municipal bond professional and other expert in the Transaction is a Qualified Professional, she shall make a written report thereon to the Board of Directors, for which report the Executive Director may be assisted by the CLGFA's Financial Advisor, except as to itself. If the Board of Directors does not object to any professional firm's qualifications in this respect, the CLGFA will rely upon the professional work and written reports and opinions of each of those Qualified Professionals and its own additional independent inquiries, each as set forth herein.

Thereafter, the CLGFA shall not seek to duplicate the inquiry of those Qualified Professionals, and shall not seek to verify independently every fact set forth in the Offering Documents, but rather the CLGFA shall satisfy itself that (i) the Qualified Professionals reasonably appear to be performing their assigned tasks in a professional manner on a continuing basis throughout the conduct of the Transaction; (ii) material information known to the CLGFA or its key officials is disclosed in the Offering Documents; (iii) specific material questions that may arise are answered through inquiry by CLGFA officials or the Qualified Professionals; and (iv) the Novato Authority, the Novato Redevelopment Agency and the Park Parties, as the substantive participants in the Transaction, fully accept and appear to be diligently carrying out through their own personnel, their respective disclosure responsibilities under the securities laws.

The Executive Director shall bring to the Board of Directors for review any Qualified Professional whose participation raises material issues under the foregoing criteria at any time during the conduct of the Transaction. If the Board of Directors determines at any time during the Transaction that the professional is not a Qualified Professional for the Transaction, the CLGFA shall require that a different firm constituting a Qualified Professional shall perform the work instead.

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

PLAN OF INQUIRY

REGARDING

REVENUE BONDS FACILITATING THE ACQUISITION

OF THE

MARIN VALLEY MOBILE COUNTRY CLUB PARK

BY THE

NOVATO FINANCING AUTHORITY

SPECIFIC INQUIRY STEPS TAKEN BY THE CLGFA

This Plan of Inquiry is adopted by the California Local Government Finance Authority (the "CLGFA") to assist the CLGFA in pursuing its inquiry in connection with facilitation of a financing transaction (the "Transaction") for the Novato (California) Financing Authority (the "Novato Authority") involving the sale of Senior Revenue Bonds, Series 1997A (the "Senior Bonds") and Subordinate Revenue Bonds, Series 1997B (the "Subordinate Bonds"). The proceeds of sale of the Bonds are to be used primarily for the acquisition by the Novato Authority of the Marin Valley Mobile Country Club Park (the "Park") through a loan (the "Loan") to be repaid by the Novato Authority and the Park Acquisition Corporation of the Marin Valley Mobile Country Club Park (the "PAC") to be managed by Park residents overseeing Park operations carried out by Storz Management Company ("Storz"), as professional managers of the Park. Certain capitalized terms used herein are defined in note 1.¹

The CLGFA wishes to take care to undertake the level of inquiry that reasonably may be required of it and its officials in connection with its facilitation of the Transaction and to document its efforts. This Plan of Inquiry is intended to provide a road map for the inquiry effort and a formal record of the care that is exercised by the CLGFA as the Transaction proceeds. Accordingly, this Plan of Inquiry enumerates for the Transaction, in a formal and carefully documented way, certain investigative steps taken or to be taken in the specific identified areas of potential significance for the Transaction.

This Plan, however, does not attempt, nor is it intended, to represent fully the extent of the inquiry made with respect to the Transaction by the CLGFA or its officials, employees, consultants or departments.

¹ Reference is made herein collectively to the Senior Bonds and the Subordinate Bonds as the "Bonds." Reference is made herein to the present owners of the Park as the "Present Park Owners." Reference is made herein to Storz, which is to serve as the professional management for the Park, as the "Park Management," and to Financial Security Assurance as the "Credit Enhancer." Collective reference is made herein to the Park, the PAC, the Present Park Owners and the Park Management as the "Park Parties." Collective reference is made herein to the Offering Statement (the "Offering Statement") and the Private Placement Memorandum (the "Private Placement Memorandum") used in the offering and sale of the Senior Bonds and the Subordinate Bonds, respectively, as the "Offering Documents."

1. **Application by Novato Authority**

The Novato Authority shall make application to the CLGFA for the CLGFA's facilitation of the Transaction. The Novato Authority's application, which may be in the form of its preliminary and final Offering Documents, shall be supplemented at closing by appropriate certificates of Transaction participants, reports of bond professionals or other experts, and opinions of counsel, covering in the aggregate all information in the Offering Documents, to the effect that the Offering Documents contain all information that may be material for investors in the Bonds in the light of information provided and do not contain any misstatement of a material fact. Those certifications and opinions shall recognize that the CLGFA is relying upon the Offering Documents in determining whether to facilitate the Transaction.

2. **Qualifications of Professionals**

The CLGFA shall rely upon reports and opinions of professionals in the Transaction. For this purpose, a procedure shall be followed as set forth herein in which professionals upon which such reliance is to be placed shall first be determined to be Qualified Professionals.

3. **Credit Enhancement and Private Placement**

The Senior Bonds are intended to be sold in a public offering with appropriate credit enhancement in the form of bond insurance issued by the Credit Enhancer, and the Subordinate Bonds are to be sold in a private placement in which The Benham Group (the "Subordinate Bond Purchaser") specifies in writing that it is not relying in any respect whatsoever, directly or indirectly, upon the credit of, or inquiry made or information provided by, the CLGFA or its officials or the CLGFA Financial Advisor.

A. **Credit Enhancement of Senior Bonds**

The payment of debt service on the Senior Bonds is to be secured by a first lien mortgage and a gross pledge (before Park operation and maintenance costs) of Park revenues and is to be insured by the Credit Enhancer. Due to the issuance of the Credit Enhancer's insurance policy, the Senior Bonds are to be rated "AAA" by Standard & Poor's Ratings Group ("S&P") and "Aaa" by Moody's Investors Service "Moody's").

In addition, the underlying Project/program credit is to be rated by S&P and Moody's at not lower than "A-" and "A3," respectively.

Such enhancement indicates that a sophisticated financial institution (the Credit Enhancer) is willing to place its credit on the line to stand behind the revenue pledge on the Senior Bonds, as further enhanced by the subordinate pledge on the Subordinate Bonds. This constitutes an important additional credit element for the Transaction. In part, it means that a major financial institution has closely reviewed the Transaction, and is willing to place its financial standing on the line to support the Senior Bond portion of the Transaction.

B. Private Placement of Subordinate Bonds with “Sophisticated Investor” and Investor’s Letter

The payment of debt service on the Subordinate Bonds is to be secured by a net pledge of Park revenues (after payment of debt service on the Senior Bonds and Park operations and maintenance costs and certain ongoing costs associated with the Bonds), and is to be further secured by a pledge of \$130,000 annually of the Redevelopment Agency of the City of Novato (the “Novato Redevelopment Agency”) housing set-aside funds. The Subordinate Bonds are to be nonrated, and are to be purchased by the Subordinate Bond Purchaser.

The CLGFA shall be assured that the Bonds are to be acquired by the Subordinate Bond Purchaser in a limited offering in large denominations (no less than \$100,000). The Subordinate Bond Purchaser shall execute an investment letter addressed to the CLGFA and the CLGFA Financial Advisor to the effect that the Subordinate Bond Purchaser recognizes that the Subordinate Bonds are nonrated investments entailing significant risk, and that the Subordinate Bond Purchaser is a sophisticated institutional investor able to evaluate such risks, is able to withstand any losses on the Subordinate Bonds, and is acquiring the Subordinate Bonds solely for its own account, and not for the accounts of others. The investment letter shall also recognize that the CLGFA and its officials and the CLGFA Financial Advisor shall not have provided and shall not be held responsible to the Subordinate Bond Purchaser for inquiry or information regarding the Bonds or the Transaction. Transfer of the Subordinate Bonds shall be restricted in the Trust Indenture and on the face of the Subordinate Bonds to other such sophisticated institutional investors executing such investment letters and shall not be made in denominations under \$100,000.

4. Presentation to the Market

A. Offering Documents as the Novato Authority’s Documents

The Novato Authority, the Novato Redevelopment Agency and the Park Parties are to be the beneficiaries of the Transaction, and the Novato Authority, the Novato Redevelopment Agency and the PAC are to provide the substantive revenues (Park revenues and the Novato Redevelopment Agency housing set-aside funds) to be used to pay debt service on the Bonds, with enhancement added by the Credit Enhancer. Thus, it is the most appropriate presentation to the market for the Offering Documents to emphasize the roles of the Novato Authority, the Novato Redevelopment Agency and the Park Parties. The Offering Documents shall be viewed as the Novato Authority’s documents, not the CLGFA’s.

B. CLGFA’s Role as Facilitator, Not Substantive Issuer

The CLGFA will facilitate the Transaction, but shall do no more. The Bonds shall be paid from revenues pledged and credit enhancement issued, as described above. Accordingly, CLGFA information identifying it and indicating briefly its limited facilitating role shall be of only incidental significance, and shall be placed in appendices to the Offering Documents, but the CLGFA shall not be involved in the authorization, approval or dissemination of the Offering Documents. Accordingly, a legend shall be placed prominently in the Offering Documents advising investors substantially as follows:

The CLGFA and its financial advisor, American Government Financial Services Company, have not participated in the preparation of or approved the use of this [Offering Statement] [Private Placement Memorandum], have assumed no responsibility herefor, and make no representation or warranty, express or implied, with respect hereto or the accuracy or completeness of any information herein. The information contained herein has not been provided by or derived in any way from the CLGFA or its financial advisor (except as contained in Appendix ____). The role of the CLGFA in this transaction is solely to act as a facilitator for the substantive parties.

C. Review, Authorization and Approval of Dissemination, Signature and Certification, of Offering Documents by the Novato Authority and Park Parties

The Novato Authority, the Novato Redevelopment Agency and the Park Parties shall review the Offering Documents, and the Novato Authority shall authorize and approve the dissemination of, and execute and certify, the Offering Documents. Since the Offering Documents shall not be the CLGFA's documents, the CLGFA shall not authorize or approve the dissemination of, or execute or certify, the Offering Documents, although as set forth herein, the CLGFA and its officials and the CLGFA Financial Advisor shall conduct inquiry regarding the Offering Documents.

Since the Offering Documents are not the CLGFA's documents, the CLGFA shall not provide a "deemed final" certificate under SEC Rule 15c2-12 regarding the Offering Documents or any certificate relating to the material accuracy or completeness of information in the Offering Documents (except as contained in the CLGFA's appendices). The underwriters shall look to the Novato Authority, the Novato Redevelopment Agency and the Park Parties for all certifications of information in the Offering Documents (other than the CLGFA's appendices or information provided by third parties, such as the Credit Enhancer and investment providers, which shall be responsible for the information they provide). The certifications shall state that the Novato Authority, the Novato Redevelopment Agency and the Park Parties recognize that the CLGFA is relying upon their certifications in determining whether to facilitate the Transaction. Due to the relative level of disclosure on the Project, the Offering Documents shall contain at appropriate location(s) a legend substantially as follows:

The information provided herein regarding the Project is based on available information provided by _____. Information regarding the Project is incomplete. There are no audited financial statements for the Project. No other data regarding the Project are available in reliable form, in that no party is willing to certify or provide any additional Project information. Investors should rely, in making their investment decisions, solely upon the information provided herein and the credit enhancement for the Bonds.

The Novato Authority's Peer Review Team shall provide written reports on the Transaction to the Novato Authority regarding results of their analyses within their respective fields of expertise, and such reports shall state that the CLGFA and its officials and financial advisor are entitled to rely on such reports. The CLGFA and the CLGFA Financial Advisor shall receive copies of such reports.

In the absence of "red flags," the CLGFA shall rely on the reports and certifications of and to the Novato Authority and the Park Parties regarding their respective disclosures and the Transaction and, as set forth herein, on the work, reports and opinions of Qualified Professionals.

5. CLGFA's Facilitation Role

Given certain recent controversies in California regarding the use of authorities, such as CLGFA, for projects for nonmembers, the Novato Authority is joining the CLGFA as either a full or an associate member. CLGFA shall also receive an opinion of Bond Counsel to the effect that CLGFA is acting appropriately under California law in accepting its fee for facilitating the Transaction. Such opinion may be based upon a certificate of the CLGFA's Executive Director breaking out the CLGFA's administrative and other costs associated with the Transaction.

6. Offering Document Coverage

A. Compliance with Relevant Market Guidance

Because the CLGFA shall be facilitating the Transaction on the understanding with the Novato Authority, the Novato Redevelopment Agency and the Park Parties and their respective legal counsel and financial or other advisors and the underwriters that the CLGFA shall have no risk or liability whatsoever, direct or indirect, the CLGFA shall receive appropriate written representations from Bond Counsel that all relevant market guidance which has been the subject of favorable formal comment by the SEC and which shall bear upon disclosures in municipal finance transactions involving revenue bonds shall have been reviewed and taken into account in making determinations of information that may be material for disclosure. Such guidance includes specifically, among other sources, to the extent material to the Transaction, recommendations or suggestions in the **DISCLOSURE GUIDELINES FOR STATE AND LOCAL GOVERNMENT SECURITIES**, published by the Government Finance Officers Association, and the **DISCLOSURE HANDBOOK FOR MUNICIPAL SECURITIES**, published by the National Federation of Municipal Analysts. It shall not be necessary for such representations to state that all items set forth as recommendations or suggestions in such guidance have been specifically included in the Offering Documents, but rather that such guidance shall have been taken into account in determining the information provided.

B. Credit Enhancer

Information on the Credit Enhancer shall be considered relevant and important for presentation in the Offering Statement. Information on the Credit Enhancer's parent holding company is to be incorporated by reference into the Offering Statement from public filings made with the SEC. Investors shall be given the address and telephone number of the offices through which the investors may readily obtain copies of such information incorporated by reference.

The CLGFA shall receive certification by the Credit Enhancer (or alternatively, a satisfactory opinion of counsel) that materially complete and accurate disclosure shall have been made in the Offering Statement regarding the Credit Enhancer. Such certificate (or opinion) may contemplate the material accuracy and completeness in the aggregate of the Credit Enhancer's information stated explicitly in the Offering Statement itself, taken together with the information incorporated by reference and made available to investors by the Credit Enhancer.

Alternatively, the CLGFA shall receive, in addition to the Credit Enhancer's standard certifications, an opinion of nationally-recognized bond counsel to the effect that the CLGFA, its Board members and staff, and the CLGFA Financial Advisor have no legal responsibility under federal or state securities laws or common law to make inquiry or gain assurances regarding whether the Credit Enhancer's information in the Offering Documents omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or that the CLGFA, its Board members and staff, and the CLGFA Financial Advisor have satisfied all legal responsibilities they may have under such laws by receipt from the Credit Enhancer of the Credit Enhancer's standard certifications.

The Executive Director and the CLGFA Financial Advisor are directed to consult with the members of the Executive Board regarding any other options that may be available to gain reasonable satisfaction on the Credit Enhancer's disclosures.

The Credit Enhancer shall also recognize in writing that it is not looking to the CLGFA for any credit support, information (except as stated in the CLGFA's appendix to the Offering Documents) or inquiry whatsoever regarding the Transaction, including without limitation, the Project, any parties or the Bonds.

C. Information on Investments of Transaction Proceeds

After Orange County and other events in the market relating to investments (e.g., Executive Life Insurance), investment provider information as to investments of Bond sale proceeds also has assumed an important role. Monies in the Reserve Fund will be invested. If the Reserve Fund were to experience losses, there would be a need to replenish it. The ability of the Novato Authority, the Novato Redevelopment Agency or the PAC to provide replenishing funds at some future date is unclear.

Consequently, as in the case of the Credit Enhancer's information, information on investment providers shall also be relevant. As with the Credit Enhancer, incorporation by reference of information on the investment providers may be utilized.

The CLGFA shall receive certification by investment providers (or alternatively, a satisfactory opinion of counsel) that appropriate disclosure shall have been made regarding the investment providers. Such certificate (or opinion) shall contemplate the material accuracy and completeness in the aggregate of the investment provider's information stated explicitly in the Offering Documents themselves, taken together with any information incorporated by reference and made available to investors by the investment providers.

Alternatively, the CLGFA shall receive an opinion of nationally-recognized bond counsel to the effect that the CLGFA, its Board members and staff, and the CLGFA Financial Advisor have no legal responsibility under federal or state securities laws or common law to make inquiry or gain assurances regarding whether the investment provider's information in the Offering Documents is accurate in all material respects or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or if the investment provider provides standard certifications, that the CLGFA, its Board members and staff, and the CLGFA Financial Advisor have satisfied all legal

responsibilities they may have under such laws by receipt from the investment provider of the investment provider's standard certifications.

The Executive Director and the CLGFA Financial Advisor are directed to consult with the members of the Executive Board regarding any other options that may be available to gain reasonable satisfaction on the investment provider's disclosures.

7. **Orientation of Transaction Documentation**

A. **Novato Authority as Substantive Issuer**

As with the Offering Documents, the role of the Novato Authority, the Novato Redevelopment Agency and the Park Parties, as the beneficiaries, and the Novato Authority (in part acting through the PAC), the Novato Redevelopment Agency and the Credit Enhancer, as the providers of the substantive credit support for the Transaction shall be recognized throughout the Transaction documentation. The role of the CLGFA as no more than a Transaction facilitator shall also be fully recognized.

B. **Bond Purchase Agreement between Underwriters and Novato Authority**

The Bond Purchase Agreement is one specific example of the foregoing general rule that the Novato Authority's principal role shall be given due recognition and emphasis in the Transaction documentation. In this instance, the Agreement shall be between the Novato Authority and the underwriters. There is no need for the CLGFA to be a party to the principal portion of the Agreement, although the CLGFA shall indicate in an appendix that it accepts the Agreement between those parties. There shall be no need for the CLGFA to approve the Bond Purchase Agreement, except for its appendix to the Agreement discussed below.

All representations and agreements typically made in a Bond Purchase Agreement from the point of view of an "issuer" shall be made by the Novato Authority. All representations regarding the Offering Documents (other than the CLGFA's appendix) and agreements to amend it shall also be made by the Novato Authority, rather than the CLGFA.

Insofar as the CLGFA's role is concerned, any representations it makes in its appendix to the Bond Purchase Agreement shall be appropriately limited to representations relating generally to due approval, execution and delivery of Transaction documentation, absence of litigation and the information provided briefly by the CLGFA in an appendix to the Offering Documents.

8. **CLGFA Internal Review Procedures**

A. **Adequate Time to Review Documents.**

Given the SEC's views on municipal corporate governance, it is important for key CLGFA officials, including without limitation, the Executive Director and members of the Board of Directors, to have adequate time to review final documents, especially the Offering Documents. This means that CLGFA officials must have sufficient time to review documents *personally*, even though their respective staffs and consultants may have conducted reviews and may recommend actions. Among other things, an adequate review is essential to afford key CLGFA staff and

members of the Board of Directors the capability of asking appropriate questions regarding the Transaction the CLGFA is facilitating.

If members of the Board of Directors or other key CLGFA officials “know” or “should know” some fact of potentially material importance, they should have full confidence that it is disclosed. In this connection, among other subjects, the SEC’s actions in Orange County focused on the ability to pay (including the indirect impact on that ability of investment risks and changes in the investment pool, as well as the general financial health of the County), conflicts of interest, and tax-exemption of the securities. In Maricopa County, the SEC emphasized changes in fund balances available to pay debt service or affecting the general funds of the County (even though the County was required to raise property taxes, if necessary, to pay debt service) and the uses of proceeds of securities offerings. Other SEC enforcement actions have repeatedly highlighted the SEC’s views on the materiality of disclosure of conflicts of interest.

B. Review by CLGFA Financial Advisor

The CLGFA is employing in the Transaction the CLGFA Financial Advisor with substantial municipal securities disclosure experience. The CLGFA Financial Advisor shall review the Offering Documents for the Transaction with a view to determining whether it is able to identify “red flags” requiring further inquiry. The CLGFA Financial Advisor shall rely reasonably on Qualified Professionals, such as, for example, the underwriters and legal counsel, for direct detailed inquiry regarding the Novato Authority, the Novato Redevelopment Agency, the Park Parties, the Credit Enhancer and investment providers and verification of information provided by those entities.

The CLGFA Financial Advisor shall review and negotiate professional reports and opinions on behalf of the CLGFA to make determinations as to whether Qualified Professionals shall appear to have been carrying out their tasks in an independent professional manner and the absence of “red flags” therein requiring further inquiry. The CLGFA Financial Advisor shall report in writing to the CLGFA on such reviews.

The CLGFA Financial Advisor shall be independent of any interest in the Transaction other than representation of the CLGFA, and to that end, payment of its fee and expenses shall not be contingent upon favorable action by the Board of Directors or the completion of the Transaction.

C. Review by Key Staff

The Executive Director shall review the Offering Documents to determine whether she is able to identify “red flags” that may require further inquiry. The Executive Director shall report in writing to the CLGFA on such reviews.

The CLGFA and its officials shall not be responsible for verifying affirmatively every fact stated in the Offering Documents nor for duplicating the work of Qualified Professionals. The review by CLGFA officials shall be for the purpose of determining whether they may have knowledge of material information that should be disclosed in the Offering Documents. If a matter arises requiring further inquiry in the view of a CLGFA official, that inquiry may appropriately be

made by that official or may be referred, if the official so chooses, to a Qualified Professional who shall make due inquiry and report to the official on that matter.

D. Recommendations to Board of Directors by Professionals and Key Staff

Following the foregoing reviews, the Executive Director shall make her written recommendation to the Board of Directors regarding the Transaction. The CLGFA Financial Advisor shall also make written recommendations.

E. Review by Members of the Board of Directors

The Transaction documentation, including without limitation the Offering Documents, shall be reviewed by the members of the Board of Directors prior to taking final action on the CLGFA's facilitation of the Transaction. For this review to be conducted, the documents shall be sent to the members of the Board of Directors at least seven days in advance of the final action by them.

The CLGFA and members of the Board of Directors shall not be responsible for verifying affirmatively every fact stated in the Offering Documents nor for duplicating the work of Qualified Professionals. The review by members of the Board of Directors shall be for the purpose of determining whether they may have knowledge of material information that should be disclosed in the Offering Documents. If a matter arises requiring further inquiry in the view of a member of the Board of Directors, that inquiry may appropriately be made by that member or referred, if the member so chooses, to a Qualified Professional who shall make due inquiry and report to the member on that matter.

F. Opportunity to Ask Questions

At the meeting of the Board of Directors at which the final action on the Transaction is to be taken, a full presentation shall be made to the Board of Directors by the underwriters, legal counsel, the Novato Authority, the Novato Redevelopment Agency, the Park Parties, the CLGFA Financial Advisor, the Executive Director and other relevant parties and professionals.

Following the presentation, and the delivery of the reports of the Executive Director and the CLGFA Financial Advisor on the results of their inquiries conducted by and on behalf of the CLGFA pursuant to this Plan of Inquiry, the members of the Board of Directors shall be afforded a full opportunity to ask questions and receive necessary assurances. Such opportunity shall also be afforded to individual members of the Board of Directors who wish to utilize the opportunity to ask questions prior to the meeting of the Board of Directors. In the event that there is not an adequate response to questions, or if for any other reason the members of the Board of Directors are not fully comfortable with proceeding to facilitate the Transaction, final action shall not be taken or shall be delayed to a future date.

9. Reports and Opinions

The general criteria that the CLGFA shall employ in determining to rely on a Qualified Professional are set forth earlier herein. As set forth herein, the CLGFA shall review criteria applicable to each Qualified Professional upon whom it relies and the work of that Qualified

Professional during the conduct of the Transaction in determining whether to engage in such reliance.

A. Opinions of Counsel Writing Offering Document

The Offering Documents are to be written by Bond Counsel, acting as Disclosure Counsel. This procedure, together with necessary and desirable investigative activities, shall be such as to enable that counsel to render an opinion to the CLGFA regarding the Transaction.

The CLGFA shall receive an opinion of such counsel regarding the material accuracy and completeness of the Offering Documents. The opinion shall be addressed to the CLGFA and the CLGFA Financial Advisor. This shall provide the CLGFA with a basis for additional comfort regarding the Offering Documents.

The opinion shall, among other things, (i) recognize the drafting role of such counsel in the preparation of the Offering Documents; (ii) indicate that such counsel has made all necessary inquiry in discussions with key officials of the Novato Authority, the Novato Redevelopment Agency and the Park Parties, and has reviewed all documents of the Novato Authority, the Novato Redevelopment Agency and the Park Parties deemed by such counsel to be relevant for review; (iii) speak to material accuracy and completeness of information on investments and the Credit Enhancer, as contemplated herein; (iv) incorporate the assurances, discussed above, regarding taking into account relevant market guidance; and (v) specifically state that the counsel has reviewed SEC Releases 34-26100, 53 F.R. 37778 (September 28, 1988) and 34-26985, 54 F.R. 28799 (July 10, 1989) in connection with such opinion as to the relevance of information on underlying credits in credit enhanced financings, particularly when the underlying credit, such as the Project, may be viewed as unseasoned.

The opinion of such counsel may be framed in traditional negative terms to the effect that, after carrying out specified inquiry, such counsel is not aware of material misstatements in or omissions from the Offering Documents; *provided* that such counsel shall state such counsel's drafting and investigative roles respecting the Offering Documents and shall express the opinion that (i) in reaching such conclusions, such counsel shall have undertaken all inquiry deemed by such counsel to be reasonably necessary or desirable under the federal and any applicable state securities laws; and (ii) there has been specific focus by such counsel on the general pattern of disclosure in the Offering Documents by the Park Parties, the Novato Authority, the Novato Redevelopment Agency, the Credit Enhancer and investment providers and, in its appendices to the Offering Documents, the CLGFA. The opinion need not speak to financial information or other matters reasonably outside such counsel's expertise.

B. Representations by Underwriters as to Their Inquiry

Because the offering is a conduit financing, and the CLGFA does not have direct access to information on the Novato Authority, the Novato Redevelopment Agency or the Park Parties, the CLGFA must rely upon inquiry by other skilled and independent experts. The Securities and Exchange Commission has indicated its views that underwriters are to have a reasonable basis for believing the key information provided, thus imposing on the underwriters, in the view of the SEC, a responsibility to make inquiry. Moreover, since the Park is an unseasoned credit, under those

interpretations, the underwriters may have a heavier inquiry burden than would be otherwise be the case. Thus, in any event, the underwriters are required, in the view of the SEC, to conduct an inquiry regarding the information disclosed in the Offering Documents sufficient to meet the reasonable basis test.

The CLGFA, therefore, shall receive a representation from the underwriters, constituting a Qualified Professional, as to (i) the underwriters' conduct and completion of all inquiry required of the underwriters under federal and state securities laws respecting information in the Offering Documents and of the Novato Authority, the Novato Redevelopment Agency and the Park Parties, the Credit Enhancer and investment providers in order to determine what information should be included in the Offering Documents; and (ii) the underwriters' recognition that the CLGFA is relying upon the underwriters to conduct an appropriate inquiry in that regard. Such representations may be made in the Bond Purchase Agreement.

Among other things, without limitation, the representation of the underwriters shall specify that, as a part of the underwriters' inquiry, the underwriters shall have reviewed appropriate financial and other information of each of the parties described in the preceding paragraph and other information in the Offering Documents or otherwise potentially material.

C. Written Consents for References to Experts in Offering Documents

Common practice dictates that the form of opinion of Bond Counsel in the Transaction shall be included in the Offering Documents. Based upon practices in nonmunicipal securities transactions with respect to receipt of written consents as a foundation for inclusion of opinions and reports in Offering Documents and reliance thereon, and having in mind the absence of guidance from the SEC as to the standards of ordinary care to be applied, the CLGFA shall receive the written consent of Bond Counsel for such inclusion in order to remove any questions as to the appropriateness of such inclusion and reliance.

Such written consents shall also be received by the CLGFA from all other professionals to whose work reference is made in the Offering Documents, which consents shall recognize the CLGFA's reliance on such experts in their fields and shall specifically approve the language in the Offering Documents regarding them and their work.

D. Opinion on Document Descriptions in Offering Documents

Descriptions of certain Transaction documents shall be a required part of the Offering Documents. It is noted that, in Orange County, one of the specific material omissions cited by the SEC against the County and its officials was a failure to disclose the existence of a cap on interest rates on the County's notes.

It is a logical and efficient task for Bond Counsel to prepare the descriptions of Transaction documents because Bond Counsel is skilled at drafting, already has the document provisions on its wordprocessing system, and would be charged with a finite task. The CLGFA shall receive an appropriate opinion of Bond Counsel to the effect that the document descriptions in the Offering Documents are materially accurate and complete, which opinion shall explicitly recognize that Bond Counsel has written such descriptions.

E. Legal Opinions from Counsel to Novato Authority, the Novato Redevelopment Agency and the Park Parties

The CLGFA shall receive written opinions of legal counsel to each of the Novato Authority, the Novato Redevelopment Agency and the Park Parties regarding specified matters, including without limitation, due authorization, execution and delivery of Transaction documents to which such counsel's client is a party and, in the case of the Novato Authority, the Offering Documents; due authorization of use of the information of such counsel's client in the Offering Documents; the absence of pending or threatened litigation and governmental investigations; material accuracy and completeness of such counsel's client's information in the Offering Documents (which may be expressed in negative terms to the effect that nothing shall have come to their attention to the contrary); and other matters reasonably deemed relevant by or on behalf of the CLGFA.

10. Rating Letters regarding the Senior Bonds

The CLGFA shall receive letters from Standard & Poor's Ratings Group and Moody's Investors Service confirming the "AAA" and "Aaa" ratings, respectively, on the Senior Bonds.

11. Disclosure to Investors of Roles of Municipal Bond Professionals and Other Experts

The Offering Documents shall make disclosure to investors of the roles in the Transaction of the municipal bond professionals and other experts, so as to facilitate the ability of the CLGFA to rely on those participants under the criteria described herein for reliance on professionals. Written consents of such professionals and other experts shall be obtained as to the references to them in the Offering Documents and the descriptions therein of their work and their professional opinions or conclusions.

12. State Securities Law Compliance

The CLGFA shall receive adequate written assurances from the underwriters or their counsel that there shall have been full compliance with applicable registration or qualification requirements of state securities laws. The Novato Authority shall make any registration or qualifications with state securities authorities, and the CLGFA shall have no responsibility therefor. In the event a particular State requires registration or qualification by the CLGFA, the Bonds shall not be offered for sale in that State.

