
LOAN AGREEMENT

among

CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY,

NOVATO FINANCING AUTHORITY,

and

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

Dated as of March 1, 1997

Relating to

\$15,485,000

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

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

**Facilitated by the
CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY**

and

\$1,585,000

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

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

**Facilitated by the
CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY**

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

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LOAN AGREEMENT

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

WITNESSETH:

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

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

WHEREAS, CLGFA is authorized by the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended, a resolution adopted by CLGFA on February 19, 1997 (the "Resolution") and the terms of the Trust Indenture dated as of March 1, 1997 (the "Indenture") by and between CLGFA and First Trust of California, National Association (the "Trustee") to issue \$15,485,000 aggregate principal amount of Senior Revenue Bonds, Series 1997A (Marin Valley Mobile Country Club Park Acquisition Project), Issued for the Benefit of the Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority (the "Senior Bonds"), and \$1,585,000 aggregate principal amount of Subordinate Revenue Bonds, Series 1997B (Marin Valley Mobile Country Club Park Acquisition Project), Issued for the Benefit of the Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority (the "Subordinate Bonds" and with the Senior Bonds, the "Bonds"); and

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

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

Agreement"); and

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

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

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

ARTICLE I

DEFINITION OF TERMS AND RULES OF CONSTRUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (a) Words importing the singular number shall include the plural number and vice versa.

(b) The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Loan Agreement. The term "heretofore" means before the date of this Loan Agreement and the term "hereafter" means after the date of this Loan Agreement.

(c) Words importing the redemption or calling for redemption of Bonds shall not be deemed to refer to or connote the payment of Bonds at their stated maturity.

(d) Articles and Sections mentioned by number only are the respective articles and sections of this Loan Agreement so numbered. References to "this Article," "this Section" or "this subsection" shall refer to the particular article, section or subsection in which such reference appears. All references herein to particular articles or sections are references to Articles or Sections of this Loan Agreement.

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

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

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

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

(b) CLGFA has duly executed and delivered the Mortgage Loan Documents to which it is a party, and such documents are the legal, valid and binding obligations of CLGFA, enforceable against CLGFA in accordance with their respective terms except as the enforceability thereof may be subject to (i) the exercise of judicial discretion in accordance with general equitable principles and (ii) applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws for the relief of debtors heretofore or hereafter enacted and except that enforceability of indemnification and contribution provisions may be limited,

in whole or in part, by applicable securities laws or public policy.

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

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

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

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

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

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

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

it is a party or by which it is bound.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) There are no actions, suits or proceedings pending or, to the knowledge of the PAC, threatened against or affecting the PAC, or involving the validity or enforceability of the Bonds or any of the Mortgage Loan Documents, or the first priority lien of the Mortgage, respectively, at law or in equity, or before or by any governmental authority. The PAC is not in default in any material respect under any mortgage, deed of trust, lease, loan or

credit agreement, partnership agreement or other instrument to which it is a party or by which it is bound.

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

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

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

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

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

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

(j) (i) The PAC has not received any notice that it is not in compliance with all provisions of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended; the Resource Conservation and Recovery Act; the Superfund Amendments and Reauthorization Act of 1986; the Toxic Substances Control Act and all environmental laws of the State, or with any rules, regulations and administrative orders of any governmental agency, or with any judgments, decrees or orders of any court of competent jurisdiction with respect thereto (the "Environmental Laws"), and (ii) the PAC has not received any assessment, notice of (primary or secondary) liability or notice of

financial responsibility and no notice of any action, claim or proceeding to determine such liability or responsibility, or the amount thereof, or to impose civil penalties with respect to the Project under any Environmental Law, nor has the PAC received notification that any hazardous substances (as defined under CERCLA) that it has disposed of have been found in any site at which any governmental agency is conducting an investigation or other proceeding under any Environmental Law.

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

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

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

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

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

(d) The Owner shall in good faith and with due diligence rent and operate the Project subject to the Pledge Agreement as provided in, and otherwise comply with the requirements of, the Pledge Agreement. The Owner hereby covenants to include such requirements and restrictions in any documents transferring any interest in the Project to

another person to the end that such transferee has notice of and is bound by the restrictions in the Pledge Agreement to the extent and for the period provided therein and to obtain the agreement from any transferee to so abide.

