
LOAN AGREEMENT

by and between

CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

and

2400 COMPANY, LLC

Dated as of November 1, 2008

All right, title and interest of the CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY (the "Issuer") in this Loan Agreement has been assigned (except for the Reserved Rights) to Deutsche Bank National Trust Company, as trustee (the "Trustee") pursuant to the Indenture of Trust, dated as of November 1, 2008, between the Issuer and the Trustee, and is subject to such assignment

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LOAN AGREEMENT

THIS LOAN AGREEMENT (this “Agreement”), dated as of November 1, 2008, by and between the **CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**, a public entity duly organized and validly existing under the laws of the State of California (the “Issuer”), and **2400 COMPANY, LLC**, a limited liability company duly organized and validly existing under the laws of the State of California (the “Borrower”).

WITNESSETH:

WHEREAS, the Issuer was established for the purpose of financing projects needed to implement economic development within the State of California (the “State”) and is authorized to issue taxable and tax-exempt revenue bonds to provide financing for economic development projects pursuant to the provisions Chapter 5 of Division 7 of Title 1 of the California Government Code (Commencing with Section 6500) (the “Act”); and

WHEREAS, in furtherance of the purposes of the Issuer set forth above, the Issuer proposes to finance or refinance the project as described in Exhibit A hereto (the “Project”) to be owned by the Borrower and operated by Pocino Foods Company (the “Operator”); and

WHEREAS, pursuant to and in accordance with the provisions of the Act, the Issuer has authorized and undertaken the issuance of its California Enterprise Development Authority Tax-Exempt Variable Rate Demand Industrial Development Revenue Bonds, Series 2008A (Pocino Foods Company Project) in the aggregate principal amount of \$7,665,000 (the “Series 2008A Bonds”) and its California Enterprise Development Authority Taxable Variable Rate Demand Industrial Development Revenue Bonds, Series 2008B (Pocino Foods Company Project) in the aggregate principal amount of \$1,335,000 (the “Series 2008B Bonds” and together with the Series 2008A Bonds, the “Series 2008 Bonds”) to provide funds to pay a portion of the cost of the Project and a portion of the costs of issuance of the Series 2008 Bonds; and

WHEREAS, the Issuer proposes to loan the proceeds of the Series 2008 Bonds to the Borrower, and the Borrower desires to borrow the proceeds of the Series 2008 Bonds upon the terms and conditions set forth herein; and

WHEREAS, for and in consideration of such loan, Borrower agrees, *inter alia*, to make loan payments sufficient to pay on the dates specified in Section 4.02 hereof, the principal of, premium, if any, and interest on, the Series 2008 Bonds as well as Additional Payments (as defined in the Indenture); and

WHEREAS, payment of the principal or purchase price of, and interest on, the Series 2008 Bonds is initially enhanced by a direct-pay irrevocable Letter of Credit issued to the Trustee by City National Bank (the “Bank” ”), and is further enhanced by an irrevocable standby letter of credit to be issued to the Trustee by Federal Home Loan Bank of San Francisco (the “Support Credit Provider”); and

WHEREAS, the Issuer and the Borrower each has duly authorized the execution and delivery of this Agreement;

NOW, THEREFORE, for and in consideration of the promises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definition of Terms. Unless otherwise defined herein or the context otherwise requires, the terms used in this Agreement shall have the meanings specified in Section 1.01 of the Indenture of Trust, dated as of November 1, 2008 (the “Indenture”), by and between the Issuer and Deutsche Bank National Trust Company, as trustee (the “Trustee”), as originally executed or as it may from time to time be supplemented or amended as provided therein.

Section 1.02. Number and Gender. The singular form of any word used herein, including the terms defined in Section 1.01 of the Indenture, shall include the plural, and vice versa. The use herein of a word of any gender shall include all genders.

Section 1.03. Articles, Sections, Etc. Unless otherwise specified, references to Articles, Sections and other subdivisions in this Agreement are to the designated Articles, Sections and other subdivisions of this Agreement as amended from time to time. The words “hereof,” “herein,” “hereunder” and words of similar import refer to this Agreement as a whole. The headings or titles of the several Articles and Sections, and the table of contents included herein, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

ARTICLE II

REPRESENTATIONS

Section 2.01. Representations of the Issuer. The Issuer makes the following representations as the basis for its undertakings herein contained:

(a) The Issuer is a public entity duly organized and validly existing under the laws of the State. Under the provisions of the Act, the Issuer has the power to enter into the transactions contemplated by this Agreement and the Indenture and to carry out its obligations hereunder. By proper action, the Issuer has been duly authorized to execute, deliver and duly perform its obligations under this Agreement and the Indenture.

(b) To finance and refinance the Costs of the Project and certain Costs of Issuance, the Issuer will issue the Bonds, which will mature, bear interest and be subject to redemption as set forth in the Indenture.

(c) The Bonds will be issued under and secured by the Indenture, pursuant to which the Issuer’s interest in this Agreement (except certain rights of the Issuer to payment for expenses and indemnification) will be pledged and assigned to the Trustee

as security for payment of the principal of, premium, if any, and interest on the Bonds and to the Bank, on a basis subordinate thereto, as security for the payment of the obligations of the Borrower under the Reimbursement Agreement.

(d) The Issuer has not pledged and will not pledge its interest in this Agreement for any purpose other than to secure the Bonds under the Indenture and the obligations of the Borrower under the Reimbursement Agreement.

(e) The Issuer is not in default under any of the provisions of the laws of the State which default would affect its existence or its powers referred to in Section 2.01(a).

(f) The Issuer has found and determined and hereby finds and determines that (i) the Loan to be made hereunder with the proceeds of the Bonds will promote the purposes of the Financing Act by providing funds to finance the Construction of the Project; and (ii) said Loan is in the public interest, serves the public purposes and meets the requirements of the Financing Act.

(g) No member, officer or other official of the Issuer has any financial interest whatsoever in the Borrower or in the transactions contemplated by this Agreement and the Indenture.

(h) Neither the execution and delivery of this Agreement, the Indenture, the Purchase Contract, dated November 18, 2008, between the Issuer and Gates Capital Corporation, as underwriter (the "Purchase Contract") or the Tax Regulatory Agreement, the consummation of the transactions contemplated hereby or thereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement, the Indenture, the Purchase Contract or the Tax Regulatory Agreement, conflict with or result in a breach of any of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Issuer is now a party or by which it is bound or constitute a default under any of the foregoing or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer under the terms of any instrument or agreement.

Section 2.02. Representations of the Borrower. The Borrower makes the following representations as the basis for its undertakings herein contained:

(a) The Borrower is a limited liability duly organized, validly existing and in good standing under the laws of the State, is not in violation of any provision of any of the Borrower's Organization Documents, has full power and authority to enter into this Agreement, and has duly authorized the execution and delivery of this Agreement by proper action.

(b) The execution, delivery and performance by the Borrower of this Agreement, the Reimbursement Agreement, the Remarketing Agreement, the Tax Regulatory Agreement and all other documents contemplated hereby to be executed by the Borrower are within the Borrower's power and have been duly authorized by all necessary action, and neither the execution and delivery of this Agreement, the

Reimbursement Agreement, the Remarketing Agreement or the Tax Regulatory Agreement or the consummation of the transactions contemplated hereby and thereby, nor the fulfillment of or compliance with the terms and conditions hereof and thereof, conflicts with or results in a breach of any of the terms, conditions or provisions of any of the Borrower's Organization Documents, or any law, statute, rule, regulation, order, judgment, award, injunction, or decree or of any material agreement or instrument to which the Borrower is now a party or by which it is bound or affected, or constitutes a default (or would constitute a default with due notice or the passage of time or both) under any of the foregoing, or results in or requires the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Borrower under the terms of any instrument or agreement to which the Borrower is now a party or by which it is bound.

(c) The estimated Costs of the Project to be paid or refinanced with the proceeds of the Series 2008A Bonds are as set forth in the Tax Regulatory Agreement and have been determined in accordance with sound engineering, construction, and accounting principles. All the information and representations in the Tax Regulatory Agreement are true and correct as of the date thereof.

(d) The Project consists and will consist of those facilities described in Exhibit A and the Borrower shall not make any changes to the Project or to the operation thereof which would affect the qualification of the Project under the Financing Act or would cause interest on the Series 2008A Bonds not to be tax-exempt until the principal of, premium, if any, and interest on the Series 2008A Bonds has been paid. The Borrower intends to own the Project and cause the Operator to operate the Project. The Borrower covenants and agrees to operate or cause to be operated the Project as a facility described by the Financing Act until the principal of, the premium, if any, and the interest on the Series 2008 Bonds shall have been paid.

(e) The Borrower has or will have title to the Project sufficient to carry out the purposes of this Agreement.

(f) To the best knowledge of the Borrower, no member, officer or other official of the Issuer has any financial interest whatsoever in the Borrower or in the transactions contemplated by this Agreement.

(g) All certificates, approvals, permits and authorizations required with respect to the Construction of the Project by the State, the City of Industry, California, the federal government and other applicable local governmental agencies have been obtained, or if not yet obtained, are reasonably expected to be obtained in due course. The Project will be consistent with any applicable existing local or regional comprehensive plan.

