
LIMITED OBLIGATION LOAN AGREEMENT

Dated as of _____, 2010

by and among the

COUNTY OF PLACER,

PLACER COUNTY TREASURER-TAX COLLECTOR,
as Trustee,

and the

PLACER COUNTY PUBLIC FINANCING AUTHORITY

Relating to

Loan of Up to \$_____ to the
County of Placer

from the Proceeds of

\$_____

**Placer County Public Financing Authority
Revenue Bonds
(Placer mPOWER Program)**

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EXHIBIT A – SEMI-ANNUAL INSTALLMENT PAYMENTS

LIMITED OBLIGATION LOAN AGREEMENT

THIS LIMITED OBLIGATION LOAN AGREEMENT (the "Loan Agreement") is dated as of _____, 2010, by and among the COUNTY OF PLACER, a county duly organized and existing under the Constitution and laws of the State (the "County"), the PLACER COUNTY TREASURER-TAX COLLECTOR, as trustee (the "Trustee"), and the PLACER COUNTY PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority");

WITNESSETH:

WHEREAS, the Authority is a joint powers authority duly organized and existing under that certain Joint Exercise of Powers Agreement (the "JPA Agreement"), dated May 9, 2006, by and between the County and the Placer County Redevelopment Agency, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to issue bonds for the purpose of making loans to local agencies, to the extent those local agencies are authorized by law to borrow moneys, when the loan proceeds will be used by the local agencies to pay for public capital improvements; and

WHEREAS, the County is authorized to borrow money under Section 5898.22 and Section 5898.28 of Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (the "Chapter 29") to finance the installation of distributed generation renewable energy, energy efficiency and water efficiency improvements that are permanently fixed to real property (the "Authorized Improvements"), and the Authorized Improvements constitute "public capital improvements" pursuant to the Bond Law; and

WHEREAS, on December 8, 2009, the Board of Supervisors of the County (the "Board of Supervisors") adopted Resolution No. 2009-343, entitled "Declaring the County of Placer's Intention to Finance Distributed Generation Renewable Energy Sources, and Energy Efficiency Improvements and Water Efficiency Improvements Through the Use of Contractual Assessments Pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code and Setting a Public Hearing Thereon" (the "Resolution of Intention"), to initiate proceedings under Chapter 29 to establish the "Placer money for Property Owner Water & Energy Efficiency Retrofitting Program" (the "Program"), pursuant to which the County will enter into contractual assessments to finance the installation of Authorized Improvements as described in the Resolution of Intention; and

WHEREAS, by the Resolution of Intention, the Board of Supervisors provided that one or more series of bonds or other financing instruments or relationships would be issued under the Improvement Bond Act of 1915, Division 10 of the Streets and Highways Code of California (the "1915 Act"); and

WHEREAS, on January 26, 2010, after holding a duly noticed public hearing at which interested persons were allowed to object to or inquire about the proposed Program or any of its particulars, the Board of Supervisors adopted Resolution No. 2010-22, entitled "Resolution Confirming Report Relating to the Financing of the Installation of Distributed Generation Renewable Energy Sources, Energy Efficiency and Water Efficiency Improvements and Approving and Ordering Other Related Matters," (the "Resolution Confirming Program Report"), pursuant to which the Board of Supervisors, among other things, (i) confirmed and approved a report (the "Program Report") addressing all of the matters set forth in Section 5898.22 of

Chapter 29, (ii) established the Program, and (iii) authorized execution of agreements ("Assessment Contracts") with the owners of property in the County (the "Program Area") to provide for the levy of contractual assessments to finance installation of Authorized Improvements; and

WHEREAS, for the purpose of providing moneys to fund a loan to the County (the "Loan"), the proceeds of which Loan the County will use to finance the installation of Authorized Improvements on property in the County (the "Participating Parcels"), the Authority has determined to issue its Placer County Public Financing Authority Revenue Bonds (Placer mPOWER Program) (the "Bonds"), all pursuant to and secured by this Indenture in the manner provided herein; and

WHEREAS, the County has determined to borrow amounts hereunder for the purpose of financing the installation of Authorized Improvements on Participating Parcels in the County; and

WHEREAS, all acts and proceedings required by law necessary to make this Loan Agreement, when executed by the County, the Trustee and the Authority, the valid, binding and legal obligation of the County 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;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Loan Agreement shall have the respective meanings which such terms have in the Indenture. In addition, the following terms defined in this Section 1.01 shall, for all purposes of this Loan Agreement, have the respective meanings herein specified.

"Administrative Expense Fund" means the fund designated "County of Placer (mPOWER Program Loan Agreement), Administrative Expense Fund," established and administered pursuant to Section 3.05.

"Administrative Expenses" means costs directly related to the administration of the Program, as determined by the County in its sole discretion, including but not limited to: Costs of Issuance; the actual costs of preparing the annual Assessment installment collection schedules (whether by an employee of the County or a consultant or both) and the actual costs of collecting the Assessment installments (whether by the County or otherwise); the actual costs of remitting the Assessment installments to the Trustee and the trustee for any Parity Debt; actual costs of the Trustee (including its legal counsel) in the discharge of its duties under the Indenture and the Loan Agreement and the actual costs of any trustee (including its legal counsel) in the discharge of its duties relating to any Parity Debt; the actual costs of the Authority, the County or their designee of complying with the disclosure provisions of the Act, the Bond Law, Chapter 29, the 1915 Act, federal securities laws, the Loan Agreement and the Indenture, including those related to public inquiries regarding the Assessments and disclosures to Owners of the Bonds; the actual costs of the County or its designee related to an appeal or challenge of the Assessment; any amounts required to be rebated to the federal government; an allocable share of the salaries of the County staff directly related to the foregoing and a proportionate amount of County general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the County for any administrative purpose relating to the Program, including costs related to prepayments of Assessments and the costs of prosecuting foreclosure of delinquent Assessment installments.