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

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

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

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

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

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

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

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

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

ARTICLE III

THE BONDS; THE INDENTURE

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

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

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

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

ARTICLE IV

THE LOAN; PREPAYMENTS; ASSIGNMENTS

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

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

Any amounts remaining outstanding and unpaid under the Senior Note will be due and payable on October 1, 2027; any amounts remaining outstanding and unpaid under the Subordinate Note will be due and payable on October 1, 2024; provided, however, that any failure to pay any amounts outstanding and due and payable on either the Subordinate Note or the Subordinate Bonds shall not constitute an Event of Default until after the Senior Termination Date (as defined in Section

7.01(b) hereof).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

and

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

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

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

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

(f) *Redemption of Senior Bonds.* Prior to the date on which notice of redemption is given in connection with any redemption of the Senior Bonds, the Owner shall (i) pay or cause to be paid, but solely from Revenues and the Trust Estate, to the Trustee as repayment of the Senior Loan for deposit into the Revenue Fund an amount of money which, together with other moneys available therefor in accordance with the terms of the Indenture, is

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

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

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

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

Agreement and (vii) the amount required to be paid to the Owner to satisfy any unsecured obligations of the Owner incurred pursuant to Section 2.04(e).

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

Section 4.04. *Subordination.*

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

(i) all payments of principal of, premium, if any, and interest due on the Subordinate Loan as well as other loans, advances or costs incurred at any time or times under any agreements evidencing the Subordinate Loan whether now existing or hereafter acquired shall be and hereby are subordinated in priority and in right and time of payment to payments and reservations for payments of (A) the Senior Loan and the Senior Bonds; (B) amounts due and payable pursuant to Sections 4.03(b) through (h) hereof; and (C) any other fees, costs or expenses related thereto and any indebtedness and obligations of the Owner due under the Insurance Agreement (collectively, the "Senior Debt"); provided, however, that the foregoing shall not impose any limitation on the use of moneys rightfully on deposit in the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Debt Service Reserve Fund, the Subordinate Pledged Funds Account or the

Subordinate Cashtrap Account to make payments on the Subordinate Bonds pursuant to the Indenture;

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

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

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

(c) Each holder of the Subordinate Note and the Subordinate Bonds, by acceptance of its Note or Bond, as applicable, covenants that it will not, as long as any Senior Debt remains unpaid, (i) commence, or join in the commencement of, whether directly or indirectly, an insolvency or similar proceeding with respect to the Owner, CLGFA or the PAC for any reason, provided that neither the Owner, CLGFA nor the PAC is, at the time, the subject of any insolvency or similar proceeding or (ii) declare a default under the Subordinate Note or the Subordinate Bonds or commence any judicial proceeding or action against the PAC, CLGFA or the Owner, its properties, the Project or the Trust Estate to enforce or collect any payment of the Subordinate Note or the Subordinate Bonds. If any holder of the Subordinate Note in violation of this Loan Agreement shall commence, prosecute or participate in any suit, action or proceeding against the PAC, CLGFA or the Owner, its properties, the Project or the Trust Estate, the PAC or the Owner may interpose as a defense or plea the making of this Loan Agreement, and Financial Security may intervene and interpose such defense or plea in Financial Security's name or in the name of the PAC, CLGFA or the Owner. If any holder of the Subordinate Note or the Subordinate Bonds shall in violation of this Loan Agreement attempt to enforce any security agreements, real estate mortgages or any lien instruments or other encumbrances against the Trust Estate, Financial Security may, by virtue of this Agreement, restrain the enforcement thereof in Financial

Security's name or in the name of the PAC, CLGFA or the Owner. If any holder of the Subordinate Note or the Subordinate Bonds in violation of this Loan Agreement obtains any of the Trust Estate as a result of any administrative, legal or equitable action or otherwise, the holder of the Subordinate Note or the Subordinate Bonds agrees to forthwith pay, deliver and assign to the Trustee on behalf of Financial Security and the Holders of Senior Bonds such part of the Trust Estate to be held as security for or applied to the payment of amounts now or hereafter owing with respect to the Senior Debt.

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

Section 4.05. *Optional Prepayments.*

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

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

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

As an alternative to delivery of Available Moneys to the Trustee as described above, the Owner may prepay the Senior Loan in whole by delivery to the Trustee of a Letter of Credit no later than the Business Day prior to the Trustee's mailing of notice of redemption. Any such Letter of Credit shall be accompanied by an Opinion of Counsel from nationally recognized bankruptcy counsel to the effect that proceeds of a drawing under such Letter of

Credit will constitute Available Moneys. The Trustee will make a drawing under the Letter of Credit to make the Loan prepayment.