(h) To the best of the Borrower's knowledge, no event has occurred and no condition exists which would constitute a Loan Default Event or which, with the passing of time or with the giving of notice or both, would constitute a Loan Default Event.

(i) There is no litigation or proceeding pending or, to the knowledge of the Borrower, threatened against the Borrower which could adversely affect the validity of this Agreement, the Reimbursement Agreement, the Remarketing Agreement or the Tax Regulatory Agreement or the ability of the Borrower to comply with the terms of its obligations under this Agreement, the Reimbursement Agreement, the Remarketing Agreement or the Tax Regulatory Agreement.

(j) No consent, authorization or approval, except such consents, authorizations or approvals as have been obtained prior to the execution and delivery of this Agreement, from any governmental, public or quasi-public body or authority of the United States or of the State or any department or subdivision thereof, is necessary for the due execution and delivery by the Borrower of this Agreement.

Section 2.03. Registered Owners to Benefit. The Borrower agrees that this Agreement is executed in part to induce the purchase by others of the Series 2008 Bonds. Accordingly, all covenants and agreements on the part of the Borrower set forth in this Agreement are hereby declared to be for the benefit of the Registered Owners, as such may exist from time to time of such Series 2008 Bonds; provided, however, that such covenants and agreements shall create no rights in any parties other than the Issuer, the Borrower, the Remarketing Agent, the Bank, the Support Credit Provider, the Trustee, the Tender Agent and such Registered Owners.

ARTICLE III

CONSTRUCTION OF THE PROJECT; ISSUANCE OF THE SERIES 2008 BONDS

Section 3.01. Construction of the Project. The Borrower agrees that, utilizing the proceeds of the Series 2008 Bonds loaned pursuant to Section 4.01 hereof and such other funds as may be necessary, it has or will cause the Construction of the Project, and has or will acquire, rehabilitate, equip, construct and install all other facilities and real and personal property necessary for the operation of the Project as described in the Borrower's application to the Issuer for assistance in financing the Project, substantially in accordance with the plans and specifications prepared therefor by the Borrower, including any and all supplements, amendments, additions or deletions thereto or therefrom, it being understood that the approval of the Issuer shall not be required for changes in such plans and specifications which do not alter the purpose or description of the Project as set forth in Exhibit A hereto. The Borrower further agrees to proceed with due diligence to complete the Project within three years from the date hereof.

In the event that the Borrower desires to modify the Project in a manner which alters the purpose or description of the Project as set forth in Exhibit A hereto, such modification shall be undertaken only upon an amendment to Exhibit A which shall accurately set forth the description and purpose of the Project as so modified and which amendment to Exhibit A shall become effective (without the written consent of the Registered Owners) upon receipt by the Issuer and the Trustee of:

(a) a certificate of the Authorized Representative of the Borrower describing in detail the proposed changes and stating that they will not have the effect

of disqualifying the Project as an economic development facility that may be financed pursuant to the Act nor reduce the employment benefits described in the Borrower's application to the Issuer for assistance in financing the Project;

(b) an Opinion of Bond Counsel that the proposed changes to the Project will not have the effect of disqualifying the Project as a facility that may be financed pursuant to the Act or cause interest on the Series 2008A Bonds not to be Tax-exempt;

(c) a copy of the proposed form of amended or supplemented Exhibit A hereto; and

(d) the written approval of the Bank.

Section 3.02. Disbursements from the Project Fund and Costs of Issuance Fund.

The Borrower will authorize and direct the Trustee, upon compliance with Section 3.03 of the Indenture, to disburse the moneys in the respective accounts in the Project Fund to or on behalf of the Borrower only for payment of Costs of the Project. Each of the payments from the Project Fund referred to in this Section shall be made upon receipt by the Trustee of a written Requisition in the form prescribed by Section 3.03 of the Indenture, signed by an Authorized Representative of the Borrower accompanied by the written approval of the Bank.

Moneys in the respective accounts of the Costs of Issuance Fund shall be disbursed by the Trustee as provided in Section 3.03(d) of the Indenture to pay Costs of Issuance.

Section 3.03. Establishment of Completion Date; Obligation of Borrower to Complete. As soon as the Construction of the Project is completed, an Authorized Representative of the Borrower, on behalf of the Borrower, shall evidence the completion date by providing a certificate to the Trustee, with a copy to the Issuer and the Bank, stating the Costs of the Project and further stating that (a) Construction of the Project has been completed substantially in accordance with the plans and specifications therefor, and all labor, services, materials and supplies used in Construction have been paid for or stating the amount required to be retained in the Project Fund to fully provide for any disputed amounts; and (b) all other equipment and facilities for the operation of the Project have been acquired, constructed and installed in accordance with the plans and specifications therefor and all costs and expenses incurred in connection therewith have been paid or provided for. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Borrower against third parties.

At the time such certificate is delivered to the Trustee, moneys remaining in the Project Fund, including any earnings resulting from the investment of such moneys, less an amount representing a reasonable retainage determined by the Borrower, shall be used as provided in Section 3.03(c) of the Indenture.

In the event the moneys in the Project Fund available for payment of the Costs of the Project should be insufficient to pay the Costs of the Project in full, and unless Additional Bonds shall have been issued for that purpose, the Borrower agrees to, at its election, either pay directly, or to deposit in the project account within the Project Fund established for the Series 2008B Bonds moneys sufficient to pay, any costs of completing the Construction of the Project in

excess of the moneys available for such purpose in the Project Fund, or otherwise cause the Construction of the Project to be completed. The Issuer makes no express or implied warranty that the moneys deposited in the Project Fund and available for payment of the Costs of the Project under the provisions of this Agreement will be sufficient to pay all the amounts which may be incurred in connection with the Construction of the Project. The Borrower agrees that if, after exhaustion of the moneys in the Project Fund, the Borrower should pay, or deposit moneys in the Project Fund for the payment of, any portion of the Costs of the Project pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or the Registered Owners of any of the Series 2008 Bonds, nor shall it be entitled to any diminution of the amounts payable under Section 4.02 hereof.

Section 3.04. Investment of Moneys in Funds. Any moneys in any fund held by the Trustee shall, at the written request of an Authorized Representative of the Borrower, but subject to the restrictions on investments contained in the Indenture, the Tax Regulatory Agreement and applicable law in connection with the Tax-exempt status of interest on the Series 2008A Bonds, be invested or reinvested by the Trustee as provided in the Indenture. Such investments shall be held by the Trustee and shall be deemed at all times a part of the fund from which such investments were made, and the interest accruing thereon, and any profit or loss realized therefrom, shall be credited or charged as provided in Section 5.05 of the Indenture.

ARTICLE IV

LOAN OF PROCEEDS; REPAYMENT PROVISIONS

Section 4.01. Loan of Series 2008 Bond Proceeds; Issuance of Series 2008 Bonds. The Issuer covenants and agrees, upon the terms and conditions in this Agreement, to loan the proceeds of the sale of the Series 2008 Bonds to the Borrower for the purpose of financing or refinancing the Costs of the Project (including refunding the Series 2006 Bonds) and the Costs of Issuance to the extent permitted by the Indenture. Pursuant to said covenant and agreement, the Issuer will issue the Series 2008 Bonds upon the terms and conditions contained in this Agreement and the Indenture and will cause the Series 2008 Bond proceeds to be applied as provided in Article III of the Indenture. Subject to Section 3.02 of the Indenture, such proceeds shall be disbursed to or on behalf of the Borrower as provided in Section 3.02 hereof. The Borrower hereby approves the Indenture, the assignment thereunder to the Trustee of the right, title and interest of the Issuer (with certain exceptions) in this Agreement, and the issuance thereunder by the Issuer of the Series 2008 Bonds.

Section 4.02. Loan Repayments and Other Amounts Payable.

(a) On or before each Bond Payment Date, until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for such payment shall have been made as provided in the Indenture, the Borrower covenants and agrees to pay to the Trustee as a Loan Repayment on the Loan made to the Borrower from Bond proceeds pursuant to Section 4.01 hereof, a sum equal to the amount payable on such Bond Payment Date as principal of, and premium, if any, and interest on the Bonds as provided in the Indenture.

The Loan Repayments made pursuant to this subsection (a) shall at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon redemption or acceleration) and premium, if any, becoming due and payable on the Bonds on each Bond Payment Date; provided that any amount held by the Trustee in the Revenue Fund on the due date for a Loan Repayment pursuant to the immediately preceding paragraph shall be credited against the Loan Repayment due on such date to the extent available for such purpose under the terms of the Indenture; and provided further that, subject to the provisions of this paragraph, if at any time the amounts held by the Trustee in the Revenue Fund are sufficient to pay all of the principal of and interest and premium, if any, on the Bonds as such payments become due, the Borrower shall be relieved of any obligation to make any further Loan Repayments under the provisions of this Section. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Revenue Fund is insufficient to make any required payments of principal of (whether at maturity or upon redemption or acceleration) and interest and premium, if any, on the Bonds as such payments become due, the Borrower, immediately upon receipt of notice of such deficiency from the Trustee, shall forthwith pay such deficiency as a Loan Repayment hereunder.