"Auditor" means the auditor/controller or tax collector of the County, or such other official of the County who is responsible for preparing real property tax bills.

"Annual Debt Service" means, as of the date of calculation, the sum of (a) the amount of interest payable on the Loan to be outstanding in such Bond Year, assuming that principal thereof is paid as scheduled, and (b) the amount of principal payable on the the Loan to be Outstanding in such Bond Year.

"Assessment" or "Assessments" means the unpaid contractual assessment(s) levied on the Participating Parcel(s) pursuant to an Assessment Contract(s).

"Assessment Contract" means a contract between the County and the owner of a Participating Parcel pursuant to which the owner agrees to pay Assessments and the Authority agrees to finance the installation of Authorized Improvements on the Participating Parcel.

"Authorized Improvements" means the distributed generation renewable energy, energy efficiency and water efficiency improvements to be installed on the Participating Parcels pursuant to the Assessment Contacts.

"Authorized Officer" means with respect to the County, the Chairman, the County Executive Officer, or the Treasurer-Tax Collector or any other officer of the County duly authorized in writing by a Certificate of the County.

"Bond Year" means each twelve-month period extending from September 3 in one calendar year to September 2 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall begin on the Closing Date, and end on the succeeding September 2.

"Bonds" means, collectively, the Placer County Public Financing Authority Revenue Bonds, Series 2009-10 (Placer mPOWER Program).

"Certificate of the County" means a certificate in writing signed by an Authorized Officer of the County.

"Chapter 29" means Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code.

"Closing Date" means the date of delivery of the Bonds to the Original Purchaser.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the application of the proceeds of the Loan pursuant to the Loan Agreement, including compensation, fees and expenses (including, but not limited to fees and expenses for legal counsel) of the Authority, the County and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses, costs of continuing disclosure and recording costs, rating agency fees, bond insurance and surety bond premiums, costs of preparation and reproduction of documents and costs of printing.

"County" means the County of Placer, a county duly organized and existing under the Constitution and laws of the State.

"County Counsel" means the County Counsel of the County.

"Event of Default" means any of the events described in Section 5.01.

"Federal Securities" has the meaning given that term in the Indenture.

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

"Indenture" means the Indenture of Trust, dated as of ____, 2010, between the Authority and the Trustee.

"Independent Financial Consultant" means any financial consultant or fiscal consultant or firm of such consultants, appointed and paid by the County, and who, or each of whom-

(a) is in fact independent and not under domination of the Authority, the City or the County;

(b) does not have any substantial interest, direct or indirect, in the Authority, the City or the County; and

(c) is not connected with the Authority, the City or the County as an officer or employee of the Authority, the City or the County but who may be regularly retained by the Authority, the City or the County.

"Interest Account" means the account within the Redemption Fund and designated "County of Placer (mPOWER Program Loan Agreement), Interest Account," established and administered under Section 3.03 hereof.

"Interest Payment Date" means March 2 and September 2 of each year that any Bonds are Outstanding commencing on the date identified in a Bond, being the respective dates upon which interest and/or principal are payable on the Bonds.

"Loan" means the loan made by the Authority to the County pursuant to Section 2.01.

"Loan Agreement" means this Loan Agreement by and among the County, the Trustee and the Authority, as originally entered into or as amended or supplemented pursuant to the provisions hereof.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest amount obtained by totaling, for the current or any future Bond Year, the sum of (a) the amount of interest payable on the Loan to be outstanding in such Bond Year, assuming that principal thereof is paid as scheduled, and (b) the amount of principal payable on the Loan to be Outstanding in such Bond Year.

"1915 Act" means the Improvement Bond Act of 1915, as amended, being Division 10 of the California Streets and Highways Code.

"Non-Completion Assessment" means an Assessment collected from the owner of a Participating Parcel resulting from failure to install the Authorized Improvements or otherwise comply with requirements of the County.

"Parity Debt" means any bonds, notes, loans, advances or other indebtedness issued or incurred by the County on a parity with the Loan pursuant to Section 2.07 hereof.

"Parity Debt Instrument" means the resolution, trust indenture, loan agreement or installment sale agreement adopted, entered into or executed and delivered by the County, and under which Parity Debt is issued.

"Participating Parcel Value" means the market value, as of the date of the appraisal described below and/or the date of the most recent County real property tax roll, as applicable, of a Participating Parcel, including the value of the then-existing Authorized Improvements and any Authorized Improvements to be constructed or acquired with any amounts then on deposit in the Program Fund and with the proceeds of any proposed series of Bonds, as determined with respect to any parcel by reference to (i) an appraisal performed within three (3) months of the date of sale of any proposed Bonds by an MAI appraiser (the "Appraiser") selected by the

County, or (ii) the assessed value of a parcel and the Authorized Improvements thereon as shown on the then current County real property tax roll [or (iii) a valuation performed by the County based on sales of comparable property within the last ___months].

"Participating Parcels" means the parcels within the County that are subject to the lien of an Assessment pursuant to an Assessment Contract and that have been designated as Participating Parcels by the County.

"Permitted Investments" has the meaning given that term in the Indenture.

"Prepayment Account" means the account within the Redemption Fund and designated "County of Placer (mPOWER Program Loan Agreement), Prepayment Account," established and administered under Section 3.03 hereof.

"Prepayments" means Non-Completion Assessments or prepayments of Assessments received by the County, less any administrative fees or penalties collected as part of any such Non-Completion Assessment or prepayment of Assessments.