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

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

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

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

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

Section 4.07. ***Assignments to Trustee.*** It is understood and agreed that all right, title and interest of CLGFA in and to this Loan Agreement (except the fees and other amounts payable to or for the benefit of CLGFA for its own purposes and the rights of CLGFA to indemnification under Article VII hereof) are to be pledged and assigned by CLGFA to the Trustee as security for the Holders of the Bonds and Financial Security under and pursuant to the Indenture. The Owner and the PAC consent to such pledge and assignment and agree that this Loan Agreement and the Notes and all of the rights, interests, powers, privileges and benefits accruing to or vested in CLGFA under this Loan Agreement and the Notes may be protected and enforced in conformity with the Indenture and may be exercised, protected and enforced for or on behalf of the Bondholders and Financial Security in conformity with the provisions of this Loan Agreement and the Indenture. CLGFA directs the Owner, and the Owner agrees, to pay or cause to be paid to the Trustee all payments required pursuant to this Loan Agreement, including, without limitation, all payments on the Loan.

ARTICLE V

ADDITIONAL COVENANTS OF THE OWNER

Section 5.01. *Transfer of Project.*

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

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

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

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

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

conveyance;

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

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

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

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

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

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

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

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

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

ARTICLE VI

ADDITIONAL COVENANTS

Section 6.01. *Payment of Costs of Issuance.*

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

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

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

Section 6.02. **Capital Plan.**

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

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

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

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

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

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

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

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

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

(c) policies of flood insurance in an amount which shall not be less than the amount available under the National Flood Insurance Act of 1986, and, if available under other policies issued by other sources, then in such additional amounts as the Controlling

Party may reasonably require or if there is no Controlling Party, as determined by a qualified insurance consultant;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 6.13. **Continuing Disclosure.** The PAC hereby covenants and agrees to enter into an agreement or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure for the benefit of the Holders of each Series of Bonds as required by Paragraph (b)(5)(i) of the Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240 § 240.15c2-12) (the "Disclosure Requirements"), to the extent such Series of Bonds at any time is not exempt from the Disclosure Requirements.

ARTICLE VII

EVENTS OF DEFAULT

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

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

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

(c) the Owner or the PAC shall fail to perform or observe any covenant or agreement contained in any of the Mortgage Loan Documents (other than a breach of a covenant which, in and of itself, constitutes a Trigger Event or which is described in either (a) or (b) of this Section 7.01), and such failure shall continue for a period of 30 days after written notice is given to the Owner or the PAC, as applicable, provided that, if such failure shall be of a nature that it cannot be cured within 30 days, such failure shall not constitute an Event of Default hereunder if within such 30-day period, the Owner or the PAC as applicable, shall have given notice to the Controlling Party of corrective action it proposes to take, which corrective action is agreed in writing by the Controlling Party to be satisfactory and the Owner or the PAC shall thereafter pursue such corrective action diligently until such default is cured;

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

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

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

Section 7.02. *Remedies; Waivers.*

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

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

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

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

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

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

Controlling Party has no obligation to consider the effects of any action taken pursuant to this Article VII on the holder of the Subordinate Note or the Holders of the Subordinate Bonds.

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

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

Section 7.05. ***Reimbursement of Expenses.***

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

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

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

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

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

ARTICLE VIII

INDEMNIFICATION

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

(a) to protect, indemnify and save CLGFA, the Trustee and their respective incorporators, members, commissioners, officers, agents and employees harmless from and against all liability, losses, damages, costs, expenses (including reasonable attorneys' fees), taxes, causes of action, suits, claims, demands and judgments of any nature or form, by or on behalf of any person arising in any manner from the transaction of which this Loan Agreement is a part or arising in any manner in connection with the Project or the acquisition, financing or refinancing of the Project, including, without limiting the generality of the foregoing, arising from (i) the work done on the Project or the operation of the Project during the term of this Loan Agreement, including, without limitation, any liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project, (ii) any violation of contract, agreement or restriction relating to the Project except with respect to the payment of the principal and interest on the Bonds from Revenues received by CLGFA or the Trustee, as applicable, (iii) any violation of law, ordinance or regulation affecting the Project or any part thereof or the ownership or occupancy or use thereof, (iv) the issuance, offering, sale, remarketing, delivery or payment of the Bonds or the interest thereon or (v) any written statements or representations made by any underwriter or remarketing agent to any purchaser of the Bonds or any other person or entity with respect to the Owner, the Agency, the Project, CLGFA, the Trustee or the Bonds, including, but not limited to, statements or representations of facts or financial information except with respect to CLGFA, any statements made by CLGFA which are not made in good faith, and, except with respect to the Trustee, any statements made by the Trustee;