The obligation of the Borrower to make any payment under this subsection (a) shall be deemed to have been satisfied to the extent of any corresponding payment made by the Bank or the Support Credit Provider to the Trustee as a result of a drawing under the Letter of Credit or the Support Letter of Credit, respectively. To the extent the Trustee receives a Loan Repayment from the Borrower pursuant to this subsection (a) after any payment obligation hereunder has been satisfied by a drawing under the Letter of Credit or the Support Letter of Credit, the Trustee shall promptly use such Loan Repayment to reimburse the Bank or the Support Credit Provider, as applicable, for such drawing or if the Bank or the Support Credit Provider, as applicable, has been reimbursed directly by the Borrower such funds shall be returned to the Borrower.

(b) In addition to the Loan Repayments required to be made by the Borrower, the Borrower shall also pay to the Trustee, or to the Issuer, as the case may be, the following:

(i) all taxes and assessments of any type or character charged to the Issuer or to the Trustee affecting the amount available to the Issuer or the Trustee for payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding any taxes based upon the capital and/or income of the Trustee or any other person other than the Borrower; provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Issuer or the Trustee, as the case may be, at the Borrower's expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would materially adversely affect the rights or interests of the Issuer or the Trustee;

(ii) the reasonable annual (or other regular) fees and expenses of the Trustee and its agents appointed pursuant to the Indenture, and all reasonable fees, charges and expenses of the Trustee for any extraordinary services rendered by the Trustee under the Indenture, including all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees incurred in and about the performance of its powers and duties under the Indenture;

(iii) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Issuer or the Trustee to prepare audits, financial statements, or opinions or provide such other services as are reasonably required under or in connection with the Bonds, the Indenture or this Agreement;

(iv) annual fees of the Issuer in the amount of \$500.00, payable on July 1 of each year in which any Bonds are outstanding, commencing July 1, 2009; and reasonable expenses of the Issuer and any consultant, agent or designee selected by the Issuer to act on its behalf in connection with the loan to the Borrower under this Agreement, the Bonds, the Indenture, the Tax Regulatory Agreement or any other document contemplated hereby or thereby, including without limitation reasonable expenses incurred by the Attorney General of the State or any attorneys (including attorneys who are employees of the Issuer) representing the Issuer in connection with any questions, claims or controversy arising under this Agreement, the Indenture, the Bonds, the Tax Regulatory Agreement or any related document, the amendment of any of the foregoing or the enforcement thereof, any matters affecting the Project, or any litigation that may at any time be instituted involving such loan or the Bonds, the Indenture or any other documents contemplated hereby or thereby, in each case payable no later than 30 days after request for such payment; and

(v) such amounts as may be necessary to satisfy the rebate or yield reduction requirements in accordance with each Tax Regulatory Agreement and to pay the cost of calculation of such rebate or yield reduction requirements and other amounts payable in accordance with the terms of each Tax Regulatory Agreement.

The Additional Payments set forth in clauses (i) through (iv) (and (v), if not timely paid by the Borrower) of this Section 4.02(b) shall be billed to the Borrower by the Issuer or the Trustee from time-to-time, together with (A) a statement executed by a duly authorized official or agent of the Issuer or the Trustee, as the case may be, stating that the amount billed is owed, has been incurred or paid by the Issuer or the Trustee for one or more of the above items; and (B) a copy of the invoice or statement for the amount so owed, incurred or paid. Amounts so billed shall be paid by the Borrower within 30 days after receipt of the bill by the Borrower. Payment by the Borrower to the Issuer or the Trustee of the amount so billed by either such party shall fulfill such payment obligation of the Borrower.

The obligations of the Borrower under this Section 4.02(b) shall survive resignation or removal of the Trustee and payments of the Bonds and discharge of the Indenture and the Agreement.

(c) The Borrower also agrees to pay the fees and expenses of the Bank pursuant to the Reimbursement Agreement.

(d) In the event the Borrower should fail to make any of the payments required by subsections (a) through (c) of this Section, such payments shall continue as obligations of the Borrower until such amounts shall have been fully paid. Except as provided in the next sentence, the Borrower agrees to pay such amounts, together with interest thereon, from the date such payments were due until paid, to the extent permitted by law, at the rate of 10% per annum. With respect to amounts due the Bank, the Borrower agrees to pay such amounts together with interest thereon at the rates and times established pursuant to the Reimbursement Agreement. Interest on overdue payments required under subsection (a) above shall be paid to Registered Owners as provided in Section 2.02(b)(ii) of the Indenture.

Section 4.03. Purchase of Series 2008 Bonds. The Borrower hereby recognizes and agrees that the Indenture provides for the creation of an account or accounts to facilitate the purchase of Series 2008 Bonds by the Tender Agent on the Mandatory Tender Date, the Mandatory Purchase Date and upon the optional tender of Series 2008 Bonds in accordance with Section 4.06 of the Indenture, and the Borrower agrees to provide or cause to be provided the Letter of Credit or the Support Letter of Credit for the payment of amounts necessary to purchase such Series 2008 Bonds.

Section 4.04. Unconditional Obligations. The obligations of the Borrower to make the payments required by Section 4.02 hereof and to provide or cause to be provided the Letter of Credit pursuant to Section 4.03 hereof, and to perform and observe the other agreements on its part contained herein, shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Issuer, and during the term of this Agreement, the Borrower shall pay absolutely all payments to be made on account of the Loan made to the Borrower from Bond proceeds pursuant to Section 4.01 hereof, as prescribed in Section 4.02 hereof, the obligation to provide or cause to be provided the Letter of Credit and the Support Letter of Credit pursuant to Section 4.03 hereof, and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of, premium, if any, and interest on the Bonds shall have been fully paid, or provision for the payment thereof shall have been made as required by the Indenture, the Borrower (a) will not suspend or discontinue any payments required to be made by the Borrower pursuant to this Agreement, including, without limitation, the payments provided for in Section 4.02 hereof and the obligation to provide or cause to be provided the Letter of Credit and the Support Letter of Credit pursuant to Section 4.03 hereof; (b) will perform and observe all of its other covenants contained in this Agreement; and (c) except as provided in Article VIII hereof, will not terminate this Agreement for any cause, including, without limitation, failure to complete the Project, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State, or any political

subdivision of either of these, or any failure of the Issuer or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement or the Indenture.

Section 4.05. Assignment of Issuer's Rights. As security for the payment of the Bonds, the Issuer will assign to the Trustee the Issuer's rights, title and interest under this Agreement, including the right to receive payments hereunder (except Reserved Rights), and the Issuer hereby directs the Borrower to make the payments required hereunder (except Additional Payments) directly to the Trustee as more fully set forth in this Agreement. The Borrower hereby assents to such assignment, agrees to make such payments directly to the Trustee and agrees that the provisions of Section 4.04 hereof shall apply to its obligation to make such payments.

Section 4.06. Amounts Remaining in Funds. It is agreed by the parties hereto that after: (a) payment in full of the principal of, premium, if any, and interest on, the Bonds, or after provision for such payment shall have been made as provided in the Indenture; (b) payment, or provision for payment satisfactory to the Trustee and paying agents, of the fees, charges and expenses of the Trustee and paying agents in accordance with the Indenture; (c) payment, or provision for payment satisfactory to the affected parties, of all other amounts required to be paid under this Agreement and the Indenture by the Borrower; and (d) payment to the Bank or the Support Credit Provider, as the case may be, of any amounts owed to the Bank or the Support Credit Provider, as the case may be, by the Borrower under the Reimbursement Agreement, any amounts remaining in any fund held by the Trustee under the Indenture shall be paid in accordance with the requirements of Section 10.04 of the Indenture.

Section 4.07. Issuance and Delivery of Additional Bonds. At the request of the Borrower, and for the purposes and upon fulfillment of the conditions specified in the Indenture, the Issuer may but is under no obligation, with the prior written consent of the Bank, to provide for the issuance, sale and delivery of Additional Bonds and loan the proceeds from the sale thereof to the Borrower (the "Additional Loan").

In connection with the issuance of any series of Additional Bonds, the Borrower and the Issuer shall execute and deliver an amendment or supplement to the Agreement evidencing the loan of the proceeds of the Additional Bonds by the Issuer to the Borrower. Such amendment or supplement to the Agreement shall:

- (a) provide for payments of interest on the Additional Loan equal to the payments of interest on the corresponding Additional Bonds;
- (b) require payments of principal and prepayments and any premium on the Additional Loan equal to the payments of principal, redemption payments and any premium on the corresponding Additional Bonds;
- (c) require that all payments on the Additional Loan to be made no later than the due dates for the corresponding payments to be made on the corresponding Additional Bonds; and

(d) contain optional and mandatory prepayment provisions and provisions in respect of optional and mandatory acceleration or prepayment of principal and any premium on the Additional Loan corresponding with the redemption and acceleration provisions of the corresponding Additional Bonds.

ARTICLE V

SPECIAL COVENANTS AND AGREEMENTS

Section 5.01. Right of Access to the Project. The Borrower agrees that during the term of this Agreement, the Issuer, the Bank, the Trustee and the duly authorized agents of any of them shall have the right, upon reasonable prior notice to the Borrower, at all reasonable times during normal business hours and subject to all applicable health and safety standards, rules and regulations, to enter upon the site of the Project to examine and inspect the Project. The rights of access hereby reserved to the Trustee, and their respective agents, may be exercised only after the Person seeking such access shall have executed such confidentiality or secrecy agreements, if any, as may be requested by the Borrower and which are in the form required of all visitors to the Project site. Nothing contained in this Section or in any other provision of this Agreement shall be construed to entitle the Issuer or the Trustee to any information or right of inspection involving the confidential knowledge, expertise or know-how of the Borrower, except as required by any taxing agency in connection with an audit or review of the Bonds.