13. Rule 15c2-12 Compliance

The CLGFA shall receive a representation from the underwriters as to the underwriters' compliance with the requirements of SEC Rule 15c2-12. Such representation may be made in the Bond Purchase Agreement.

14. Political Contributions

The SEC has placed a special focus on disclosure of political contributions by municipal securities transaction participants. Therefore, the CLGFA shall receive written representations from each professional firm serving in the Transaction, the Park Parties, the Novato Authority, the

Novato Redevelopment Agency, the City of Novato and the Novato Redevelopment Agency either that (i) no political contributions or gifts have been received by the Novato Authority, the Novato Redevelopment Agency or the City of Novato, or any of their elected or key administrative officials in the past two years from or on behalf of any professional firm serving in the Transaction or the Park Parties, or (ii) such contributions shall have been disclosed in the Offering Documents. The Executive Director, the CLGFA Financial Advisor and the members of the Board of Directors of CLGFA shall also give such representations. In the case of the underwriters, the representations shall also state that there has been compliance with Municipal Securities Rulemaking Board rules relating to political contributions relevant to the Transaction.

15. *Contractual Arrangements with CLGFA Financial Advisor*

The CLGFA Financial Advisor has entered into a contract with the CLGFA for the payment by the CLGFA of fees that are not contingent on the completion of the Transaction. The CLGFA Financial Advisor is independent, and has no obligations in the Transaction to any party other than to protect the interests of the CLGFA.

Appropriate disclosure shall be made in the CLGFA's appendix to the Offering Documents regarding contractual arrangements between the CLGFA and the CLGFA Financial Advisor, which in any event shall disclose the noncontingent fee arrangements.

16. *Indemnification and Exculpation Issues*

The CLGFA is to be indemnified for any and all costs and liabilities that the CLGFA may incur at any time in connection with the Transaction and, to that end, secured by any and all City of Novato Redevelopment Agency housing set-aside funds and Park revenues (after payment of debt service on the Bonds and Park operations and maintenance costs). The CLGFA shall not indemnify any party in connection with the Transaction, including without limitation, the Trustee, the Novato Authority, the City of Novato, the Novato Redevelopment Agency, the Park Parties, the underwriters or other Transaction participants.

The CLGFA shall not accept exculpatory provisions that enable parties to the Transaction to escape reasonable responsibilities. For example, provisions exculpating the Trustee from responsibility for its gross negligence shall not be acceptable.

17. *Continuing Disclosure Responsibilities*

As indicated above, continuing disclosure agreements and responsibilities, required under SEC Rule 15c2-12 with respect to the Senior Bonds, shall be placed on the Novato Authority, the Novato Redevelopment Agency and the PAC, rather than on the CLGFA because the CLGFA shall not support or be obligated to support, in any way, payment of debt service on the Bonds. Since the Park revenues and Novato Redevelopment Agency housing set-aside funds are to support such debt service, that arrangement will constitute the Novato Authority, the Novato Redevelopment Agency and the PAC as "obligated persons" within the meaning of SEC Rule 15c2-12, and the Novato Authority, the Novato Redevelopment Agency and the PAC shall be required to enter into continuing disclosure undertakings under the Rule. The CLGFA's sole continuing disclosure responsibility shall be to update, if needed, the information provided by the CLGFA in the

appendix to the Offering Documents and provide financial statements, if Bond Counsel concludes and advises the CLGFA in writing that such disclosure is required.

CONCLUSION

This Plan of Inquiry is directed toward the CLGFA's activities in making inquiry regarding the Transaction. The CLGFA's efforts are to be recorded in a Final Report to the Board of Directors discussing certain steps actually taken and the results of those activities by and on behalf of the CLGFA.

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February 21, 1997

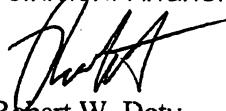
Ms. Marcia L. Basque
Executive Director
California Local Government Finance Authority
1020 12th Street, Suite 400
Sacramento, CA 95814

Dear Marcia:

I am enclosing for your records of the Board meeting a copy of the Plan of Inquiry for the Novato transaction. This has one minor change as to the Subordinate Bonds. The minimum denomination in the documents approved by the Board is \$100,000, although earlier \$250,000 had been contemplated. This copy accommodates that change. The change is not an issue, since \$100,000 represents a substantial minimum investment, and \$100,000 is the amount set forth in the SEC's Rule 15c2-12 for private placements.

By a copy of this letter, I am forwarding the Plan to Scott Beck for the Bond transcript.

Yours very truly,
American Government Financial Services
Company


Robert W. Doty
President

cc: Scott H. Beck, Esq.

**CALIFORNIA LOCAL GOVERNMENT FINANCE
AUTHORITY**

PLAN OF INQUIRY

**Regarding
Revenue Bonds**

**Facilitating the Acquisition
of the
MARIN VALLEY MOBILE COUNTRY CLUB PARK
by the
NOVATO FINANCING AUTHORITY**

February 19, 1997

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

PLAN OF INQUIRY

REGARDING

REVENUE BONDS FACILITATING THE ACQUISITION

OF THE

MARIN VALLEY MOBILE COUNTRY CLUB PARK

BY THE

NOVATO FINANCING AUTHORITY

This Plan of Inquiry is adopted by the California Local Government Finance Authority (the "CLGFA") to assist the CLGFA in pursuing its inquiry in connection with facilitation of a financing transaction (the "Transaction") for the Novato (California) Financing Authority (the "Novato Authority") involving the sale of Senior Revenue Bonds, Series 1997A (the "Senior Bonds") and Subordinate Revenue Bonds, Series 1997B (the "Subordinate Bonds"). The proceeds of sale of the Bonds are to be used primarily for the acquisition by the Novato Authority of the Marin Valley Mobile Country Club Park (the "Park") through a loan (the "Loan") to be repaid by the Novato Authority and the Park Acquisition Corporation of the Marin Valley Mobile Country Club Park (the "PAC") to be managed by Park residents overseeing Park operations carried out by Storz Management Company ("Storz"), as professional managers of the Park. Certain capitalized terms used herein are defined in note 1.¹

The payment of debt service on the Senior Bonds is to be secured by a first lien mortgage and a gross pledge (before Park operation and maintenance costs) of Park revenues and is to be insured by Financial Security Assurance as the Credit Enhancer. Due to the issuance of the Credit Enhancer's insurance policy, the Senior Bonds are to be rated "AAA" by Standard & Poor's Ratings Group ("S&P") and "Aaa" by Moody's Investors Service ("Moody's").

In addition, the underlying Project/program credit is to be rated by S&P and Moody's at not lower than "A-" and "A3," respectively.

The payment of debt service on the Subordinate Bonds is to be secured by a net pledge of Park revenues (after payment of debt service on the Senior Bonds and Park operations and maintenance costs and ongoing costs associated with the Bonds), and is to be further secured by a pledge of \$130,000 annually of the Redevelopment Agency of the City of Novato (the "Novato

¹ Reference is made herein collectively to the Senior Bonds and the Subordinate Bonds as the "Bonds." Reference is made herein to the present owners of the Park as the "Present Park Owners." Reference is made herein to Storz, which is to serve as the professional management for the Park, as the "Park Management," and to Financial Security Assurance as the "Credit Enhancer." Collective reference is made herein to the Park, the PAC, the Present Park Owners and the Park Management as the "Park Parties." Collective reference is made herein to the Offering Statement (the "Offering Statement") and the Private Placement Memorandum (the "Private Placement Memorandum") used in the offering and sale of the Senior Bonds and the Subordinate Bonds, respectively, as the "Offering Documents."

Redevelopment Agency”) housing set-aside funds. The Subordinate Bonds are to be nonrated, and are to be purchased by The Benham Group (the “Subordinate Bond Purchaser”), which is to provide an investment letter described herein to the effect that it is a sophisticated investor, buying the Subordinate Bonds for its own account, and not relying to any extent whatsoever on the CLGFA or its financial advisor, American Government Financial Services Company (the “CLGFA Financial Advisor”), for information in connection with the Transaction.

The CLGFA is to be indemnified for and secured against any and all costs and liabilities that it may incur at any time in connection with the Transaction from any and all City of Novato Redevelopment Agency housing set-aside funds and Park revenues after payment of debt service on the Bonds and Park operations and maintenance costs.

The CLGFA hereby makes the following determinations, among others, regarding the Transaction:

1. The CLGFA is facilitating the Transaction to assist the Novato Authority in obtaining funding for the acquisition of the Park from the Present Park Owners in order to provide affordable housing to the park residents and to provide affordable housing opportunities to persons and families of low and moderate income within the City of Novato.
2. The sole credit for the payment of debt service on the Bonds is to be provided by and through the Novato Authority’s Park revenues, the Novato Redevelopment Agency in the case of the Subordinate Bonds and the Credit Enhancer in the case of the Senior Bonds, and the CLGFA shall not be obligated in any respect whatsoever, directly or indirectly, to make any payments with respect to such debt service, except to pay over amounts, if any, received from those sources.
3. The CLGFA’s credit or financial interests are not to be pledged or implicated in the Transaction in any manner whatsoever, directly or indirectly. This Plan of Inquiry is intended to meet that goal by (i) enumerating steps to assure that no such direct or indirect pledge by the CLGFA is present in or implied by the Transaction; (ii) assuring that the CLGFA has made all reasonable inquiry that may be required of it under the federal and state securities laws; and (iii) assisting the CLGFA in avoiding any other potential, but unanticipated, indirect financial implications that may be present for the CLGFA in connection with the Transaction.
4. Based on representations received by the CLGFA from the Novato Authority, the Novato Redevelopment Agency and the Park Parties, the Novato Authority’s acquisition of the Park will serve a public purpose and will benefit the residents of the City of Novato, and the Transaction is an appropriate means of furthering that public purpose.

BACKGROUND—RATIONALE FOR THIS PLAN OF INQUIRY

Basic Principles Applicable to Municipal Securities Disclosure

This Plan of Inquiry is intended to assist the CLGFA by providing a road map toward satisfaction of reasonable CLGFA responsibilities that may be asserted with respect to disclosures made to investors in the Transaction and to document the care exercised by the CLGFA in making inquiry regarding those disclosures and the Transaction as a whole. The CLGFA's inquiry efforts are to be directed toward satisfaction of all federal and state securities laws in a careful, conservative and reasonable manner. The disclosures of the Park Parties, the Novato Authority, the Novato Redevelopment Agency, the Credit Enhancer, any investment provider and any other party are their respective responsibilities, and not those of the CLGFA in the absence of significant contrary notice.

In recent years, the application of the federal securities laws to municipal securities transactions has been expanding. The Securities and Exchange Commission (the "SEC" or "Commission") has asserted that "issuers" of municipal securities are "primarily" responsible for disclosures in their offerings. For example, the SEC stated in its Release No. 34-26985 that:

[I]ssuers are primarily responsible for the content of their disclosure documents and may be held liable under the federal securities laws for misleading disclosure.... Because they are ultimately liable for the content of their disclosure, issuers should insist that any persons retained to assist in the preparation of their disclosure documents have a professional understanding of the disclosure requirements under the federal securities laws.

This view was recently underscored by SEC staff assertions as follows:

The Commission has pointed out for a long time that issuers are primarily responsible for disclosure. *No one knows better than the issuer where the closets are, or what skeletons may be in the closets.* No professional mind can read as to where they may be. [Emphasis added.]

These assertions are made principally with relation to two legal provisions: SEC Rule 10b-5 and Section 17(a) of the Securities Act of 1933. The language of the two provisions is similar. Rule 10b-5 was adopted by the Commission under Section 10(b) of the Securities Exchange Act of 1934. Section 10(b), directed specifically at fraud, provides:

It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national securities exchange— ...

(b) To use or employ, in connection with the purchase or sale of any security registered on a national securities exchange or any security not so registered, any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

Rule 10b-5 provides:

It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange,

(a) to employ any device, scheme, or artifice to defraud,

(b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or

(c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person,

in connection with the purchase or sale of any security.

In 1989, the SEC adopted its Rule 15c2-12, among other things, to prohibit investment banking firms from underwriting most issues of municipal securities unless the “issuers” have provided disclosure documents. The “issuer” concept in Rule 15c2-12 is sufficiently broad to recognize the presence in a state or local government finance transaction of multiple “issuers,” particularly in the context of conduit financings. In 1994, in Release No. 34-33741, the Commission stated its views to the effect that issuers also have continuing disclosure responsibilities. In 1995, Rule 15c2-12 was extended by the Commission to require underwriters also to obtain undertakings from issuers and other “obligated persons” to make continuing disclosure for the lives of their securities issues. Again, under Rule 15c2-12, there may be multiple “obligated persons” present in a transaction.

In 1996, the SEC set forth certain views as to the responsibilities of issuer officials in its Report on the Orange County Supervisors. In the Report, the SEC indicated that governmental officials *authorizing and approving* a disclosure document are required to see that disclosure is made of material information of which they are aware or should be aware. The SEC stated:

Based on the Supervisors’ significant knowledge relating to the County’s finances, they should have understood the materiality of that information to the County’s ability to repay the municipal securities. The Supervisors therefore had a duty to take steps appropriate under the circumstances to assure accurate disclosure was made to investors regarding this material information. The Supervisors, however, failed to take appropriate steps. *For example, while the Supervisors believed that they could rely on the County’s officials, employees or other agents with respect to these offerings, they never questioned these officials, employees or other agents regarding the disclosure of this information; nor did they become familiar with the disclosure regarding the County’s financial condition.* Had they taken such or similar steps, it should have been apparent to each Supervisor, in light of his or her knowledge, that the disclosure regarding the County’s financial condition may have been materially false or misleading.

Consequently, the Supervisors failed to assure appropriate disclosure of these matters by authorizing and approving the dissemination of misleading disclosure documents. This failure denied investors the fair and accurate disclosure required under the federal securities laws.²

This Plan of Inquiry seeks to implement the SEC’s views. Among other steps, this Plan of Inquiry effectuates the SEC’s admonitions in part by placing responsibility for authorizing and approving the dissemination of the Offering Documents on the Novato Authority and the Park Parties, and the Credit Enhancer as to the Credit Enhancer’s information in the case of the Senior

² SEC, Securities Exchange Act of 1934 Rel. No. 36761, REPORT OF INVESTIGATION IN THE MATTER OF COUNTY OF ORANGE, CALIFORNIA AS IT RELATES TO THE CONDUCT OF THE MEMBERS OF THE BOARD OF SUPERVISORS (Jan. 24, 1996). [Emphasis added.]

Bonds and the Novato Redevelopment Agency as to its information in the case of the Subordinate Bonds (except as to brief CLGFA information to be contained in an appendix to each of the Offering Documents). Neither the CLGFA nor any of its officials or the CLGFA Financial Advisor shall approve or authorize the dissemination of the Offering Documents.

As additional care, this Plan provides for (i) careful and thorough review of the Offering Documents by Qualified Professionals, as defined herein, with extensive knowledge of and experience with federal and state securities law application to transactions in municipal securities, followed by written reports and opinions thereon, as may be appropriate, to the CLGFA prepared by some or all of such Qualified Professionals; and (ii) careful review of Transaction documentation and full opportunity for questions by key CLGFA officials of the Novato Authority and the Park Parties, so that the CLGFA officials are able to gain necessary assurances as to disclosure of material information of which they are or should be aware.

Applicable Standards of Care

This Plan of Inquiry is directed toward satisfaction of the most rigorous federal securities law standards that could be asserted against the CLGFA and its officials. The applicable standards under the federal securities laws for imposition of remedies through SEC action are twofold. First, under Rule 10b-5, available both to the SEC and investors, the test is one of "recklessness." Rule 10b-5 is enforceable by both the SEC and investors in private actions. This has been defined in rather extreme terms by the federal courts of appeal, such as the Ninth Circuit, which defined the concept as:

[A] highly unreasonable omission, involving not merely simple, or even inexcusable negligence, but *an extreme departure from the standards of ordinary care*, and which presents a danger of misleading buyers or sellers that is either known to the defendant or is so obvious that the actor must have been aware of it.³

Under portions of Section 17(a) of the Securities Act of 1933, which is enforceable by the SEC (but not investors), a negligence test is applied.⁴ There are at least two possible negligence tests. One such test is framed in terms of the care that would be exercised by a reasonable person under the circumstances. The second is a stricter test framed in terms of the care that would be exercised by a reasonable person in the management of that person's own affairs. There does not appear to be a definitive statement as to which test should be applied.

As a practical matter, this may be irrelevant due to the negligence tests present in the securities laws of the vast majority of states. A public issuer may be confronted with the application of a multitude of state laws to sales of its securities to investors in multiple jurisdictions. This is because, as a general rule, a state's securities laws apply to offers and sales of securities within that state. In any case, even if a single state's law is to be applied in the interest of uniformity, a public issuer may not be able to determine in advance which state's laws will apply.

³ *Hollinger v. Titan Capital Corp.*, 914 F.2d 1564, 1569 (quoting *Sundstrand Corp. v. Sun Chem. Corp.*, 553 F.2d 1033, 1045 (7th Cir.), cert. denied, 434 U.S. 875 (1977). [Emphasis added.]

⁴ *SEC v. Aaron*, 446 U.S. 680 (1980).

In the interest of safety, it should be assumed that a strict negligence test will be applied to the Transaction.

While the applicable test that would be applied in investor litigation or that is most likely to result in SEC enforcement action, *i.e.*, recklessness, is framed in terms of the “standards of ordinary care,” the SEC has not informed the municipal securities market what “standards of ordinary care” are to be followed. That is, it is unclear whether the CLGFA may look to general practices in the municipal securities market or must look also to practices in the corporate or broader securities markets in determining what it should do.

From its actions in Orange County, in which the SEC criticized the Supervisors for relying on staff and municipal bond professionals’ recommendations, a common practice for local governments, it appears that the SEC is looking to the broader context in the financial markets for the “standards of ordinary care” it is now applying to municipal finance transactions. Thus, under present conditions, governmental issuers appear to be well-advised not to rely simply on the practices followed by their local government counterparts in carrying out their functions. In the case of the CLGFA, to be conservative, given the absence of guidance by the SEC, the practices of corporate and other securities issuers shall also be taken into account, even if those practices were developed by corporate securities issuers under other and stricter legal standards that are inapplicable to the CLGFA.

Such application by the SEC has not been tested in court. Nevertheless, it will be followed in the Transaction, so that the CLGFA and its officials will make necessary inquiry, and furthermore will take reasonable action to assure that skilled professionals, with a professional understanding of the disclosure requirements of the securities laws, do so, as well.

In summary, this Plan of Inquiry is intended to assure satisfaction by the CLGFA of the stricter of the negligence tests, so that no reasonable questions can be raised as to the CLGFA’s actions under any of the potentially applicable negligence or recklessness standards. This Plan is not directed toward any challenge of SEC application, but rather to avoid circumstances that may necessitate such a challenge.

The “Issuer” and “Obligated Person” Concepts

The CLGFA is serving as a conduit for a financing for the Novato Authority and the Park Parties. Under its Rule 15c2-12, the SEC recognized that, in a conduit financing, the credit of the governmental entity in CLGFA’s position generally is not involved. Accordingly, the Commission devised a definition of an “issuer of municipal securities,” as follows

The term “issuer of municipal securities” means the governmental issuer specified in section 3(a)(29) of the Act and the issuer of any separate security....

The proceeds of sale of the Bonds (other than proceeds spent for Transaction costs) are to be loaned through the Loan to the Novato Authority to enable the Novato Authority to pay the costs of acquisition of the Park. The Novato Authority’s payment of principal of and interest on the Loan from Park revenues, in part through a delegation of certain management responsibilities to the PAC, and certain Novato Redevelopment Agency funds is to provide the amounts necessary to

pay debt service on the Bonds. These payment obligations of the Novato Authority (acting in part through the PAC) and the Novato Redevelopment Agency are "separate securities."

Thus, the Novato Authority and the Novato Redevelopment Agency, as the issuers of separate securities are appropriately viewed as "issuers" under SEC Rule 15c2-12. Moreover, putting aside for the present the credit role of the Credit Enhancer, the Novato Authority (acting in part through the PAC) and the Novato Redevelopment Agency are the primary credits in the Transaction because their funds, not the CLGFA's, are pledged to the payment of debt service on the Bonds. This means that the underwriters are able to and shall look to the Novato Authority, the Novato Redevelopment Agency, the PAC, the Credit Enhancer and investment providers for the credit-related disclosures in the Offering Documents. Consequently, the Novato Authority, the Novato Redevelopment Agency, the Park Parties and the Credit Enhancer are appropriately viewed as the central elements of the disclosure effort in the Transaction and the manner in which the Transaction will be best presented to the market and investors. In the words of SEC staff, there will be no CLGFA "closets" or "skeletons" relevant to disclosures in the Transaction in any way.

The Novato Authority, the Novato Redevelopment Agency, the Park Parties and the Credit Enhancer are also appropriately viewed as the central elements of the relevant representations, agreements and certifications relating to the Offering Documents (other than brief CLGFA information), whether under Rule 15c2-12, the Bond Purchase Agreement or otherwise.

For continuing disclosure purposes, a similar concept comes into play under Rule 15c2-12. In this instance, the focus is on "obligated persons," defined by the SEC as follows:

The term "obligated person" means any person, including an issuer of municipal securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the municipal securities to be sold in the Offering (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

As in the case of the initial issuance of the Bonds, the Novato Authority's, the Novato Redevelopment Agency's and the PAC's central roles are to be evidenced by the execution of a continuing disclosure agreement. The CLGFA's responsibility for continuing disclosure regarding the Transaction is vastly reduced, and perhaps completely eliminated, since the CLGFA will not directly "support payment of all, or part of the obligations." At most, the CLGFA will assign to the Trustee the right to receive payments from the Novato Authority (in part acting through the PAC) and the Novato Redevelopment Agency and, in a technical sense, may authorize maintenance through the Trustee of certain funds and accounts under the Trust Agreement. This may or may not be sufficient for the CLGFA to be regarded as an "obligated person" under SEC Rule 15c2-12, but it is no more than a technical status. The inflexibility of the SEC's Rule may require nevertheless that the CLGFA's financial statements be filed annually with the Nationally-Recognized Municipal Securities Information Repositories, even though those financial statements are irrelevant and immaterial to the credit support for the Transaction. The advice and a written opinion of Bond Counsel shall be received on this subject.

General Tenor of the Transaction

The Transaction is to be an offering of Bonds payable through the Novato Authority's obligations (in part acting through the PAC) to repay the Loan from Park revenues and, in the case of the Senior Bonds, insurance payments by the Credit Enhancer, and in the case of the Subordinate Bonds, housing set-aside funds pledged by the Novato Redevelopment Agency. Substantively, the information that is relevant for disclosure to investors will be information of the Novato Authority, the Novato Redevelopment Agency, the Park Parties and the Credit Enhancer.

The appropriate roles and responsibilities of governmental entities, such as the CLGFA, facilitating conduit offerings for other borrowers, usually private parties, has been the subject of some degree of examination by authorities in the field. The SEC itself has recognized that whether an obligation is a private activity obligation can affect the nature of an underwriter's inquiry regarding an issue.⁵ Practitioners have been more specific. Sections and Committees of the National Association of Bond Lawyers and American Bar Association stated recently that:

In connection with the issuance of conduit obligations, the focus of the inquiries shifts appropriately from the [governmental] issuer to the private borrower whose credit is actually the source of repayment for the obligations.⁶

The Government Finance Officers Association, representing the state and local government finance officials across the nation, framed an even stronger statement in making recommendations for disclosure in conduit offerings:

Normally, in offerings involving separate conduit securities, a governmental issuer need provide only limited disclosure, such as the identity of the governmental issuer, its role in the transaction, and its authority. ...

...

The information in this section should be provided in an offering of securities of a conduit issuer, the information should be the responsibility of the conduit [borrower], and not of the governmental issuer.⁷

The Association then recommends that the governmental entity facilitating the transaction, such as the CLGFA, receive assurances from the substantive parties, such as the Novato Authority, the Novato Redevelopment Agency and the Park Parties, as to materially accurate and complete disclosures in the Offering Documents and the conduit borrower's provision of continuing disclosures.^{8 9}

⁵ SEC Release 34-26100 44-62, 53 F.R. at 37787-91 (Sept. 22, 1988).

⁶ American Bar Association and National Association of Bond Lawyers, DISCLOSURE ROLES OF COUNSEL IN STATE AND LOCAL GOVERNMENT SECURITIES OFFERINGS at 84 (2d ed. 1994).

⁷ Government Finance Officers Association, DISCLOSURE GUIDELINES FOR STATE AND AUTHORITY SECURITIES AT SECTIONS VI AND X (1991).

⁸ *Id.* at Procedural Statement No. 11.

⁹ In addition, in terms of guidance for practitioners, the following analysis was written almost ten years ago as to private borrowers in conduit financings:

In summary, given the foregoing, three important themes are emphasized in this Plan of Inquiry. First, the substantive disclosures and disclosure documents in the Transaction shall not be the CLGFA's, but rather the Novato Authority's, the Novato Redevelopment Agency's, the Park Parties' and the Credit Enhancer's. The CLGFA shall not authorize or approve those disclosures or their dissemination or act formally in any way upon those disclosures. Second, even though those disclosures shall not be the CLGFA's, given the absence of definition from the SEC as to what the CLGFA should do, the CLGFA shall receive full comfort as if those disclosures may be the basis for a CLGFA responsibility to make inquiry. Therefore, the CLGFA shall rely upon Qualified Professionals for such inquiry to the extent reasonable, as discussed below. Third, the CLGFA shall, through its officials as discussed herein, carefully review the Novato Authority's Offering Documents to see that there is disclosure of all material information of which the CLGFA or its officials are aware or should be aware. This three-pronged approach is designed to place the CLGFA in a position in which it shall have satisfied every admonition that has been given to it by securities regulatory authorities.

Reliance upon Professionals

The CLGFA shall rely reasonably upon professionals in the Transaction, including both municipal bond professionals and other experts in specific fields. According to a key SEC staff member, the CLGFA is entitled to rely on professional experts. He stated:

Of course you can rely on experts, lawyers, and financial advisors—just as officials of public companies do. That reliance, however, must be reasonable. What is the standard? The Orange County report says the following:

“In authorizing the issuance of securities and related disclosure documents, a public official may not authorize disclosure that the official knows to be false; nor may a public official authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading.”¹⁰

This is, of course, a circular statement that attempts to define the standards of ordinary care by reference to the recklessness concept, which is based on the standards of ordinary care. What stands out are the references to (i) the authorization of disclosure documents (which the CLGFA shall not do in the Transaction, other than authorizing use of its own brief appendix); and (ii) circumstances in which public companies place reliance on experts (“just as officials of public companies do”).

The private entity in most conduit offerings ... would appear to be the practical party in interest. From that standpoint, the private entity should assume, under normal circumstances, that it has the responsibility for preparing and developing the necessary information for presentation to investors. Such private entities bear responsibility, together with underwriters, counsel and certain other parties participating in the offerings. Those other parties would not appear to include the issuer or its officials under normal circumstances. Indeed, the practice of issuer signature or approval of the official statement for a conduit offering seems inappropriate at best and dangerous for the issuer at worst.

R. Doty, *STATE AND AUTHORITY DEBT FINANCING*, “Chapter 8A—*Disclosure Process in State and Authority Securities Transactions*” at § 8:19 (D. Gelfand, ed., Callaghan & Co., Deerfield, IL, 1988 revision). [Footnotes omitted.]

¹⁰ Paul S. Maco, Director of the SEC's Office of Municipal Securities, “Maco Speaks: What Do Issuers Have to Do to Stay Clean?” *The Bond Buyer* at 35 (June 24, 1996).

This raises the question of the standards of care applicable to public companies. The applicable standard for public companies is stated in Section 11 of the Securities Act of 1933 (which it must be noted is in fact inapplicable to municipal entities). According to Section 11(b), which provides a defense, reliance is, in general, appropriate if there is "no reasonable ground to believe" and no belief in fact that the disclosure document is materially inaccurate or incomplete. Section 11(c) then tests reasonableness of behavior according to the stricter negligence test of what a prudent person would do in the management of that person's own property. It should be noted that this test is the same as the stricter of the two negligence tests potentially applicable to the CLGFA under Section 17(a) of the Securities Act of 1933 and state securities laws.

While, in the municipal securities market, the "reasonableness" of reliance is not defined, the potential equivalency of the negligence tests under Section 11(c) and Section 17(a) (and state securities laws) necessitates conservatism. Accordingly, as in its general overall approach to inquiry in the Transaction, in its reliance on professionals, the CLGFA shall seek to satisfy again the strictest possible negligence test that could be applied against it. For this purpose, the CLGFA will look to general principles, the only guidance available.

Thus, the CLGFA shall carefully consider and determine when it is able to place reliance upon professionals rendering reports or opinions in the Transaction. General guidance for such reliance is found in the following criteria adapted from **DISCLOSURE ROLES OF COUNSEL IN STATE AND LOCAL GOVERNMENT SECURITIES OFFERINGS**, which criteria are to be applied herein to permit the CLGFA to rely upon municipal bond professionals and other experts when the following has been demonstrated:¹¹

- A. The apparent competency of the professional.
- B. A determination whether the subject matter appears to be within the area of the professional's expertise.
- C. The appearance of actual performance by the professional in accordance with professional standards, based on inquiry and absence of reason to know that the professional is not performing its responsibilities.
- D. An absence of disabling conflicts of interest on the part of the professional or the CLGFA.
- E. Apparent access on the part of the professional to sufficient relevant information to form a basis for its report or opinion.
- F. Clear identification among Transaction parties and disclosure to investors of the roles being performed by the professional and the extent of reliance.
- G. A careful review of the professional's report or opinion.

¹¹ Published by a committee of the National Association of Bond Lawyers and two Sections of the American Bar Association, at 68-69 (2d ed. 1994).

The foregoing were stated technically in **DISCLOSURE ROLES OF COUNSEL** with respect to the reliance of counsel upon other counsel. If the guidance assists those professionals in relying upon each other, then it follows that it would be likely to assist less-knowledgeable laypeople in their own reliance upon a professional.

One additional criterion is added by the CLGFA to the foregoing list: namely, the professionals upon whom the CLGFA places reliance must also have a professional understanding of the disclosure requirements under the federal securities laws, so as to satisfy the SEC's mandate in that respect.

Reference is made herein to a professional satisfying each of the foregoing criteria as to its work in the Transaction as a "Qualified Professional."