(b) promptly after receipt by an Indemnified Party (as defined below) of notice of the commencement of any action in respect of which indemnification may be sought pursuant to subsection (a) of this Section, the person in respect of which indemnification may be sought (the "Indemnified Party") shall promptly notify the person against whom such indemnification may be sought (the "Indemnifying Party") in writing, but the omission to so notify the Indemnifying Party will not relieve the Indemnifying Party from any liability which it may have to any Indemnified Party otherwise than under this Section nor affect any rights it may have otherwise than under this Section to participate in and/or assume the defense of any action brought against any Indemnified Party. In case such action is brought against any Indemnified Party, and it notifies the Indemnifying Party of the commencement thereof, the Indemnifying Party will be entitled to participate in and, to the extent that it chooses so to do, to assume the investigation and defense thereof (including the employment

of counsel reasonably satisfactory to such Indemnified Party), and the Indemnifying Party shall assume the payment of all fees and expenses relating to such investigation and defense and shall have the right to negotiate and consent to settlement thereof. Any one or more of the Indemnified Parties shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but after notice from the Indemnifying Party to such Indemnified Party of its election to assume the defense thereof, the fees and expenses of such separate counsel shall be at the expense of such Indemnified Party unless the Indemnified Party reasonably determines that a conflict of interest exists between such party and the Indemnifying Party in connection with such action or that the Indemnified Party may reasonably have liabilities extending beyond the financial capacity of the Indemnifying Party and in such event the Indemnifying Party shall pay the reasonable fees and expenses of the minimum number of such separate counsel necessary to resolve the conflict. The Indemnifying Party shall not be liable for any settlement of any such action effected without its consent, or that the Indemnified Party may reasonably have liabilities extending beyond the financial capacity of the Indemnifying Party, but, if settled with the consent of the Indemnifying Party or if there be a final judgment for the plaintiff in any such action as to which the Indemnifying Party has received notice in writing as hereinabove required, the Indemnifying Party agrees to indemnify and hold harmless the Indemnified Party from and against any loss or liability by reason of such settlement or judgment to the extent provided in subsection (a) above;

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

(d) notwithstanding the previous provisions of this Article, the PAC and the Owner shall not be liable for or obligated to indemnify or hold CLGFA, the Trustee and their

members, commissioners, officers, agents and employees, harmless against any loss or damage to property or injury or death to any person or any other loss or liability if such loss, damage, liability, injury or death results from the gross negligence or willful misconduct of CLGFA, the Trustee and their members, commissioners, officers, agents or employees which was not made in good faith by such party.

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

ARTICLE IX

MISCELLANEOUS

Section 9.01. ***Payment in Full; Amounts Remaining in Funds and Accounts.*** At such time as the principal of, premium, if any, and interest on all Outstanding Bonds shall have been paid, or shall be deemed to be paid in accordance with the Indenture, and all other sums payable by the Owner or the PAC under each Mortgage Loan Document and the Indenture shall have been paid, the Loan shall be deemed to be fully paid, and the Owner, upon request, shall be entitled to receive acknowledgment of such payment in full from the Trustee. Any amounts remaining in any fund or account established under the Indenture (other than the Policy Payments Account and the Rebate Fund) after (a) payment of the Bonds in full (including interest, principal and premium, if any, thereon) or provision for payment thereof having been made in accordance with the provisions of the Indenture, (b) payment of all obligations owing to Financial Security under the Insurance Agreement, and (c) payment of all other obligations owing to CLGFA, Financial Security or the Trustee under any Mortgage Loan Document or the Indenture shall belong to, and be paid by the Trustee to, the Owner in accordance with the provisions of the Indenture.

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

hereunder. Under no circumstances shall the City of Novato, or its officers, agents, employees or representatives, or the officers, agents, employees or representatives of the Pledgor, be liable under this Loan Agreement.