Section 5.02. The Borrower's Maintenance of its Existence. The Borrower covenants and agrees that, so long as the Bonds are Outstanding, it will maintain its existence and will not dissolve, nor will it sell or otherwise transfer the Project or all or substantially all of its assets, nor will it consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it. Notwithstanding the foregoing, the Borrower may, without violating the covenants contained in this Section, consolidate with or merge into another entity, or permit one or more other entities to consolidate with or merge into it, or sell or otherwise transfer to another entity the Project or all or substantially all of its assets as an entirety and thereafter dissolve, if:

(a) the surviving, resulting or transferee entity, as the case may be:

(i) assumes in writing, if such entity is not the Borrower, all of the obligations of the Borrower under this Agreement;

(ii) is not, after such transaction, otherwise in default under any provisions of this Agreement; and

(iii) is qualified or registered to do business in the State;

(b) the Trustee and the Issuer shall have received an Opinion of Bond Counsel to the effect that such merger, consolidation, sale or other transfer will not cause interest on the Series 2008A Bonds not to be Tax-exempt; and

(c) the written consent of the Bank has been received by the Trustee, together with an acknowledgment that the Letter of Credit and the Support Letter of Credit will remain in effect.

If a merger, consolidation, sale or other transfer is effected, as provided in this Section, the provisions of this Section shall continue in full force and effect and no further merger, consolidation, sale or transfer shall be effected except in accordance with the provisions of this Section.

Section 5.03. Records and Financial Statements of Borrower; Employment Practices.

(a) The Borrower covenants and agrees at all times to keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions of or in relation to the business, properties and operations of the Borrower; provided, however, that the Borrower shall not be required to prepare audited financial statements pursuant to this Section. Such books of record and account shall be available for inspection by the Issuer or the Trustee, and the duly authorized agents of either of them, at reasonable hours and under reasonable circumstances and the Borrower shall maintain said records and accounts and all records evidencing compliance with the Tax Regulatory Agreement until four years after no Bonds are Outstanding.

(b) Upon the receipt of the written request of the Issuer or the Trustee, the Borrower further covenants and agrees to furnish the requesting party, within 120 days after the end of each Fiscal Year, with copies of its complete financial statements together with a Certificate of an Authorized Representative of the Borrower stating that no event which constitutes a Loan Default Event or which with the giving of notice or the passage of time or both would constitute a Loan Default Event has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Borrower to cure such default.

(c) The Borrower shall, within 60 days of the receipt of a written request from the Issuer or the Trustee, furnish a written report to the requesting party, as of the end of the Borrower's prior Fiscal Year, stating the status of the Project, the outstanding and unpaid balance of the Bonds, the number of full-time and part-time employees of the Borrower employed at the Project during such prior Fiscal Year, and supplying such current information as the Issuer shall reasonably request regarding other matters covered in the Borrower's application for industrial revenue bond financing.

Section 5.04. Insurance. The Borrower agrees to insure the Project or cause the Project to be insured during the term of this Agreement for such amounts and for such occurrences as are customary for similar facilities within the State, or as may be reasonably required by the Bank, by means of policies issued by reputable insurance companies qualified to do business in the State. Upon the written request of the Issuer or the Trustee, the Borrower shall deliver to the

requesting party, within 60 days of the receipt of such request, memorandum copies of the insurance policies or certificates of insurance which memorandum copies of insurance policies or certificates of insurance shall evidence that all insurance required to be in effect under this Section is then currently in full force and effect. The Trustee and the Issuer are not responsible for the adequacy or sufficiency of the coverage evidenced by such policies or certificates.

Section 5.05. Maintenance and Repair; Taxes; Utility and Other Charges. The Borrower agrees to maintain the Project, or cause the Project to be maintained, during the term of this Agreement (a) in a safe condition; and (b) in good repair and in good operating condition, ordinary wear and tear excepted, making or causing to be made from time to time all necessary repairs thereto and renewals and replacements thereof.

The Borrower agrees to pay or cause to be paid during the term of this Agreement all taxes, governmental charges of any kind lawfully assessed or levied upon the Project or any part thereof, including any taxes levied against the Project which, if not paid, will become a charge on the Project, all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Borrower shall be obligated to pay only such installments as are required to be paid during the term of this Agreement. The Borrower may, at the Borrower's expense and in the Borrower's name, in good faith, contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during that period of such contest and any appeal therefrom unless by such nonpayment the Project or any part thereof will be subject to loss or forfeiture.

Section 5.06. Qualification in California. The Borrower agrees that throughout the term of this Agreement it, and any lessee of the Project, if any, will be qualified or registered to do business in the State.

Section 5.07. Alternate Credit Facility. If the Borrower exercises its option to convert the interest rate borne by the Bonds from the Weekly Interest Rate to the Fixed Interest Rate pursuant to the terms and provisions of the Indenture, the Borrower may cause to be delivered to the Trustee an Alternate Credit Facility, effective as of the Fixed Rate Date, in lieu of keeping the Letter of Credit and the Support Letter of Credit in place as required by Section 5.08 hereof.

Such Alternate Credit Facility must meet the following conditions:

- (a) the terms of the Alternate Credit Facility must provide an unconditional obligation of the issuer of the Alternate Credit Facility to pay all amounts with respect to the principal of, premium, if any, and interest on the Bonds when the same shall become due; and
- (b) the term of the Alternate Credit Facility must extend to the final maturity of the Bonds.

On or prior to the date of the delivery of an Alternate Credit Facility to the Trustee, the Borrower shall cause to be furnished to the Issuer and the Trustee (i) an Opinion of Bond Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under this Agreement and complies with the terms hereof and will not cause interest on the Series 2008A Bonds not to be Tax-exempt; (ii) such opinions regarding the validity of the Alternate Credit Facility as the Issuer, the Trustee and any rating agency then rating the Bonds may reasonably require; and (iii) written evidence from (A) Moody's that with the delivery of the Alternate Credit Facility, the Bonds will have a long-term rating of not less than "A2", (B) S&P that with the delivery of the Alternate Credit Facility, the Bonds will have a long-term rating of not less than "A", or (C) Fitch that with the delivery of the Alternate Credit Facility, the Bonds will have a long-term rating of not less than "A".

Section 5.08. Letter of Credit. The Borrower shall at all times throughout the term of this Agreement (but subject to Section 5.07 hereof) maintain or cause to be maintained the Letter of Credit with respect to the Bonds. The Letter of Credit shall be an obligation of the Bank to pay to the Trustee, against presentation of sight drafts and certificates required by the Bank, up to (a) an amount equal to the aggregate principal amount of the Bonds then Outstanding as necessary to pay the principal of such Bonds, whether at maturity, redemption, acceleration or otherwise or upon the purchase of such Bonds upon the optional tender of the Bonds pursuant to Section 4.06 of the Indenture and on the Mandatory Tender Date, and (b) an amount equal to 45 days (or such other number of days as may be required to obtain a rating on the Bonds if the Bonds are then rated) of interest on the Bonds calculated at an interest rate of 12% per annum on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed while the Bonds bear interest at the Weekly Interest Rate and an amount equal to 210 days (or such other number of days as may be required to obtain a rating on the Bonds if the Bonds are then rated) of interest on the Bonds calculated at the actual interest rate or rates on the Bonds on the basis of a 360-day year of twelve 30-day months while the Bonds bear interest at the Fixed Interest Rate to pay interest on the Bonds when due. To the extent a Support Letter of Credit is required to be provided with respect to the Bonds pursuant to this Section 5.08, the Support Letter of Credit shall be an obligation of the Support Credit Provider to pay to the Trustee, against presentation of sight drafts and certificates required by the Support Credit Provider, the principal of and interest on the Bonds (but not exceeding the stated amount of the Support Letter of Credit) due to the Registered Owners under the Indenture in the event that the Bank has failed to honor a properly presented drawing under the Letter of Credit or the Bank has repudiated the Letter of Credit.