All professional firms employed in the Transaction, including without limitation, the underwriters, all counsel (other than counsel to The Benham Group, as the Subordinate Bond Purchaser), and all financial advisors, shall submit to the Executive Director a written statement as to why the CLGFA is entitled to rely upon them in accordance with the foregoing criteria. Because certain of the criteria are likely to have a fluid application during the course of the Transaction, the Executive Director shall monitor the continuing performance of each of the Qualified Professionals.

If the Executive Director is satisfied that each municipal bond professional and other expert in the Transaction is a Qualified Professional, she shall make a written report thereon to the Board of Directors, for which report the Executive Director may be assisted by the CLGFA's Financial Advisor, except as to itself. If the Board of Directors does not object to any professional firm's qualifications in this respect, the CLGFA will rely upon the professional work and written reports and opinions of each of those Qualified Professionals and its own additional independent inquiries, each as set forth herein.

Thereafter, the CLGFA shall not seek to duplicate the inquiry of those Qualified Professionals, and shall not seek to verify independently every fact set forth in the Offering Documents, but rather the CLGFA shall satisfy itself that (i) the Qualified Professionals reasonably appear to be performing their assigned tasks in a professional manner on a continuing basis throughout the conduct of the Transaction; (ii) material information known to the CLGFA or its key officials is disclosed in the Offering Documents; (iii) specific material questions that may arise are answered through inquiry by CLGFA officials or the Qualified Professionals; and (iv) the Novato Authority, the Novato Redevelopment Agency and the Park Parties, as the substantive participants in the Transaction, fully accept and appear to be diligently carrying out through their own personnel, their respective disclosure responsibilities under the securities laws.

The Executive Director shall bring to the Board of Directors for review any Qualified Professional whose participation raises material issues under the foregoing criteria at any time during the conduct of the Transaction. If the Board of Directors determines at any time during the Transaction that the professional is not a Qualified Professional for the Transaction, the CLGFA shall require that a different firm constituting a Qualified Professional shall perform the work instead.

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

PLAN OF INQUIRY

REGARDING

REVENUE BONDS FACILITATING THE ACQUISITION

OF THE

MARIN VALLEY MOBILE COUNTRY CLUB PARK

BY THE

NOVATO FINANCING AUTHORITY

SPECIFIC INQUIRY STEPS TAKEN BY THE CLGFA

This Plan of Inquiry is adopted by the California Local Government Finance Authority (the "CLGFA") to assist the CLGFA in pursuing its inquiry in connection with facilitation of a financing transaction (the "Transaction") for the Novato (California) Financing Authority (the "Novato Authority") involving the sale of Senior Revenue Bonds, Series 1997A (the "Senior Bonds") and Subordinate Revenue Bonds, Series 1997B (the "Subordinate Bonds"). The proceeds of sale of the Bonds are to be used primarily for the acquisition by the Novato Authority of the Marin Valley Mobile Country Club Park (the "Park") through a loan (the "Loan") to be repaid by the Novato Authority and the Park Acquisition Corporation of the Marin Valley Mobile Country Club Park (the "PAC") to be managed by Park residents overseeing Park operations carried out by Storz Management Company ("Storz"), as professional managers of the Park. Certain capitalized terms used herein are defined in note 1.¹

The CLGFA wishes to take care to undertake the level of inquiry that reasonably may be required of it and its officials in connection with its facilitation of the Transaction and to document its efforts. This Plan of Inquiry is intended to provide a road map for the inquiry effort and a formal record of the care that is exercised by the CLGFA as the Transaction proceeds. Accordingly, this Plan of Inquiry enumerates for the Transaction, in a formal and carefully documented way, certain investigative steps taken or to be taken in the specific identified areas of potential significance for the Transaction.

This Plan, however, does not attempt, nor is it intended, to represent fully the extent of the inquiry made with respect to the Transaction by the CLGFA or its officials, employees, consultants or departments.

¹ Reference is made herein collectively to the Senior Bonds and the Subordinate Bonds as the "Bonds." Reference is made herein to the present owners of the Park as the "Present Park Owners." Reference is made herein to Storz, which is to serve as the professional management for the Park, as the "Park Management," and to Financial Security Assurance as the "Credit Enhancer." Collective reference is made herein to the Park, the PAC, the Present Park Owners and the Park Management as the "Park Parties." Collective reference is made herein to the Offering Statement (the "Offering Statement") and the Private Placement Memorandum (the "Private Placement Memorandum") used in the offering and sale of the Senior Bonds and the Subordinate Bonds, respectively, as the "Offering Documents."

1. *Application by Novato Authority*

The Novato Authority shall make application to the CLGFA for the CLGFA's facilitation of the Transaction. The Novato Authority's application, which may be in the form of its preliminary and final Offering Documents, shall be supplemented at closing by appropriate certificates of Transaction participants, reports of bond professionals or other experts, and opinions of counsel, covering in the aggregate all information in the Offering Documents, to the effect that the Offering Documents contain all information that may be material for investors in the Bonds in the light of information provided and do not contain any misstatement of a material fact. Those certifications and opinions shall recognize that the CLGFA is relying upon the Offering Documents in determining whether to facilitate the Transaction.

2. *Qualifications of Professionals*

The CLGFA shall rely upon reports and opinions of professionals in the Transaction. For this purpose, a procedure shall be followed as set forth herein in which professionals upon which such reliance is to be placed shall first be determined to be Qualified Professionals.

3. *Credit Enhancement and Private Placement*

The Senior Bonds are intended to be sold in a public offering with appropriate credit enhancement in the form of bond insurance issued by the Credit Enhancer, and the Subordinate Bonds are to be sold in a private placement in which The Benham Group (the "Subordinate Bond Purchaser") specifies in writing that it is not relying in any respect whatsoever, directly or indirectly, upon the credit of, or inquiry made or information provided by, the CLGFA or its officials or the CLGFA Financial Advisor.

A. *Credit Enhancement of Senior Bonds*

The payment of debt service on the Senior Bonds is to be secured by a first lien mortgage and a gross pledge (before Park operation and maintenance costs) of Park revenues and is to be insured by the Credit Enhancer. Due to the issuance of the Credit Enhancer's insurance policy, the Senior Bonds are to be rated "AAA" by Standard & Poor's Ratings Group ("S&P") and "Aaa" by Moody's Investors Service "Moody's").

In addition, the underlying Project/program credit is to be rated by S&P and Moody's at not lower than "A-" and "A3," respectively.

Such enhancement indicates that a sophisticated financial institution (the Credit Enhancer) is willing to place its credit on the line to stand behind the revenue pledge on the Senior Bonds, as further enhanced by the subordinate pledge on the Subordinate Bonds. This constitutes an important additional credit element for the Transaction. In part, it means that a major financial institution has closely reviewed the Transaction, and is willing to place its financial standing on the line to support the Senior Bond portion of the Transaction.

B. Private Placement of Subordinate Bonds with “Sophisticated Investor” and Investor’s Letter

The payment of debt service on the Subordinate Bonds is to be secured by a net pledge of Park revenues (after payment of debt service on the Senior Bonds and Park operations and maintenance costs and certain ongoing costs associated with the Bonds), and is to be further secured by a pledge of \$130,000 annually of the Redevelopment Agency of the City of Novato (the “Novato Redevelopment Agency”) housing set-aside funds. The Subordinate Bonds are to be nonrated, and are to be purchased by the Subordinate Bond Purchaser.

The CLGFA shall be assured that the Bonds are to be acquired by the Subordinate Bond Purchaser in a limited offering in large denominations (no less than \$100,000). The Subordinate Bond Purchaser shall execute an investment letter addressed to the CLGFA and the CLGFA Financial Advisor to the effect that the Subordinate Bond Purchaser recognizes that the Subordinate Bonds are nonrated investments entailing significant risk, and that the Subordinate Bond Purchaser is a sophisticated institutional investor able to evaluate such risks, is able to withstand any losses on the Subordinate Bonds, and is acquiring the Subordinate Bonds solely for its own account, and not for the accounts of others. The investment letter shall also recognize that the CLGFA and its officials and the CLGFA Financial Advisor shall not have provided and shall not be held responsible to the Subordinate Bond Purchaser for inquiry or information regarding the Bonds or the Transaction. Transfer of the Subordinate Bonds shall be restricted in the Trust Indenture and on the face of the Subordinate Bonds to other such sophisticated institutional investors executing such investment letters and shall not be made in denominations under \$100,000.

4. Presentation to the Market

A. Offering Documents as the Novato Authority’s Documents

The Novato Authority, the Novato Redevelopment Agency and the Park Parties are to be the beneficiaries of the Transaction, and the Novato Authority, the Novato Redevelopment Agency and the PAC are to provide the substantive revenues (Park revenues and the Novato Redevelopment Agency housing set-aside funds) to be used to pay debt service on the Bonds, with enhancement added by the Credit Enhancer. Thus, it is the most appropriate presentation to the market for the Offering Documents to emphasize the roles of the Novato Authority, the Novato Redevelopment Agency and the Park Parties. The Offering Documents shall be viewed as the Novato Authority’s documents, not the CLGFA’s.

B. CLGFA’s Role as Facilitator, Not Substantive Issuer

The CLGFA will facilitate the Transaction, but shall do no more. The Bonds shall be paid from revenues pledged and credit enhancement issued, as described above. Accordingly, CLGFA information identifying it and indicating briefly its limited facilitating role shall be of only incidental significance, and shall be placed in appendices to the Offering Documents, but the CLGFA shall not be involved in the authorization, approval or dissemination of the Offering Documents. Accordingly, a legend shall be placed prominently in the Offering Documents advising investors substantially as follows:

The CLGFA and its financial advisor, American Government Financial Services Company, have not participated in the preparation of or approved the use of this [Offering Statement] [Private Placement Memorandum], have assumed no responsibility herefor, and make no representation or warranty, express or implied, with respect hereto or the accuracy or completeness of any information herein. The information contained herein has not been provided by or derived in any way from the CLGFA or its financial advisor (except as contained in Appendix ____). The role of the CLGFA in this transaction is solely to act as a facilitator for the substantive parties.

C. Review, Authorization and Approval of Dissemination, Signature and Certification, of Offering Documents by the Novato Authority and Park Parties

The Novato Authority, the Novato Redevelopment Agency and the Park Parties shall review the Offering Documents, and the Novato Authority shall authorize and approve the dissemination of, and execute and certify, the Offering Documents. Since the Offering Documents shall not be the CLGFA's documents, the CLGFA shall not authorize or approve the dissemination of, or execute or certify, the Offering Documents, although as set forth herein, the CLGFA and its officials and the CLGFA Financial Advisor shall conduct inquiry regarding the Offering Documents.

Since the Offering Documents are not the CLGFA's documents, the CLGFA shall not provide a "deemed final" certificate under SEC Rule 15c2-12 regarding the Offering Documents or any certificate relating to the material accuracy or completeness of information in the Offering Documents (except as contained in the CLGFA's appendices). The underwriters shall look to the Novato Authority, the Novato Redevelopment Agency and the Park Parties for all certifications of information in the Offering Documents (other than the CLGFA's appendices or information provided by third parties, such as the Credit Enhancer and investment providers, which shall be responsible for the information they provide). The certifications shall state that the Novato Authority, the Novato Redevelopment Agency and the Park Parties recognize that the CLGFA is relying upon their certifications in determining whether to facilitate the Transaction. Due to the relative level of disclosure on the Project, the Offering Documents shall contain at appropriate location(s) a legend substantially as follows:

The information provided herein regarding the Project is based on available information provided by _____. Information regarding the Project is incomplete. There are no audited financial statements for the Project. No other data regarding the Project are available in reliable form, in that no party is willing to certify or provide any additional Project information. Investors should rely, in making their investment decisions, solely upon the information provided herein and the credit enhancement for the Bonds.

The Novato Authority's Peer Review Team shall provide written reports on the Transaction to the Novato Authority regarding results of their analyses within their respective fields of expertise, and such reports shall state that the CLGFA and its officials and financial advisor are entitled to rely on such reports. The CLGFA and the CLGFA Financial Advisor shall receive copies of such reports.

In the absence of "red flags," the CLGFA shall rely on the reports and certifications of and to the Novato Authority and the Park Parties regarding their respective disclosures and the Transaction and, as set forth herein, on the work, reports and opinions of Qualified Professionals.

5. CLGFA's Facilitation Role

Given certain recent controversies in California regarding the use of authorities, such as CLGFA, for projects for nonmembers, the Novato Authority is joining the CLGFA as either a full or an associate member. CLGFA shall also receive an opinion of Bond Counsel to the effect that CLGFA is acting appropriately under California law in accepting its fee for facilitating the Transaction. Such opinion may be based upon a certificate of the CLGFA's Executive Director breaking out the CLGFA's administrative and other costs associated with the Transaction.

6. Offering Document Coverage

A. Compliance with Relevant Market Guidance

Because the CLGFA shall be facilitating the Transaction on the understanding with the Novato Authority, the Novato Redevelopment Agency and the Park Parties and their respective legal counsel and financial or other advisors and the underwriters that the CLGFA shall have no risk or liability whatsoever, direct or indirect, the CLGFA shall receive appropriate written representations from Bond Counsel that all relevant market guidance which has been the subject of favorable formal comment by the SEC and which shall bear upon disclosures in municipal finance transactions involving revenue bonds shall have been reviewed and taken into account in making determinations of information that may be material for disclosure. Such guidance includes specifically, among other sources, to the extent material to the Transaction, recommendations or suggestions in the **DISCLOSURE GUIDELINES FOR STATE AND LOCAL GOVERNMENT SECURITIES**, published by the Government Finance Officers Association, and the **DISCLOSURE HANDBOOK FOR MUNICIPAL SECURITIES**, published by the National Federation of Municipal Analysts. It shall not be necessary for such representations to state that all items set forth as recommendations or suggestions in such guidance have been specifically included in the Offering Documents, but rather that such guidance shall have been taken into account in determining the information provided.

B. Credit Enhancer

Information on the Credit Enhancer shall be considered relevant and important for presentation in the Offering Statement. Information on the Credit Enhancer's parent holding company is to be incorporated by reference into the Offering Statement from public filings made with the SEC. Investors shall be given the address and telephone number of the offices through which the investors may readily obtain copies of such information incorporated by reference.

The CLGFA shall receive certification by the Credit Enhancer (or alternatively, a satisfactory opinion of counsel) that materially complete and accurate disclosure shall have been made in the Offering Statement regarding the Credit Enhancer. Such certificate (or opinion) may contemplate the material accuracy and completeness in the aggregate of the Credit Enhancer's information stated explicitly in the Offering Statement itself, taken together with the information incorporated by reference and made available to investors by the Credit Enhancer.

Alternatively, the CLGFA shall receive, in addition to the Credit Enhancer's standard certifications, an opinion of nationally-recognized bond counsel to the effect that the CLGFA, its Board members and staff, and the CLGFA Financial Advisor have no legal responsibility under federal or state securities laws or common law to make inquiry or gain assurances regarding whether the Credit Enhancer's information in the Offering Documents omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or that the CLGFA, its Board members and staff, and the CLGFA Financial Advisor have satisfied all legal responsibilities they may have under such laws by receipt from the Credit Enhancer of the Credit Enhancer's standard certifications.

The Executive Director and the CLGFA Financial Advisor are directed to consult with the members of the Executive Board regarding any other options that may be available to gain reasonable satisfaction on the Credit Enhancer's disclosures.

The Credit Enhancer shall also recognize in writing that it is not looking to the CLGFA for any credit support, information (except as stated in the CLGFA's appendix to the Offering Documents) or inquiry whatsoever regarding the Transaction, including without limitation, the Project, any parties or the Bonds.

C. Information on Investments of Transaction Proceeds

After Orange County and other events in the market relating to investments (*e.g.*, Executive Life Insurance), investment provider information as to investments of Bond sale proceeds also has assumed an important role. Monies in the Reserve Fund will be invested. If the Reserve Fund were to experience losses, there would be a need to replenish it. The ability of the Novato Authority, the Novato Redevelopment Agency or the PAC to provide replenishing funds at some future date is unclear.

Consequently, as in the case of the Credit Enhancer's information, information on investment providers shall also be relevant. As with the Credit Enhancer, incorporation by reference of information on the investment providers may be utilized.

The CLGFA shall receive certification by investment providers (or alternatively, a satisfactory opinion of counsel) that appropriate disclosure shall have been made regarding the investment providers. Such certificate (or opinion) shall contemplate the material accuracy and completeness in the aggregate of the investment provider's information stated explicitly in the Offering Documents themselves, taken together with any information incorporated by reference and made available to investors by the investment providers.

Alternatively, the CLGFA shall receive an opinion of nationally-recognized bond counsel to the effect that the CLGFA, its Board members and staff, and the CLGFA Financial Advisor have no legal responsibility under federal or state securities laws or common law to make inquiry or gain assurances regarding whether the investment provider's information in the Offering Documents is accurate in all material respects or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or if the investment provider provides standard certifications, that the CLGFA, its Board members and staff, and the CLGFA Financial Advisor have satisfied all legal

responsibilities they may have under such laws by receipt from the investment provider of the investment provider's standard certifications.

The Executive Director and the CLGFA Financial Advisor are directed to consult with the members of the Executive Board regarding any other options that may be available to gain reasonable satisfaction on the investment provider's disclosures.

7. **Orientation of Transaction Documentation**

A. **Novato Authority as Substantive Issuer**

As with the Offering Documents, the role of the Novato Authority, the Novato Redevelopment Agency and the Park Parties, as the beneficiaries, and the Novato Authority (in part acting through the PAC), the Novato Redevelopment Agency and the Credit Enhancer, as the providers of the substantive credit support for the Transaction shall be recognized throughout the Transaction documentation. The role of the CLGFA as no more than a Transaction facilitator shall also be fully recognized.

B. **Bond Purchase Agreement between Underwriters and Novato Authority**

The Bond Purchase Agreement is one specific example of the foregoing general rule that the Novato Authority's principal role shall be given due recognition and emphasis in the Transaction documentation. In this instance, the Agreement shall be between the Novato Authority and the underwriters. There is no need for the CLGFA to be a party to the principal portion of the Agreement, although the CLGFA shall indicate in an appendix that it accepts the Agreement between those parties. There shall be no need for the CLGFA to approve the Bond Purchase Agreement, except for its appendix to the Agreement discussed below.

All representations and agreements typically made in a Bond Purchase Agreement from the point of view of an "issuer" shall be made by the Novato Authority. All representations regarding the Offering Documents (other than the CLGFA's appendix) and agreements to amend it shall also be made by the Novato Authority, rather than the CLGFA.

Insofar as the CLGFA's role is concerned, any representations it makes in its appendix to the Bond Purchase Agreement shall be appropriately limited to representations relating generally to due approval, execution and delivery of Transaction documentation, absence of litigation and the information provided briefly by the CLGFA in an appendix to the Offering Documents.

8. **CLGFA Internal Review Procedures**

A. **Adequate Time to Review Documents.**

Given the SEC's views on municipal corporate governance, it is important for key CLGFA officials, including without limitation, the Executive Director and members of the Board of Directors, to have adequate time to review final documents, especially the Offering Documents. This means that CLGFA officials must have sufficient time to review documents *personally*, even though their respective staffs and consultants may have conducted reviews and may recommend actions. Among other things, an adequate review is essential to afford key CLGFA staff and

members of the Board of Directors the capability of asking appropriate questions regarding the Transaction the CLGFA is facilitating.

If members of the Board of Directors or other key CLGFA officials “know” or “should know” some fact of potentially material importance, they should have full confidence that it is disclosed. In this connection, among other subjects, the SEC’s actions in Orange County focused on the ability to pay (including the indirect impact on that ability of investment risks and changes in the investment pool, as well as the general financial health of the County), conflicts of interest, and tax-exemption of the securities. In Maricopa County, the SEC emphasized changes in fund balances available to pay debt service or affecting the general funds of the County (even though the County was required to raise property taxes, if necessary, to pay debt service) and the uses of proceeds of securities offerings. Other SEC enforcement actions have repeatedly highlighted the SEC’s views on the materiality of disclosure of conflicts of interest.

B. Review by CLGFA Financial Advisor

The CLGFA is employing in the Transaction the CLGFA Financial Advisor with substantial municipal securities disclosure experience. The CLGFA Financial Advisor shall review the Offering Documents for the Transaction with a view to determining whether it is able to identify “red flags” requiring further inquiry. The CLGFA Financial Advisor shall rely reasonably on Qualified Professionals, such as, for example, the underwriters and legal counsel, for direct detailed inquiry regarding the Novato Authority, the Novato Redevelopment Agency, the Park Parties, the Credit Enhancer and investment providers and verification of information provided by those entities.

The CLGFA Financial Advisor shall review and negotiate professional reports and opinions on behalf of the CLGFA to make determinations as to whether Qualified Professionals shall appear to have been carrying out their tasks in an independent professional manner and the absence of “red flags” therein requiring further inquiry. The CLGFA Financial Advisor shall report in writing to the CLGFA on such reviews.

The CLGFA Financial Advisor shall be independent of any interest in the Transaction other than representation of the CLGFA, and to that end, payment of its fee and expenses shall not be contingent upon favorable action by the Board of Directors or the completion of the Transaction.

C. Review by Key Staff

The Executive Director shall review the Offering Documents to determine whether she is able to identify “red flags” that may require further inquiry. The Executive Director shall report in writing to the CLGFA on such reviews.

The CLGFA and its officials shall not be responsible for verifying affirmatively every fact stated in the Offering Documents nor for duplicating the work of Qualified Professionals. The review by CLGFA officials shall be for the purpose of determining whether they may have knowledge of material information that should be disclosed in the Offering Documents. If a matter arises requiring further inquiry in the view of a CLGFA official, that inquiry may appropriately be

made by that official or may be referred, if the official so chooses, to a Qualified Professional who shall make due inquiry and report to the official on that matter.

D. Recommendations to Board of Directors by Professionals and Key Staff

Following the foregoing reviews, the Executive Director shall make her written recommendation to the Board of Directors regarding the Transaction. The CLGFA Financial Advisor shall also make written recommendations.

E. Review by Members of the Board of Directors

The Transaction documentation, including without limitation the Offering Documents, shall be reviewed by the members of the Board of Directors prior to taking final action on the CLGFA's facilitation of the Transaction. For this review to be conducted, the documents shall be sent to the members of the Board of Directors at least seven days in advance of the final action by them.

The CLGFA and members of the Board of Directors shall not be responsible for verifying affirmatively every fact stated in the Offering Documents nor for duplicating the work of Qualified Professionals. The review by members of the Board of Directors shall be for the purpose of determining whether they may have knowledge of material information that should be disclosed in the Offering Documents. If a matter arises requiring further inquiry in the view of a member of the Board of Directors, that inquiry may appropriately be made by that member or referred, if the member so chooses, to a Qualified Professional who shall make due inquiry and report to the member on that matter.

F. Opportunity to Ask Questions

At the meeting of the Board of Directors at which the final action on the Transaction is to be taken, a full presentation shall be made to the Board of Directors by the underwriters, legal counsel, the Novato Authority, the Novato Redevelopment Agency, the Park Parties, the CLGFA Financial Advisor, the Executive Director and other relevant parties and professionals.

Following the presentation, and the delivery of the reports of the Executive Director and the CLGFA Financial Advisor on the results of their inquiries conducted by and on behalf of the CLGFA pursuant to this Plan of Inquiry, the members of the Board of Directors shall be afforded a full opportunity to ask questions and receive necessary assurances. Such opportunity shall also be afforded to individual members of the Board of Directors who wish to utilize the opportunity to ask questions prior to the meeting of the Board of Directors. In the event that there is not an adequate response to questions, or if for any other reason the members of the Board of Directors are not fully comfortable with proceeding to facilitate the Transaction, final action shall not be taken or shall be delayed to a future date.

9. Reports and Opinions

The general criteria that the CLGFA shall employ in determining to rely on a Qualified Professional are set forth earlier herein. As set forth herein, the CLGFA shall review criteria applicable to each Qualified Professional upon whom it relies and the work of that Qualified

Professional during the conduct of the Transaction in determining whether to engage in such reliance.

A. Opinions of Counsel Writing Offering Document

The Offering Documents are to be written by Bond Counsel, acting as Disclosure Counsel. This procedure, together with necessary and desirable investigative activities, shall be such as to enable that counsel to render an opinion to the CLGFA regarding the Transaction.

The CLGFA shall receive an opinion of such counsel regarding the material accuracy and completeness of the Offering Documents. The opinion shall be addressed to the CLGFA and the CLGFA Financial Advisor. This shall provide the CLGFA with a basis for additional comfort regarding the Offering Documents.

The opinion shall, among other things, (i) recognize the drafting role of such counsel in the preparation of the Offering Documents; (ii) indicate that such counsel has made all necessary inquiry in discussions with key officials of the Novato Authority, the Novato Redevelopment Agency and the Park Parties, and has reviewed all documents of the Novato Authority, the Novato Redevelopment Agency and the Park Parties deemed by such counsel to be relevant for review; (iii) speak to material accuracy and completeness of information on investments and the Credit Enhancer, as contemplated herein; (iv) incorporate the assurances, discussed above, regarding taking into account relevant market guidance; and (v) specifically state that the counsel has reviewed SEC Releases 34-26100, 53 F.R. 37778 (September 28, 1988) and 34-26985, 54 F.R. 28799 (July 10, 1989) in connection with such opinion as to the relevance of information on underlying credits in credit enhanced financings, particularly when the underlying credit, such as the Project, may be viewed as unseasoned.

The opinion of such counsel may be framed in traditional negative terms to the effect that, after carrying out specified inquiry, such counsel is not aware of material misstatements in or omissions from the Offering Documents; *provided* that such counsel shall state such counsel's drafting and investigative roles respecting the Offering Documents and shall express the opinion that (i) in reaching such conclusions, such counsel shall have undertaken all inquiry deemed by such counsel to be reasonably necessary or desirable under the federal and any applicable state securities laws; and (ii) there has been specific focus by such counsel on the general pattern of disclosure in the Offering Documents by the Park Parties, the Novato Authority, the Novato Redevelopment Agency, the Credit Enhancer and investment providers and, in its appendices to the Offering Documents, the CLGFA. The opinion need not speak to financial information or other matters reasonably outside such counsel's expertise.

B. Representations by Underwriters as to Their Inquiry

Because the offering is a conduit financing, and the CLGFA does not have direct access to information on the Novato Authority, the Novato Redevelopment Agency or the Park Parties, the CLGFA must rely upon inquiry by other skilled and independent experts. The Securities and Exchange Commission has indicated its views that underwriters are to have a reasonable basis for believing the key information provided, thus imposing on the underwriters, in the view of the SEC, a responsibility to make inquiry. Moreover, since the Park is an unseasoned credit, under those

interpretations, the underwriters may have a heavier inquiry burden than would be otherwise be the case. Thus, in any event, the underwriters are required, in the view of the SEC, to conduct an inquiry regarding the information disclosed in the Offering Documents sufficient to meet the reasonable basis test.

The CLGFA, therefore, shall receive a representation from the underwriters, constituting a Qualified Professional, as to (i) the underwriters' conduct and completion of all inquiry required of the underwriters under federal and state securities laws respecting information in the Offering Documents and of the Novato Authority, the Novato Redevelopment Agency and the Park Parties, the Credit Enhancer and investment providers in order to determine what information should be included in the Offering Documents; and (ii) the underwriters' recognition that the CLGFA is relying upon the underwriters to conduct an appropriate inquiry in that regard. Such representations may be made in the Bond Purchase Agreement.

Among other things, without limitation, the representation of the underwriters shall specify that, as a part of the underwriters' inquiry, the underwriters shall have reviewed appropriate financial and other information of each of the parties described in the preceding paragraph and other information in the Offering Documents or otherwise potentially material.

C. Written Consents for References to Experts in Offering Documents

Common practice dictates that the form of opinion of Bond Counsel in the Transaction shall be included in the Offering Documents. Based upon practices in nonmunicipal securities transactions with respect to receipt of written consents as a foundation for inclusion of opinions and reports in Offering Documents and reliance thereon, and having in mind the absence of guidance from the SEC as to the standards of ordinary care to be applied, the CLGFA shall receive the written consent of Bond Counsel for such inclusion in order to remove any questions as to the appropriateness of such inclusion and reliance.

Such written consents shall also be received by the CLGFA from all other professionals to whose work reference is made in the Offering Documents, which consents shall recognize the CLGFA's reliance on such experts in their fields and shall specifically approve the language in the Offering Documents regarding them and their work.

D. Opinion on Document Descriptions in Offering Documents

Descriptions of certain Transaction documents shall be a required part of the Offering Documents. It is noted that, in Orange County, one of the specific material omissions cited by the SEC against the County and its officials was a failure to disclose the existence of a cap on interest rates on the County's notes.

It is a logical and efficient task for Bond Counsel to prepare the descriptions of Transaction documents because Bond Counsel is skilled at drafting, already has the document provisions on its wordprocessing system, and would be charged with a finite task. The CLGFA shall receive an appropriate opinion of Bond Counsel to the effect that the document descriptions in the Offering Documents are materially accurate and complete, which opinion shall explicitly recognize that Bond Counsel has written such descriptions.

E. Legal Opinions from Counsel to Novato Authority, the Novato Redevelopment Agency and the Park Parties

The CLGFA shall receive written opinions of legal counsel to each of the Novato Authority, the Novato Redevelopment Agency and the Park Parties regarding specified matters, including without limitation, due authorization, execution and delivery of Transaction documents to which such counsel's client is a party and, in the case of the Novato Authority, the Offering Documents; due authorization of use of the information of such counsel's client in the Offering Documents; the absence of pending or threatened litigation and governmental investigations; material accuracy and completeness of such counsel's client's information in the Offering Documents (which may be expressed in negative terms to the effect that nothing shall have come to their attention to the contrary); and other matters reasonably deemed relevant by or on behalf of the CLGFA.

10. Rating Letters regarding the Senior Bonds

The CLGFA shall receive letters from Standard & Poor's Ratings Group and Moody's Investors Service confirming the "AAA" and "Aaa" ratings, respectively, on the Senior Bonds.

11. Disclosure to Investors of Roles of Municipal Bond Professionals and Other Experts

The Offering Documents shall make disclosure to investors of the roles in the Transaction of the municipal bond professionals and other experts, so as to facilitate the ability of the CLGFA to rely on those participants under the criteria described herein for reliance on professionals. Written consents of such professionals and other experts shall be obtained as to the references to them in the Offering Documents and the descriptions therein of their work and their professional opinions or conclusions.