"Principal Account" means the account within the Redemption Fund and designated "County of Placer (mPOWER Program Loan Agreement), Principal Account," established and administered under Section 3.03 hereof.

"Program" means the "Placer money for Property Owner Water and Energy Efficiency Retrofitting Program" established pursuant to the Resolution Confirming Program Report.

"Program Area" means the area within the boundaries of the County, as shown in the Program Report.

"Program Fund" means the fund designated "County of Placer (mPOWER Program Loan Agreement), Program Fund," established and administered under Section 4.02.

"Program Report" means the AB 811 Program Report and Administrative Guidelines, approved by the Board of Supervisors pursuant to the Resolution Confirming Program Report, as amended from time to time.

"Redemption Fund" means the fund designated "County of Placer (mPOWER Program Loan Agreement), Redemption Fund," established and administered under Section 3.03 hereof.

"Request of the County" means a request in writing signed by an Authorized Officer.

"Reserve Fund" means the "County of Placer (mPOWER Program Loan Agreement), Reserve Fund," established and held by the Trustee pursuant to Section 2.06.

"Reserve Fund Credit Facility" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to Section 2.06, provided that all of the following requirements are met at the time of its issuance: (a) the long-term credit rating of such bank or insurance company is at least "AA-" or its equivalent by at least two rating agencies, and the short-term credit rating of such bank or insurance company is in the highest rating category by at least two rating agencies; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the

Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 2.06; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Redemption Fund for the purpose of paying installment payments on the Loan.

"Reserve Requirement" means as of the date of any calculation, the lesser of (a) Maximum Annual Debt Service on the Loan (i.e., excluding any Parity Debt), or (b) one hundred twenty-five percent (125%) of average Annual Debt Service on the Loan (i.e., excluding any Parity Debt), or (c) ten percent (10%) of the Outstanding principal amount of the Loan (i.e., excluding any Parity Debt).

"Resolution Confirming Program Report" means Resolution No. ___ - adopted by the Board of Supervisors on January 26, 2010.

"Resolution of Intention" means Resolution No. 2009-343 adopted by the Board of Supervisors on December 8, 2009.

"Subordinate Debt" means any loans, advances or indebtedness issued or incurred by the County pursuant to Section 2.08, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Assessments; or (b) secured by a pledge of or lien upon the Assessments which is subordinate to the pledge of and lien upon the Assessments hereunder for the security of the Loan.

"Surplus Fund" means the fund designated "County of Placer (mPOWER Program Loan Agreement), Surplus Fund" established and administered under Section 3.05.

"Trustee" means the Placer County Treasurer-Tax Collector, and any successor trustee under the Indenture.

Section 1.02. Rules of Construction. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Loan Agreement, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE LOAN; ESTABLISHMENT OF FUNDS; PARITY DEBT

Section 2.01. Authorization.

(a) The Authority hereby agrees, under and subject to the terms of this Loan Agreement, the Bond Law, the 1915 Act and Chapter 29, to lend the following amounts to the County from the proceeds of sale of the Bonds, so long as such amounts do not exceed in the aggregate ____ dollars (\$____):

(i) An initial amount equal to \$50,001 or more.

(ii) In connection with the execution of an Assessment Contract with respect to a Participating Parcel, such additional amount as may be identified from time to time by the County.

(b) As conditions precedent to an increase in the amount of the Loan, (i) the County shall be in compliance with its covenants set forth in this Loan Agreement, (ii) the County shall cause the schedule of installment payments of the Loan attached to this Loan Agreement as Exhibit A to be amended to reflect the increased repayment obligation, (iii) the County shall cause an Independent Financial Consultant to confirm in writing to the County, the Authority and the Trustee that the amounts set forth on such amended Exhibit A will be sufficient in time and amount to pay debt service on the Bonds when due and that the amounts payable under the Assessment Contracts will be sufficient in time and amount to pay the Loan when due, (iv) the conditions set forth in paragraphs (d), (e) and (f) of Section 2.07 shall be satisfied, and (v) the County shall deliver a Certificate of the County to the Trustee and the Authority certifying that the conditions of this Section 2.01(b) have been met.

(c) This Loan Agreement constitutes a continuing agreement with the Authority to secure the full and final payment of the Loan, subject to the covenants, agreements, provisions and conditions herein contained.

Section 2.02. Terms of Loan. The principal of the Loan shall be payable in installments no later than the fifth (5th) Business Day prior to September 2 in each of the years and in the amounts, and interest on the Loan shall be payable in installments no later than the fifth (5th) Business Day prior to March 2 and September 2 in each of the years and in the amounts, as set forth in Exhibit A.

The installment payments shall be paid to the Trustee for the benefit of the owners of the Bonds and shall be Revenues under the Indenture.

In the event principal of the Loan shall be prepaid in part pursuant to Section 2.03 hereof or discharged in part pursuant to Section 6.03 hereof, the County shall deliver a Certificate of the County to the Authority and the Trustee designating which semi-annual installment payments set forth on Exhibit A are being prepaid or discharged.

Interest on each installment of principal of the Loan has been calculated on the basis of a 360-day year of twelve 30-day months, and shall accrue on each installment of principal from and including the Closing Date to but not including the Interest Payment Date with respect to which such installment of principal is payable. Any installment of principal or interest which is not paid when due shall continue to accrue interest at the interest rate payable on the Bonds

from and including the Interest Payment Date with respect to which such principal or interest is payable to but not including the date of actual payment.