On any Business Day, the Borrower may, at its option, provide or cause to be provided to the Trustee an Alternate Letter of Credit and the Borrower shall, in any event, cause to be delivered to the Trustee an extension of the Expiration Date of the Letter of Credit, the Support Letter of Credit or an Alternate Letter of Credit at least (a) 23 days before the Expiration Date of the then-existing Letter of Credit and the Support Letter of Credit while the Bonds bear interest at the Weekly Interest Rate, or (b) 45 days before the Expiration Date of the then-existing Letter of Credit and the Support Letter of Credit while the Bonds bear interest at the Fixed Interest Rate. At least 30 days prior to the Letter of Credit Substitution Date, the Borrower shall provide the Issuer, the Trustee, the Bank, the Tender Agent and the Remarketing Agent with a written notice of its intention to provide an Alternate Letter of Credit pursuant to this Section. Such notice shall include the proposed Letter of Credit Substitution Date, which shall be any Business

Day, and identify the provider of the Alternate Letter of Credit. An Alternate Letter of Credit shall be an irrevocable letter of credit or other irrevocable credit facility delivered to the Trustee on the Letter of Credit Substitution Date, issued by a commercial bank or other financial institution, the terms of which shall in all material respects be the same as the Letter of Credit or the Support Letter of Credit, as applicable; provided, that the Expiration Date of such Alternate Letter of Credit shall be a date not earlier than one year from its date of issuance, subject to earlier termination upon payment of all Bonds in full or provision for such payment in accordance with the Indenture. On or prior to the date of the delivery of an Alternate Letter of Credit to the Trustee, the Borrower shall cause to be furnished to the Issuer and the Trustee (i) an Opinion of Bond Counsel stating that the delivery of such Alternate Letter of Credit to the Trustee is authorized pursuant to this Agreement, complies with the terms hereof and will not cause the interest on the Bonds not to be Tax-exempt, (ii) such opinions regarding the validity of the Alternate Letter of Credit as the Issuer, the Trustee and any rating agency then rating the Bonds may reasonably require, and (iii) written evidence from Moody's, if the Bonds are then rated by Moody's, from Fitch, if the Bonds are then rated by Fitch and S&P, if the Bonds are then rated by S&P, to the effect that such rating agency has reviewed the proposed Alternate Letter of Credit and that the substitution of the proposed Alternate Letter of Credit will not, by itself, result in a reduction of its long-term rating of the Bonds below "A" if the Bonds are rated by S&P, below "A-" if the Bonds are rated by Fitch or below "A2" if the Bonds are rated by Moody's.

It is understood and agreed that with proper notification to the Trustee and the Borrower, the Bank can declare that a default has occurred under the Reimbursement Agreement with the Borrower and such default will cause a mandatory redemption of Bonds pursuant to Section 4.01(g) of the Indenture.

Section 5.09. Covenants of the Borrower. It is the intention of the parties hereto that interest on the Series 2008A Bonds shall be and remain Tax-exempt so long as the Series 2008A Bonds are Outstanding, and to that end the representations, covenants, and agreements of the Borrower in this Section and in Sections 5.10 and 5.11 hereof are for the benefit of the Trustee and each and every Registered Owner of the Series 2008A Bonds, and where applicable, the Series 2008B Bonds. The Borrower represents, warrants and agrees as follows:

(a) The portion of the Project financed or refinanced with the proceeds of the Series 2008A Bonds consists, and at all times shall consist, of land or property which is subject to the allowance for depreciation provided in Section 167 of the Code, and substantially all (95% or more) of the proceeds of the Series 2008A Bonds including proceeds of investment thereof, shall be used to pay the Costs of the Project which are chargeable to the capital account of the Borrower, and (except for costs originally financed or refinanced with proceeds of the Series 2006 Bonds) which were paid not earlier than 60 days before April 29, 2008. The Borrower shall allocate the proceeds of the Series 2008A Bonds to the Costs of the Project no later than 18 months after the later of the date the original expenditure is paid or the date the Project is placed in service or abandoned, but in no event more than three years after the original expenditure is paid.

(b) No portion of the proceeds of the Bonds shall be used to provide for a private or commercial golf course, country club, massage parlor, tennis club, skating facility (including roller skating, skate board and ice skating), racquet sports facility (including any handball or racquetball court), hot tub facility, suntan facility, race track, automobile sales or service facility, retail food or beverage facility, entertainment facility, airplane, gambling establishment, health club, liquor store, skybox or luxury box.

(c) Less than 25% of the net proceeds of the Series 2008A Bonds (after Costs of Issuance) shall be used to purchase or refinance land or interests in land. The Borrower covenants to spend sufficient sums from the Project Fund on Costs of the Project to assure compliance with this covenant.

(d) No proceeds of the Series 2008A Bonds shall be used to acquire any personal property or facilities unless the first use of such property or facilities shall be pursuant to such acquisition, except that if the Project consists of acquisition of a building, the Borrower shall, within two years after the Date of Delivery or the date of acquisition of such building, whichever is earlier, expend an amount, from proceeds of the Bonds or otherwise, equal to at least 15% of the cost of acquiring such building financed with proceeds of the Series 2008A Bonds on rehabilitation costs of such building as required by Section 147(d) of the Code.

(e) During the three-year period following the date the Project is placed in service, the Borrower shall not allow any other Person to become a “test-period beneficiary” of the Series 2008A Bonds who is a beneficiary of industrial development bonds in an amount which would cause the issuance of the Series 2008A Bonds to exceed such Person’s aggregate per-taxpayer limit under Section 144(a)(10) of the Code.

(f) No agreement shall be entered into which would result in the payment of principal or interest on the Series 2008A Bonds being “federally guaranteed” within the meaning of Section 149(b) of the Code.

(g) There is no outstanding issue of industrial development bonds which was used to finance any facilities which, in relation to the Project, would constitute (i) a single building; (ii) an enclosed shopping mall; or (iii) a strip of offices, stores or warehouses using substantial common facilities.

(h) Subject to the provisions of the final subsection of Section 5.10 hereof, no actions shall be taken, or omitted to be taken, by the Borrower which would have the effect, directly or indirectly, of causing interest on any of the Series 2008A Bonds to not be Tax-exempt.

(i) No changes shall be made in the Project or the use of the Project which shall in any way impair the Tax-exempt status of interest on the Series 2008A Bonds.

(j) No use or investment of the proceeds of the Series 2008A Bonds or any acquired obligation shall be made which would cause the Series 2008A Bonds to

become “arbitrage bonds” within the meaning of Section 148 of the Code and any Regulations thereunder, and the Borrower shall comply with the requirements of said Section of the Code and said Regulations, as the same may be amended from time to time, so long as any Series 2008A Bonds remain Outstanding.

(k) To use due diligence to cause the Project to be operated in all material respects in accordance with all applicable laws, rulings, regulations and ordinances.

(l) To comply in all material respects with all written conditions imposed by any State or local agency in its approval of the Project.

(m) To fully and faithfully perform all the duties and obligations which the Issuer has covenanted and agreed in the Indenture to cause the Borrower to perform and any duties and obligations which the Borrower is required in the Indenture to perform. The foregoing shall not apply to any duty or undertaking of the Issuer which by its nature cannot be delegated or assigned.

(n) The rights, duties and obligations imposed on the Borrower pursuant to the Remarketing Agreement are hereby acknowledged, approved and accepted.

(o) To faithfully perform at all times any and all covenants, undertakings, stipulations and provisions to be observed or performed by the Borrower contained in the Indenture, in the Bonds, and in all proceedings of the Issuer pertaining thereto, or otherwise required of the Borrower to be observed or performed, whether express or implied.

(p) To comply with the covenants and obligations of the Borrower contained in the Reimbursement Agreement.

(q) To use less than 25% of the net proceeds of the Series 2008A Bonds (after deducting Costs of Issuance) to provide facilities which are directly related and ancillary to the manufacturing facility being financed with the proceeds of the Series 2008A Bonds, in accordance with Section 144(a)(12)(C) of the Code.

(r) To not become a Registered Owner of the Bonds, and to not directly or indirectly purchase Bonds from the Remarketing Agent or permit any Related Party to directly or indirectly purchase Bonds from the Remarketing Agent.

(s) To the extent Bond proceeds are used for construction purposes, the Borrower shall certify that, to its knowledge, having exercised due inquiry, the contractors engaged to construct the Project are properly licensed by the Contractors’ State License Board.

(t) The Project shall be consistent with any applicable existing local or regional comprehensive plan.

(u) The Borrower shall comply with Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code of the State relating to the

payment of prevailing wages for construction, improvement, reconstruction or rehabilitation of the Project financed in whole or in part with the proceeds of the Bonds.

(v) The Project and Borrower shall comply with the requirements of the Act and other applicable State laws.

Notwithstanding any other provision of this Agreement or the Indenture, including in particular Article X of the Indenture, the representations of the Borrower set forth in this Section and Section 5.10 hereof shall survive the defeasance or payment in full of the Bonds.

Section 5.10. Capital Expenditures.

(a) For the purpose of this Section and Section 5.09 hereof the following terms shall have the following meanings:

“Facilities” shall mean those facilities described in Section 144(a)(1) of the Code and Regulations thereunder, including Section 1.103-10(b)(2)(ii)(e) and Section 1.103-10(d)(2) of the Regulations, and shall include those facilities any Principal User of which is the Borrower or a related person, as defined in Section 144(a)(3) of the Code, located in the Project Location, and any contiguous or integrated facility treated as being located in the Project Location by reason of the fact that such facility is located on both sides of a border between the Project Location and one or more other political jurisdictions.

“Principal User” shall mean any principal user of the Project as defined in Proposed Treasury Regulations Section 1.103-10(h).

“Project Location” shall mean the area within the City of Industry, California.

“Regulations” shall mean those regulations, whether now or hereafter adopted, prepared by the United States Department of the Treasury with respect to Section 103 or Part IV of subchapter B of chapter 1 of the Code.