12. State Securities Law Compliance

The CLGFA shall receive adequate written assurances from the underwriters or their counsel that there shall have been full compliance with applicable registration or qualification requirements of state securities laws. The Novato Authority shall make any registration or qualifications with state securities authorities, and the CLGFA shall have no responsibility therefor. In the event a particular State requires registration or qualification by the CLGFA, the Bonds shall not be offered for sale in that State.

13. Rule 15c2-12 Compliance

The CLGFA shall receive a representation from the underwriters as to the underwriters' compliance with the requirements of SEC Rule 15c2-12. Such representation may be made in the Bond Purchase Agreement.

14. Political Contributions

The SEC has placed a special focus on disclosure of political contributions by municipal securities transaction participants. Therefore, the CLGFA shall receive written representations from each professional firm serving in the Transaction, the Park Parties, the Novato Authority, the

Novato Redevelopment Agency, the City of Novato and the Novato Redevelopment Agency either that (i) no political contributions or gifts have been received by the Novato Authority, the Novato Redevelopment Agency or the City of Novato, or any of their elected or key administrative officials in the past two years from or on behalf of any professional firm serving in the Transaction or the Park Parties, or (ii) such contributions shall have been disclosed in the Offering Documents. The Executive Director, the CLGFA Financial Advisor and the members of the Board of Directors of CLGFA shall also give such representations. In the case of the underwriters, the representations shall also state that there has been compliance with Municipal Securities Rulemaking Board rules relating to political contributions relevant to the Transaction.

15. Contractual Arrangements with CLGFA Financial Advisor

The CLGFA Financial Advisor has entered into a contract with the CLGFA for the payment by the CLGFA of fees that are not contingent on the completion of the Transaction. The CLGFA Financial Advisor is independent, and has no obligations in the Transaction to any party other than to protect the interests of the CLGFA.

Appropriate disclosure shall be made in the CLGFA's appendix to the Offering Documents regarding contractual arrangements between the CLGFA and the CLGFA Financial Advisor, which in any event shall disclose the noncontingent fee arrangements.

16. Indemnification and Exculpation Issues

The CLGFA is to be indemnified for any and all costs and liabilities that the CLGFA may incur at any time in connection with the Transaction and, to that end, secured by any and all City of Novato Redevelopment Agency housing set-aside funds and Park revenues (after payment of debt service on the Bonds and Park operations and maintenance costs). The CLGFA shall not indemnify any party in connection with the Transaction, including without limitation, the Trustee, the Novato Authority, the City of Novato, the Novato Redevelopment Agency, the Park Parties, the underwriters or other Transaction participants.

The CLGFA shall not accept exculpatory provisions that enable parties to the Transaction to escape reasonable responsibilities. For example, provisions exculpating the Trustee from responsibility for its gross negligence shall not be acceptable.

17. Continuing Disclosure Responsibilities

As indicated above, continuing disclosure agreements and responsibilities, required under SEC Rule 15c2-12 with respect to the Senior Bonds, shall be placed on the Novato Authority, the Novato Redevelopment Agency and the PAC, rather than on the CLGFA because the CLGFA shall not support or be obligated to support, in any way, payment of debt service on the Bonds. Since the Park revenues and Novato Redevelopment Agency housing set-aside funds are to support such debt service, that arrangement will constitute the Novato Authority, the Novato Redevelopment Agency and the PAC as "obligated persons" within the meaning of SEC Rule 15c2-12, and the Novato Authority, the Novato Redevelopment Agency and the PAC shall be required to enter into continuing disclosure undertakings under the Rule. The CLGFA's sole continuing disclosure responsibility shall be to update, if needed, the information provided by the CLGFA in the

appendix to the Offering Documents and provide financial statements, if Bond Counsel concludes and advises the CLGFA in writing that such disclosure is required.

CONCLUSION

This Plan of Inquiry is directed toward the CLGFA's activities in making inquiry regarding the Transaction. The CLGFA's efforts are to be recorded in a Final Report to the Board of Directors discussing certain steps actually taken and the results of those activities by and on behalf of the CLGFA.

American Government Financial Services Company

2500 Marconi Avenue
Suite 330-A
Sacramento, CA 95821-4856
(916) 483-7378
FAX (916) 483-7565

Robert W. Doty, President
Certified Independent Public Finance Advisor

*A Private Business Entity

February 21, 1997

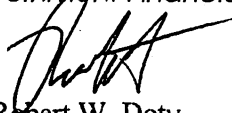
Ms. Marcia L. Basque
Executive Director
California Local Government Finance Authority
1020 12th Street, Suite 400
Sacramento, CA 95814

Dear Marcia:

I am enclosing for your records of the Board meeting a copy of the Plan of Inquiry for the Novato transaction. This has one minor change as to the Subordinate Bonds. The minimum denomination in the documents approved by the Board is \$100,000, although earlier \$250,000 had been contemplated. This copy accommodates that change. The change is not an issue, since \$100,000 represents a substantial minimum investment, and \$100,000 is the amount set forth in the SEC's Rule 15c2-12 for private placements.

By a copy of this letter, I am forwarding the Plan to Scott Beck for the Bond transcript.

Yours very truly,
American Government Financial Services
Company


Robert W. Doty
President

cc: Scott H. Beck, Esq.

**California Rural
Home Mortgage
Finance Authority**



20 12th Street, Suite 400
Sacramento, CA 95814
(916) 447-4806
(916) 448-3154 (fax)

OFFICERS
CHAIRMAN
THOMAS FARNETTI
Mono County

VICE CHAIR
THOMAS TRYON
Calaveras County

EXECUTIVE DIRECTOR
MARCIA L. BASQUE
RCRC/JPA

LEGISLATIVE ADVOCATE
LES H. COHEN
RCRC/JPA

PROGRAM DIRECTOR
AND COMPLIANCE REVIEW
MANAGER
MARGO JONES
RCRC/JPA

JPA MEMBER COUNTIES

Alpine	Modoc
Amador	Mono
Calaveras	Nevada
Colusa	Placer
Del Norte	Plumas
El Dorado	San Benito
Glenn	Shasta
Inyo	Sierra
Lake	Siskiyou
Lassen	Tehama
Madera	Trinity
Mariposa	Tuolumne
Merced	Yolo

April 16, 1997

First Trust of California
San Francisco, California

Novato Financing Authority
Novato, California

\$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

\$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

Ladies and Gentlemen:

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") this letter will serve as CLGFA's notice as to the amount of CLGFA's annual fee to be paid according to the provisions of Section 5.03(b)(vii) or Section 5.03(c)(vii), as applicable, in connection with the above issuance of Bonds. CLGFA's annual fee in connection with the above issuance of Bonds \$7,500,000.

Very truly yours,

Marcia L. Basque
Marcia L. Basque
Executive Director

h 10/11/97 10:00 AM

A Joint Powers Authority of the Regional Council of Rural Counties

JOINT EXERCISE OF POWERS AGREEMENT

NOVATO FINANCING AUTHORITY

THIS AGREEMENT, dated October 15, 1996, and amended on November 4, 1996, is by and between the City of Novato (the "City") and the Redevelopment Agency of the City of Novato (the "Redevelopment Agency"), each duly organized and existing under the laws of the State of California;

WITNESSETH:

WHEREAS, the City and the Redevelopment Agency are each authorized to own, lease, purchase, receive and hold property necessary or convenient for their governmental operations and purposes; and

WHEREAS, the financing of the acquisition of property by the City and the Redevelopment Agency acting separately may result in duplication of effort, inefficiencies in administration, and excessive cost, all of which, in the judgment of the City and the Redevelopment Agency, could be eliminated if the financing of the acquisition of property were capable of being performed through a single public agency; and

WHEREAS, Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") authorizes public agencies to enter into joint exercise of powers agreements to assist in the financing of public capital improvements; and

WHEREAS, the City and the Redevelopment Agency intend to enter into a Joint Exercise of Powers Agreements (the "Agreement") under the Act to assist in financing the acquisition, and the operation and maintenance of mobilehome parks in the City;

NOW THEREFORE, in consideration of the above premises and of the mutual promises herein contained, the City and the Redevelopment Agency do hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. *Definitions.* Unless the context otherwise requires, the words and terms defined in this Article I shall, for the purpose hereof, have the meanings herein specified.

"Act" means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code.

"Agreement" means this Agreement.

"Bond Law" means the Marks-Roos @ Bond Pooling Act of 1985, being Article 4 of the Act (commencing with Section 6584), as now in effect or hereafter amended, Article 2 of the Act as now in effect or hereafter amended, or any other law available for use by the Financing Authority in the authorization and issuance of bonds to provide for the financing of Obligations and/or Public Capital Improvements.

"Board" means the Board of Directors referred to in Section 2.04, which shall be the governing body of the Financing Authority.

"Bonds" means bonds of the Financing Authority issued pursuant to the Bond Law.

"Financing Authority" means the Novato Financing Authority, which is the joint powers authority created under and by this Agreement.

"Fiscal Year" means the period from July 1st to and including the following June 30th.

"Members" means the City and the Redevelopment Agency.

"Mobilehome" has the meaning given to the term "Mobilehome" in Section 18008 of the California Health and Safety Code.

"Mobilehome Parks" has the meaning given to the term "mobilehome park" in Section 18214 of the California Health and Safety Code.

"Obligations" has the meaning given to the term "Bonds" in Section 6585(c) of the Bond Law.

ARTICLE II

GENERAL PROVISIONS

Section 2.01. *Purpose.* This Agreement is made pursuant to the Act providing for the joint exercise of powers common to the City and the Redevelopment Agency, and for other purposes as permitted under the Act, the Bond Law, and as agreed by one or more of the parties hereto. The purpose of this Agreement is to provide for the financing, refinancing, acquiring, planning, undertaking, constructing, improving, developing, maintaining, and operating land on which privately owned mobilehomes or a mobilehome park with privately owned mobilehomes are, or may be, located in the City of Novato and all buildings, improvements and equipment related thereto. Financing or refinancing includes, but is not limited to, the purchase by the Financing Authority of obligations of the City and the Redevelopment Agency and/or the lending of funds by the Financing Authority to the City and/or the Redevelopment Agency.

Section 2.02. *Designation of Authority.* Pursuant to the Act, there is hereby created and designated a public entity to be known as the "Novato Financing Authority." The Financing Authority shall be a public entity separate and apart from the City and the Redevelopment Agency, and shall administer and execute this Agreement.

Section 2.03. *Board of Directors.* Pursuant to the bylaws of the Financing Authority, the Financing Authority shall be administered by a Board initially composed of five (5) Directors, two of which shall be appointed by the City Council of the City of Novato who shall be council members, officers or employees of the City, two of which shall be selected initially from the residents of the Marin Valley Mobile Country Club Park ("Marin Valley Park") by the Board of Directors of the Park Acquisition Corporation of Marin Valley Mobile Country Club and thereafter by election of the residents of the Marin Valley Park, and one of which shall be appointed by the City Council of the City of Novato who shall not be a council member, officer or employee of the City or a person whose primary residence is located at a mobilehome park owned and/or operated by the City or the Financing Authority; provided, however, that at no time shall more than one Board member be an owner of a mobilehome park. In any election of directors by the residents of the Marin Valley Park, for each mobilehome located in the Marin Valley Park, only one vote may be cast, irrespective of the number of persons occupying, leasing and/or owning same. Furthermore, the person(s) casting the one vote must be an owner of the mobilehome. The City Council of the City of Novato shall have the power to increase the number of Directors by resolution, so long as any additional Directors shall be residents of the City and so long as the ratio of Directors sitting on the Board (insofar as their qualifications and manner of appointment/selection are concerned) is maintained in the same manner as set forth in the first sentence of this Section 2.03. The City Council of the City of Novato may, with or without cause, remove any Director selected by the City Council at any time; provided, however, that the successor shall be selected by the City Council as provided in this Section 2.03. The Board shall be called the "Board of the Novato Financing Authority." All voting power of the Financing Authority shall reside in the Board.

Section 2.04. *Meetings of the Board.*

(a) *Regular Meetings.* The Board shall provide for its regular meetings; provided, however, that at least one regular meeting shall be held each year. The date, hour and place of the holding of regular meetings shall be fixed by resolution of the Board and a copy of such resolution shall be filed with each of the City and the Redevelopment Agency.

(b) *Special Meetings.* Special meetings of the Board may be caused in accordance with the provisions of Section 54956 of the California Government Code.

(c) *Call, Notice and Conduct of Meetings.* All meetings of the board, including without limitation, regular, adjourned regular and special meetings, shall be called, noticed, held and conducted in accordance with the provisions of Section 54950, *et seq.* of the California Government Code.

Section 2.05. *Minutes.* The Secretary shall cause to be kept minutes of the meetings of the Board and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Director and to the City and the Redevelopment Agency.

Section 2.06. *Voting.* Each Director shall have one vote.

Section 2.07. *Quorum; Required Votes; Approvals.* Directors holding a majority of the votes of the appointed (not elected) Directors shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn from time to time. The affirmative votes of at least a majority of the Directors present at any meeting at which a quorum is present shall be required to take any action by the Board.

Section 2.08. *Bylaws.* The Board may adopt, from time to time, such bylaws, rules and regulations for the conduct of its meetings as are necessary for the purposes hereof.

ARTICLE III

OFFICERS AND EMPLOYEES

Section 3.01. *Chair and Vice-Chair.* The Board shall elect a Chair and Vice-Chair from among the Directors, and shall appoint a Secretary who may, but need not, be a Director. The officers shall perform the duties normal to said offices. The Chair and Vice-Chair may sign contracts on behalf of the Financing Authority as long as those contracts are approved by the Board, and shall perform such other duties as may be imposed by the Board. The Vice-Chair shall act and perform all of the Chair's duties in the absence of the Chair. The Secretary shall countersign all contracts signed by the Chair or Vice-Chair on behalf of the Financing Authority, perform such other duties as may be imposed by the Board and cause a copy of this Agreement to be filed with the Secretary of State pursuant to the Act.

Section 3.02. *Treasurer.* Pursuant to Section 6505.6 of the Act, the Finance Director of the City is hereby designated as the Auditor and Treasurer of the Financing Authority. The Auditor and Treasurer shall be the depositary, shall have custody of all of the accounts, funds and money of the Financing Authority from whatever source, shall have the duties and obligations set forth in Section 6505 and 6505.5 of the Act and shall assure that there shall be strict accountability of all funds and reporting of all receipts and disbursements of the Financing Authority.

Section 3.03. *Officers in Charge of Records, Funds and Accounts.* Pursuant to Section 6505.1 of the Act, the Treasurer shall have charge of, handle and have access to all accounts, funds and money of the Financing Authority and all records of the Financing Authority relating thereto; and the Secretary shall have charge of, handle and have access to all other records of the Financing Authority.

Section 3.04. *Bonding Persons Having Access to Public Capital Improvements.* From time to time, the Board may designate persons, in addition to the Secretary and the Treasurer, having charge of, handling or having access to any records, funds or accounts or any property of the Financing Authority, and the Board shall require the Secretary, the Treasurer and such other person or persons to file an official bond in the respective amount set forth pursuant to Section 6505.1 of the Act.

Section 3.05. *Legal Advisor.* The Board shall have the power to appoint the legal advisor of the Financing Authority who shall perform such duties as may be prescribed by the Board. Such legal advisor may be the City Attorney of the City.

Section 3.06. *Other Employees.* The Board shall have the power to appoint and employ such other consultants and independent contractors as may be necessary for the purposes of this Agreement.

All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability, workers' compensation and other benefits which apply to the activities of officers, agents, or employees of a public agency when performing their respective functions shall apply to them to the same degree and extent while engaged in the performance of any of the functions and other duties under this Agreement.

None of the officers, agents, or employees directly employed by the Board shall be deemed, by reason of their employment by the Board to be employed by the City or the Redevelopment Agency or, by reason of their employment by the Board, to be subject to any of the requirements of the City or the Redevelopment Agency.

Section 3.07. *Assistant Officers.* The Board may appoint such assistants to act in the place of the Secretary or other officers of the Financing Authority (other than any Director) as the Board shall from time to time deem appropriate.

ARTICLE IV

POWERS

Section 4.01. *General Powers.* The Financing Authority shall exercise in the manner herein provided the powers common to the city and the Redevelopment Agency, or as otherwise permitted under the Act and necessary to the accomplishment of the purposes of this Agreement, subject to the restrictions set forth in Section 4.04.

As provided in the Act, the Financing Authority shall be a public entity separate from the City and the Redevelopment Agency. The Financing Authority shall have the power to provide for the financing, refinancing, acquiring, planning, undertaking, constructing, improving, developing, maintaining, and operating land on which privately owned mobilehomes or a mobilehome park with privately owned mobilehome parks are, or may be, located in the City and

all buildings, improvements and equipment related thereto. Financing or refinancing includes, but is not limited to, the purchase by the Financing Authority of Obligations of the City and the Redevelopment Agency and/or the lending of funds by the Financing Authority to the City and/or the Redevelopment Agency.

Section 4.02. *Power to Issue Bonds.* The Financing Authority shall have all of the powers to issue Bonds as provided in the Act, including but not limited to, Article 4 of the Act (commencing with Section 6584), and including the power to issue Bonds under the bond Law.

Section 4.03. *Specific Powers.* The Financing Authority is hereby authorized, in its own name, to do all acts necessary for the exercise of the foregoing powers, including but not limited to, any or all of the following:

- (a) to make and enter into contracts;
- (b) to employ agents or employees;
- (c) to acquire, construct, manage, maintain or operate any land on which mobilehomes or a mobilehome park are, or may be, located in the city of Novato and all buildings, improvements and equipment related thereto, [including the common power of the City and the Redevelopment Agency to acquire any such land, building and improvement by the power of eminent domain];
- (d) to sue and be sued in its own name;
- (e) to issue Bonds and otherwise to incur debts, liabilities or obligations provided that no such Bond, debt, liability or obligation shall constitute a debt, liability or obligation of the City or the Redevelopment Agency;
- (f) to apply for, accept, receive and disburse grants, loans and other aids from any agency of the United States of America or of the State of California;
- (g) to invest any money in the treasury pursuant to Section 6505.5 of the Act that is not required for the immediate necessities of the Financing Authority, as the Financing Authority determines is advisable, in the same manner and upon the same conditions as local agencies, pursuant to Section 53601 of the California Government Code;
- (h) to apply for letters of credit or other form of financial guarantees in order to secure the repayment of Bonds and enter into agreements in connection therewith;
- (i) to carry out and enforce all the provisions of this Agreement;
- (j) to make loans of funds to the City or the Redevelopment Agency;

(k) to purchase Obligations of the City or the Redevelopment Agency; and

(l) to exercise any and all other powers as may be provided in Section 6588 of the Act or in any Bond Law.

Section 4.04. *Restrictions on Exercise of Powers.* The powers of the Financing Authority shall be exercised in the manner provided in the Act and in the Bond Law, and, except for those powers set forth in Article 4 of the Act, shall be subject (in accordance with Section 6509 of the Act) to the restrictions upon the manner of exercising such powers that are imposed upon the City in the exercise of similar powers.

Section 4.05. *Obligations of the Authority.* The debts, liabilities and obligations of the Financing Authority shall not be the debts, liabilities and obligations of the City or the Redevelopment Agency.

ARTICLE V

METHODS OF PROCEDURE; CREDIT TO MEMBERS

Section 5.01. *Assumption of Responsibilities By the Financing Authority.* As soon as practicable after the date of execution of this Agreement, the Directors shall give notice (in the manner required by Section 2.04) of the organizational meeting of the Board. At said meeting the Board shall provide for its regular meetings as required by Section 2.04 and elect a Chair and Vice-Chair, and appoint the Secretary.

Section 5.02. *Powers.* Subject to the express limitations in Sections 4.03(e), 4.05 and 6.01, the Financing Authority shall have the power and duty to acquire, by lease, lease purchase, installment sales agreements, or otherwise, or make loans and to finance such land on which privately owned mobilehomes or a mobilehome park are, or may be, located in the City and all buildings, improvements and equipment related thereto as may be necessary or convenient for the operation of the Authority.

Section 5.03. *Credit to the City and the Redevelopment Agency.* Unless otherwise provided pursuant to such instrument or agreement, all accounts or funds created and established pursuant to any instrument or agreement to which the Financing Authority is a party, and any interest earned or accrued thereon, shall inure to the benefit of the City and the Redevelopment Agency in the respective proportions for which such funds or accounts were created.

ARTICLE VI

CONTRIBUTION; ACCOUNTS AND REPORTS; FUNDS

Section 6.01. *Contributions.* The City and the Redevelopment Agency may in the appropriate circumstances, in their sole discretion, but only to the extent specifically authorized by

the City Council and the Agency Board, respectively: (a) make contributions from its treasury for the purposes set forth herein, (b) make payments of public funds to defray the cost of such purposes, (c) make advances of public funds for such purposes, such advances to be repaid as provided herein, or (d) use its personnel, equipment or property in lieu of other contributions or advances. The provisions of Section 6513 of the California Government Code are hereby incorporated into this Agreement. Under no circumstances shall the debts, liabilities and obligations of the Authority constitute debts, liabilities or obligations of the City and the Redevelopment Agency.

Section 6.02. *Accounts and Reports.* To the extent not covered by the duties assigned to a trustee chosen by the Financing Authority, the Treasurer shall establish and maintain such funds and accounts as may be required by good accounting practice or by any provision of any trust agreement entered into with respect to the proceeds of any Bonds issued by the Financing Authority. The books and records of the Financing Authority in the hands of a trustee or the Treasurer shall be open to inspection at all reasonable times by representatives of the City and the Redevelopment Agency. The Treasurer, within 120 days after the close of each Fiscal Year, shall give a complete written report of all financial activities for such fiscal year to the City and the Redevelopment Agency to the extent such activities are not covered by the report of such trustee. The trustee appointed under any trust agreement shall establish suitable funds, furnish financial reports and provide suitable accounting procedures to carry out the provisions of said trust agreement. Said trustee may be given such duties in said trust agreement as may be desirable to carry out this Agreement.

Section 6.03. *Funds.* Subject to the applicable provisions of any instrument or agreement which the Financing Authority may enter into, which may provide for a trustee to receive, have custody of and disburse Authority funds, the Treasurer of the Financing Authority shall receive, have the custody of and disburse Authority funds as nearly as possible in accordance with generally accepted accounting practices, shall make the disbursements required by this Agreement or to carry out any of the provisions or purposes of this Agreement.

Section 6.04. *Annual Budget and Administrative Expenses.* The Board shall adopt a budget for administrative expenses, which shall include all expenses not included in any financing issue of the Financing Authority, annually prior to July 1st of each year.

ARTICLE VII

TERM

Section 7.01. *Term.* This Agreement shall become effective as of the date hereof and shall continue in full force and effect so long as any Bonds remaining outstanding.

Section 7.02. *Disposition of Assets.* Upon termination of this Agreement, all property of the Financing Authority, both real and personal, shall be divided among the parties hereto in such manner as shall be agreed upon by the parties.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01. *Notices.* Notices hereunder shall be in writing and shall be sufficient if delivered to the notice address of each party hereto for legal notices or as otherwise provided by a party hereto in writing to each of the other parties hereto.

Section 8.02. *Section Headings.* Any section headings in this Agreement are for convenience of reference only and are not to be construed as modifying or governing the language in the section referred to or to define or limit the scope of any provision of this Agreement.

Section 8.03. *Consent.* Whenever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.

Section 8.04. *Law Governing.* This Agreement is made in the State of California under the constitution and laws of the State of California, and is to be so construed.

Section 8.05. *Amendments.* This Agreement may be amended at any time, or from time to time, except as limited by contract with the owners of Bonds issued by the Financing Authority or certificates of participation in payments to be made by the Financing Authority or the City or the Redevelopment Agency or by applicable regulations or laws of any jurisdiction having authority, by one or more supplemental agreements executed by all of the parties to this Agreement either as required in order to carry out any of the provisions of this Agreement or for any other purpose, including without limitation addition of new parties (including any legal entitled or taxing areas heretofore or hereafter created) in pursuance of the purposes of this Agreement.

Section 8.06. *Enforcement by the Financing Authority.* The Financing Authority is hereby authorized to take any or all legal or equitable actions, including but not limited to injunction and specific performance, necessary or permitted by law to enforce this Agreement.

Section 8.07. *Severability.* Should any part, term or provision of this Agreement be decided by any court of competent jurisdiction to be illegal or in conflict with any law of the State of California, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining portions or provisions shall not be affected thereby.

Section 8.08. *Successors.* This Agreement shall be binding upon and shall inure to the benefit of the successors of the City or the Redevelopment Agency, respectively. Neither the City nor the Redevelopment Agency may assign any right or obligation hereunder without the written consent of the others.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunder duly authorized and their official seals to be hereto affixed, on the day and year set opposite the name of each of the parties.

CITY OF NOVATO

By: Ernest J. Gray
Mayor

Attest:

Shirley Gremmel
City Clerk

REDEVELOPMENT AGENCY
OF THE CITY OF NOVATO

By: Ernest J. Gray
Chair

Attest:

Shirley Gremmel
Secretary

CERTIFIED A TRUE COPY

Shirley Gremmel
CITY CLERK, CITY OF NOVATO

JOINT EXERCISE OF POWERS AGREEMENT

NOVATO FINANCING AUTHORITY

THIS AGREEMENT, dated October 15, 1996, is by and between the City of Novato (the "City") and the Redevelopment Agency of the City of Novato (the "Redevelopment Agency"), each duly organized and existing under the laws of the State of California;

W I T N E S S E T H:

WHEREAS, the City and the Redevelopment Agency are each authorized to own, lease, purchase, receive and hold property necessary or convenient for their governmental operations and purposes; and

WHEREAS, the financing of the acquisition of property by the City and the Redevelopment Agency acting separately may result in duplication of effort, inefficiencies in administration, and excessive cost, all of which, in the judgment of the City and the Redevelopment Agency, could be eliminated if the financing of the acquisition of property were capable of being performed through a single public agency; and

WHEREAS, Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") authorizes public agencies to enter into joint exercise of powers agreements to assist in the financing of public capital improvements and to appoint a non-profit corporation as the agency or entity to administer and execute the Agreement; and

WHEREAS, the City and the Redevelopment Agency intend to enter into a Joint Exercise of Powers Agreement (the "Agreement") under the Act to assist in financing the acquisition, and the operation and maintenance of mobilehome parks in the City; and

WHEREAS, the City and the Agency have determined to approve the incorporation of a non-profit public benefit corporation under Part 2 (commencing at Section 5110) of Division 2 of Title I of the California Corporations Code (the "Non-Profit Corporations Law"), to be named the Novato Financing Authority (the "Financing Authority"), for the purpose of designating the Financing Authority as the agency and entity to administer and execute the Agreement;

NOW, THEREFORE, in consideration of the above premises and of the mutual promises herein contained, the City and the Redevelopment Agency do hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. *Definitions.* Unless the context otherwise requires, the words and terms defined in this Article 1 shall, for the purpose hereof, have the meanings herein specified.

“*Act*” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code.

“*Agreement*” means this Agreement.

“*Bond Law*” means the Marks-Roos @ Bond Pooling Act of 1985, being Article 4 of the Act (commencing with Section 6584), as now in effect or hereafter amended, Article 2 of the Act as now in effect or hereafter amended, or any other law available for use by the Financing Authority in the authorization and issuance of bonds to provide for the financing of Obligations and/or Public Capital Improvements.

“*Board*” means the Board of Directors referred to in Section 2.04, which shall be the governing body of the Financing Authority.

“*Bonds*” means bonds of the Financing Authority issued pursuant to the Bond Law.

“*Financing Authority*” means the Novato Financing Authority, a non-profit public benefit corporation formed for the purpose of serving as the agency or entity to administer and execute this Agreement.

“*Fiscal Year*” means the period from July 1st to and including the following June 30th.

“*Members*” means the City and the Redevelopment Agency.

“*Mobilehome*” has the meaning given to the term “Mobilehome” in Section 18008 of the California Health and Safety Code.

“*Mobilehome Parks*” has the meaning given to the term “mobilehome park” in Section 18214 of the California Health and Safety Code.

“*Non-Profit Corporations Law*” means Part 2 (commencing with Section 5110) of Division 2 of Title 1 of the California Corporations Code;

“*Obligations*” has the meaning given to the term “Bonds” in Section 6585(c) of the Bond Law.

ARTICLE II

GENERAL PROVISIONS

Section 2.01. *Purpose.* This Agreement is made pursuant to the Act providing for the joint exercise of powers common to the City and the Redevelopment Agency, and for other purposes as permitted under the Act, the Bond Law, the Non-Profit Corporations Law and as agreed by one or more of the parties hereto. The purpose of this Agreement is to provide for the financing, refinancing, acquiring, planning, undertaking, constructing, improving, developing, maintaining, and operating land on which privately owned mobilehomes or a mobilehome park with privately owned mobilehomes are, or may be, located in the City of Novato and all buildings, improvements and equipment related thereto. Financing or refinancing includes the purchase by the Financing Authority of Obligations of the City and the Redevelopment Agency and/or the lending of funds by the Financing Authority to the City and/or the Redevelopment Agency.

Section 2.02. *Designation of Authority.* Pursuant to the Act and the Non-Profit Law, there is hereby created and designated a public entity and non-profit benefit corporation to be known as the "Novato Financing Authority." The Financing Authority shall be a public entity separate and apart from the City and the Redevelopment Agency, and shall administer and execute this Agreement.

Section 2.03. *Board of Directors.* Pursuant to the bylaws of the Financing Authority, the Financing Authority shall be administered by a Board initially composed of five (5) Directors, two of which shall be appointed by the City Council of the City of Novato who shall be council members, officers or employees of the City, two of which shall be selected initially from the Board of Directors of the Park Acquisition Corporation of Marin Valley Mobile Country Club by such Board of Directors and thereafter by election of the residents of the Marin Valley Mobile Country Club Park, and one of which shall be appointed by the City Council of the City of Novato who shall not be a council member, officer or employee of the City or a person whose primary residence is located at a mobilehome park owned and/or operated by the City or the Authority; provided, however, that at no time shall more than one Board member be an owner of a mobilehome park. The City Council of the City of Novato shall have the power to increase the number of Directors by resolution, so long as any additional Directors shall be residents of the City and so long as the ratio of Directors sitting on the Board is maintained in the same manner as set forth in the first sentence of this Section 2.03. The City Council of the City of Novato may, with or without cause, remove any Director selected by the City Council at any time; provided, however, that the successor shall be selected by the City Council as provided in this Section 2.03. The Board shall be called the "Board of the Novato Financing Authority." AR voting power of the Financing Authority shall reside in the Board.