Principal of and interest on the Loan shall be payable by the County to the Trustee, as assignee of the Authority under the Indenture, in immediately available funds which constitute lawful money of the United States of America. Payment of such principal and interest shall be secured, and amounts for the payment thereof shall be deposited with the Trustee at the times, as set forth in Article III.

Section 2.03. Prepayment.

(a) The principal of the portion of the Loan is subject to optional prepayment (other than from Prepayments) in whole or in part, on any Interest Payment Date, at the premium specified below, plus interest accrued to the prepayment date, upon the provision of 30 days' prior written notice to the Trustee. In connection with an optional prepayment, the County shall transfer to the Trustee all amounts required for such prepayment in accordance with the requirements of Section 2.02(a) of the Indenture.

<u>Prepayment Dates</u>	<u>Prepayment Premium (%)</u>
March 2, 20__ through March 2, 20__	
September 2, 20__ and March 2, 20__	
September 2, 20__ and March 2, 20__	
September 2, 20__ and each Interest Payment Date thereafter	

(b) The principal portion of the Loan, together with the prepayment premium specified below, plus interest accrued to the prepayment date, is subject to mandatory prepayment from amounts received by the County as Prepayments. Whenever, an Assessment is prepaid, in whole or in part, as provided in the 1915 Act, the County will direct the Trustee to transfer from the Reserve Fund to the Redemption Fund the amount specified in Section 2.06(d).

<u>Prepayment Dates</u>	<u>Prepayment Premium (%)</u>
March 2, 20__ through March 2, 20__	
September 2, 20__ and March 2, 20__	
September 2, 20__ and March 2, 20__	
September 2, 20__ and each Interest Payment Date thereafter	

(c) In the event that a portion of the principal of the Loan has been prepaid by the County pursuant to this Section, the County shall deliver a Certificate of the County to the Authority and the Trustee designating which semi-annual installment payments set forth on Exhibit A are being prepaid.

Section 2.04. Application of Loan Proceeds.

Upon issuance of the Bonds, the proceeds of the Bonds shall be loaned by the Authority to the County and shall be deposited by the Trustee or transferred by the Trustee to the County for deposit into the following funds and accounts, as applicable, as set forth in a Request of the County: (a) deposited by the Trustee into the Interest Account of the Redemption Fund in order to pay capitalized interest on the Loan, (b) transferred by the Trustee to the County for deposit in the Program Fund and (c) transferred by the Trustee to the County for deposit into the Administrative Expense Fund.

Section 2.05. Program Fund. There is hereby established a separate and segregated fund to be known as the Program Fund and to be held by the County. The moneys deposited in the Program Fund pursuant to Section 2.04 shall be used to finance Authorized Improvements solely in the manner provided by Chapter 29 and the related Assessment Contract.

Upon receipt of a Prepayment as the result of the payment of a Non-Completion Assessment, the County shall transfer any amounts that were previously deposited into the Program Fund related to the Participating Parcel to the Prepayment Account of the Redemption Fund.

Section 2.06. Reserve Fund.

(a) Establishment of the Reserve Fund. There is hereby established a separate and segregated fund to be known as the Reserve Fund, which shall be held by the Trustee in trust for the benefit of the Authority and the holders of the Loan. Amounts in the Reserve Fund are not available to pay debt service on any Parity Debt. The County shall administer the Reserve Fund in accordance with this Loan Agreement and Part 16 of the 1915 Act.

(b) Use of Moneys in the Reserve Fund. Except as provided below, all moneys in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or the principal of the Loan in the event that insufficient moneys are available in the Interest Account or the Principal Account for such purpose. More specifically, the Trustee shall, on or before the fourth (4th) Business Day preceding such Interest Payment Date, withdraw from the Reserve Fund and transfer for deposit in the Interest Account and the Principal Account, in such order, the difference between the amount required to be deposited and the amount, if any, actually in the Account.

(c) Deposits into the Reserve Fund; Maintenance of Funds in the Reserve Fund. Moneys shall be deposited into the Reserve Fund as set forth in Section 3.03(b). The Trustee shall retain in the Reserve Fund all earnings on amounts on deposit in the Reserve Fund until the amount on deposit in the Reserve Fund equals or exceeds the Reserve Requirement, then the amount in excess of the Reserve Requirement in the Reserve Fund shall be transferred to the Redemption Fund.

Notwithstanding any other provision hereof, the failure to maintain an amount in the Reserve Fund equal to the Reserve Requirement shall not be an Event of Default hereunder.

(d) Loan Prepayments. In the event of a prepayment of the Loan resulting from Prepayments, the Trustee shall transfer from the Reserve Fund to the Redemption Fund an amount equal to the pro rata portion of the amount in the Reserve Fund allocable to such Prepayment, as specified in a Certificate of the County; provided, however, that no such transfer shall exceed the amount that will leave the balance in the Reserve Fund equal to the

Reserve Requirement that will be applicable following prepayment of the principal of the Loan with the Prepayments.

(e) Use for Final Assessment Installment. The County may direct the Trustee to release an amount in the Reserve Fund to pay the final fiscal year's Assessment installments to be levied on a Participating Parcel that is not delinquent in the payment of Assessment installments. The proportionate amount shall be determined on the basis of the outstanding principal amount of the Loan that is attributable to the Participating Parcel and the total principal amount of the Loan, but in any event not in excess of the amount that will leave the balance in the Reserve Fund equal to the Reserve Requirement that will be applicable following payment of the principal of the Loan with the Assessment installments to be paid by the Participating Parcel. Upon receipt of a Request of the County, the Trustee shall transfer the proportionate amounts from the Reserve Fund to the Interest Account and the Principal Account in the amounts set forth in the Request of the County.