“Section 144 Capital Expenditures” shall mean those expenditures required to be taken into account with respect to the Series 2008A Bonds pursuant to Section 144(a)(1) and (4) of the Code and Regulations thereunder, including Section 1.103-10(b)(2)(ii) and (iii) of the Regulations, including any expenditure with respect to Facilities, no matter by whom made (regardless of how paid, whether in cash, notes or stock in a taxable or nontaxable transaction), paid or incurred during the six-year period beginning three (3) years before the date of issuance and delivery of the Series 2008A Bonds, which may, under any rule or election under the Code, be treated as a capital expenditure (whether or not such expenditure is so treated), and which is not paid or reimbursed out of the original principal proceeds (exclusive of investment income) of the Series 2008A Bonds, but not including excluded expenditures pursuant to Sections 144(a)(4)(C) and 144(a)(4)(G) of the Code and Regulations thereunder, including Section 1.103-10(b)(2)(iv) and (v) of the Regulations. Such term shall also include research and development costs properly allocable to the Project no matter where paid or incurred, unless specifically excluded by Section 144(a)(4)(C).

(b) The Borrower represents and warrants that substantially all of the proceeds of the Series 2008A Bonds are to be used with respect to the Project to be located in the Project Location; that there are no other outstanding obligations issued subsequent to September 30, 1968, of any state, territory or possession of the United States of America, or any political subdivision of the foregoing or of the District of Columbia, the proceeds of which have been or are to be used primarily with respect to Facilities; and that the sum of the principal amount of the Series 2008A Bonds plus the amount of Section 144 Capital Expenditures for the three-year period ending on the date of issuance and delivery of the Series 2008A Bonds does not exceed \$10,000,000.

(c) The Borrower further covenants that it shall take, and shall cause any other Principal User to take, such further actions as are required of a Principal User of property financed by an issue of obligations which are subject to the \$10,000,000 limitation of Section 144(a)(4)(A) of the Code, which actions are set forth in Section 144(a)(4)(A) of the Code and in the Regulations, including Section 1.103-10(b) of the Regulations.

(d) The Borrower further covenants and agrees, so long as any of the Series 2008A Bonds are Outstanding under the Indenture, that the aggregate principal of Series 2008A Bonds being issued plus the aggregate amount of Section 144 Capital Expenditures made or to be made with respect to Facilities during the six-year period beginning three years before the date of issuance and delivery of the Series 2008A Bonds shall not exceed \$10,000,000 (or any such larger amount as may be hereafter permitted by law).

The Issuer is the taxpayer in any examination or audit of any Series 2008A Bonds by the Internal Revenue Service (the “Service”), and only the Issuer has the right to appear or to be represented before the Service. This right is a Retained Right.

Notwithstanding anything in Section 5.09(h) hereof or in this Section to the contrary, the Borrower shall not have violated the covenants contained in Section 5.09(h) hereof or in this Section if the interest on any of the Series 2008A Bonds becomes taxable to a Person solely because such Person is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code; and none of the covenants and agreements herein contained shall require either the Borrower to enter an appearance or intervene in any administrative, legislative or judicial proceeding in connection with any changes in applicable laws, rules or regulations or in connection with any decisions of any court or administrative agency or other governmental body affecting the taxation of interest on the Series 2008A Bonds.

Section 5.11. Special Arbitrage Certifications. The Borrower and the Issuer agree to comply with the Tax Regulatory Agreement, as such Tax Regulatory Agreement shall be amended from time to time in order that interest on the Series 2008A Bonds remains Tax-exempt. The Borrower further agrees to cause any other Principal User (as defined in Section 5.10 hereof) of the Project to comply with the terms of this Loan Agreement and the Tax Regulatory Agreement to the extent necessary to insure that interest on the Series 2008A Bonds remains Tax-exempt.

Section 5.12. Covenant to Enter into Agreement or Contract to Provide Ongoing Disclosure. The parties have determined that the initial offering and sale of the Series 2008 Bonds is exempt from the requirements of 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 “Rule”). The Borrower hereby covenants and agrees that if as a result of the conversion of the interest rate borne by the Series 2008 Bonds from the Weekly Interest Rate to the Fixed Interest Rate or as a result of any amendment to the Rule or any amendment or supplement to the Indenture or this Agreement, the Series 2008 Bonds cease to be exempt under the Rule, the Borrower will enter into an agreement or contract, constituting an undertaking, to provide ongoing disclosure as may be necessary to comply with the Rule as then in effect. The covenant and agreement contained in this Section is for the benefit of the Registered Owners, any Participating Underwriter and the Beneficial Owners (as defined in the Indenture) as required by the Rule. It is the Borrower’s express intention that this Section be assigned pursuant to and in accordance with Section 6.09 of the Indenture to the Trustee for the benefit of the Registered Owners, any Participating Underwriter and the Beneficial Owners and that each Registered Owner, Participating Underwriter and Beneficial Owner be a beneficiary of this Section with the right to enforce this Section against the Borrower. Notwithstanding any other provision of this Agreement, failure of the Borrower to comply with the provisions of this Section shall not be considered a Loan Default Event; provided, however, the Trustee may (and, at the request of any Participating Underwriter or the Registered Owners of at least 25% aggregate principal amount in Outstanding Series 2008 Bonds, shall) or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Borrower to comply with its obligations under this Section.

Section 5.13. Covenants of the Borrower Required by the California Industrial Development Financing Advisory Commission. The Borrower covenants and represents that it reasonably expects and will use its best efforts to retain 84 direct full-time jobs within two years of the completion of the Project (all in accordance with the application of the Issuer and the Borrower to the California Industrial Development Financing Advisory Commission (the “Commission”) and the Procedures Implementing the Allocation of the 2008 State Ceiling on Qualified Private Activity Bonds).

The Borrower shall, within 60 days of the receipt of a written request from the Commission, furnish a written report to the Commission, as of the end of the Borrower’s prior Fiscal Year, stating the number of full-time and part-time employees employed at the Project during such prior Fiscal Year.

The Issuer and the Borrower further agree that the covenants set forth in this Section are for the benefit of the Commission and that the Commission shall be deemed a third-party beneficiary of this Agreement for the purpose of enforcing the Borrower's compliance with the covenants set forth in this Section. The Commission shall have the right, in its discretion, to enforce the covenants contained in this Section by an action for specific performance or any other available remedy.

ARTICLE VI

DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF PROCEEDS

Section 6.01. Obligation to Continue Payments. If prior to full payment of the Bonds (or provision for payment thereof in accordance with the provisions of the Indenture) (a) the Project or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty, or (b) title to, or the temporary use of, the Project or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, the Borrower shall nevertheless be obligated to continue to pay the amounts specified in Article IV hereof, to the extent not prepaid in accordance with Article VIII hereof.

Section 6.02. Application of Net Proceeds. The Borrower shall be entitled to the Net Proceeds, if any, of any insurance or condemnation awards resulting from the damage, destruction or condemnation of the Project or any portion thereof for application as provided in this Section and in the Reimbursement Agreement. All Net Proceeds shall be deposited by the Borrower in an escrow account with the Bank pursuant to the Reimbursement Agreement and shall be applied in one or more of the following ways at the election of the Borrower, with the written consent of the Bank, by written notice to the Issuer and the Trustee:

(a) The prompt repair, restoration, relocation, modification or improvement of the damaged, destroyed or condemned portion of the Project to enable such portion of the Project to accomplish at least the same function as such portion of the Project was designed to accomplish prior to such damage or destruction or exercise of such power of eminent domain. If the Borrower elects to proceed as provided in this subsection (a), it shall give the Issuer and the Trustee written notice thereof, and evidence of the Bank's written consent, within 90 days of the deposit of the Net Proceeds with the Bank. Any balance of the Net Proceeds remaining after such work has been completed shall be deposited in the Revenue Fund to be applied, with the written consent of the Bank, to the payment of principal of and premium, if any, and interest on the Bonds, or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture), any balance remaining in the Revenue Fund shall be paid in accordance with the requirements of Section 10.04 of the Indenture.

(b) The prepayment of all or a portion of the Loan in accordance with Article VIII hereof and redemption of Bonds. If the Borrower fails to give the notice and evidence of the Bank's written consent required by Section 6.02(a) above within 90 days of the deposit of the Net Proceeds with the Bank, the Borrower shall be

deemed to have elected to apply the Net Proceeds to the prepayment of all or a portion of the Loan as provided in this subsection (b) in accordance with Section 8.02(a) hereof, the Bank shall be deemed to have consented to such application, and the Issuer and the Trustee shall be deemed to have received written notice thereof for purposes of this Section.

Section 6.03. Insufficiency of Net Proceeds. If the Project or a portion thereof is to be repaired, restored, relocated, modified or improved pursuant to Section 6.02(a) hereof, and if the Net Proceeds are insufficient to pay in full the cost of such repair, restoration, relocation, modification or improvement, the Borrower will nonetheless complete the work or cause the work to be completed and will pay or cause to be paid any cost thereof in excess of the amount of the Net Proceeds held in escrow.

Section 6.04. Damage to or Condemnation of Other Property. Subject to the terms and provisions of the Reimbursement Agreement, the Borrower shall be entitled to the Net Proceeds of any insurance or condemnation award or portion thereof made for damages to or takings of its property not included in the Project.