Section 9.03. ***Amendment of Loan Agreement, Notes and Mortgage.*** With the prior written consent of the Controlling Party, CLGFA, the Owner, the PAC and the Trustee may, without the consent of the Holders of the Bonds, consent to any amendment, change or modification of this Loan Agreement, the Notes and the Mortgage as may be required (a) for the purpose of curing any ambiguity or formal defect or omission or (b) in connection with any other change therein if CLGFA, Financial Security, the Owner, the PAC and the Trustee receive an opinion of Bond Counsel acceptable to the Controlling Party, to the effect that such amendment will not impair the exclusion of interest on the Bonds from gross income for federal income tax purposes and which does not materially adversely affect the interests of the Holders of the Bonds which may be evidenced to the Trustee by an Opinion of Counsel. Except as provided in the preceding sentence, any other amendment, change or modification of this Loan Agreement, the Notes or the Mortgage shall be governed by the provisions of Section 13.02 of the Indenture.

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

Section 9.04. ***Counterparts.*** This Loan Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one and the same Agreement, and, in making proof of this Loan Agreement, it shall not be necessary to produce or account for more than one such counterpart.

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

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

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

case the nature thereof and what action the PAC has taken, is taking and/or proposes to take with respect thereto.

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

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

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

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

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

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

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

A party, the Trustee or Financial Security may specify an additional or different address or addresses by writing mailed or delivered to the other parties as aforesaid. All such notices and other communications shall be effective upon receipt.

Section 9.09. **Applicable Law.** Notwithstanding the place of execution, the laws of the State shall govern the construction of this Loan Agreement.

Section 9.10. **Agreement for Benefit of Parties Hereto.** Nothing in this Loan Agreement, express or implied, is intended or shall be construed to confer upon, or to give to, any person other than the parties hereto, the Trustee, Financial Security, the Controlling Party and the holder of the Notes any rights, remedy or claim under or by reason of this Loan Agreement or any covenant, condition or stipulation hereof except for rights of payment hereunder of the Trustee, and the covenants, stipulations and agreements in this Loan Agreement contained are and shall be for the sole and exclusive benefit of the parties hereto, the Trustee, Financial Security, the Controlling Party, their successors and assigns and the holders of the Notes.

Section 9.11. **Successors and Assigns.** This Loan Agreement shall be a continuing obligation of the parties hereto and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither the Owner, the PAC nor CLGFA may assign its rights or obligations under this Loan Agreement, or delegate any of its duties hereunder, without the prior written consent of Financial Security. Any assignment made in violation of this Loan Agreement shall be null and void.

Section 9.12. **No Petition.** Neither CLGFA nor any holder of the Subordinate Note shall institute against, or join any other person in instituting against, the Owner or the PAC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any bankruptcy or similar law, for so long as any Bonds are Outstanding or the Indenture is in effect.

Section 9.13. **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.

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

CALIFORNIA LOCAL GOVERNMENT FINANCE
AUTHORITY

By _____
Name Marcia Basque
Title _____

NOVATO FINANCING AUTHORITY

By _____
Name Patricia Eklund
Title Chair

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB

By _____
Name Owen V. Haxton
Title President

EXHIBIT A
PROJECT AND LEGAL DESCRIPTION

EXHIBIT B

FORM OF LOAN PAYMENT SCHEDULE

\$15,485,000

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

and

\$1,585,000

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

FORM OF LOAN PAYMENT SCHEDULE

[INSERT BOND CAPTION]

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

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

⁽¹⁾ First payment due _____, 1997.

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

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

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

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

⁽⁶⁾ Updated Operating Budget due May 1998.

EXHIBIT C

FORM OF SENIOR NOTE

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

PROMISSORY NOTE

Novato, California

March ____, 1997

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

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

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

The Owner may at its option, and may under certain circumstances be required to, prepay all

or any part of the unpaid balance of this Note, together with accrued interest and any applicable premium, as provided in the Agreement.

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

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

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

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

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

NOVATO FINANCING AUTHORITY

By: _____
Chairperson

ENDORSEMENT

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

CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY

By: _____
Executive Director

EXHIBIT D

FORM OF SUBORDINATE NOTE

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

PROMISSORY NOTE

Novato, California

March ____, 1997

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

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

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

The Owner may at its option, and may under certain circumstances be required to, prepay all

or any part of the unpaid balance of this Note, together with accrued interest and any applicable premium, as provided in the Agreement.

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

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

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

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

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

NOVATO FINANCING AUTHORITY

By: _____
Chairperson

ENDORSEMENT

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

CALIFORNIA LOCAL GOVERNMENT
FINANCE AUTHORITY

By: _____

Executive Director