(f) Reserve Fund Credit Facility. At the option of the County, a Reserve Fund Credit Facility may be deposited with the Trustee in substitution for cash on deposit in the Reserve Fund; provided that, if the County is depositing a Reserve Fund Credit Facility in substitution for cash then on deposit in the Reserve Fund, then (i) such substitution shall not result in the reduction or withdrawal of any ratings by any rating agency with respect to the Bonds (and the County shall notify each rating agency prior to making any such substitution), and (ii) the Trustee shall receive prior to any such substitution becoming effective an opinion of Bond Counsel, if applicable, stating that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Amounts on deposit in the Reserve Fund for which a Reserve Fund Credit Facility has been substituted shall be released to or at the direction of the County.

In the event at any time there is a combination of cash and a Reserve Fund Credit Facility on deposit in the Reserve Fund, the Trustee shall withdraw such cash in full prior to drawing on the Reserve Fund Credit Facility and, if and to the extent the Reserve Fund Credit Facility has been drawn upon, the Trustee shall reimburse the amount of such draws with any applicable interest thereon prior to making any cash deposits into the Reserve Fund.

Section 2.07. Parity Debt. The County may issue or incur Parity Debt in such principal amount as shall be determined by the County, subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Debt:

(a) Compliance. The County will be in compliance with all covenants set forth in the Loan Agreement and any outstanding Parity Debt Instruments, and issuance of the Parity Debt will not cause the County to exceed any bonded indebtedness limit established for the Program.

(b) Same Payment Dates. The Parity Debt Instrument providing for the issuance of such Parity Debt will provide that interest thereon will be payable on the Interest Payment Dates, and principal thereof will be payable on the same date in any year in which principal is payable on the Loan.

(c) Separate Funds. The Parity Debt Instrument providing for the issuance of such Parity Debt may provide for the establishment of separate funds and accounts.

(d) Value. For each Participating Parcel the installation of Authorized Improvements on which will be financed as a result of issuance of the Parity Debt, the

Participating Parcel Value of such parcel shall be at least ten times (A) the allocable share of any other unpaid assessment or outstanding special tax bonds secured by a lien on the Participating Parcel, (with any such allocable share to be determined separately for each applicable assessment or special tax district, based upon the special taxes or assessments on such parcel as a percentage of the total special taxes or assessments levied in the immediately preceding fiscal years on all parcels in the respective district) *plus* (B) one of the following amounts, as applicable: (i) if the proceeds of the Parity Debt will only be used to finance Authorized Improvements for such Participating Parcel, the aggregate principal amount of the Parity Debt and (ii) if the proceeds of the Parity Debt will be used to finance Authorized Improvements for a number of Participating Parcels, the aggregate principal amount of the Parity Debt attributable to that Participating Parcel. In order to calculate the principal amount of the Parity Debt that is attributable to a Participating Parcel for purposes of clause (ii) of the previous sentence, the attributable portion shall be equal to the aggregate principal amount of such Parity Debt multiplied by a fraction, the numerator of which is the principal amount of the Assessment levied on such Participating Parcel and the denominator of which is the principal amount of the Assessment levied on all Participating Parcels the installation of Authorized Improvements on which will be financed as a result of issuance of the Parity Debt.

(e) Coverage. The total Assessment installments payable under existing Assessment Contracts shall be at least 100% of (a) the cumulative Debt Service on the unpaid Loan, any outstanding Parity Debt and the proposed Parity Debt through the final maturity date of the Loan, any outstanding Parity Debt and the proposed Parity Debt *plus* (b) the total anticipated Administrative Expenses through the final maturity date of the Loan, any outstanding Parity Debt and the proposed Parity Debt.

(f) Certificate. The County will deliver to the Trustee a Certificate of the County certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a), (b), (d) and (e) of this Section 2.07 have been satisfied.

(g) Opinion of Bond Counsel. The County will deliver an opinion of Bond Counsel substantially to the effect that (a) the County has the right and power under Chapter 29 and the 1915 Act to execute and deliver the Parity Debt Instrument, and the Parity Debt Instrument has been duly and lawfully executed and delivered by the County, is in full force and effect and is valid and binding upon the County and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other similar laws relating to the enforcement of creditor's rights), (b) such Parity Debt is a valid and binding limited obligation of the County, enforceable in accordance with the terms thereof (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other similar laws relating to the enforcement of creditor's rights) and the terms of the Parity Debt Instrument, Chapter 29 and the 1915 Act, and (c) such Parity Debt has been duly and validly authorized and issued in accordance with Chapter 29, the 1915 Act and this Loan Agreement.

Notwithstanding the foregoing, the County may issue Parity Debt to refund the Loan or any outstanding Parity Debt without the need to satisfy the requirements of clauses (d) or (e) above, and, in connection therewith, the Certificate of the County in clause (f) above need not make reference to said clauses (d) and (e).

Section 2.08. Issuance of Subordinate Debt. The County may issue or incur Subordinate Debt payable from Assessments, provided that the issuance of such Subordinate Debt shall not cause the County to exceed any applicable bonded indebtedness limitation.

Section 2.09. Validity of Loan. The validity of the Loan shall not be dependent upon the completion of any Authorized Improvements on the Participating Parcels.

ARTICLE III

PLEDGE OF ASSESSMENTS; APPLICATION OF FUNDS

Section 3.01. Pledge of Assessments.

The Loan is secured by a first pledge (which pledge will be effected in the manner and to the extent herein provided) of all of the Assessments (except amounts deposited into the Administrative Expense Fund) and all moneys deposited in the Redemption Fund (including the Prepayment Account therein) and the Reserve Fund.