ARTICLE VII

LOAN DEFAULT EVENTS AND REMEDIES

Section 7.01. Loan Default Events. Any one of the following which occurs and continues shall constitute a Loan Default Event:

(a) failure of the Borrower to pay any Loan Repayment when and as the same shall become due and payable pursuant to Section 4.02(a) hereof;

(b) failure of the Borrower to pay any amounts payable hereunder, other than Loan Repayments (including Additional Payments), when and as the same shall become due, which failure continues for a period of 30 days after written notice delivered to the Borrower and the Bank, which notice shall specify such failure and request that it be remedied, given by the Trustee, unless the Trustee shall agree in writing to an extension of such time;

(c) failure of the Borrower to observe and perform any covenant, condition or agreement on its part required to be observed or performed by this Agreement, other than a covenant described in subsection (a) or (b) above or in Section 5.12 hereof, which failure continues for a period of 30 days after written notice delivered to the Borrower and the Bank, which notice shall specify such failure and request that it be remedied, given by the Trustee, unless the Trustee, with the written approval of the Bank, shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected; or

(d) existence of an Event of Default under and as defined in Sections 7.01(a) through (e) of the Indenture.

The provisions of Section 7.01(c) are subject to the limitation that the Borrower shall not be deemed in default if and so long as the Borrower is unable to carry out its agreements hereunder by reason of strikes, lockouts or other industrial disturbances; acts of public enemies; terrorist acts; orders of any kind of the government of the United States or of the State or any of their departments, agencies, or officials, or any civil or military authority; insurrections, riots, epidemics, landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event (whether similar or dissimilar to the foregoing) not reasonably within the control of the Borrower; it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Borrower, and the Borrower shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Borrower, unfavorable to the Borrower. This limitation shall not apply to any default under subsections (a), (b), or (d) of this Section.

Notwithstanding any other provision of this Agreement to the contrary, so long as the Bank is not in default under the Letter of Credit, the Trustee shall not without the prior written consent or direction of the Bank exercise any remedies under this Agreement in the case of any Loan Default Event described in subsections (a), (b), or (c) above.

Section 7.02. Remedies on Default. Subject to the last sentence of Section 7.01 above, whenever any Loan Default Event shall have occurred and shall be continuing, the Borrower acknowledges and agrees the following remedies are available to the Trustee as set forth herein and in the Indenture:

(a) The Trustee, by written notice to the Borrower and the Bank, shall declare all unpaid amounts payable under Section 4.02(a) hereof to be due and payable immediately, provided that concurrently with or prior to such notice the unpaid principal amount of the Bonds shall have been declared to be due and payable under the Indenture. Upon any such declaration such amount shall become and shall be immediately due and payable in the amount set forth in Section 7.01 of the Indenture.

(b) The Trustee shall have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Borrower.

(c) The Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement.

(d) The Trustee shall immediately draw upon the Letter of Credit or the Support Letter of Credit, if permitted by its terms and required by the terms of the Indenture, and apply the amount so drawn in accordance with the Indenture and may exercise any remedy available to it thereunder.

In case the Trustee shall have proceeded to enforce its rights under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then, and in every such case, the Borrower, the Trustee and the Issuer shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Borrower, the Trustee and the Issuer shall continue as though no such action had been taken.

The Borrower covenants that, in case a Loan Default Event shall occur and all unpaid amounts payable under Section 4.02(a) hereof shall have been declared due and payable immediately pursuant to Section 7.02(a) hereof, then, upon demand of the Trustee, the Borrower will pay to the Trustee the whole amount that then shall have become due and payable under said Section, with interest on the amount then overdue at the rate of 10% per annum until such amount has been paid or, if ten percent is greater than the rate then permitted by law, at the greatest rate then permitted.

In case the Borrower shall fail forthwith to pay such amounts upon such demand, the Trustee shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Borrower and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Borrower under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Borrower or in the case of any other similar judicial proceedings relative to the Borrower, or the creditors or property of the Borrower, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Borrower, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its reasonable charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for reasonable compensation and expenses, including reasonable expenses and fees of counsel incurred by it up to the date of such distribution.

Section 7.03. Agreement to pay Attorneys' Fees and Expenses. In the event the Borrower should default under any of the provisions of this Agreement, whether or not such default constitutes a Loan Default Event hereunder, and the Issuer or the Trustee should employ attorneys or incur other expenses for the collection of the payments due under this Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower herein contained, the Borrower agrees to pay to the Issuer or the Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by the Issuer or the Trustee.

Section 7.04. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer or the Trustee 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 this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission 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 thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the Issuer hereunder shall also extend to the Trustee, and the Trustee and the Registered Owners of the Bonds shall be deemed third party beneficiaries of all covenants and agreements herein contained.

Section 7.05. Waivers. No delay or omission of the Issuer or the Trustee to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Agreement to the Issuer or the Trustee may be exercised from time to time and as often as may be deemed expedient. In the event any agreement or covenant contained in this Agreement should be breached by the Borrower and thereafter waived by the Issuer or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE VIII

PREPAYMENT

Section 8.01. Redemption of Bonds with Prepayment Moneys. By virtue of the assignment of the rights of the Issuer under this Agreement to the Trustee (other than Reserved Rights) as is provided in Section 4.05 hereof, the Borrower agrees to and shall pay directly to the Trustee any amount permitted or required to be paid by it under this Article. The Indenture provides that the Trustee shall use the moneys so paid to it by the Borrower, pursuant to the written instructions of the Borrower, to redeem the Bonds on the date set for such redemption pursuant to Section 8.05 hereof.

Section 8.02. Options to Prepay Loan. The Borrower shall have the option to prepay the Loan by paying to the Trustee the amount set forth in Section 8.04 hereof, for deposit in the Revenue Fund, to be applied to the redemption of Bonds as set forth below on the earliest date such Bonds are subject to redemption pursuant to the Indenture and as to which notice of redemption can be given in accordance with the Indenture, at the redemption prices set forth below, under the following circumstances:

(a) The Borrower may prepay such amounts in whole, and cause all of the Outstanding Bonds to be redeemed at the redemption price set forth in Section 4.01(e) of the Indenture, if any of the following shall have occurred:

(i) the Project shall have been damaged or destroyed, in whole or in part, by fire or other casualty and the Issuer and the Trustee receive a Certificate

of the Authorized Representative of the Borrower to the effect that: (A) it is not practicable or desirable to rebuild, repair or restore the Project within a period of six consecutive months following such damage or destruction; (B) the Borrower is or will be thereby prevented from carrying on its normal operations at the Project for a period of at least six consecutive months, or (C) the cost of restoration of the Project would substantially exceed the Net Proceeds of insurance carried thereon; or

(ii) title to, or the temporary use of, all or substantially all of the Project shall have been taken by any governmental authority, or any Person acting under governmental authority, exercising the power of eminent domain and the Issuer and the Trustee receive a Certificate of the Authorized Representative of the Borrower to the effect that: (A) the Borrower is thereby prevented from carrying on its normal operations at the Project for a period of at least six consecutive months; or (B) the Project is unsuitable for use by the Borrower.

(b) The Borrower may prepay all or any part of the Loan from any available funds and cause all or any part of the Outstanding Bonds to be redeemed at the redemption prices set forth in Section 4.01(b) or 4.01(f) of the Indenture, as applicable, but subject to any additional requirements of the Reimbursement Agreement.

Section 8.03. Mandatory Prepayment.

(a) The Borrower shall have and hereby accepts the obligation to prepay in full the Loan by paying to the Trustee the amount set forth in Section 8.04 hereof for deposit to the Revenue Fund to be used to redeem all the Outstanding Bonds (or all of the Series 2008A Bonds if required under clauses (ii) and (iii) below) on the earliest date such Bonds are subject to redemption pursuant to the Indenture and as to which notice of the redemption can be given in accordance with the Indenture, at the redemption prices set forth in Section 4.01(e) of the Indenture with respect to clause (i) below, Section 4.01(c) of the Indenture with respect to clauses (ii) and (iii) below, and in the Indenture Sections noted with respect to clause (iv) below:

(i) if and when as a result of any changes in the Constitution of the United States of America or the California Constitution or as a result of any legislative, judicial or administrative action, this Agreement shall have become void or unenforceable or impossible of performance in accordance with the intention and purposes of the parties hereto, or shall have been declared unlawful;

(ii) interest on the Series 2008A Bonds, or any of them, is determined not to be Tax-exempt to the Registered Owners thereof (other than a Registered Owner who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code) by a final administrative determination of the Internal Revenue Service or final judicial decision of a court of competent jurisdiction in a proceeding of which the Borrower received notice and was afforded an opportunity to participate; provided, however, such determination

shall only require prepayment of the portion of the Loan with respect to the Series 2008A Bonds. A determination or decision will be considered final for this purpose when all periods for administrative and judicial review have expired;

(iii) if either: (A) the Borrower or any other Principal User of the Project files a notice with the Issuer and the Trustee to the effect that the capital expenditure limitation of Section 144(a)(4) of the Code has been exceeded, or will be exceeded, within a period of 60 days; or (B) there is a final determination (as defined in clause (ii) above) by the Internal Revenue Service or a court of competent jurisdiction that such capital expenditures limitation has been exceeded; provided, however, such notice or determination shall only require prepayment of the portion of the Loan with respect to the Series 2008A Bonds; and

(iv) if mandatory redemption is required by any of Section 4.01(d), (g) or (h) of the Indenture.