Section 2.04. *Meetings of the Board.*

(a) *Regular Meetings.* The Board shall provide for its regular meetings; provided, however, that at least one regular meeting shall be held each year. The date, hour and place of the holding of regular meetings shall be fixed by resolution of the Board and a copy of such resolution shall be filed with each of the City and the Redevelopment Agency.

(b) *Special Meetings.* Special meetings of the Board may be caused in accordance with the provisions of Section 54956 of the California Government Code.

(c) *Call, Notice and Conduct of Meetings.* All meetings of the Board, including without limitation, regular, adjourned regular and special meetings, shall be called, noticed, held and conducted in accordance with the provisions of Section 54950 *et seq.* of the California Government Code.

Section 2.05. *Minutes.* The Secretary shall cause to be kept minutes of the meetings of the Board and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Director and to the City and the Redevelopment Agency.

Section 2.06. *Voting.* Each Director shall have one vote.

Section 2.07. *Quorum; Required Votes; Approvals.* Directors holding a majority of the votes of the appointed Directors shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn from time to time. The affirmative votes of at least a majority of the Directors present at any meeting at which a quorum is present shall be required to take any action by the Board.

Section 2.08. *Bylaws.* The Board may adopt, from time to time, such bylaws, rules and regulations for the conduct of its meetings as are necessary for the purposes hereof

ARTICLE III

OFFICERS AND EMPLOYEES

Section 3.01. *Chair and Vice-Chair.* The Board shall elect a Chair and Vice-Chair from among the Directors, and shall appoint a Secretary who may, but need not, be a Director. The officers shall perform the duties normal to said offices. The Chair and Vice-Chair may sign contracts on behalf of the Financing Authority, and shall perform such other duties as may be imposed by the Board. The Vice-Chair shall act and perform all of the Chair's duties in the absence of the Chair. The Secretary shall countersign all contracts signed by the Chair or Vice-Chair on behalf of the Financing Authority, perform such other duties as may be imposed by the Board and cause a copy of this Agreement to be filed with the Secretary of State pursuant to the Act.

Section 3.02. *Treasurer.* Pursuant to Section 6505.6 of the Act, the Finance Director of the City is hereby designated as the Auditor and Treasurer of the Financing Authority. The Auditor and Treasurer shall be the depository, shall have custody of all of the accounts, funds and money of the Financing Authority from whatever source, shall have the duties and obligations set forth in Sections 6505 and 6505.5 of the Act and shall assure that there shall be strict accountability of all funds and reporting of all receipts and disbursements of the Financing Authority.

Section 3.03. *Officers in Charge of Records, Funds and Accounts.* Pursuant to Section 6505.1 of the Act, the Treasurer shall have charge of, handle and have access to all accounts, funds and money of the Financing Authority and all records of the Financing Authority relating thereto; and the Secretary shall have charge of, handle and have access to all other records of the Financing Authority.

Section 3.04. *Bonding Persons Having Access to Public Capital Improvements.* From time to time, the Board may designate persons, in addition to the Secretary and the Treasurer, having charge of, handling or having access to any records, funds or accounts or any property of the Financing Authority, and the Board shall require the Secretary, the Treasurer and such other person or persons to file an official bond in the respective amount set forth pursuant to Section 6505.1 of the Act.

Section 3.05. *Legal Advisor.* The Board shall have the power to appoint the legal advisor of the Financing Authority who shall perform such duties as may be prescribed by the Board. Such legal advisor may be the City Attorney of the City.

Section 3.06. *Other Employees.* The Board shall have the power to appoint and employ such other consultants and independent contractors as may be necessary for the purposes of this Agreement.

All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability, workers' compensation and other benefits which apply to the activities of officers, agents, or employees of a public agency when performing their respective functions shall apply to them to the same degree and extent while engaged in the performance of any of the functions and other duties under this Agreement.

None of the officers, agents, or employees directly employed by the Board shall be deemed, by reason of their employment by the Board to be employed by the City or the Redevelopment Agency or, by reason of their employment by the Board, to be subject to any of the requirements of the City or the Redevelopment Agency.

Section 3.07. *Assistant Officers.* The Board may appoint such assistants to act in the place of the Secretary or other officers of the Financing Authority (other than any Director) as the Board shall from time to time deem appropriate.

ARTICLE IV

POWERS

Section 4.01. *General Powers.* The Financing Authority shall exercise in the manner herein provided the powers common to the City and the Redevelopment Agency, or as otherwise permitted under the Act and the Non-Profit Corporations Law, and necessary to the accomplishment of the purposes of this Agreement, subject to the restrictions set forth in Section 4.04.

As provided in the Act, the Financing Authority shall be a public entity separate from the City and the Redevelopment Agency. The Financing Authority shall have the power to provide for the financing, refinancing, acquiring, planning, undertaking, constructing, improving, developing, maintaining, and operating land on which privately owned mobilehomes or a mobilehome park with privately owned mobilehome parks are, or may be, located in the City and all buildings, improvements and equipment related thereto. Financing or refinancing includes the purchase by the Financing Authority of Obligations of the City and the Redevelopment Agency and/or the lending of funds by the Financing Authority to the City and/or the Redevelopment Agency.

Section 4.02. *Power to Issue Bonds.* The Financing Authority shall have all of the powers to issue bonds as provided in the Non-Profit Corporations Law and the Act, including but not limited to, Article 4 of the Act (commencing with Section 6584), and including the power to issue Bonds under the Bond Law.

Section 4.03. *Specific Powers.* The Financing Authority is hereby authorized, in its own name, to do all acts necessary for the exercise of the foregoing powers, including but not limited to, any or all of the following:

- (a) to make and enter into contracts;
- (b) to employ agents or employees;
- (c) to acquire, construct, manage, maintain or operate any land on which mobilehomes or a mobilehome park are, or may be, located in the City of Novato and all buildings, improvements and equipment related thereto, [including the common power of the City and the Redevelopment Agency to acquire any such land, building and improvement by the power of eminent domain];
- (d) to sue and be sued in its own name;
- (e) to issue Bonds and otherwise to incur debts, liabilities or obligations, provided that no such Bond, debt, liability or obligation shall constitute a debt, liability or obligation of the City or the Redevelopment Agency;

(f) to apply for, accept, receive and disburse grants, loans and other aids from any agency of the United States of America or of the State of California;

(g) to invest any money in the treasury pursuant to Section 6505.5 of the Act that is not required for the immediate necessities of the Financing Authority, as the Financing Authority determines is advisable, in the same manner and upon the same conditions as local agencies, pursuant to Section 53601 of the California Government Code;

(h) to apply for letters of credit or other form of financial guarantees in order to secure the repayment of Bonds and enter into agreements in connection therewith;

(i) to carry out and enforce all the provisions of this Agreement;

(j) to make loans of funds to the City or the Redevelopment Agency;

(k) to purchase Obligations of the City or the Redevelopment Agency; and

(l) to exercise any and all other powers as may be provided in Section 6588 of the Act or in any Bond Law.

Section 4.04. *Restrictions on Exercise of Powers.* The powers of the Financing Authority shall be exercised in the manner provided in the Act and in the Bond Law, and, except for those powers set forth in Article 4 of the Act, shall be subject (in accordance with Section 6509 of the Act) to the restrictions upon the manner of exercising such powers that are imposed upon the City in the exercise of similar powers.

Section 4.05. *Obligations of the Authority.* The debts, liabilities and obligations of the Financing Authority shall not be the debts, liabilities and obligations of the City or the Redevelopment Agency.

ARTICLE V

METHODS OF PROCEDURE; CREDIT TO MEMBERS

Section 5.01. *Assumption of Responsibilities By the Financing Authority.* As soon as practicable after the date of execution of this Agreement, the Directors shall give notice (in the manner required by Section 2.04) of the organizational meeting of the Board. At said meeting the Board shall provide for its regular meetings as required by Section 2.04 and elect a Chair and Vice-Chair, and appoint the Secretary.

Section 5.02. *Powers.* Subject to the express limitations in Sections 4.03(e), 4.05 and 6.01, the Financing Authority shall have the power and duty to acquire, by lease, lease purchase, installment sales agreements, or otherwise, or make loans and to finance such land on which privately owned mobilehomes or a mobilehome park are, or may be, located in the

City and all buildings, improvements and equipment related thereto as may be necessary or convenient for the operation of the Authority.

Section 5.03. *Credit to City and the Redevelopment Agency.* Unless otherwise provided pursuant to such instrument or agreement, all accounts or funds created and established pursuant to any instrument or agreement to which the Financing Authority is a party, and any interest earned or accrued thereon, shall inure to the benefit of the City and the Redevelopment Agency in the respective proportions for which such funds or accounts were created.

ARTICLE VI

CONTRIBUTION; ACCOUNTS AND REPORTS; FUNDS

Section 6.01. *Contributions.* The City and the Redevelopment Agency may in the appropriate circumstances, in their sole discretion, but only to the extent specifically authorized by the City Council and the Agency Board, respectively: (a) make contributions from its treasury for the purposes set forth herein, (b) make payments of public funds to defray the cost of such purposes, (c) make advances of public funds for such purposes, such advances to be repaid as provided herein, or (d) use its personnel, equipment or property in lieu of other contributions or advances. The provisions Section 6513 of the California Government Code are hereby incorporated into this Agreement. Under no circumstances shall the debts, liabilities and obligations of the Authority constitute debts, liabilities or obligations of the City and the Redevelopment Agency.

Section 6.02. *Accounts and Reports.* To the extent not covered by the duties assigned to a trustee chosen by the Financing Authority, the Treasurer shall establish and maintain such funds and accounts as may be required by good accounting practice or by any provision of any trust agreement entered into with respect to the proceeds of any Bonds issued by the Financing Authority. The books and records of the Financing Authority in the hands of a trustee or the Treasurer shall be open to inspection at all reasonable times by representatives of the City and the Redevelopment Agency. The Treasurer, within 120 days after the close of each Fiscal Year, shall give a complete written report of all financial activities for such fiscal year to the City and the Redevelopment Agency to the extent such activities are not covered by the report of such trustee. The trustee appointed under any trust agreement shall establish suitable funds, furnish financial reports and provide suitable accounting procedures to carry out the provisions of said trust agreement. Said trustee may be given such duties in said trust agreement as may be desirable to carry out this Agreement.

Section 6.03. *Funds.* Subject to the applicable provisions of any instrument or agreement which the Financing Authority may enter into, which may provide for a trustee to receive, have custody of and disburse Authority funds, the Treasurer of the Financing Authority shall receive, have the custody of and disburse Authority funds as nearly as possible in accordance with generally accepted accounting practices, shall make the disbursements required by this Agreement or to carry out any of the provisions or purposes of this Agreement.

Section 6.04. *Annual Budget and Administrative Expenses.* The Board shall adopt a budget for administrative expenses, which shall include all expenses not included in any financing issue of the Financing Authority, annually prior to July 1st of each year.

ARTICLE VII

TERM

Section 7.01. *Term.* This Agreement shall become effective as of the date hereof and shall continue in full force and effect so long as any Bonds remaining outstanding,

Section 7.02. *Disposition of Assets.* Upon termination of this Agreement, all property of the Financing Authority, both real and personal, shall be divided among the parties hereto in such manner as shall be agreed upon by the parties.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01. *Notices.* Notices hereunder shall be in writing and shall be sufficient if delivered to the notice address of each party hereto for legal notices or as otherwise provided by a party hereto in writing to each of the other parties hereto.

Section 8.02. *Section Headings.* An section headings in this Agreement are for convenience of reference only and are not to be construed as modifying or governing the language in the section referred to or to define or limit the scope of any provision of this Agreement.

Section 8.03. *Consent.* Whenever in this agreement any consent or approval is required, the same shall not be unreasonably withheld.

Section 8.04. *Law Governing.* This Agreement is made in the State of California under the constitution and laws of the State of California, and is to be so construed.

Section 8.05. *Amendments.* This Agreement may be amended at any time, or from time to time, except as limited by contract with the owners of Bonds issued by the Financing Authority or certificates of participation in payments to be made by the Financing Authority or the City or the Redevelopment Agency or by applicable regulations or laws of any jurisdiction having authority, by one or more supplemental agreements executed by all of the parties to this Agreement either as required in order to carry out any of the provisions of this Agreement or for any other purpose, including without limitation addition of new parties (including any legal entitled or taxing areas heretofore or hereafter created) in pursuance of the purposes of this Agreement.

Section 8.06. *Enforcement by the Financing Authority.* The Financing Authority is hereby authorized to take any or all legal or equitable actions, including but not limited to injunction and specific performance, necessary or permitted by law to enforce this Agreement.

Section 8.07. *Severability.* Should any part, term or provision of this Agreement be decided by any court of competent jurisdiction to be illegal or in conflict with any law of the State of California, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining portions or provisions shall not be affected thereby.

Section 8.08. *Successors.* This Agreement shall be binding upon and shall inure to the benefit of the successors of the City or the Redevelopment Agency, respectively. Neither the City nor the Redevelopment Agency may assign any right or obligation hereunder without the written consent of the others.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunder duly authorized and their official seals to be hereto affixed, on the day and year set opposite the name of each of the parties.

CITY OF NOVATO

By Ernest J. Gray
Mayor

Attest:

Shirley Gremmed
City Clerk

REDEVELOPMENT AGENCY OF THE
CITY OF NOVATO

By Ernest J. Gray
Chair

Attest:

Shirley Gremmed
Secretary

CERTIFIED A TRUE COPY
Shirley Gremmed
CITY CLERK, CITY OF NOVATO

\$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

\$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

INSTRUCTIONS TO THE TRUSTEE

The undersigned hereby states and certifies to First Trust of California, National Association, as trustee (the "Trustee") under the Trust Indenture (the "Indenture") dated as of March 1, 1997, by and between California Local Government Finance Authority ("CLGFA") and the Trustee that:

(a) Pursuant to the authorization of the Novato Financing Authority (the "Owner"), the undersigned is a duly appointed representative of the Owner with authority to instruct the Trustee regarding the disbursement of the proceeds of the Bonds, hereinafter defined.

(b) Pursuant to the Indenture, the Owner hereby directs the Trustee to authenticate and deliver \$15,485,000 aggregate principal amount of the Senior Revenue Bonds, Series 1997A (the "Senior Bonds").

(c) Pursuant to the Indenture, the Owner hereby directs the Trustee to authenticate and deliver \$1,585,000 aggregate principal amount of the Subordinate Revenue Bonds, Series 1997B (the "Subordinate Bonds", and together with the Senior Bonds, the "Bonds").

(d) The Trustee is hereby instructed to apply the proceeds of the sale of the Bonds as set forth in Section 5.01 of the Indenture.

(e) The Trustee is hereby directed to deliver the Bonds to or upon the order of Sutro & Co. Incorporated, as representative of the Underwriters, upon receipt of the amount set forth in Exhibit A under "Total Received by Trustee at Closing."

Dated: March 13, 1997

NOVATO FINANCING AUTHORITY

By 
Treasurer

\$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

\$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

**REQUISITION NO. 1 PERTAINING TO DISBURSEMENTS
FROM COSTS OF ISSUANCE FUND FOR DELIVERY COSTS**

The undersigned hereby states and certifies:

(a) that he is the duly appointed, qualified and acting Treasurer of the Novato Financing Authority (the "Owner") and as such he is authorized to sign a written certificate on behalf of the Owner;

(b) that, pursuant to Section 5.02(a) of the Trust Indenture dated as of March 1, 1997 (the "Indenture"), by and between California Local Government Finance Authority ("CLGFA") and First Trust of California, National Association, as trustee (the "Trustee"), the undersigned hereby requests the Trustee to disburse from the Costs of Issuance Fund established under the Indenture to each of the payees designated on Exhibit "A" attached hereto and incorporated herein by this reference, the respective sums set forth opposite such designation, in payment or reimbursement of previous payments of such costs, set forth in Exhibit "A" attached hereto;

(c) that the amounts to be disbursed are properly chargeable to the Costs of Issuance Fund.

Dated: March 13, 1997

NOVATO FINANCING AUTHORITY

By  _____
Treasurer

EXHIBIT A

<u>Payee</u>	<u>Service Rendered</u>	<u>Amount</u>
First Trust of California, National Association San Francisco, CA	Trustee	\$5,500.00 6,000.00 (2)
Sutro & Co., Incorporated San Francisco, CA	Placement Agent Fee	23,775.00
Kutak Rock Denver, CO	Bond Counsel	96,000.00
Nossaman, Guthner, Knox & Elliott, LLP San Francisco, CA	Authority Counsel	40,000.00
E. Wagner & Associates	Authority Financial Advisor	30,000.00
California Local Government Finance Authority Sacramento, CA	Issuer	20,000.00
American Government Financial Services Sacramento, CA	Issuer Financial Advisor	17,537.75
Financial Security Assurance New York, NY	Bond Insurer and Rating Agencies	83,742.50
Kutak Rock Omaha, NE	Insurer's Counsel	50,000.00
Brown & Wood San Francisco, CA	ABAG Counsel	20,000.00
Merrill Corporation San Francisco, CA	Printer	3,500.00
Orrick, Herrington & Sutcliffe San Francisco, CA	Counsel to Subordinate Bondholder	8,000.00
Storz Management Orangevale, CA	Property Manager	10,000.00
Park Acquisition Corporation Novato, CA	PAC	2,500.00
California Land Title	Title Company	24,500.00 19,500.00 (2)

Trustee is hereby instructed to pay an amount not exceeding the amounts set forth above upon receipt of the respective invoice from each such party.

\$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

\$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

**REQUISITION NO. 1 PERTAINING TO DISBURSEMENTS
FROM THE PROJECT FUND**

The undersigned hereby states and states:

(a) that he is the duly appointed, qualified and acting Treasurer of the Novato Financing Authority (the "Owner") and as such he is authorized to sign a written certificate on behalf of the Owner;

(b) that, pursuant to Section 5.02(b) of the Trust Indenture dated as of March 1, 1997 (the "Indenture"), by and between California Local Government Finance Authority ("CLGFA") and First Trust of California, National Association, as trustee (the "Trustee"), the undersigned hereby requests the Trustee to disburse \$15,037,945.23 from the Project Fund established under the Indenture to Chicago Title Company to purchase the Project;

(c) that the amounts to be disbursed are property chargeable to the Project Fund.

Dated: March 13, 1997.

NOVATO FINANCING AUTHORITY

By 
Treasurer

\$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

\$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

INCUMBENCY AND SIGNATURE CERTIFICATE OF
NOVATO FINANCING AUTHORITY

The undersigned hereby state and certify:

(a) that they are the duly appointed, qualified and acting Chairman and Secretary, respectively, of the Novato Financing Authority (the "Owner"), a joint powers authority duly organized and existing under the laws of the State of California, and as such are familiar with the facts herein certified and are authorized and qualified to certify the same;

(b) that the following are now, and have continuously been since the date of creation of the Owner on October 15, 1996, the duly appointed, qualified and acting members of the Board of Directors of the Owner:

Members

Patricia Eklund

Sonia Seeman

Phil Brown

Vacant

Vacant

(c) that the signatures set forth opposite the names and title of the following persons are the true and correct specimen, or are the genuine, signatures of such person, each of whom holds the office designated:

Name/Title

Signature

Name: Patricia Eklund
Title: Chairperson



Name: Sonia Seeman
Title: Secretary



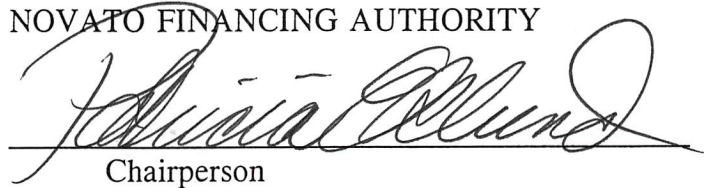
Name: Richard Hill
Title: Treasurer



(d) that the above-named persons are each duly designated "Authorized Owner Representatives" of the Owner, as such term is defined in that certain Trust Indenture, dated as of March 1, 1997, by and between California Local Government Finance Authority ("CLGFA") and First Trust of California, National Association, as trustee (the "Trustee") relating to the above referenced Bonds.

Dated: March 13, 1997

NOVATO FINANCING AUTHORITY



Chairperson



Secretary

\$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

\$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

CLOSING CERTIFICATE OF NOVATO FINANCING AUTHORITY

The undersigned, with regards to the above referenced Bonds (the "Bonds"), hereby states and certifies:

(a) that they are the duly appointed, qualified and acting Secretary and Treasurer, respectively, of 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 as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(b) that they are an Authorized Owner Representative, as such term is defined in that certain Trust Indenture, dated March 1, 1997 (the "Indenture"), by and between California Local Government Finance Authority ("CLGFA") and First Trust of California, National Association, as trustee;

(c) that on February 21, 1997 the Board of Directors of the Owner duly adopted Resolution No. 97-1 (the "Resolution"), which Resolution has not been amended, modified, supplemented, rescinded or repealed and remains in full force and effect as of the date hereof;

(d) that, by all necessary action, the Owner has duly authorized and approved the execution and distribution of the Offering Statement, dated March 10, 1997 (the "Offering Statement"), relating to 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 Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority (the "Senior Bonds"); has duly authorized and approved the execution and distribution of the Final Private Placement Memorandum, dated March 12, 1997 (the "Private Placement Memorandum"), relating to 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 Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority (the "Subordinate Bonds", and collectively with the Senior Bonds, the "Bonds"); and has duly authorized and approved the execution and delivery of, and the performance by the Owner of the obligations on its part contained in, the following agreements (collectively referred to herein as the "Owner Documents"):

(i) the Loan Agreement, dated as of March 1, 1997 (the "Loan Agreement") by and among the Owner, California Local Government Finance Authority ("CLGFA") and the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC");

(ii) the Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997, by and among the Owner, the Redevelopment Agency of the City of Novato (the "Agency") and the PAC;

(iii) the Marin Valley Mobile Country Club Park Delegation Agreement, dated as of March 1, 1997, by and between the Owner and the PAC;

(iv) the In-Lieu-Of-Tax Agreement, dated as of March 1, 1997, by and among the Owner, the City of Novato and the PAC;

(v) the Letter regarding Capital Improvements Agreement, dated March 13, 1997, and executed by the Owner and the PAC;

(vi) Insurance and Indemnity Agreement, dated as of March 1, 1997, by and between Financial Security Assurance Inc. ("Financial Security") and the Owner;

(vii) Indemnity Agreement, dated as of March 1, 1997, by and between Financial Security, the Owner and the Agency;

(viii) Purchase Contract, dated March 10, 1997, by and between the Owner and Sutro & Co. Incorporated, as representative of the underwriters (the "Underwriter");

(ix) Continuing Disclosure Agreement relating to the Senior Bonds, dated as of March 1, 1997; and

(x) Continuing Disclosure Agreement relating to the Subordinate Bonds, dated as of March 1, 1997.

(d) that the representations, warranties and covenants of the Owner contained in the Owner Documents are true and correct in all material respects on and as of the date hereof as if made on the date hereof, and the Owner has complied with all of the terms and conditions of the Owner Documents, the Offering Statement and the Private Placement Memorandum required to be complied with by the Owner at or prior to the date hereof;

(e) that the information in the Preliminary Offering Statement, the Offering Statement and the Private Placement Memorandum insofar as it relates to the Owner, as of the date thereof and hereof, is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in light of the circumstance under which they were made, not misleading;

(f) that to the best of my knowledge no event affecting the Owner has occurred since the date of the Offering Statement and the Private Placement Memorandum which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Offering Statement and the Private Placement Memorandum for the purpose for which it is to be used or in order to make the statements therein, in light of circumstance under which they were made, not misleading; and

(g) that there is no action, suit, proceeding, inquiry or investigation which is pending or, to the best of my knowledge in this official capacity, after due inquiry, threatened against the Owner by or before any court, governmental agency or public board or body which:

(i) in any way questions the existence of the Owner or the titles of the officers of the Owner in their respective capacities,

(ii) affects, contests or seeks to prohibit, restrain or enjoin the issuance, execution or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contests or affects the validity of the Bonds, the Resolution or any of the Owner Documents or the consummation of the transactions contemplated thereby, or contests the powers of the Owner.

Dated: March 13, 1997

NOVATO FINANCING AUTHORITY

By *Laria Secora*
Secretary

By *[Signature]*
Treasurer

[Signature Page to Closing Certificate of Owner]



THE CITY OF
NOVATO
CALIFORNIA

900 Sherman Avenue
Novato, CA 94945
415/897-4311
FAX 415/897-4354

Mayor
Pat Eklund
Mayor Pro Tem
Carole Dillon-Knutson
Councilmembers
Michael Di Giorgio
Ernest J. Gray
Cynthia L. Murray

City Manager
Roderick J. Wood

March 12, 1997

Ms. Leticia Sabiniano
First Trust of California, National Association
One California Street, Suite 400
San Francisco, CA 94111

RE: Marin Valley Country Club Acquisition

Dear Ms. Sabiniano

This letter is to serve as the "fee letter of the Owner" identified in the definition of Deferred Owner Costs in Section 1.01 of the Trust Indenture. All italicized words herein are defined by the Trust Indenture.

The sum due to the Novato Financing Authority is \$310,070. This amount is to bear interest at 7.5% per annum (compounded daily, based on the outstanding loan amount) calculated based on a 365 day year. Such sums are to be non-transferrable. Payments of the Deferred Issuance Costs will be paid as per the Trust Indenture Section 5.02(c) from the Owner Account.

Payments are to be payable as follows:

Novato Finance Authority
901 Sherman Avenue
Novato, CA 94945

This agreement may be executed in counterparts and by facsimile.

Sincerely,

NOVATO FINANCING AUTHORITY

Richard Hill
Treasurer

\$15,485,000
SENIOR REVENUE BONDS, SERIES 1997A
(MARIN VALLEY MOBILE COUNTRY CLUB PARK
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FACILITATED BY THE
CALIFORNIA LOCAL GOVERNMENT FINANCE
AUTHORITY

\$1,585,000
SUBORDINATE REVENUE BONDS, SERIES 1997B
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ISSUED FOR THE BENEFIT OF THE
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FACILITATED BY THE
CALIFORNIA LOCAL GOVERNMENT FINANCE
AUTHORITY

**INCUMBENCY AND SIGNATURE CERTIFICATE OF THE REDEVELOPMENT
AGENCY OF THE CITY OF NOVATO**

The undersigned hereby state and certify:

(a) that they are the duly appointed, qualified and acting Chairperson and Secretary, respectively, of the Redevelopment Agency of the City of Novato (the "Agency"), a public body corporate and politic duly organized and existing under the laws of the State of California, and as such are familiar with the facts herein certified and are authorized and qualified to certify the same;

(b) that the following are now, and have continuously been since the dates of the beginning of their respective current terms of office shown below, the duly appointed, qualified and acting members of the Board of Directors of the Agency, and the dates of the beginning and ending of their respective current terms of office are hereunder correctly designated opposite their names:

<u>Members</u>	<u>Position</u>	<u>Term Expires</u>
<u>Patricia Eklund</u>	<u>Chair</u>	<u>November 1997</u>
<u>Ernest J. Gray</u>	<u>Member</u>	<u>November 1997</u>
<u>Michael DiGiorgio</u>	<u>Member</u>	<u>November 1999</u>
<u>Carole Dillon-Knutson</u>	<u>Member</u>	<u>November 1999</u>
<u>Cynthia L. Murray</u>	<u>Member</u>	<u>November 1999</u>

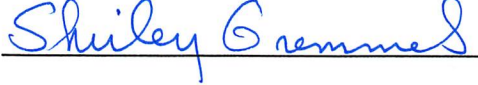
(c) that the signatures set forth opposite the names and title of the following persons are the true and correct specimen, or are the genuine, signatures of such person, each of whom holds the office designated:

Name/Title

Name: Patricia Eklund
Title: Chair

Signature

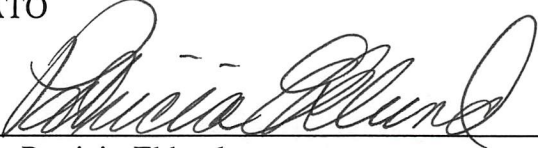

Name: Shirley Gremmels
Title: Secretary

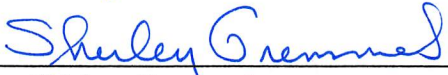


(d) that the above-named persons are each duly designated "Authorized Representatives" of the Agency as relating to the above referenced Bonds.

Dated: March 13, 1997

REDEVELOPMENT AGENCY OF THE CITY OF
NOVATO

By 
Name: Patricia Eklund
Title: Chair

By 
Name: Shirley Gremmels
Title: Secretary

\$15,485,000
SENIOR REVENUE BONDS, SERIES 1997A
(MARIN VALLEY MOBILE COUNTRY CLUB PARK
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CALIFORNIA LOCAL GOVERNMENT FINANCE
AUTHORITY

\$1,565,000
SUBORDINATE REVENUE BONDS, SERIES 1997B
(MARIN VALLEY MOBILE COUNTRY CLUB PARK
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ISSUED FOR THE BENEFIT OF THE
NOVATO FINANCING AUTHORITY (CALIFORNIA)
FACILITATED BY THE
CALIFORNIA LOCAL GOVERNMENT FINANCE
AUTHORITY

**CLOSING CERTIFICATE OF THE REDEVELOPMENT AGENCY OF
THE CITY OF NOVATO**

The undersigned, with regards to the above referenced Bonds (the "Bonds") hereby states and certifies:

(a) that they are the duly appointed, qualified and acting authorized representatives of the Redevelopment Agency of the City of Novato (the "Agency"), a public body corporate and politic duly organized and existing under the laws of the State of California, and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(b) that on March 4, 1997 the Board of Directors of the Agency duly adopted Resolution No. R-3-97 (the "Resolution"), which Resolution has not been amended, modified, supplemented, rescinded or repealed and remains in full force and effect as of the date hereof;

(c) that, by all necessary action, the Agency has duly authorized and approved the execution delivery of, and the performance by the Agency of the obligations on its part contained in, the following agreements (collectively referred to herein as the "Bond Documents"):

(i) the Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997 (the "Pledge Agreement") by and among the Agency, Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC") and Novato Financing Authority (the "Owner");

(ii) the Indemnity Agreement, dated as of March 1, 1997, by and between the Agency, Financial Security Assurance Inc. ("Financial Security") and the Novato Financing Authority (the "Owner");

(iii) the Continuing Disclosure Agreement relating to the Senior Bonds, dated as of March 1, 1997; and

(iv) the Continuing Disclosure Agreement relating to the Subordinate Bonds, dated as of March 1, 1997.