The Assessments and all moneys deposited into the Redemption Fund and the Reserve Fund (except as otherwise provided herein) are hereby dedicated to (i) the payment of Administrative Expenses, but only to the extent of amounts deposited into the Administrative Expense Fund pursuant to Section 4.03 and (ii) the payment of the Loan until the Loan has been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with Article VI hereof.

The Loan is a "Limited Obligation Improvement Bond" under section 8769 of the Bond Law and is payable solely from and secured solely by the Assessments and the amounts in the Redemption Fund and the Reserve Fund. Notwithstanding any other provision of this Loan Agreement, the County is not obligated to advance available surplus funds from the County treasury to cure any deficiency in the Redemption Fund; provided, however, the County is not prevented, in its sole discretion, from so advancing funds.

Section 3.02. Administrative Expense Fund.

(a) Establishment of Administrative Expense Fund. The Administrative Expense Fund is hereby established as a separate and segregated fund to be held by the County, to the credit of which deposits will be made as required by Sections 2.04 and 4.03 and as otherwise required by the Loan Agreement or the Bond Law. Moneys in the Administrative Expense Fund shall be disbursed as provided below.

(b) Disbursement. Amounts in the Administrative Expense Fund shall be used by the County to pay Administrative Expenses.

(c) Closing the Administrative Expense Fund. The County shall close the Administrative Expense Fund following the final payment on the Loan and payment of all amounts payable from the Administrative Expense Fund.

Section 3.03. Redemption Fund. There is hereby established a separate and segregated fund to be known as the "Redemption Fund", which shall be held by the Trustee hereunder in trust. Moneys in the Redemption Fund shall be used to pay debt service on the Loan only.

(a) Deposits into the Redemption Fund. Amounts shall be deposited into the Redemption Fund as required by Section 4.03 of this Loan Agreement and as otherwise required by this Loan Agreement or the 1915 Act. Moneys in the Redemption Fund will be held by the Trustee for the benefit of the County. The Redemption Fund shall remain open as long as the Loan remains outstanding.

Within the Redemption Fund there is hereby established the Prepayment Account, which will be used exclusively for the administration of any Prepayments pursuant to Section 8767 of the 1915 Act to assure the timely redemption of the Loan. If all of the Assessments are paid in full, the Prepayment Account will be closed.

(b) Disbursements. Moneys in the Redemption Fund shall be deposited by the Trustee into the following accounts within the Redemption Fund at the following times in the following order of priority:

(i) Interest Account. On or before the fifth (5th) Business Day preceding each date on which interest on the Loan becomes due and payable, the Trustee shall deposit in the Interest Account the amount, when added to amounts on deposit in the Interest Account, is equal to the amount of interest becoming due and payable on the Loan on such date.

All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Loan as it shall become due and payable (including accrued interest on any portion of the Loan prepaid prior to maturity pursuant to this Loan Agreement).

(ii) Principal Account. On or before the fifth (5th) Business Day preceding each date on which the principal component of a Loan payment becomes due and payable, the Trustee shall deposit in the Principal Account the amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal component of the Loan payment coming due and payable on such date.

All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal component of any Loan payment when due.

(iii) Reserve Fund Deposits. Immediately after making the deposits required by clauses (i) and (ii) above, the Trustee shall deposit any remaining amounts resulting from the collection of Assessments in the Reserve Fund, provided however, that no such deposit need be made to the Reserve Fund so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement.

(iv) Surplus Fund. Immediately after making the deposits required by clauses (i), (ii) and (iii) above, the Trustee shall deposit any remaining amounts in the Surplus Fund.

Section 3.04. Investment of Moneys; Valuation of Investments. All moneys in the Redemption Fund shall be invested by the Trustee solely in Permitted Investments pursuant to the direction of the County given to the Trustee (and promptly confirmed in writing by the County) maturing not later than the respective dates on which such moneys are estimated by the County to be required.

Funds on hand in the Reserve Fund shall only be invested in Permitted Investments pursuant to the direction of the County given to the Trustee (and promptly confirmed in writing by the County) having a maturity of five years or less.

Except as provided in Section 2.06, all interest, profits and other income received from the investment of moneys in any fund or account held under this Loan Agreement shall be deposited in such fund or account.

Section 3.05. Surplus Fund. There is hereby established a fund to be held by the County to be known as the "Surplus Fund." Moneys in the Surplus Fund shall be spent by the County, in its sole discretion, for any lawful purpose relating to the Program.

ARTICLE IV

OTHER COVENANTS OF THE COUNTY

Section 4.01. Punctual Payment. The County will punctually pay or cause to be paid the principal of and interest on the Loan together with any prepayment premiums thereon in strict conformity with the terms of this Loan Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Loan Agreement.

Section 4.02. Limitation on Superior Debt. The County hereby covenants that, so long as the Loan remains unpaid, the County shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which is in any case secured by a lien on all or any part of the Assessments which is superior to or on a parity with the lien established hereunder for the security of the Loan, except only Parity Debt issued pursuant to Section 2.07. Subject to Section 2.08 relating to Subordinate Debt, nothing herein is intended or shall be construed in any way to prohibit or impose any limitations upon the issuance by the County of loans, bonds, notes, advances or other indebtedness which are unsecured or which are secured by a junior lien on the Assessments.