(d) that the representations, warranties and covenants of the Agency contained in the Pledge Agreement are true and correct in all material respects on and as of the date hereof as if made on the date hereof, and the Agency has complied with all of the terms and conditions of the Pledge Agreement required to be complied with by the Agency at or prior to the date hereof;

(e) that the information in the Private Placement Memorandum insofar as it relates to the Agency, on the date thereof and hereof, is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in light of the circumstance under which they were made, not misleading;

(f) that to the best of my knowledge no event affecting the Agency has occurred since the date of the Private Placement Memorandum which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Private Placement Memorandum for the purpose for which it is to be used or in order to make the statements therein, in light of circumstance under which they were made, not misleading; and

(g) that there is no action, suit, proceeding, inquiry or investigation which is pending or, to the best of my knowledge in this official capacity, after due inquiry, threatened against the Agency by or before any court, governmental agency or public board or body which:

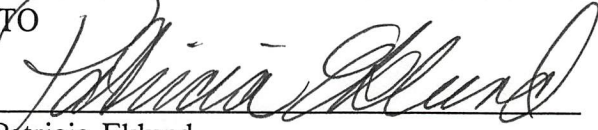
(i) in any way questions the existence or powers of the Agency or the titles of the officers of the Agency in their respective capacities,


(ii) in any way affects or contests the validity of the Bond Documents or the authority of the Agency to enter into the Bond Documents,

(iii) in any way restrains or enjoins the collection of the Housing Set-Aside Revenues (as defined in the Pledge Agreement) pledged under the Pledge Agreement.

Dated: March 13, 1997

REDEVELOPMENT AGENCY OF THE CITY OF
NOVATO

By 
Name Patricia Eklund
Title Chair

By 
Name Shirley Gremmels
Title Secretary

[Signature Page to Closing Certificate of Agency]

\$15,485,000
SENIOR REVENUE BONDS, SERIES 1997A
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CALIFORNIA LOCAL GOVERNMENT FINANCE
AUTHORITY

\$1,585,000
SUBORDINATE REVENUE BONDS, SERIES 1997
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CALIFORNIA LOCAL GOVERNMENT FINANC
AUTHORITY

INCUMBENCY AND SIGNATURE CERTIFICATE OF THE PARK ACQUISITION
CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB

The undersigned hereby state and certify:

(a) that they are the duly appointed, qualified and acting President and Secretary, respectively, of 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, and as such are familiar with the facts herein certified and are authorized and qualified to certify the same;

(b) that the following are now, and have continuously been since the dates of the beginning of their respective current terms of office shown below, the duly appointed, qualified and acting members of the Board of Directors of the PAC, and the dates of the beginning and ending of their respective current terms of office are hereunder correctly designated opposite their names:

<u>Members</u>	<u>Beginning Date of Current Term</u>	<u>Ending Date of Current Term</u>
<u>Owen V. Haxton</u>	<u>June 1, 1996</u>	<u>May 31, 1998</u>
<u>Robert Telder</u>	<u>June 1, 1995</u>	<u>May 31, 1997</u>
<u>James Harais</u>	<u>June 1, 1995</u>	<u>May 31, 1997</u>
<u>Burton L. Vreeland</u>	<u>June 1, 1996</u>	<u>May 31, 1998</u>
<u>Catherine Carpino</u>	<u>June 1, 1995</u>	<u>May 31, 1997</u>

(c) that the signatures set forth opposite the names and title of the following persons are the true and correct specimen, or are the genuine, signatures of such person, each of whom holds the office designated:

Name/Title

Signature

Name: Owen Haxton
Title: President

Owen Haxton

Name: Burton L. Vreeland
Title: Secretary

Burton L. Vreeland

(d) that the above-named persons are each duly designated "Authorized Representatives" of the PAC as relating to the above referenced Bonds.

Dated: March 13, 1997

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB

By Owen Haxton
Name: Owen Haxton
Title: President

Burton L. Vreeland
Secretary

ARTICLES OF INCORPORATION

1617402

OF

PARK ACQUISITION CORPORATION OF

MARIN VALLEY MOBILE COUNTRY CLUB

ENDORSED
FILED
In the office of the Secretary of State
of the State of California

JUN 28 1988

MARCH FONG EU, Secretary of State

I. NAME

The name of the corporation is PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB.

II. PURPOSE

This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under such law. The specific purpose of this corporation is to form an organization of mobilehome owners, who are residents of MARIN VALLEY MOBILE COUNTRY CLUB, for the purpose of purchasing said mobilehome park and facilitating its conversion from a rental park to a resident owned park.

III. INITIAL AGENT FOR SERVICE OF PROCESS

The name and address in the State of California of the Corporation's initial agent for service of process is L. SUE LOFTIN, 7970 Convoy Court, San Diego, California 92111.

IV. NAME OF EXISTING ASSOCIATION

The name of the unincorporated association which is being incorporated is PARK ACQUISITION ASSOCIATION OF MARIN VALLEY MOBILE COUNTRY CLUB.

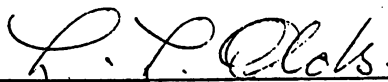
V. INCORPORATION OF ASSOCIATION

The unincorporated association whose name is set forth in Article IV of these Articles of Incorporation is being incorporated by the filing of these Articles.

IN WITNESS WHEREOF, the undersigned, being the Incorporators of
PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY
CLUB, have executed these Articles of Incorporation on 1-5-82 .



Incorporator



Incorporator



Incorporator

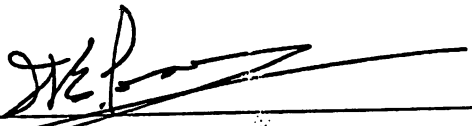
STATEMENT BY GOVERNING BOARD MEMBERS

OF APPROVAL OF INCORPORATION BY THE ASSOCIATION

The undersigned, being the governing board members of the unincorporated association specified in the foregoing Articles of Incorporation, state that the incorporation of said association by means of the foregoing Articles of Incorporation to which this Statement is attached has been approved by the residents of the MARIN VALLEY MOBILE COUNTRY CLUB after a duly conducted election in accordance with its rules and proceedings.

Executed on January 5, 1988, at Novato, CA
_, California.

We, and each of us, declare under penalty of perjury under the laws of the State of California, that the foregoing is true and correct.



L. C. Ochs.

W. Allen Conway

List of Headings in Bylaws

Page 1.

ARTICLE 1. OFFICES

- SECTION 1. PRINCIPAL OFFICES
- SECTION 2. CHANGE OF ADDRESS

ARTICLE 2. PURPOSES

- SECTION 1. OBJECTIVES AND PURPOSES
 - (a.) Maintain affordability
 - (b.) Facilitate resident purchase
 - (c.) Create legal entity
 - (d.) Negotiate with owners
 - (e.) Raise funds
 - (f.) Enter into contracts

Page 2.

ARTICLE 3. MEMBERS

- SECTION 1. DETERMINATION AND RIGHTS OF MEMBERS
- SECTION 2. QUALIFICATIONS OF MEMBERS
- SECTION 3. ADMISSIONS OF MEMBERS
- SECTION 4. FEES, DUES AND ASSESSMENTS
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**BYLAWS OF
PARK ACQUISITION CORPORATION OF MARIN VALLEY
MOBILE COUNTRY CLUB**

A California Nonprofit Mutual Benefit Corporation

ARTICLE 1. OFFICES

SECTION 1. PRINCIPAL OFFICE

The principal office of the corporation for its transaction of business is located in the City of Novato, County of Marin, California.

SECTION 2. CHANGE OF ADDRESS

The Board of Directors is hereby granted full power and authority to change the principal office of the Corporation from one location to another in Marin County, California. Any such change shall be noted by the Secretary in these Bylaws, but shall not be considered an amendment of these Bylaws.

ARTICLE 2. PURPOSES

SECTION 1. OBJECTIVES AND PURPOSES

The primary objectives and purposes of this corporation shall be:

- (a) To maintain the affordability of Marin Valley Mobile Country Club spaces
 - (1) for residents
 - (2) for lower income Marin County residents.
- (b) To facilitate resident purchase of Marin Valley Mobile Country Club from the owners of said Mobilehome Park.
- © To create whatever legal entity is required which conforms to state law to assume ownership of Marin Valley Mobile Country Club.
- (d) To negotiate with the owners and/or managers or any designated agent thereof on issues that affect the quality of life in the Marin Valley Mobile Country Club community.
- (e) To raise funds for support of technical and financial activities that facilitate resident purchase of Marin Valley Mobile Country Club.

- (f) To enter into any and all contracts and apply for any and all approvals necessary to effectuate the purchase of Marin Valley Mobile Country Club.

ARTICLE 3. MEMBERS

SECTION 1. DETERMINATION AND RIGHTS OF MEMBERS

The corporation shall have only one class of members. No member shall hold more than one membership in the corporation. Except as expressly provided in or authorized by the Articles of Incorporation or Bylaws of this corporation, all memberships shall have the same rights, privileges, restrictions and conditions.

SECTION 2. QUALIFICATIONS OF MEMBERS

Any resident of Marin Valley Mobile Country Club is qualified to become a member of this corporation, one membership per household.

SECTION 3. ADMISSION OF MEMBERS

A resident of Marin Valley Mobile Country Club shall be admitted to membership upon taking residence in Marin Valley Mobile Country Club as the primary residence.

SECTION 4. FEES, DUES AND ASSESSMENTS

- (a) No fee shall be charged for admission to membership in the corporation.
- (b) The annual dues payable to the corporation by members shall be in such amount as may be determined from time to time by resolution of the Board of Directors.

SECTION 5. NUMBER OF MEMBERS

The number of members is limited to the number of spaces available in the Marin Valley Mobile Country Club.

SECTION 6. MEMBERSHIP BOOK

The corporation shall keep a membership book containing the name and address of each member. Termination of the membership of any member shall be recorded in the book. Such book shall be kept at the corporation's principal office and shall be available for inspection by any Director or member of the corporation during regular business hours.

SECTION 7. NONLIABILITY OF MEMBERS

A member of this corporation is not, as such, personally liable for the debts, liabilities or obligations of the corporation.

SECTION 8. NONTRANSFERABILITY OF MEMBERSHIPS

No member may transfer for value a membership or any right arising therefrom. All rights cease upon the members death or cessation of residence in the Marin Valley Mobile Country Club.

SECTION 9. TERMINATION OF MEMBERSHIP

(a) Grounds for Termination The membership of a member shall terminate upon the occurrence of any of the following events:

- (1) Upon his or her notice of such termination delivered to the President or Secretary of the corporation personally or by mail, such membership to terminate upon the date of delivery of the notice or date of deposit in the mail.
- (2) Upon a determination by the Board of Directors that the member has engaged in conduct materially and seriously prejudicial to the interests or purposes of the corporation.
- (3) Upon failure to renew his or her membership by paying dues on or before their due date, such termination to be effective thirty (30) days after a written notification of delinquency is given personally or mailed to such member by the Secretary of the corporation. A member may avoid such termination by paying the amount of delinquent dues within a thirty (30) day period following the member's receipt of written notification of delinquency.

(b) Procedure for Expulsion. Following the determination that a member should be expelled under subparagraph (a)(2) of this section, the following procedure shall be implemented:

- (1) A notice shall be sent by first-class or registered mail to the last address of the member as shown on the corporation's records, setting forth the expulsion and the reasons therefore. Such notice shall be sent at least fifteen (15) days before the proposed effective date of the expulsion.
- (2) The member being expelled shall be given an opportunity to be heard, either orally or in writing, at a hearing to be held not less than five (5) days before the effective date of the proposed expulsion. The hearing will be held by the Board of Directors in accordance with the quorum and voting rules set forth in these Bylaws applicable to the meetings of the Board. The notice to the

member of his or her expulsion shall state the date, time and place of the hearing on his or her expulsion.

- (3) Following the hearing, the Board of Directors shall decide whether or not the member should be expelled, suspended or sanctioned in some other way. The decision of the Board shall be final.

ARTICLE 4. MEETINGS OF MEMBERS

SECTION 1. PLACE OF MEETINGS

Meetings of members shall be held at the principal office of the corporation or at such other place or places within or without the State of California as may be designated from time to time by resolution of the Board of Directors.

SECTION 2. ANNUAL MEETINGS

The members shall meet annually on the first Saturday of June in each year at 11:00 a.m., for the purpose of electing Directors and transacting other business as may come before the meeting. Cumulative voting for the election of Directors shall not be permitted. The candidates receiving the highest number of votes, up to the number of Directors to be elected,, shall be elected. Each voting member shall cast one vote, with voting being by ballot only. The annual meeting of members for the purpose of electing Directors shall be deemed a regular meeting and any reference in these Bylaws to regular meetings of members refers to this annual meeting. If the day fixed for the annual meeting falls on a legal holiday, such meeting shall be held at the same hour and place on the next Saturday.

SECTION 3. SPECIAL MEETINGS OF MEMBERS

Persons Who May Call Special Meetings of Members. Special meetings of members shall be called by the Board of Directors, the Chairman of the Board or the President of the corporation. In addition, special meetings of the members for the purpose of the removal of Directors and election of their replacements may be called by five percent (5%) of the members.

SECTION 4. NOTICE OF MEETINGS

- (a) Time of Notice. Whenever members are required or permitted to take action at a meeting, a written notice of the meeting shall be given by the Secretary of the corporation not less than ten (10) nor more then ninety (90) days before the date of the meeting to each member who, on the record date for the notice of meeting, is entitled to vote thereat; provided, however, that if notice is given by mail, and the notice is not mailed by first-class, registered or certified mail, that notice shall be given twenty (20) days before the meeting.

- (b) Manner of Giving Notice. Notice of any member's meeting or any report shall be given either personally or by mail or other means of written communication, addressed to the member at the address of such member appearing on the books of the corporation or given by the member to the corporation for the purpose of notice; or if no address appears or is given, at the place where the principal office of the corporation is located or by publication of notice of the meeting at least once in a newspaper of general circulation in the county in which the principal office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.
- © Contents of Notice. Notice of a membership meeting shall state the place, date and time of the meeting and (1) in the case of a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (2) in the case of a regular meeting, those matters which the Board, at the same time notice is given, intends to present for action by members. Subject to any provision to the contrary contained in these Bylaws, however, any proper matter may be presented at a regular meeting for such action. The notice of any meeting of members at which Directors are to be elected shall include names of all those who are nominees at the time notice is given to members.
- (d) Notice of Meetings Called by Members. If a special meeting is called by members as authorized in these Bylaws, the request for the meeting shall be submitted in writing, specifying the general nature of the business proposed to be transacted and shall be delivered personally or sent by registered mail or by telegraph to the Chairman of the Board, President, Vice President or Secretary of the corporation. The officer receiving the request shall promptly cause notice to be given to the members entitled to vote that a meeting will be held, stating the date of the meeting. The date for such meeting shall be fixed by the Board and shall not be less than thirty-five (35) nor more than ninety (90) days after the receipt of the request for meeting by the officer. If notice is not given within twenty (20) days after the receipt of the request, persons calling the meeting may give notice themselves.
- (e) Waiver of Notice of Meeting. The transactions of any meeting of members, however called and noticed, and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote, not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporation records or made a part of the minutes of the meeting. Waiver of notices or consents need not specify either the business to be transacted or the purpose of any regular or special meetings of members, except that if action is taken or proposed to be taken for approval of any of the matters specified in subparagraph (f) of this section, the waiver of notice or consent shall state the general nature of the proposal.

(f) Special Notice Rules for Approving Certain Proposals. If action is proposed to be taken or is taken with respect to the following proposals, such action shall be invalid unless unanimously approved by those entitled to vote or unless the general nature of the proposal is stated in the notice of meeting or in any written waiver or notice:

- (1) Removal of directors without cause;
- (2) Filling of vacancies on the Board by members;
- (3) Amending the Articles of Incorporation; and
- (4) An election to voluntarily wind up and dissolve the corporation.

SECTION 5. QUORUM FOR MEETINGS

A quorum shall consist of twenty five percent (25%) voting members of the corporation.

The members present at a duly called and held meeting at which a quorum is initially present may continue to do business notwithstanding the loss of a quorum at the meeting due to a withdrawal of members from the meeting provided that any action taken after the loss of a quorum must be approved by at least a majority of the members required to constitute a quorum.

When a meeting is adjourned for lack of a sufficient number of members at the meeting or otherwise, it shall not be necessary to give notice of the time and place of the adjourned meeting or of the business to be transacted at such meeting other than by announcement at the meeting at which the adjournment is taken of the time and place of the adjourned meeting. Notice of the adjourned meeting shall be required, however, if adjournment is for more than forty five (45) days from the date of the original meeting.

In the absence of a quorum, any meeting of the members may be adjourned from time to time by vote of a majority of the votes represented in person or by proxy at the meeting, but no other business shall be transacted at such meeting.

Notwithstanding any other provision of this Article, if this corporation authorizes members to conduct a meeting with a quorum of less than one-third (1/3) of the voting power, then if less than one-third (1/3) of the voting power actually attends a regular meeting, in person or by proxy, then no action may be taken on a matter unless the general nature of the matter was stated in the notice of the regular meeting.

SECTION 6. TWO THIRDS (2/3) ACTION AS MEMBERSHIP ACTION

Every act or decision done or made by two-thirds (2/3) of the voting members in person or by proxy at a duly held meeting at which a quorum is present is the act of members, unless the law, the Articles of Incorporation of this corporation or these Bylaws require a greater number.

SECTION 7. VOTING RIGHTS

Each member is entitled to one vote on each matter submitted to a vote by the members. Voting at duly held meetings shall be by voice vote. Election of Directors, however, shall be by ballot.

SECTION 8. PROXY VOTING

Members entitled to vote have the right to vote either in person or by a written proxy executed by such person or by his or her duly authorized agent and filed with the Secretary of the corporation, provided, however, that no proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. In any case, however, the maximum term of any proxy shall be three (3) years from the date of its execution. No proxy shall be irrevocable and may be revoked following the procedure given in Section 5613(b) of the California Corporations Code. Further, only one proxy may be held per membership voting in person.

All proxies shall state the general nature of the matter to be voted on and, in the case of a proxy to be given to vote for the election of Directors, shall list those persons who were nominees at the time the notice of vote for election of Directors was given to the members. In any election of Directors, any proxy which is marked by a member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of Directors is withheld shall not be voted either for or against the election of a Director.

SECTION 9. CONDUCT OF MEETINGS

Meetings of members shall be presided over by the Chairman of the Board or, if there is no Chairman, by the President of the corporation or, in his or her absence, by the First Vice President of the corporation or, in the absence of all these persons, by a Chairman chosen by a majority of the voting members, present in person or by proxy. The Secretary of the corporation shall act as Secretary of all meetings of members, provided that in his or her absence, the presiding officer shall appoint another person to act as Secretary of the meeting.

Meetings shall be governed by Robert's Rules of Order, as such rules may be revised from time to time, insofar as such rules are not inconsistent with or in conflict with these Bylaws, the Articles of Incorporation of this corporation, or with any provision of law.

SECTION 10. ACTION BY WRITTEN BALLOT WITHOUT A MEETING

Any action which may be taken at any regular or special meeting of members may be taken without a meeting if the corporation distributes a written ballot to every member entitled to vote on the matter. The ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of each proposal, provide that where the person solicited specifies a choice with respect to any such proposal the vote shall be cast in accordance therewith and provide reasonable time within which to return the ballot to the corporation. Ballots shall be mailed or

delivered in the manner required for giving notice of meetings specified in Section 4(b) of this article.

All written ballots shall also indicate the number of responses needed to meet the quorum requirement and, except of ballots soliciting votes for the election of Directors, shall state the percentage of approvals necessary to pass the measure submitted. The ballots must specify the time by which they must be received by the corporation in order to be counted.

Approval of action by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at the meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the action at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

Directors may be elected by written ballot. Such ballots for election of Directors shall list the persons nominated at the time the ballots are mailed or delivered. If any ballots are marked "withhold" or otherwise marked in a manner indicating that the authority to vote for election of Directors is withheld, they shall not be counted as votes either for or against the election of a Director.

A written ballot may not be revoked after it's receipt by the corporation or it's deposit in the mail, whichever occurs first.

SECTION 11. REASONABLE NOMINATION AND ELECTION PROCEDURES

This corporation shall make available to members reasonable nomination and election procedures with respect to the election of Directors by members. Such procedures shall be reasonable given the nature, size and operations of the corporation and shall include:

- (a) A reasonable means of nominating persons for election as Directors.
- (b) A reasonable opportunity for a nominee to communicate to the members the nominee's qualifications and the reason for the nominee's candidacy.
- (c) A reasonable opportunity for all nominees to solicit votes.
- (d) A reasonable opportunity for all members to choose among the nominees.

Any nominee for Director shall make available a half page resume that will be included with the ballot sent to all voting members.

ARTICLE 5. DIRECTORS

SECTION 1. NUMBER

The corporation shall have five (5) Directors and collectively they shall be known as the Board of Directors. The number may be changed by amendment of this Bylaw, or by repeal of this Bylaw and adoption of a new Bylaw, as provided in these Bylaws.

SECTION 2. POWER

Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law and any limitations in the Articles of Incorporation and Bylaws relating to action required or permitted to be taken or approved by the members, if any, of this corporation, the activities and affairs of this corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the Board of Directors.

SECTION 3. DUTIES

It shall be the duty of the Directors to:

- (a) Perform any and all duties imposed on them collectively or individually by law, by the Articles of Incorporation or by these Bylaws.
- (b) Appoint and remove, employ and discharge and, except as otherwise provided in these Bylaws, prescribe the duties and fix compensation, if any, of all officers, agents and employees of the corporation.
- (c) Supervise all officers, agents and employees of the corporation to assure that their duties were performed properly.
- (d) Meet at such times and places as required by these Bylaws.
- (e) Register their addresses with the Secretary of the corporation, and notices of meetings mailed or telegraphed to them at such addresses shall be valid notices thereof.

SECTION 4. TERM OF OFFICE

Each Director shall hold office for two (2) years. The first Board of Directors shall hold office as follows: three (3) Directors shall be elected for a term of one (1) year; two (2) Directors shall be elected for a term of two (2) years. Thereafter, each Director shall hold office until the next annual meeting for election of the Board of Directors as specified in these Bylaws, and until his or her successor is elected and qualifies.

SECTION 5. COMPENSATION

Directors shall serve without compensation except that they shall be allowed reasonable advancement or reimbursement for expenses incurred in the performance of their regular duties as

specified in Section 3 of this Article. Directors may not be compensated for rendering services to the corporation in any capacity other than Director unless such other compensation is reasonable and is allowed under the provisions of Section 6 of this Article.

SECTION 6. RESTRICTIONS REGARDING INTERESTED DIRECTORS

Notwithstanding any other provisions of these Bylaws, not more than forty percent (40%) of the persons serving on the Board may be interested persons. For purposes of this Section, "interested persons" means either:

- (a) Any person currently being compensated by the corporation for services rendered it within the previous twelve (12) months, whether as full or part time officer or other employee, independent contractor or otherwise, excluding any reasonable compensation made to a Director as Director; or
- (b) Any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law or father-in-law of any such person.

SECTION 7. PLACE OF MEETINGS

Meetings shall be held at the principal office of the corporation unless otherwise provided by the Board or at such place within or without the State of California which has been designated from time to time by resolution of the Board of Directors. In the absence of such designation, any meeting not held at the principal office of the corporation shall be valid only if held on the written consent of all Directors given either before or after the meeting and filed with the Secretary of the corporation or after all Board members have been given written notice of the meeting as hereinafter provided for special meetings of the Board. Any meeting, regular or special, may be held by conference telephone or similar communications equipment, so long as all Directors participating in such meeting can hear one another.

SECTION 8. REGULAR AND ANNUAL MEETINGS

- (a) Regular meetings of the Board shall be held, without call or notice, at Marin Valley Mobile Country Club, 100 Marin Valley Drive, Novato, California 94949.
- (b) At the annual regular meeting of the corporation on the first Saturday of June in each year, Directors shall be elected by members of the Park Acquisition Corporation of Marin Valley Mobile Country Club. Cumulative voting for the election of Directors shall not be permitted. The candidates receiving the highest number of votes up to the number of Directors to be elected shall be elected. Each member shall cast one vote, with voting being by ballot only.

SECTION 9. SPECIAL MEETINGS

Special meetings of the Board of Directors may be called by the President, Vice President, or by any two (2) Directors and such meetings shall be held at the place, within or without the State of California, designated by the person or persons calling the meetings, and in the absence of such designation, at the principal office of the corporation.

SECTION 10. NOTICE OF MEETINGS

Regular meetings of the Board may be held without notice. Special meetings of the Board shall be held upon four (4) days notice by first-class mail or forty-eight (48) hours notice delivered personally or by telephone or telegraph. If sent by mail or telegram, the notice shall be deemed to be delivered on its deposit in the mails or on its delivery to the telegraph company. Such notices shall be addressed to each Director at his or her address as shown on the books of the corporation. Notice of the time and place of holding an adjourned meeting are fixed at the meeting adjourned and if such adjourned meeting is held no more than twenty-four (24) hours from the time of the original meeting. Notice shall be given of any adjourned regular or special meeting to Directors absent from the original meeting if the adjourned meeting is held more than twenty-four (24) hours from the time of the original meeting.

SECTION 11. CONTENTS OF NOTICE

Notice of meetings not herein dispensed with shall specify the place, day and hour of the meeting. The purpose of any Board meeting need not be specified in the notice.

SECTION 12. WAIVER OF NOTICE AND CONSENT TO HOLDING MEETINGS

The transactions of any meeting of the Board, however called and noticed or wherever held, are valid as though the meeting had been duly held after proper call and notice, provided a quorum, as hereinafter defined, is present and provided that either before or after the meeting each Director not present signs a waiver of notice, a consent to hold the meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with corporate records or made a part of minutes of the meeting

SECTION 13. QUORUM FOR MEETINGS

A quorum shall consist of a majority of the Board of Directors.

Except as otherwise provided in these Bylaws or in the Articles of Incorporation of this corporation, or by law, no business shall be considered by the Board at any meeting at which a quorum, as hereinafter defined, is not present and the only motion the President shall entertain at such meeting is a motion to adjourn. However, a majority of the Directors present at such meeting may adjourn from time to time until the time fixed for the next regular meeting of the Board.

When a meeting is adjourned for lack of a quorum, it shall not be necessary to give any notice of the time and place of the adjourned meeting or business to be transacted at such meeting,

other than by announcement at the meeting at which the adjournment is taken, except as provided in Section 10 of this Article.

The Directors present at a duly called and held meeting at which a quorum is initially present may continue to do business notwithstanding the loss of a quorum at the meeting due to a withdrawal of Directors from the meeting, provided that any action thereafter taken must be approved by at least a majority of the required quorum for such meeting or such greater percentage as may be required by law, or the Articles of Incorporation or Bylaws of this corporation.

SECTION 14. MAJORITY ACTION AS BOARD ACTION

Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present is the act of the Board of Directors, unless the Articles of Incorporation or Bylaws of this corporation, or provisions of the California Nonprofit Mutual Benefit Corporation Law, particularly those provisions relating to appointment of committees (Section 5212), approval of contracts or transactions in which a Director has a material financial interest (Section 5233), and indemnification of Directors (Section 5238a), require a greater percentage or different voting rules for approval of a matter by the Board.

SECTION 15. CONDUCT OF MEETINGS

Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or, if no such person has been so designated, or, in his or her absence, the President of the corporation, or, in his or her absence, by the Vice President of the corporation, or, in the absence of each of these persons, by a Chairman chosen by a majority of the Directors present at the meeting. The Secretary of the corporation shall act as Secretary of all meetings of the Board provided that in his or her absence, the presiding officer shall appoint another person to act as Secretary of the meeting.

SECTION 16. ACTION BY UNANIMOUS WRITTEN CONSENT WITHOUT MEETING

Any action required or permitted to be taken by the Board of Directors under any provision of law may be taken without a meeting, if all members of the Board shall individually and collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the unanimous vote of the Directors. Any certificate or other document filed under any provision of law which relates to action so taken shall state that the action was taken by unanimous written consent of the Board of Directors without a meeting and that the Bylaws of this corporation authorize the Directors to so act, and such statement shall be prima facie evidence to such authority.

SECTION 17. VACANCIES

Vacancies on the Board of Directors shall exist (1) on the death, resignation, removal or cessation of residency in the Marin Valley Mobile Country Club of any Director, and (2) whenever the number of authorized Directors is increased.

The Board of Directors may declare vacant the office of a Director, who has been declared of unsound mind by a final order of court, or convicted of a felony, or misdemeanor involving moral turpitude, or been found by a final order of judgment of any court to have breached any duty under Section 5230 and following, of the California Nonprofit Mutual Benefit Corporation Law.

If this corporation has any members, then, if the corporation has less than twenty-five (25) members, Directors may be removed without cause by a majority of all members, or, if the corporation has twenty-five (25) or more members, by a vote of majority of the votes represented at a membership meeting at which a quorum is present.

Any Director may resign effective upon giving written notice to the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for the effectiveness of such resignation. No Director may resign if the corporation would then be left without a duly elected Director or Directors in charge of its affairs, except upon notice to the Attorney General.

Vacancies on the Board may be filled by a majority of Directors then in office, whether or not less than a quorum, or by a sole remaining Director. If this corporation has members, however, vacancies created by the removal of a Director may be filled only by approval of the members. The members, if any, of this corporation may elect a Director at any time to fill any vacancy not filled by the Directors.

A person elected to fill a vacancy as provided in this Section shall hold office until the next annual election of the Board of Directors or until his or her death, resignation, removal from office or cessation of residency in the Marin Valley Mobile Country Club.

SECTION 18. NON-LIABILITY OF DIRECTORS

The Directors shall not be personally liable for the debts, liabilities or other obligations of the corporation.

SECTION 19 INDEMNIFICATION BY CORPORATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

To the extent that a person, who is or was a Director, officer, employee or other agent of this corporation, has been successfully on the merits in defense of any civil, criminal, administrative or investigative proceeding brought to procure a judgment against such a person by reason of the fact that he or she is, or was, an agent of the corporation, or has been successful in defense of any claim, issue or matter therein, such person shall be indemnified against actually and reasonably incurred by the person in connection with such proceedings.

If such person either settles any such claim or sustains a judgment against him or her, then indemnification against expenses, judgments, fines, settlements and other amounts reasonably incurred in connection with such proceedings shall be provided by this corporation but only to the extent allowed by, and in accordance with, requirements of Section 5238 of the California Nonprofit Mutual Benefit Corporation Law.

SECTION 20. INSURANCE FOR CORPORATE AGENTS

The Board of Directors may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any agent of the corporation (including a Director, officer, employee or other agent of the corporation) against any liability other than for violating provisions of law relating to self-dealing (Section 5233 of the California Nonprofit Mutual Benefit Corporation Law)

asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the corporation would have the power to indemnify the agent against such liability under the provisions of Section 5238 of the California Nonprofit Mutual Benefit Corporation Law.

ARTICLE 6. OFFICERS

SECTION 1. NUMBER OF OFFICERS

The officers of this corporation shall be a President, a Secretary and a chief financial officer who shall be designated the Treasurer. The corporation may also have, as determined by the Board of Directors, a Chairman of the Board, one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers or other officers. Any number of offices may be held by the same person except that neither the Secretary nor the Treasurer may serve as the President or Chairman of the Board.

SECTION 2 QUALIFICATION, ELECTION AND TERM OF OFFICE

Any person may serve as officer of this corporation. Officers shall be elected by membership, at a duly authorized meeting therefor, and each officer shall hold office for two (2) years, or is removed or is disqualified to serve, or until his or her successor shall be elected and qualified, whichever occurs first.

SECTION 3. SUBORDINATE OFFICERS

The Board of Directors may appoint other officers or agents as it may deem desirable, and such officers shall serve such terms, have such authority, and perform such duties as may be prescribed from time to time by the Board of Directors.

SECTION 4. REMOVAL AND DESIGNATION

Any officer may be removed with cause, by the Board of Directors, at any time. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or to the Secretary of the corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later date specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. The above provisions of this Section shall be superseded by any conflicting terms of a contract which has been approved or ratified by the Board of Directors relating to the employment of any officer of the corporation.

SECTION 5. VACANCIES

Any vacancy caused by death, resignation, removal, disqualification or otherwise, of any officer shall be filled by the Executive Board. In the event of a vacancy in any office other than that of President, such vacancy may be filled temporarily by appointment by the President until such time as the Board shall fill the vacancy. Vacancies occurring in offices of officers appointed at the discretion of the Board may or may not be filled as the Board shall determine.

SECTION 6. DUTIES OF THE PRESIDENT

The President shall be the chief executive officer of the corporation and shall, subject to control of the Board of Directors, supervise and control the affairs of the corporation and the activities of the officers. He or she shall perform all duties incident to his or her office and such other duties as may be required by law, by the Articles of Incorporation of this corporation, or by these Bylaws, or which may be prescribed from time to time by the Board of Directors. Unless another person is specifically appointed as Chairman of the Board of Directors, he or she shall preside at all meetings of the Board of Directors. If applicable, the President shall preside at all meetings of the members. Except as otherwise expressly provided by law, by Articles of Incorporation or by these Bylaws, he or she shall, in the name of the corporation, execute such deeds, mortgages, bonds, contracts, checks or other instruments which may from time to time be authorized by the Board of Directors.

SECTION 7. DUTIES OF VICE PRESIDENT

In the absence of the President, or in the event of his or her inability or refusal to act, the Vice President shall perform all duties of the President, and when so acting shall have all the powers of, and be subject to all restrictions on the President. The Vice President shall have other powers and perform such other duties as may be prescribed by law, by the Articles of Incorporation, or by these Bylaws or as may be prescribed by the Board of Directors.

SECTION 8. DUTIES OF SECRETARY

The Secretary shall:

Certify and keep at the principal office of the corporation the original, or a copy, of these Bylaws as amended or otherwise altered to date.

Keep at the principal office of the corporation or at such other place as the Board may determine, a book of minutes of all meetings of Directors, and, if applicable, minutes of committees of Directors and of members, recording therein the time and place of holding, whether regular or special, how called, how notice thereof was given, the names of those present or represented at the meeting and the proceedings thereof.

See that all notices are duly given in accordance with the provisions of these Bylaws or as required by law.

Be custodian of the records and of the seal of the corporation and see that the seal is affixed to all duly executed documents, the execution of which on behalf of the corporation under its seal is authorized by law or by these Bylaws.

Keep at the principal office of the corporation a membership book containing the name and address of each and any members who are tenants of a mobilehome space, and, in the case where any membership has been terminated, he or she shall record such fact in the membership book.

Exhibit at all reasonable times to any Director of the corporation, or to his or her agent or attorney, on request therefor, the Bylaws, the membership book and the minutes of the proceedings of the Directors of this corporation.

In general, perform all duties incident to office of Secretary and other such duties as may be required by law, by the Articles of Incorporation of this corporation, or by these Bylaws, or which may be assigned to him or her from time to time by the Board of Directors.

SECTION 9. DUTIES OF TREASURER

Subject to the provisions of these Bylaws relating to the "Execution of Instruments, Deposits and Funds", the Treasurer shall:

Have charge and custody of, and be responsible for, all funds and securities of the corporation, and deposit all such funds in the name of the corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors

Receive, and give receipt for, monies due and payable to the corporation from any source whatsoever.

Disburse or cause to be disbursed the funds of the corporation as may be directed by the Board of Directors, taking proper vouchers for such disbursements.

Keep and maintain adequate and correct accounts of the corporation's properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains and losses.

Exhibit at all reasonable times the books of account and financial records to any Director of the corporation, or to his agent or attorney, on request therefor.

Render to the President and Directors, whenever requested, an account of any or all of his or her transactions as Treasurer and of the financial condition of the corporation.

Prepare, or cause to be prepared, and certify, or cause to be certified, the financial statements to be included in any required reports.

In general, perform all duties incident to the office of Treasurer and such other duties as may be required by law, the Articles of Incorporation of the corporation, or by these Bylaws, or which may be assigned to him or her from time to time by the Board of Directors.

SECTION 10. COMPENSATION

The salaries of the officers, if any, shall be fixed from time to time by resolution of the Board of Directors, and no officer shall be prevented from receiving such salary by reason of the fact that he or she is also a Director of the corporation, provided, however, that such compensation paid a Director for serving as a officer of this corporation shall only be allowed if permitted under

the provisions of Article 5, Section 6, of these Bylaws. In all cases, any salaries received by officers of the corporation shall be reasonable and given in return for serviced actually rendered the corporation which relate to the performance of the charitable or public purposes of this corporation.

ARTICLE 7. EXECUTION OF INSTRUMENTS, DEPOSITS AND FUNDS

SECTION 1. EXECUTION OF INSTRUMENTS

The Board of Directors, except as otherwise provided in these Bylaws, may by resolution authorize any officer or agent of the corporation to enter into any contract or execute and deliver any instrument in the name and on behalf of the corporation, and such authority may be general or confined to specific instances. Unless so authorized, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable monetarily for any purpose or in any amount.

SECTION 2. CHECKS AND NOTES

Except as otherwise specifically determined by resolution of the Board of Directors, or as otherwise required by law, checks, drafts, promissory notes, orders for payment of money and other evidence of indebtedness of the corporation shall be signed by any two (2) of the President, Vice President and Treasurer.

SECTION 3. DEPOSITS

All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select.

SECTION 4. GIFTS

The Board of Directors may accept on behalf of the corporation any contribution, gift, bequest or devise for charitable or public purposes of this corporation.

ARTICLE 8. CORPORATE RECORDS, REPORTS AND SEAL

SECTION 1. MAINTENANCE OF CORPORATE RECORDS

The corporation shall keep at its principal office in the State of California:

(a) Minutes of all meetings of Directors, committees of the Board and, if this corporation has members, of all meetings of members, indicating the time and place of holding such meetings, whether regular or special, how called, the notice given and the names of those present and the procedures thereof.

(b) Adequate and correct books and records of account, including accounts of its

properties and business transactions and accounts of its assets, liabilities, receipts, disbursements, gains and losses.

© A record of its members, if any, indicating their names and addresses and, if applicable, the class of membership held by each member and the termination date of any membership.

(d) A copy of the corporation's Articles of Incorporation and Bylaws as amended to date, which shall be open to inspection by the members, if any, of the corporation at all reasonable times during office hours.

SECTION 2. CORPORATE SEAL

The Board of Directors may adopt, use, and at will alter a corporate seal. Such seal shall be kept at the principal office of the corporation. Failure to affix the seal to corporate instruments, however, shall not affect the validity of any such instrument.

SECTION 3. DIRECTORS' INSPECTION RIGHTS

Every Director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the corporation.

SECTION 4. MEMBERS INSPECTION RIGHTS

If this corporation has any members, then each and every member shall have the following inspection rights, for a purpose reasonably related to such person's interest as a member:

- (a) To inspect and copy the record of all member's names, addresses and voting rights, at reasonable times, upon five (5) business days' prior written demand on the corporation, which demand shall state the purpose for which the inspection rights are requested.
- (b) To obtain from the Secretary of the corporation, upon written demand and payment of a reasonable charge, a list of the names, addresses and voting rights of those members entitled to vote for the Directors as of the most recent record date for which the list has been compiled or as of the date specified by the member subsequent to the date of demand. The demand shall state the purpose for which the list is requested. The membership list shall be made available on or before the later of ten (10) business days after the demand is received or after the date specified therein as of which list is to be compiled.
- (c) To inspect at any reasonable time the books, records or minutes of proceedings of the members or of the Board or committees of the Board, upon written demand on the corporation by the member, for a purpose reasonably related to such person's interests as a member.

SECTION 5. RIGHT TO COPY AND MAKE EXTRACTS

Any inspection under the provisions of this Article may be made in person or by an agent or attorney and right to inspection includes the right to copy and make extracts.

SECTION 6. ANNUAL REPORT

The Board shall cause an annual report to be furnished not later than one hundred twenty (120) days after the close of the corporation's fiscal year to all Directors of the corporation and, if this corporation has members, cause that report to be posted in the Clubhouse, which report shall contain the following information in appropriate detail:

- (a) The assets and liabilities, including the trust funds, of the corporation as of the end of the fiscal year.
- (b) The principal changes in assets and liabilities, including trust funds, during the fiscal year.
- (c) The revenue or receipts of the corporation, both unrestricted and restricted to particular purposes, for the fiscal year.

- (d) The expenses or disbursements of the corporation, for both general and restricted purposes, during the fiscal year.
- (e) Any information required by Section 7 of this Article.

The annual report shall be accomplished by any report thereon of independent accountants, or, if there is no such report, the certificate of an authorized officer of the corporation that such statements were prepared without audit from books and records of the corporation.

If this corporation has members, then, if this corporation has more than three hundred thirteen (313) members or more than Three Hundred Thousand Dollars (\$300,000.00), excluding any value that may be attributable by reason of ownership of Park assets, at any time during the fiscal year, this corporation shall automatically send the above annual report to all members, in such manner, at such time, and with such contents, including an accompanying report from independent accountants or certification of a corporate officer, as specified by the above provisions of this Section relating to the annual report.

SECTION 7. ANNUAL STATEMENT OF SPECIFIC TRANSACTIONS TO MEMBERS

If this corporation has any members and provides them with an annual report to all members according to the provisions of Section 6 of this Article, then such annual report shall include the information required by this Section. If an annual report is not required to be sent to the members, then this corporation shall mail or deliver to all members a statement within one hundred twenty (120) days after close of its fiscal year which briefly describes the amount and circumstances of any indemnification or transaction of the following kind:

- (a) Any transaction in which the corporation, or its parent or subsidiary was a party, and in which either of the following had a direct or indirect material financial interest:
 - (1) Any Director or officer of the corporation, or its parent or subsidiary (a mere common directorship shall not be considered a material financial interest); or
 - (2) Any holder of more than ten percent (10%) of the voting power of the corporation, its parent or subsidiary.

The above statement need only be provided with respect to a transaction during the previous fiscal year involving more than Forty Thousand Dollars (\$40,000.00) or which was one of a number of transactions with the same person involving, in the aggregate, more than Forty Thousand Dollars (\$40,000.00).

Similarly, the statement need only be provided with respect to indemnification or advances aggregating more than Ten Thousand Dollars (\$10,000.00) paid during the previous fiscal year to any Director or Officer, except that no such statement need be made if indemnification was

approved by the members pursuant to Section 5238(e)(2) of the California Nonprofit Mutual Benefit Corporation Law.

Any statement required by this Section shall briefly describe the names of interested persons involved in such transaction, stating each person's relationship to the corporation, the nature of such person's interest in the transaction and, where practical, the amount of such interest; provided, that in the case of a transaction with a partnership of which such person is a partner, only the interest of the partnership need be stated.

ARTICLE 9. FISCAL YEAR

SECTION 1. FISCAL YEAR OF THE CORPORATION

The fiscal year of the corporation shall begin on the first day of January and end on the thirty-first day of December in each year.

ARTICLE 10. BYLAWS

SECTION 1. AMENDMENT

Subject to any provision of law applicable to the amendment of Bylaws of public benefit nonprofit corporations, these Bylaws, or any of them, may be altered, amended or repealed and new Bylaws adopted as follows:

Subject to the power of the members, if any, to change or repeal them, by approval of the Board of Directors unless the Bylaw amendment would materially and adversely affect the rights of members, if any, as to voting or transfer, provided, however, if this corporation has admitted any members, then a Bylaw specifying or changing the fixed number of the Directors of the corporation, the maximum or minimum number of Directors, or changing from a fixed to variable Board or visa versa, may not be adopted, amended or repealed except as provided in subparagraph (b) of this Section; or

(b) By approval of the members, if any, of this corporation.

ARTICLE 11. AMENDMENT OF ARTICLES

SECTION 1. AMENDMENT OF ARTICLES BEFORE ADMISSON OF MEMBERS

Before any members have been admitted to the corporation, amendment of the Articles of Incorporation may be adopted by approval of the Board of Directors.

SECTION 2. AMENDMENT OF ARTICLES AFTER ADMISSION OF MEMBERS

After members, if any, have been admitted to the corporation, amendment of the Articles of Incorporation may be adopted by approval of the Board of Directors and by the approval of members of this corporation.

SECTION 3. CERTAIN AMENDMENTS

Notwithstanding the above Section of this Article, this corporation shall not amend its Articles of Incorporation to alter any statement which appears in the original Articles of Incorporation and of names and addresses of the first Directors of this corporation or the name and address of its initial agent, except to correct an error in such statement or to delete either statement after the corporation has filed a "Statement by a Domestic Non-Profit Corporation" pursuant to Section 6210 of the California Nonprofit Corporation Law.

ARTICLE 12. PROHIBITION AGAINST SHARING CORPORATE PROFITS AND ASSETS

SECTION 1. PROHIBITION AGAINST SHARING CORPORATE PROFITS AND ASSETS

No member, Director, officer, employee or other person connected with this corporation, or any private individual, shall receive at any time any of the net earnings or pecuniary profit from operations of the corporation, provided, however, that this provision shall not prevent payment to any such person for reasonable compensation for services performed for the corporation in affecting any of its public or charitable purposes, provided that such compensation is otherwise permitted by these Bylaws and is fixed by a resolution of the Board of Directors; and no such person or persons shall be entitled to share in the distribution of, and shall not receive, any of the corporate assets on dissolution of the corporation. All members, if any, of the corporation shall be deemed to have expressly consented and agreed that on such dissolution or winding up of the affairs of the corporation, whether voluntarily or involuntarily, assets of the corporation, after all debts have been satisfied, then remaining in the hands of the Board of Directors, shall be distributed as required by the Articles of Incorporation of this corporation and not otherwise.

CERTIFICATE OF SECRETARY

OF

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

A California Nonprofit Corporation

I hereby certify that I am the duly elected and acting Secretary of said Corporation and that the forgoing Bylaws, comprising 22 pages, constitute the Bylaws of said Corporation as duly adopted at a meeting of the Board of Directors thereof on 3-5-1997.

Dated: 3-5, 1997

Danton L. Ireland
Secretary

State of California



SECRETARY OF STATE

CERTIFICATE OF STATUS DOMESTIC CORPORATION

I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That on the 28th day of June, 1988,
PARK ACQUISITION CORPORATION OF MARIN VALLEY
MOBILE COUNTRY CLUB

became incorporated under the laws of the State of California by filing its Articles of Incorporation in this office; and

That no record exists in this office of a certificate of dissolution of said corporation nor of a court order declaring dissolution thereof, nor of a merger or consolidation which terminated its existence; and

That said corporation's corporate powers, rights and privileges are not suspended on the records of this office; and

That according to the records of this office, the said corporation is authorized to exercise all its corporate powers, rights and privileges and is in good legal standing in the State of California; and

That no information is available in this office on the financial condition, business activity or practices of this corporation.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

February 27, 1997



A handwritten signature in cursive script that reads 'Bill Jones'.

Secretary of State

\$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**

\$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**

**CLOSING CERTIFICATE OF THE PARK ACQUISITION CORPORATION
OF MARIN VALLEY COUNTRY CLUB**

The undersigned, with regards to the above referenced Bonds (the "Bonds") hereby states and certifies:

(a) that they are the duly appointed, qualified and acting authorized representatives of 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, and as such, are familiar with the facts herein certified and are authorized and qualified to certify the same;

(b) that on February 24, 1997 the Board of Directors of the PAC duly adopted Resolution No. 97-224 (the "Resolution"), which Resolution has not been amended, modified, supplemented, rescinded or repealed and remains in full force and effect as of the date hereof;

(c) that, by all necessary action, the PAC has duly authorized and approved the execution and delivery of, and the performance by the PAC of the obligations on its part contained in, the following agreements (collectively referred to herein as the "PAC Documents"):

(i) the Loan Agreement, dated as of March 1, 1997 (the "Loan Agreement"), by and among the PAC, California Local Government Finance Authority ("CLGFA"), the Novato Financing Authority ("Owner");

(ii) the Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997 (the "Pledge Agreement") by and among the PAC, the Redevelopment Agency of the City of Novato (the "Agency") and the Owner;

(iii) the Marin Valley Mobile Country Club Park Delegation Agreement, dated as of March 1, 1997, by and between the PAC and the Owner;

(iv) the Management Agreement, dated as of March 1, 1997, by and between the PAC and Storz Management Company, Inc. (the "Property Manager");

(v) the In-Lieu-Of-Tax Agreement, dated as of March 1, 1997, by and among the PAC, the City of Novato (the "City") and the Owner;

(vi) the Deposit Only Account Agreement, dated as of March 1, 1997, by and among the Property Manager, Bank of Marin, the PAC and First Trust of California, National Association, as trustee (the "Trustee");

(vii) the Capital Improvements Agreement, dated March 13, 1997, and executed by the Owner and the PAC;

(viii) the Letter of Representation attached to the Purchase Contract, dated March 10, 1997, by and between the Owner and Sutro & Co. Incorporated, as representative of the underwriters (the "Underwriter");

(ix) the Continuing Disclosure Agreement relating to the Senior Bonds, dated as of March 1, 1997;

(x) the Continuing Disclosure Agreement relating to the Subordinate Bonds, dated as of March 1, 1997;

(xi) the Insurance and Indemnity Agreement, dated as of March 1, 1997, by and among the PAC, the Owner and Financial Security Assurance Inc.;

(xii) the Purchase Agreement, dated as of March 1, 1997, by and between the PAC and the Owner;

(xiii) the Assignment of Rental Agreements, made as of March 13, 1997, by the PAC in favor of the Owner; and

(xiv) other documents contemplated thereby;

(d) that the representations, warranties and covenants of the PAC contained in the PAC Documents are true and correct in all material respects on and as of the date hereof as if made on the date hereof, and the PAC has complied with all of the terms and conditions of the PAC Documents, the Offering Statement and the Private Placement Memorandum required to be complied with by the PAC at or prior to the date hereof;

(e) that the information in the Preliminary Offering Statement, the Offering Statement and the Private Placement Memorandum insofar as it relates to the PAC is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in light of the circumstance under which they were made, not misleading;

(f) that to the best of my knowledge, the information in the Offering Statement or in the Private Placement Memorandum insofar as it relates to the Project and the PAC (as such term is defined in the Trust Indenture, dated as of March 1, 1997, by and among CLGFA and First Trust of California, National Association, as trustee) is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in light of the circumstance under which they were made, not misleading

(g) that to the best of my knowledge no event affecting the PAC or the Project has occurred since the dates of the Offering Statement or the Private Placement Memorandum which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Offering Statement or the Private Placement Memorandum for the purpose for which it is to be used or in order to make the statements therein, in light of circumstance under which they were made, not misleading;

(h) that the PAC has complied with the PAC Documents and the relevant laws of the State;

(i) that all approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the PAC of its obligations under the PAC Documents have been obtained;

(j) that there is no action, suit, proceeding, inquiry or investigation which is pending or, to the best of my knowledge in this official capacity, after due inquiry, threatened against the PAC by or before any court, governmental agency or public board or body which:

(i) in any way questions the existence or powers of the PAC or the titles of the officers of the PAC in their respective capacities,

(ii) in any way affects or contests the validity of the PAC Documents or the authority of the PAC to enter into the PAC Documents,

(iii) in any way restrains or enjoins the issuance or delivery of the Bonds or the collection of the Revenues pledged under the Indenture.

Dated: March 13, 1997

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB

By Owen V. Haxton
Name: OWEN V. HAXTON
Title: PRESIDENT AND CEO

By Burton L. Veeland
Name: BURTON L. VEELAND
Title: SECRETARY

[Signature Page to Closing Certificate of the PAC]

\$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)
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AUTHORITY

\$1,585,000
SUBORDINATE REVENUE BONDS, SERIES 1997
(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

INCUMBENCY AND SIGNATURE CERTIFICATE OF THE CITY OF NOVATO

The undersigned hereby state and certify:

(a) that they are the duly appointed, qualified and acting Mayor and City Clerk, respectively, of the City of Novato (the "City"), a municipal corporation duly organized and existing under the Constitution and laws of the State of California, and as such are familiar with the facts herein certified and are authorized and qualified to certify the same;

(b) that the following are now, and have continuously been since the dates of the beginning of their respective current terms of office, the duly qualified and acting member of the governing body of the City and (ii) remain in office through the date hereof:

<u>Members</u>	<u>Position</u>	<u>Ending Date of Current Term</u>
<u>Patricia Eklund</u>	<u>Mayor</u>	<u>November 1997</u>
<u>Ernest J. Gray</u>	<u>Councilmember</u>	<u>November 1997</u>
<u>Michael DiGiorgio</u>	<u>Councilmember</u>	<u>November 1999</u>
<u>Carole Dillon-Knutson</u>	<u>Councilmember</u>	<u>November 1999</u>
<u>Cynthia L. Murray</u>	<u>Councilmember</u>	<u>November 1999</u>

(c) that the signatures set forth opposite the names and title of the following persons are the true and correct specimen, or are the genuine, signatures of such person, each of whom holds the office designated:

Name/Title

Name: Patricia Eklund
Title: Mayor

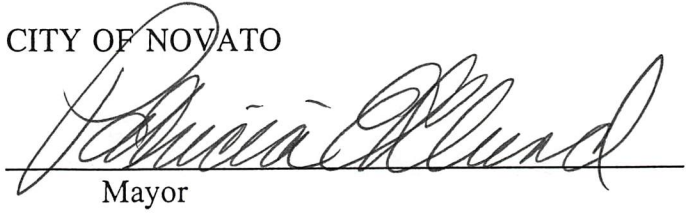
Signature


Name: Shirley Gremmels
Title: City Clerk



Dated: March 13, 1997

CITY OF NOVATO


Mayor


City Clerk

ORDINANCE NO. 1341

AN ORDINANCE OF THE CITY OF NOVATO
ADDING CHAPTER XX TO THE
NOVATO MUNICIPAL CODE, ESTABLISHING A
SYSTEM OF MOBILEHOME RENT CONTROL

The City Council of the City of Novato does ordain as follows:

Section 1. Chapter XX is hereby added to the City of Novato Municipal Code to read as follows:

CHAPTER XX

RENT CONTROL - MOBILEHOMES

20-1. Definitions.

For the purpose of this chapter, the following terms and phrases shall be defined as follows:

- A. "Board" shall mean the City of Novato Rent Stabilization Board.
- B. "Capital improvements" shall have the same meaning as is ascribed to that term in the United States Internal Revenue Code. Ordinary maintenance and/or repairs which are deductible pursuant to 26 U.S.C. Section 167 of the Internal Revenue Code are not capital improvements.
- C. "Consumer Price Index" or "CPI" shall mean the Consumer Price Index for all urban consumers in the San Francisco/Oakland area published by the Bureau of Labor Statistics.
- D. "Exceptional circumstances" shall mean unforeseen and unanticipated events including but not limited to natural disasters (floods, earthquake, fires and landslides) and vacancy rates of existing mobilehome spaces exceeding 25%. The Board shall have complete discretion in determining when an "exceptional circumstance" arises.
- E. "Housing service" shall mean a service provided by the owner related to the use or occupancy of a mobilehome space, which is not a capital improvement as that term is defined herein, including but not limited to, repairs, replacement, maintenance, painting, lighting, heat, water, laundry facilities, refuse removal, recreational facilities, parking, security service and employee services.

F. "Maximum allowable rent" shall mean the maximum amount of rent permitted to be charged a tenant for a mobilehome space under this chapter.

G. "Mobilehome" shall mean a structure, designed for human habitation and for being moved on a street or highway under permit pursuant to California Vehicle Code section 35790, as defined in California Civil Code section 798.3 as it may be amended from time to time.

H. "Mobilehome park" or "park" shall mean any area of land within the City of Novato where two (2) or more mobilehome spaces are rented, or held out for rent, to accommodate mobilehomes used for human habitation.

I. "Mobilehome space" shall mean the site within a mobilehome park intended, designed or used for the location or accommodation of a mobilehome and any accessory structures or appurtenances attached thereto or used in conjunction therewith.

J. "Owner" shall mean the owner or operator of a mobilehome park or an agent or representative authorized to act on said owner's or operator's behalf in connection with the maintenance or operation of such park.

K. "Rent" shall mean the consideration paid for the right of use, possession and occupancy of property, including the right to the use of a space within a mobilehome park on which to locate, maintain, and occupy a mobilehome, site improvements, and accessory structures for human habitation, including the use of the services and facilities of the park.

L. "Rent Stabilization Administration Fee" shall mean the fee established from time to time by resolution of the City Council in accordance with the provisions of the chapter.

M. "Rent increase" shall mean any increase in rent charged by an owner to a tenant including any reduction in housing services without a corresponding reduction in the amount demanded or paid for rent.

N. "Tenancy" shall have the same meaning as is ascribed to that term in California Civil Code § 798.12.

O. "Tenant" shall mean "homeowner" as the latter term is defined in Civil Code § 798.9, and shall include a person who is not currently a mobilehome space tenant in a mobilehome park but is a prospective mobilehome space tenant who desires the use of a mobilehome space as defined in this chapter and has presented himself/herself to the owner as such (sometimes referred to hereafter as a "tenant to be").

20-2. Applicability/Exceptions

A. Except as otherwise provided hereinafter, the provisions of this chapter apply only to mobilehome parks which contain mobilehome spaces as defined in this chapter and to the mobilehomes within such parks.

B. No rent increases shall be permitted with respect to any mobilehome space after the adoption of this chapter, except as authorized by this chapter or applicable law.

C. The right to institute rent increases permitted hereunder is subject to compliance with the notice provisions of the California Civil Code. Said notice shall contain that information required by the Board in accordance with rules it adopts.

D. No owner may increase rents in accordance with Section 20-5 (General Rent Adjustments) at any time when a park is delinquent in payments of the rent stabilization administration fee required pursuant to this chapter and/or is not in substantial compliance with other registration requirements.

E. Mobilehome spaces covered by a rental agreement meeting the requirements of Civil Code Section 798.17 are exempt from those provisions of this Chapter pertaining to maximum allowable rents.

F. New construction (newly constructed spaces initially held out for rent after January 1, 1990) is exempt from this chapter pursuant to Civil Code Section 798.45.

G. After securing budgetary authorization from the City Council and conducting the studies and investigations it deems appropriate and necessary, the Board may promulgate rules and regulations under which parks may be exempted from this Chapter XX; provided, however, that said rules and regulations shall not exempt parks or owners from this Chapter XX unless the mobilehome space rents charged by the owner are less than that which would otherwise be allowed under this Chapter.

20-3. Establishment of Rent Stabilization Board.

A. There is established the City of Novato Rent Stabilization Board.

B. The Board shall consist of five voting members. No voting member of the Board shall be a mobilehome park owner, operator or manager or a mobilehome park tenant or lessee subject to this chapter. In addition, there shall be two non-voting members who shall serve in an advisory capacity to the Board. One non-voting member shall be chosen from candidates nominated by owners and one non-voting member shall be chosen from candidates nominated by tenants. Voting members of the Board shall be residents of the City and shall serve without compensation.

C. The City Council shall appoint the initial members of the Board within thirty (30) days after the effective date of this chapter. Board members shall be appointed to terms of two years, except that of the first Board, two voting members shall be appointed to terms of one year so that there will be staggered terms of the voting members. Each Board member serves at the pleasure of the Council and, at any time for any or no reason, may be removed from the Board upon a majority vote of the Council.

D. The Board shall adopt rules and procedures for scheduling its meetings, conducting hearings and exercising its powers and functions, provided, however, that such rules and procedures shall not conflict with the provisions of this chapter and shall be in compliance with the requirements of statutory and case law.

E. The Board shall elect from its voting members a chairperson and vice chairperson who shall serve one-year terms and thereafter until their successors are elected. The chairperson shall preside at meetings of the Board, represent the Board at functions and perform such duties as may be assigned to the position. The vice chairperson shall preside at meetings and perform the duties of the chairperson in the absence of the chairperson.

F. Three (3) voting Board members shall constitute a quorum. The Board shall not transact any business unless a quorum is present and voting. Decisions of the Board shall be made by a majority vote of the members voting on the matter.

G. The Board shall perform the duties and exercise the powers set forth in this chapter and shall recommend ordinances to the City Council as needed for the fair operation of this chapter.

H. The Board shall appoint administrative hearing officers to hear individual rent adjustment applications pursuant to the procedures set forth in Sections 20-9 and 20-10 herein.

I. The duties and responsibilities of the Board shall include the hearing of individual rent adjustment appeals and making determinations thereon in the manner set forth in this chapter.