Section 4.03. Collection of Assessments. The County will comply with all requirements of the Act, the 1915 Act and the Loan Agreement to assure the timely collection of the Assessments, including, without limitation, the enforcement of delinquent Assessments. To that end, the following will apply:

(a) The Assessments, together with the interest thereon, will be payable in the installments specified in the Assessment Contracts. Each Assessment installment will be payable in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

All sums received from the collection of the Assessments and of the interest and penalties thereon will be transferred and/or deposited as follows in the following priority:

(i) An amount equal to the Administrative Expenses component of the Assessments shall be deposited by the County in the Administrative Expense Fund

(ii) The remainder shall be transferred to the Trustee for deposit in the Redemption Fund and the debt service fund for any Parity Debt. In the event Assessments are insufficient to pay debt service when due on the Loan and debt service on any Parity Debt, the County shall cause Assessments to be deposited into the Redemption Fund and the debt service fund for any Parity Debt established by a Parity Debt Instrument on a pro rata basis based on the outstanding principal amount of the Loan and the Parity Debt.

(b) The County will, before the final date on which the Auditor will accept the transmission of the Assessments for the Participating Parcels for inclusion on the next tax roll, prepare or cause to be prepared, and will transmit to the Auditor, such data as the Auditor requires to include the installments of the Assessments on the next secured tax roll. The County is hereby authorized to employ consultants to assist in computing the installments of the Assessments hereunder.

Section 4.04. Foreclosure. The County hereby covenants with and for the benefit of the Authority that it will order, and cause to be commenced, and thereafter diligently prosecute an action in the superior court to foreclose the lien of any Assessment or installment thereof which has been billed, but has not been paid, pursuant to and as provided in sections 8830 and 8835, inclusive, of the Bond Law and the conditions specified in this Section 4.04.

No later than October 1 each year, the County will determine if any of the conditions set forth in the following paragraph exist and will notify County Counsel of any such delinquencies. No later than December 1 each year, County Counsel will commence, or cause to be commenced, the foreclosure proceedings, including collection actions preparatory to the filing of any complaint. County Counsel is hereby authorized to employ counsel to conduct any such foreclosure proceedings.

Within 60 days of determining that any single parcel is, or any parcels under common ownership are, delinquent in the payment of two or more semi-annual installments of Assessment payments, the County will cause the commencement of foreclosure against each such delinquent parcel.

However, notwithstanding the foregoing, the County may elect, in its sole discretion, to defer foreclosure proceedings on any parcel if the County has received funds equal to the delinquent Assessments from any other source, and those funds are available to contribute toward (i) Administrative Expenses and (ii) the payment of the Loan when due (including without limitation funds from the sale of the receivables associated with delinquent Assessments).

Section 4.05. Punctual Payment. The County will punctually pay or cause to be paid the Loan payments when and as due in strict conformity with the terms of the Loan Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Loan Agreement.

Section 4.06. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the County will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Loan and will not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding any claims for interest on any of the Loan, or in any other manner.

If any such claim for interest is extended or funded, whether or not with the consent of the County, such claim for interest so extended or funded will not be entitled, in case of default hereunder, to the benefits of the Loan Agreement, except subject to the prior payment in full of the principal of all of the Loan and of all claims for interest which have not been so extended or funded.

Section 4.07. Against Encumbrance. The County will not encumber, pledge or place any charge or lien upon any of the Assessments or other amounts pledged to the Loan superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by the Loan Agreement, Chapter 29 and the 1915 Act.

Section 4.08. Books and Accounts. The County will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the County, in which complete and correct entries will be made of all transactions relating to the Assessments and the application of amounts disbursed from the funds and accounts held by the County hereunder, which records will be subject to inspection by the Trustee upon reasonable prior notice on any Business Day.

Section 4.09. Protection of Security and Rights of Owners. The County will preserve and protect the security of the Loan Agreement and the rights of the Authority, and will warrant and defend their rights to such security against all claims and demands of all persons.

Section 4.10. Compliance with Law; Completion of Authorized Improvements. The County will comply with all applicable provisions of Chapter 29 and the 1915 Act in providing financing for the installation of Authorized Improvements, but the County will have no obligation to advance any funds to complete the Authorized Improvements in excess of the proceeds of the Loan available therefor.

Section 4.11. Further Assurances. The County will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Loan Agreement, and for the better assuring and confirming unto the Authority of the rights and benefits provided in the Loan Agreement.

Section 4.12. Continuing Disclosure. In connection with the initial issuance of the Bonds, neither the Authority nor the County is obligated to provide continuing disclosure under Securities and Exchange Commission Rule 15c2-12. The County hereby covenants and agrees that, at such time as the Authority or the County becomes subject to Rule 15c2-12 as a result of the issuance of the Bonds, it will execute a Continuing Disclosure Certificate and it will comply with and carry out any provision applicable to the County contained in such Continuing Disclosure Certificate. Notwithstanding any other provision of this Loan Agreement, failure of the County to comply with its obligations under this Section 4.12 shall not be an Event of Default hereunder. However, any Participating Underwriter (within the meaning of the Continuing Disclosure Certificate) or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the County to comply with its obligations under this Section 4.12.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

Section 5.01. Events of Default; Remedies. The following events shall constitute Events of Default hereunder:

(a) Failure by the County to pay the principal of or interest or prepayment premium (if any) on the Loan or any Parity Debt when and as the same shall become due and payable.

(b) Failure by the County to observe and perform any of the covenants, agreements or conditions on its part contained in this Loan Agreement, other than as referred to in the preceding clause (a), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Trustee or the Authority; provided, however, that if in the reasonable opinion of the County the failure stated in such notice can be corrected, but not within such thirty (30) day period, the Authority shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within such thirty (30) day period and diligently pursued until such failure is corrected.

(c) If the County shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the County, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the County or of the whole or any part of its property.

(d) An event of default shall have occurred under any Parity Debt Instrument.