20-4. Base Rent.

A. Except as provided in this chapter, an owner shall not demand, accept or retain rent for a mobilehome space exceeding the base rent which was the rent in effect for that space on January 1, 1996. If a previously rented mobilehome space was not rented on January 1, 1996, the base rent shall not exceed the rent in effect during the last month the space was rented prior to January 1, 1996, except as provided in this chapter.

B. On the date the ordinance which enacts this Chapter becomes effective, each owner may demand, accept and retain rent for mobilehome spaces whose rents are controlled by this Chapter in an amount equal to the base rent.

C. Within 90 days after the adoption of this chapter, each owner shall provide notice to each tenant, as required under law, of the rent that may be charged and collected pursuant to this chapter.

20-5. General Rent Adjustments

Automatic Increase by 75% of CPI

A. Each January 1, commencing with January 1, 1997, an owner may increase the rent charged for a mobilehome space by 75% of the percentage increase in the CPI occurring over no more than the most recent twelve-month period for which CPI data is available since the last rent increase permitted pursuant to this Section or Section 20-9.

B. Each January 1, commencing with January 1, 1997, each owner shall decrease the rent charged for a mobilehome space by 75% of the percentage decrease in the CPI occurring over no more than the most recent twelve-month period for which CPI data is available since the last rent increase permitted pursuant to this Section or Section 20-9.

20-6. Limitations on Rent Increases

A. The increases allowed by the terms of this chapter shall be applied equally to all mobilehome spaces subject to an increase as provided herein.

B. The owner, in calculating the amount of increase allowed, shall apply the percentage increase as allowed in Section 20-5 ("General Rent Adjustment") to the maximum allowable rent permitted to be charged on the immediately preceding December 31 to determine the actual dollar increase.

C. The calculations showing the amount of anticipated increase and how the increase was determined shall both be posted for public viewing in the office of the park manager or an area where it can easily be seen by the tenants and a copy forwarded to the Board. The accuracy of representations memorialized in said calculations shall be executed under penalty of perjury.

20-7. Pass Throughs

A. Charges authorized by Civil Code Sections 798.41 and 798.49 to be separately charged to a tenant shall not be considered part of the rent controlled hereunder and shall be governed by the provisions of those code sections.

B. Amortized costs of beneficial capital improvements exceeding existing reserves for replacement, plus a reasonable profit and reasonable finance expenses incurred in connection therewith, shall be considered part of the rent, and at the option of the owner, may be passed through to tenants under rules and procedures adopted by the Board. Such capital improvement costs and profits, if elected to be passed through to tenants by the owner, shall not constitute a factor to be considered in determining fair return under Sections 20-9 and 20-12, below (the individual rent adjustment), nor shall they be considered part of the rent base upon which future rent increases can be made in accordance with §20-5 (the "General Rent Adjustment").

1. For purposes of this chapter, "beneficial capital improvements" shall generally mean a capital improvement required to assure that the common facilities and areas of the park are decent, safe, and sanitary or to assure the continuation of the existing level of park amenities and services, so long as such improvement has been completed and is:

- (a) Distinguished from ordinary repair or maintenance;
- (b) For the primary benefit, use, or enjoyment of the tenants;
- (c) Permanently fixed in place or relatively immobile and dedicated to the use of the property to the extent permitted by Board rule;
- (d) Not coin-operated nor one for which a "use fee" or other charge is imposed on tenants for its use;

(e) Amortized over the remaining useful life of the improvement;
and

(f) Not maintenance of the infrastructure of gas or electrical lines or facilities within the mobilehome park for which the public utility has permitted the owner a special premium with the intent that it be used to replace or otherwise maintain the system within the mobilehome park.

20-8. Vacancy Control

No increase in rent shall be authorized by virtue of a change in occupancy of a mobilehome.

Notwithstanding anything to the contrary stated above, the Board may adopt rules and regulations which permit park owners to increase rents by virtue of a change in occupancy of a mobilehome where the rent charged to the previous occupant or mobilehome owner was historically low.

20-9. Individual Adjustments.

A. Application for Individual Adjustment.

In the event a park owner contends that the General Rent Adjustment as provided in Section 20-5, and the pass throughs provided in Section 20-7 do not result in a just and reasonable return to the park owner, the park owner may file a petition for a hearing to determine the maximum allowable rent that will provide the owner a fair and reasonable return. Only one individual adjustment petition can be filed within a 12 month period, [unless the owner can establish "exceptional circumstances". For purposes of this Section 20-9(A), "exceptional circumstances" shall mean that the inability of an owner to file more than one individual rent adjustment petition within said 12 month period will immediately result in that owner being denied a fair and reasonable return without possibility that the adjustment which would otherwise have been sought could be sought and granted by way of a future rent adjustment petition otherwise permitted hereunder.]

The park owner shall complete and file with the Board a petition on a form prescribed by the Board or otherwise permitted by law for that purpose. The petition must be signed under penalty of perjury. The petition must be accompanied by payment of the fee set for this purpose by Council resolution.

B. Hearing Officer.

The Board shall appoint an administrative hearing officer to hear any individual adjustment petition. The following procedure shall be used in making said appointment:

1. Any interested person may submit a name of a nominee to the Board with a description of his/her applicable experience (preferably a curriculum vitae).
2. The Board shall select a hearing officer from the nominees within 20 days of the petition.
3. The Board may consider the following criteria in selecting the hearing officer.
 - a. Expertise in rental disputes and issues.
 - b. Legal experience.
 - c. Business and professional experience.
 - d. Education and training in dispute resolution.

- e. The fee requested by the nominee.

The hearing officer shall not own any interest in a mobilehome park, and shall not reside in a mobilehome park.

Petitioner shall bear the cost of the hearing officer. The Board shall notify the petitioner of its selection, the estimated costs of the hearing officer and request payment. Within 10 business days of mailing notice of the selected hearing officer, the petitioner shall deliver payment of the hearing officer's estimated fee to the Board. After notice to the owner, failure to timely pay the hearing officer's estimated fee shall be deemed a withdrawal of the petition. If the petitioner is an owner, failure to pay the hearing officer's final fee bill shall preclude the owner from implementing any and all future general adjustment rent increases provided under Section 20-5 until said bill is fully paid.

C. Tenant Approval of Rent Increase Avoids Hearing Process.

1. Whenever an owner serves a notice of rent increase, except a notice of rent increase provided pursuant to Section 20-5 (General Rent Adjustments) or Section 20-7 (Pass Throughs), the owner shall serve on each tenant the information and documents required by Board rule.

2. If, within twenty-one (21) days after said notice of the rent increase is last served on the tenants, the park owner files with the Board a writing, signed by at least a majority of the tenants in the park affected by the proposed rent increase consenting to the rent increase, the rent increase may take place on the date specified in the notice.

3. For purposes of this subsection 20-9(C), each mobilehome space shall be counted as one vote for determining whether the percentage specified in subsection 20-9(c)(2), above, has been met. Notwithstanding anything to the contrary stated above, in the event that a mobilehome space is vacant, that space shall not be counted for purposes of this subsection (C); and provided further, that in the event that a mobilehome space is occupied with a mobilehome but the mobilehome is unoccupied at the time that the notice described in subsection C(1), above, is distributed to the tenants, the park owner shall be obligated to exercise good faith and due diligence in locating the occupant of the mobilehome and providing him/her the required written notice within the said twenty-one (21) day period. If the owner has timely exercised good faith and due diligence in notifying said absent occupant and securing said absent occupant's consent but said absent occupant cannot be located or is not notified as required hereunder, then said occupant's mobilehome space shall not be counted for purposes of this subsection (C). The form of the consent shall be determined by Board rule.

4. In the event a majority of the tenants do not, in writing, consent to said proposed rent increase, then the owner shall be required to apply for an individual rent

adjustment pursuant to this Section 20-9 before any rent increase covered by the notice described in subsection (C)(1) is permitted or becomes effective.

20-10. Hearing Procedures.

A. Hearing Officer's Authority.

At rent adjustment hearings or complaint hearings, the hearing officer(s) shall have the right to:

1. Administer oaths and affirmations.
2. Cause inspections to be made of the mobilehome park for which a rent adjustment is sought.
3. Rule on offers of proof and receive relevant evidence.
4. Control the course of the hearing.
5. Rule on procedural requests.
6. Render decisions on applications for individual rent adjustments and complaints.
7. Take other action authorized by the rules and regulations adopted by the Board.

B. Notice of Hearing

At least 10 days prior to the pre-hearing conference, notice shall be mailed to the owner, and to tenants of the rental units for which a rent adjustment is sought, of the date, time, and place of the pre-hearing conference. The same notice procedures shall apply in tenant complaint hearings. Among other things, the pre-hearing conference will have as its purposes the determination of a hearing date and the nature of the evidence, if any, required to be submitted and provided by any party to the proceedings.

C. Conduct of Hearing

The hearing on a petition for individual rent adjustment shall be conducted in a manner deemed most suitable to insure fundamental fairness to all parties concerned, and with a view toward securing all relevant information and material necessary to render a decision without unnecessary delay.

D. Evidence Rules

The hearing need not be conducted according to technical rules of evidence. Any relevant evidence shall be considered if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil actions. Unduly repetitious or irrelevant evidence shall be excluded upon order by the hearing officer. Oral evidence shall be taken only on oath.

E. Order of Proceedings

The hearing on an application for individual rent adjustment shall ordinarily proceed in the following order:

1. Presentation by or on behalf of petitioner, if the petitioner wishes to expand upon material contained in the petition for individual rent adjustment, including calling any witnesses on behalf of the petitioner.
2. Presentation by or on behalf of opponents to the petition, including calling any witnesses on behalf of the opponents.
3. Rebuttal by petitioner.

F. Speaker's Presentation.

Each speaker's presentation shall be to the point and shall be as brief as possible; visual and other materials may be used as appropriate. The Board or staff may establish reasonable time limits for presentations, which time limits will be made known prior to any hearing.

G. Right of Assistance

All parties to a hearing may have assistance in presenting evidence and developing their positions from attorneys, legal workers, tenant organization representatives, owner association representatives, or any other persons designated by said parties.

H. Hearing Record

The hearing officer(s) shall keep on file an official record, which shall constitute the exclusive record for decision.

I. Decision.

No individual rent adjustment shall be granted unless supported by the preponderance of the evidence submitted at the hearing.

After reviewing the record and any additional evidence requested of the parties which has been provided, the hearing officer shall determine the amount of allowable rental increase, if any, in accordance with the standards of Section 20-12, and the increase, if any, shall be effective as of the date it was originally, lawfully noticed.

The hearing officer shall render a written decision within 20 days after the date of the hearing, supported by findings of fact and conclusions of law.

The hearing officer's decision shall notify the parties to the hearing of the effect of the decision and of their appeal rights.

J. Rent Appeals Board Rent Adjustment Hearings

In the event that a hearing officer is unable to be appointed or serve with respect to any individual adjustment petition, the Board shall conduct the rent adjustment hearing and shall do so pursuant to this chapter, and be vested with all powers and responsibilities the hearing officer is vested with and burdened by hereunder. Any decision made by the Board acting under this subsection shall be final and unappealable.

20-11. Appeal to Board

A. Procedure

Within 10 business days after the date of receipt of the hearing officer(s) decision, the owner, tenant, or any Board member may appeal to the Board.

Appeal forms shall be approved by the Board. Any person wishing to appeal the decision of a hearing officer(s) must do so on the form approved by the Board and must pay the appropriate fee. The payment of appeal fees shall not apply to any Board member who may wish to appeal a hearing officer's decision.

As soon as practicable after the filing of the appeal and within 120 days from the date of filing of the petition for individual rent adjustment, the Board shall affirm, reverse or modify the decision of the hearing officer(s). The hearing before the Board shall not be de novo, and no additional evidence other than that submitted to the hearing officer shall be admitted by the Board on appeal except where the Board finds that there is relevant evidence which, in the exercise of reasonable diligence, could not have been produced at the hearing officer hearing(s) or which was improperly excluded by the hearing officer. The Board shall affirm the hearing officer's decision if it is supported by substantial evidence,

and in reviewing the evidence on appeal the Board must resolve all conflicts in favor of the hearing officer's decision and all legitimate and reasonable inferences indulged in to uphold the findings if possible.

At least 10 days prior to the date set for Board action, all parties shall be notified by mail of the date, time and place set for Board action on the appeal.

B. Decision and Findings

The authority and jurisdiction of the Board shall be set forth in the Board's rules and regulations.

The Board's decision to affirm, reverse or modify the decision of the hearing officer shall be supported by written findings of facts and conclusions of law and shall be mailed to the parties.

C. Effect of Appeal

Unless appealed to the Board within the time prescribed in Section 20-11, the decision of the hearing officer shall be the final decision of the Board.

If the hearing officer's decision is timely appealed, the Board's decision to affirm, reverse or modify the hearing officers' decision shall become final at the time of Board action and no appeal will lie thereafter.

To be effective, any increase in rent granted by the hearing officer(s) must be preceded by written notice provided by Section 798.30 of the California Civil Code. If the hearing officer's decision is appealed, and if the Board reduces or nullifies the amount of rent increase, the owner shall reduce the amount of the rent in accordance with the Board's decision and shall refund to the tenant any rent the owner collected during the period following the hearing officer's decision that is in excess of the rent allowed to be charged by the Board after rendering its decision on appeal.

If a tenant's petition for a downward rent adjustment is granted by the hearing officer(s), the tenant may decrease the rent by giving the owner 30 days advanced written notice. If the hearing officer's decision is appealed, and if the Board reduces or nullifies the amount of the rent decrease, the tenant shall increase the amount of the rent payment in accordance with the Board's decision and shall pay to the owner additional rent in accordance with the Board's decision on appeal.

1. Failure to Act Within 120 Days

If after conducting a hearing the Board fails to render a final decision on a petition for a rent adjustment within 120 days from the date of filing the petition for individual rent adjustment, the hearing officer's decision shall become final.

20-12. Fair Return Standard

A. Owners may obtain rent adjustments for individual mobilehome parks pursuant to the standards established in this section in order for rents to be set at a level which will avoid a confiscatory taking of the owner's property and satisfy federal and state constitutional requirements. Rents established hereunder must be fair.

1. Presumption of Fair Base Year Net Operating Income (NOI).

Except as provided in subsection (A)(2) , it shall be presumed that the net operating income ("NOI") produced by the park in the base year provided a fair return on the property. Owners shall be entitled to maintain and increase their net operating income in accordance with Sections 20-5, 20-7 and 20-9 of this Chapter.

2. Adjustments of Fair Base Year Net Operating Income.

If the hearing officer or Board determine that the base year NOI yielded other than a fair return, it shall adjust the base year NOI in accordance with this section. The hearing officer shall not make such a determination unless it has made at least one of the following findings:

a. The owner's operating expenses in the base period were unusually high or low. In such instances, the operating expenses shall be adjusted to reflect normal operating expenses for the park for the period in question, assuming full occupancy levels in the park.

In determining whether the owner's operating expenses were unusually high or low, the hearing officer and/or Board shall consider whether:

(1) The owner made substantial capital improvements during the base period which were not reflected in the rent levels on the base date.

(2) Expenses were unusually high or low, relative to other years.

b. The rent was disproportionately low or high due to the fact, established by a preponderance of the evidence, that it was not established in an arms-length transaction or there were other peculiar circumstances that demonstrate that the rent was not

set under general market conditions. In such instances, the rent shall be adjusted to reflect general market conditions for the base period in question, assuming full occupancy levels in the park.

3. Calculation of Net Operating Income.

For the purposes of an individual rent adjustment proceeding pursuant to this chapter, the following definitions shall apply:

a. Net Operating Income equals Gross Income minus operating expenses.

b. Gross Income equals the sum of:

(1) Gross rents, computed as gross rental income at one hundred percent occupancy.

(2) Interest from collected rental deposits which the owner has agreed to pay to the tenant, but which is retained by the owner.

(3) All other income or consideration received or receivable in connection with the use and occupancy of the park spaces, as allowed by this chapter.

c. Operating expenses shall include the following:

(1) Real property taxes,

(2) Utility costs, not paid by the tenants.

(3) Management fee for operating the park, not to exceed six percent of gross income, unless it is demonstrated that fees in excess of this amount are reasonable.

(4) Reasonable accounting fees.

(5) Insurance.

(6) Owners performed labor, at reasonable rates for the trade or profession for the community.

(7) License and registration fees.

(8) Maintenance expenses.

(9) Fees paid to the city for petitions made pursuant to this chapter.

(10) Attorney's fees and costs incurred: (i) in connection with good faith attempts to recover rents owing, (ii) in connection with good faith unlawful detainer actions (not in derogation of applicable law to the extent that such expenses are not recovered from the residents), and/or (iii) in complying with the State Mobilehome Residency Law, and all other legal costs directly related to the operation, maintenance, and improvement of the park. Fees which are clearly excessive in relation to the customary and reasonable rates shall be disallowed.

(11) Fees, charges or assessments described in Civil Code § 798.49(c).

(12) Reserves for replacement of long-term improvements or facilities, provided that accumulated reserves shall not exceed 5% of gross income.

(13) Mortgage principal and interest payments, to the extent permitted by Board rules.

d. Operating expenses shall not include the following:

- (1) Unnecessary and unreasonable expenses,
- (2) Mortgage principal and interest payments to the extent determined by Board rules,
- (3) Ground lease payments,
- (4) Any penalties, fees or interest assessed or awarded for violations of this or any other law.
- (5) Legal and professional costs and fees except as provided in subsection 3.c(10).
- (6) Depreciation of real and personal property,
- (7) Any expense for which the owner has been reimbursed from a source other than rental income (such as insurance),
- (8) Expenses for utilities when the income for the utilities is not calculated as part of rental income in determining income under the proceedings in this section.

4. Calculation of Fair Return

a. It shall be presumed that the base period net operating income adjusted by 100% of the increase or decrease in the Consumer Price Index since the end of the base year derived by an owner yields a fair return. The hearing officer or Board shall make a determination of whether the petitioner's net operating income yields a fair return under this standard.

b. The base period Consumer Price Index shall be the Consumer Price Index level for January 1996. Current period Consumer Price Index shall be the Consumer Price Index as of the date of the petition for an individual rent adjustment.

c. The park owner may establish that this formula will not provide a fair and reasonable return and that an alternate formula should be used by the hearing officer in evaluating the petition.

d. Notwithstanding any other provision of this chapter, the hearing officer and Board may consider any factors required by law in order to ensure that the rent permitted yields a fair return.

5. Base Year Defined

"Base Year" or "base period" shall mean the calendar year 1995.

6. Health Risks

In any determination of what constitutes a reasonable rent increase under the circumstances, the hearing officer or Board shall consider and weigh evidence establishing the nature and extent of any violations by either the Owner, the operator, or homeowners of the State Health and Safety codes or other laws applicable to the park. Any rent increase may be disallowed, reduced, or made subject to reasonable conditions, depending on the severity of such violations.

20-13. Disclosures

A. An owner shall disclose to each tenant to be the rent paid by the previous tenant and provide each tenant to be with a copy of this chapter.

B. Any person who is a "tenant-to-be" must be offered the option of renting a mobilehome space in a manner which will permit the "tenant-to-be" to receive the benefits of this chapter which includes, but is not limited to, rental of a mobilehome space on a month-to-month basis, and a maximum allowable rent as provided in this Chapter. Such a person cannot be denied the option of a tenancy twelve months or less in duration. The owner shall provide each "tenant-to-be" with a written notification of the option which shall make the

following recitation: UNDER NOVATO CITY CODE CHAPTER XX YOU ARE LEGALLY ENTITLED TO ELECT A MONTH-TO-MONTH TENANCY OVER ANY OTHER LONGER PERIODIC TENANCY. YOU ARE ADVISED THAT YOU MAY NOT BE ENTITLED TO RENT STABILIZATION (RENT CONTROL) PROGRAM BENEFITS IF YOU ELECT A LEASE OF MORE THAN TWELVE MONTHS IN DURATION IF THAT LEASE MEETS THE REQUIREMENTS OF CIVIL CODE SECTION 798.17 WHICH HAS BEEN ATTACHED HERETO." The written notification will include a place for the tenant-to-be to acknowledge receipt of the notification and a copy thereof will be provided to that tenant-to-be. Any effort to circumvent the requirements of this section shall be unlawful, as well as an unfair business practice subject to enforcement under Business and Professions Code section 17200 et seq.

20-14. Fees.

A. The costs of general administration of this ordinance shall be borne by the City; subject to reimbursement of the City's General Fund by imposition of a rent stabilization administration fee chargeable against each mobilehome space subject to rent control in the City. The park owner who pays these fees may pass through fifty percent (50%) of the fees assessed against a mobilehome space to the tenant only as set forth herein. This fee pass through must take place no later than twelve months after the park owner is billed for the program administration fees. Failure to timely pass through 50% of the fees assessed against a mobilehome space will result in the loss of the park owner's right to do so. The remaining fifty percent (50%) of the fees assessed against a mobilehome space shall not be passed on in any way to tenants. Fees passed through to tenants as herein authorized shall not be considered a part of the rent base upon which future rent increases can be made.

B. The fees imposed by this section shall be paid annually. The time and manner of payment, delinquency status, and assessment and collection of penalties for delinquent payment of the fees imposed by this section shall be as provided by separate ordinance of the City Council. The City Manager shall recommend to the City Council from time to time the amount of such fee and the City Council shall adopt such fee by ordinance or resolution.

C. Any park owner who believes that he/she may be entitled to a space fee exemption pursuant to Civil Code section 798.17(b), having provided the tenant with a legally recognized long-term lease which is not subject to rent stabilization administration fees, shall provide the City Manager with the following documentation, whichever is applicable:

1. the executed lease for each exempt space claimed.
2. amendments to said exempt lease, if any.
3. for a newly constructed space, proof that the space was constructed after January 1, 1990 (building permits, etc.).

20-15. Registration

A. Each year, park owners shall be required to register all mobilehome spaces which are subject to rent control and are rented or are available for rent, with the Board.

B. Initial registration shall be required within sixty calendar days after the date any mobilehome park or mobilehome space initially becomes subject to the provisions of this chapter.

C. Registration shall be made on a form provided by the Board.

D. The form shall include, but shall not be limited to, the following information: (1) the rent for each space in the park; (2) the name(s), business address(es), business telephone number(s) of each person or legal entity (i) possessing any ownership interest in the park and the nature of such interest or (ii) managing the park; (3) the number of mobilehome spaces within the park; (4) the number of spaces occupied and number of space unoccupied by a mobilehome; (5) a listing for each space of all other charges, including utilities not included in space rent and the approximate amount of each charge; (6) the name and address to which all required notices will be sent; and (7) a map of the park.

E. A copy of the registration form shall be posted in a prominent location in the park and each tenant shall be notified annually in writing of the location of the posting.

F. No owner may increase rents in accordance with Section 20-5 (General Rent Adjustments) if that owner has failed to register all of his/her mobilehome spaces subject to rent control by a date set by the Board. The amount of an upward general adjustment for which an owner shall be eligible under said Section 20-5 shall decrease by ten percent (10%) per month for each month, or fraction thereof, beyond a date set by the Board for which the owner fails to register. An owner who is not eligible to raise rents under an upward general adjustment under this subsection (F) shall never be able to raise rents based upon the adjustment forfeited hereunder.

20-16. Solicitations Of Any Petitions By The Park Owners Are Without Force Or Legal Effect Within City's Program.

Except as to the notice and consent described in §20-9(c) the distribution of a petition or other documents seeking to have mobilehome tenants waive rights, abandon a filed petition or in any way affect the entitlement of the tenants to participate in the rent stabilization process authorized hereunder shall be without force or legal effect within the City's rent stabilization program. Such documents shall not affect the right of any tenant to participate in the rights, remedies, procedures and processes set forth in this Chapter. Efforts to utilize such documents to discourage participation in the City's rent stabilization program may be deemed retaliation.

20-17. Tenant Complaints

Tenants shall have the same rights as an Owner to a hearing in order to object to any rent increase or to enforce any provision of this chapter. Tenants shall file a complaint on a form provided by the Board and pay any applicable fees. Tenants shall be subject to the same procedural limits and bear the same costs relating to the hearing procedures that are applicable to owners as set forth in this chapter.

20-18. When Recreational Vehicle Space Tenants Are Governed by this Chapter".

Any recreational vehicle space that is occupied by a recreational vehicle as defined in Civil Code Section 799.29 for a period in excess of nine (9) months on or after March 26, 1996, shall be regarded to be a "mobilehome space" for purposes of this Chapter, and a tenant upon such a space shall be entitled to all the rights, protections and obligations of this Chapter. Notwithstanding anything to the contrary stated hereinabove, upon the effective date of this Chapter, said space shall be subject to registration and the fees authorized by the City Council for mobilehome spaces. The space tenant and the recreational vehicle park owner shall apportion the fee in the manner authorized for mobilehome spaces subject to this Chapter generally.

20-19. Disclosure Under PRA.

All information and documents submitted to the Board and all written decisions made by the Board and hearing officer under this chapter shall be deemed public records and disclosable as such under the California Public Records Act, unless nondisclosure is required under said Act.

20-20. Enforcement.

If authorized by the City Council and it becomes necessary for the city attorney to seek judicial enforcement of the orders of the Board or City Council, the City shall be entitled to receive reasonable attorney's fees from the defendant or defendants in such action as set by the court if such judicial enforcement action is successful. Nothing in this section shall prevent a private party from commencing an action to enforce the orders of the Board or Council.

20-21. Penalties.

Any violation of this chapter shall be a misdemeanor punishable as is provided in the Novato Municipal Code.

20-22. Fees

The fees which are required to be paid under §§ 20-11(A) and 20-9(A) above shall be established by separate City Council resolution.

Section 2: Publication and Effective Date:

This ordinance shall be published in accordance with applicable provisions of law, by either:

publishing the entire ordinance once in the Novato Advance, a newspaper of general circulation, published in the City of Novato, within fifteen (15) days after its passage and adoption, or

publishing the title or appropriate summary in the Novato Advance at least five (5) days prior to adoption, and a second time within fifteen (15) days after its passage and adoption with the names of those City Councilmembers voting for and against the ordinance, and

This ordinance shall go into effect thirty (30) days after the date of its passage and adoption.

Section 3: SEVERABILITY If any section, subsection, sentence, clause, phrase or portion of this ordinance is for any reason held invalid or unconstitutional, such decision shall not affect the validity of the remaining portions of this ordinance.

The City Council hereby declares that it would have passed this and each section, subsection, phrase or clause thereof irrespective of the fact that any one or more sections, subsections, phrase or clauses be declared unconstitutional on their face or as applied.

* * * * *

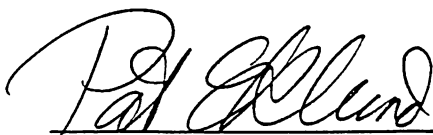
THE FOREGOING ORDINANCE was first read at a regular meeting of the Novato City Council on the 15th day of February, 1996, and was passed and adopted at a regular meeting of the Novato City Council on the 22nd day of February, 1996.

AYES: Councilmembers Di Giorgio, Dillon-Knutson, Eklund, Murray


NOES: Councilmembers None

ABSTAIN: Councilmembers None

ABSENT: Councilmembers Gray


Mayor of the City of Novato

20 

CERTIFIED A TRUE COPY
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CITY CLERK, CITY OF NOVATO

February 22, 1996

Attest:

Shirley Grammes
City Clerk of the City of Novato

Approved as to form:

[Signature]
City Attorney of the City of Novato

CERTIFIED A TRUE COPY
Shirley Grammes
CITY CLERK, CITY OF NOVATO

CERTIFIED A TRUE COPY

CITY CLERK, CITY OF HOUSTON

CITY OF NOVATO

STATE OF CALIFORNIA
County of Marin

SS

Proof of Publication of

I am a citizen of the United States and a resident of the County aforesaid: I am over the age of eighteen years, and not a party to or interested in the above matter. I am the principal clerk of the printer of the MARIN INDEPENDENT JOURNAL, a newspaper of general circulation, printed and published daily in the County of Marin, and which newspaper has been adjudged a newspaper of general circulation by the Superior Court of the County of Marin, State of California, under date of FEBRUARY 7, 1955, CASE NUMBER 25568; that the notice, of which the annexed is a printed copy (set in type not smaller than nonpareil), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

October 5, 1996

~~at~~ in the year 19xxx

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Fran Cooper Signature

Dated this 5th day of October 19 96

PROOF OF PUBLICATION

CERTIFIED A TRUE COPY

CITY CLERK, CITY OF NOVATO

NOTICE OF PUBLIC HEARING
NOTICE IS HEREBY GIVEN that the City of Novato, California (the "City") will conduct a public hearing to be held on October 21, 1996, at 900 Sherman Ave., Novato, CA 94945, at the hour of 4 P.M., as required by Section 147(f) of the Internal Revenue Code of 1986, as amended, relating to the approval and issuance of one or more series of Revenue Bonds (Marin Valley Mobile Country Club Park Acquisition Project) Series 1996 in the aggregate principal amount not to exceed \$18,500,000 (the "Bonds"). Said Bonds are being issued by the ABAG Finance Authority for Nonprofit Corporations (the "Issuer") pursuant to a plan of financing to loan the proceeds of the Bonds to the Novato Finance Authority (the "Authority") to finance the acquisition of a 315-unit manufactured home community project known as the Marin Valley Mobile Country Club Park (the "Project") to be acquired by the Authority and to be operated by the Park Acquisition Corporation of Marin Valley Mobile Country Club, a California nonprofit mutual benefit corporation or by a yet-to-be-incorporated 501(c)(3) corporation initially to be named Marin Valley Corporation. The Project is located at 172 Marin Valley Drive, Novato, California.
The Bonds will be special, limited obligations of the Authority and shall never constitute the debt or other financial obligation whatsoever of the Issuer, the City, the City of Novato Redevelopment Agency, the Authority or the State of California or any political subdivision thereof within the meaning of any provision or limitation of the Constitution or statutes of the State of California, and in no event shall the Bonds be payable out of any funds or properties other than those expressly provided therefor under the Trust Indenture.
All interested parties are invited to present comments, orally or in writing, at the public hearing regarding the proposed issuance of the Bonds and the purchase of the Project, or may, prior to the time of the hearing, submit written comments to Sonia Seeman, Deputy Redevelopment Director, 900 Sherman Ave., Novato, CA 94945. Questions concerning the hearing may also be submitted to (him/her) at the above address.
City of Novato, California
No. 2010 Oct. 5, 1996