If an Event of Default has occurred and is continuing, the Trustee may subject to indemnity satisfactory to the Trustee from any liability or expense, exercise any other remedies available to the Trustee in law or at equity. Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the County by telephone, telecopier or other telecommunication device, promptly confirmed in writing. This provision, however, is subject to the condition that if, at any time after the principal of the Loan shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the County shall deposit with the Trustee a sum sufficient to pay all installments of principal of the Loan matured prior to such declaration and all accrued interest thereon, with interest on such overdue installments of principal and interest at the net effective rate then borne by the Outstanding Bonds, and the reasonable expenses of the Trustee (including but not limited to attorneys fees), and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Loan due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of a majority in aggregate principal of the Bonds may, by written notice to the Trustee and the County, rescind and annul such declaration and its consequences. However, no such

rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Section 5.02. Application of Funds Upon Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Loan Agreement shall be applied by the Trustee in the following order:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of this Article V, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount of interest on and principal of the Loan then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) *first*, to the payment of all installments of interest on the Loan then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(b) *second*, to the payment of principal of all installments of the Loan then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full, and

(c) *third*, to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Section 5.03. No Waiver. Nothing in this Article V or in any other provision of this Loan Agreement, shall affect or impair the obligation of the County, which is absolute and unconditional, to pay from the Assessments and other amounts pledged hereunder, the principal of and interest and premium (if any) on the Loan to the Trustee as of the respective Interest Payment Dates, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Trustee to institute suit to enforce such payment by virtue of the contract embodied in this Loan Agreement.

A waiver of any default by the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of the Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Trustee by Chapter 29 or the 1915 Act or by this Article V may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Trustee, the County and the Trustee shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 5.04. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by Chapter 29, the 1915 Act or any other law.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Benefits Limited to Parties. Nothing in this Loan Agreement, expressed or implied, is intended to give to any person other than the County, the Authority and the Trustee, on behalf of the Authority, and acting on behalf of the Owners of the Bonds, any right, remedy or claim under or by reason of this Loan Agreement. All covenants, stipulations, promises or agreements in this Loan Agreement contained by and on behalf of the County shall be for the sole and exclusive benefit of the Authority and of the Trustee acting as trustee for the benefit of the Owners of the Bonds and for such purpose, the Trustee shall be deemed to be a third party beneficiary of this Loan Agreement.

Section 6.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Loan Agreement either the County, the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Loan Agreement contained by or on behalf of the County, the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 6.03. Discharge of Loan Agreement. If the County shall pay or cause to be paid, or shall have made provision to pay and discharge the indebtedness on the Loan or any portion thereof, through setting aside trust funds or setting apart in a reserve fund or special trust account created pursuant to this Loan Agreement or otherwise, or through the irrevocable segregation for that purpose in some sinking fund or other fund or trust account with a trustee or otherwise, cash or Federal Securities sufficient for the payment of the principal of and interest and prepayment premiums (if any) on the Loan or any such portion thereof, as and when the same become due and payable, including, but not limited to, interest earned or to be earned on Federal Securities, then the lien provided for in this Loan Agreement, including, without limitation, the pledge of the Assessments, and all other rights granted hereby, shall thereupon cease, terminate and become void and be discharged and satisfied, and the principal of, premium, if any, and interest on the Loan or any such portion thereof shall no longer be deemed to be outstanding and unpaid.

Any funds thereafter held by the Trustee hereunder, which are not required for the purposes of this Section 6.03, shall be paid over to the County.

Section 6.04. Amendment. This Loan Agreement may be amended by the parties hereto but only if such amendment will not impair the ability of the County to repay the Loan and only if such amendment complies with the applicable provisions of Section 5.07 of the Indenture.

Section 6.05. Waiver of Personal Liability. No member, officer, agent or employee of the County shall be individually or personally liable for the payment of the principal of or interest on the Loan; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 6.06. Notices. All written notices to be given under this Loan Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon receipt after deposit in the United States mail, postage prepaid or, in the case of any notice to the Trustee or in the case of personal delivery to any person, upon actual receipt at the address set forth below:

If to the Authority: Placer County Public Financing Authority
175 Fulweiler Avenue
Auburn, California 95603
Attention: County Counsel

If to the County: County of Placer
175 Fulweiler Avenue
Auburn, California 95603
Attention: County Counsel

If to the Trustee: Placer County Treasurer-Tax Collector
2976 Richardson Drive
Auburn, California 95603

Section 6.07. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Loan Agreement shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Loan Agreement. The County hereby declares that it would have adopted this Loan Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the Loan irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Loan Agreement may be held illegal, invalid or unenforceable.

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

Section 6.09. Execution in Counterparts. This Loan Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority, the County and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 6.10. The Trustee. The Trustee is entering into this Loan Agreement solely in its capacity as Trustee under the Indenture and all provisions of the Indenture relating to the rights, privileges, powers and protections of the Trustee, including, without limitation, those set forth in Article VI thereof, shall apply with equal force and effect to all actions taken by the Trustee in connection with this Loan Agreement.

IN WITNESS WHEREOF, the COUNTY OF PLACER, PLACER COUNTY TREASURER-TAX COLLECTOR, as Trustee, and the PLACER COUNTY PUBLIC FINANCING AUTHORITY, have caused this Loan Agreement to be signed by their respective officers, all as of the day and year first above written.

COUNTY OF PLACER

By _____
Treasurer-Tax Collector

PLACER COUNTY TREASURER-TAX
COLLECTOR,
as Trustee

By _____
Treasurer-Tax Collector

PLACER COUNTY PUBLIC FINANCING
AUTHORITY

By _____
Treasurer

EXHIBIT A

SEMI-ANNUAL INSTALLMENT PAYMENTS
ON THE LOAN

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	Total Principal and Interest
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