The amount payable by the Borrower in the event of a prepayment required by this Section shall be determined as set forth in Section 8.04 hereof and shall be deposited in the Revenue Fund upon written demand by the Issuer or the Trustee.

(b) The Borrower shall prepay all or any part of the Loan from Net Proceeds under the circumstances described in Section 6.02(b) hereof, and cause all or any part of the Outstanding Bonds to be redeemed at the redemption price set forth in Section 4.01(e) of the Indenture.

Section 8.04. Amount of Prepayment. In the case of a prepayment in full of the Loan by the Borrower under this Agreement pursuant to Section 8.02 or 8.03 hereof, the amount to be paid shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to pay (a) the redemption price specified in the applicable subsections of Section 8.02 or 8.03 hereof, for all Outstanding Bonds, plus all interest accrued and to accrue to the redemption date; (b) all Additional Payments accrued and to accrue through final payment of the Bonds; and (c) all other liabilities of the Borrower accrued and to accrue under this Agreement.

In the case of partial prepayment of the Loan by the Borrower under this Agreement pursuant to Section 8.02 or 8.03 hereof, the amount to be paid shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to pay the redemption price specified in the applicable subsections of Section 8.02 or 8.03 hereof, for the Bonds to be redeemed, plus all interest accrued and to accrue to the redemption date, and to pay expenses of redemption of such Bonds. All partial prepayments of the Loan made by the Borrower under this Agreement shall be applied in inverse order of the due dates thereof, or as otherwise provided in the Indenture.

Section 8.05. Notice of Prepayment. The Borrower shall give written notice to the Issuer, the Bank and the Trustee (a) while the Bonds bear interest at the Weekly Interest Rate, not less than 20 days prior to the date of any prepayment of a Loan Repayment; and (b) while the

Bonds bear interest at the Fixed Interest Rate, not less than 40 days prior to the date of any prepayment of a Loan Repayment, in each case specifying the date upon which any prepayment will be made, the basis for such prepayment and the amount of such prepayment. If the Borrower fails to give such notice of a prepayment of Loan Repayments, the Indenture provides that the Trustee shall hold such prepayment in the Redemption Fund.

ARTICLE IX

NON-LIABILITY OF ISSUER; EXPENSES; INDEMNIFICATION

Section 9.01. Non-Liability of Issuer. The Issuer shall not be obligated to pay the principal of, premium, if any, or interest on the Bonds, except from Revenues. The Borrower hereby acknowledges that the Issuer's sole source of moneys to repay the Bonds will be provided by the payments made by the Borrower pursuant to this Agreement, together with other Revenues, including investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal of, and premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon written notice from the Trustee, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrower, the Issuer or any third party.

Section 9.02. Expenses. The Borrower covenants and agrees to pay, and to indemnify the Issuer and the Trustee against, all costs and charges, including reasonable fees and disbursements of attorneys, accountants, consultants and other experts, incurred in good faith in connection with this Agreement, the Bonds or the Indenture. The Borrower agrees that it will pay the fee of the Commission upon the issuance of the Bonds.

Section 9.03. Indemnification. Borrower hereby releases the Issuer, the State and the Trustee from, and covenants and agrees that none of the Issuer, the State or the Trustee shall be liable for, and hereby indemnifies and holds harmless the Issuer, the State and the Trustee and their officers, employees and agents from and against any and all losses, claims, damages, liabilities or expenses, of every conceivable kind, character and nature whatsoever arising out of, resulting from, or in any way connected with (a) the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or any part thereof; (b) the issuance of any Bonds or any certifications or representations made in connection therewith by the Borrower and the carrying out of any of the transactions contemplated by the Bonds, the Indenture, the Tax Regulatory Agreement or this Agreement; (c) the Trustee's acceptance or administration of the trusts under the Indenture, or the exercise or performance of any of its powers or duties under the Indenture; or (d) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, in the official statement utilized by any underwriter in connection with the sale or offering of any Bonds; provided that in each case such release and indemnity shall not apply or be required for damages that result from the willful misconduct or gross negligence on the part of the party seeking such release or

indemnity. The indemnity required by this Section shall be only to the extent that any loss sustained by the Issuer or the Trustee exceeds the Net Proceeds the Issuer or the Trustee receives from any insurance carried by the Borrower with respect to the loss sustained. The Borrower further covenants and agrees to pay or to reimburse the Issuer, the State and the Trustee and their officers, employees and agents for any and all costs, reasonable attorneys fees, liabilities or expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, expenses or actions, except to the extent that the same arise out of the willful misconduct or gross negligence of the party claiming such payment or reimbursement. The provisions of this Section shall survive the payment and retirement of the Bonds and the termination of this Agreement.

ARTICLE X

MISCELLANEOUS

Section 10.01. Notices. All notices, certificates, or other communications given hereunder shall be deemed sufficiently given on (a) the day such notices, certificates or other communications are received when sent by personal delivery, including tested telex or facsimile communication; or (b) the third day following the day on which the same have been mailed by first class, postage prepaid, addressed to the Issuer, the Borrower, the Trustee, the Tender Agent or the Bank or the Support Credit Provider, as the case may be, at the address set forth for such party below. A duplicate copy of each notice, certificate, or other communication given hereunder by either the Issuer or the Borrower to the other shall also be given to the Trustee, the Tender Agent and the Bank. The Issuer, the Borrower, the Trustee, the Tender Agent and the Bank may, by notice given hereunder, designate any different addresses to which subsequent notices, certificates, or other communications shall be sent.

If to the Issuer: California Enterprise Development Authority
550 Bercut Drive, Suite G
Sacramento, California 95814
Attention: Executive Director
Telephone: (916) 448-8252, Ext. 102
Facsimile: (916) 448-3811

If to the Borrower: 2400 Company, LLC
c/o Pocino Foods Company
14250 Lomitas Avenue
City of Industry, California 91746-3096
Attention: Mr. Frank Pocino
Phone: (626) 968-8000
Facsimile: (626) 968-0196

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| If to the Trustee: | Deutsche Bank National Trust Company 101 California Street, 46 th Floor San Francisco, California 94111 Attention: Ms. Loyce Harrison Phone: (415) 617-2872 Facsimile: (415) 617-4270 |
| If to the Tender Agent: | Deutsche Bank National Trust Company 101 California Street, 46 th Floor San Francisco, California 94111 Attention: Ms. Loyce Harrison Phone: (415) 617-2872 Facsimile: (415) 617-4270 |
| If to the Bank: | City National Bank 555 South Flower Street, 12 th Floor Los Angeles, California 90071 Attention: Chad Schumacher |
| If to the Remarketing Agent: | Gates Capital Corporation 100 Park Avenue New York, New York 10017 Telephone: (212) 661-8686 Facsimile (212) 370-0153 Attention: Young Kim |
| If to the Support Letter of Credit Bank: | Federal Home Loan Bank of San Francisco 600 California Street San Francisco, California 94108 Telephone: (415) 616-2720 Facsimile: (415) 616-2735 Attention: Portfolio Operations/Letters of Credit |

Section 10.02. Severability. If any provision of this Agreement shall be held or deemed to be, or shall in fact be, illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

Section 10.03. Execution of Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument; provided, however, that for purposes of perfecting a security interest in this Agreement by the Trustee and the Bank and the Support Credit Provider under Article 9 of the California Uniform Commercial Code, only the counterpart delivered, pledged, and assigned to the Trustee shall be deemed the original.

Section 10.04. Amendments, Changes and Modifications. Except as otherwise provided in this Agreement or the Indenture, subsequent to the initial issuance of Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee and the Bank.

Section 10.05. Governing Law. This Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State as a contract executed and delivered within the State to be fully performed within the State.

Section 10.06. Authorized Representative of the Borrower. Whenever under the provisions of this Agreement the approval of the Borrower is required or the Issuer or the Trustee is required to take some action at the request of the Borrower, such approval or such request shall be given on behalf of the Borrower by the Authorized Representative of the Borrower, and the Issuer and the Trustee shall be authorized to act on any such approval or request and neither party hereto shall have any complaint against the other or against the Trustee as a result of any such action taken.

Section 10.07. Term of this Agreement. This Agreement shall be in full force and effect from the date hereof and shall continue in effect as long as any of the Bonds remain Outstanding. All representations and certifications by the Borrower as to all matters affecting the Tax-exempt status of interest on the Bonds and all indemnifications by the Borrower to the Issuer, the State or the Trustee shall survive the termination of this Agreement.

Section 10.08. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrower and their respective successors and assigns; subject, however, to the limitations contained in Section 5.02 hereof.

Section 10.09. References to Bank. Notwithstanding any provisions contained herein to the contrary, the Bank shall be entitled to take all actions and exercise all rights hereunder for its own account so long as the Bank has not wrongfully dishonored any drawings under the Letter of Credit and the Bank is not in liquidation, bankruptcy or receivership proceedings. After the expiration or termination of the Letter of Credit and after all obligations owed to the Bank pursuant to the Reimbursement Agreement have been paid in full or discharged, all references to the Bank contained herein shall be null and void and of no further force and effect.

Section 10.10. Brokerage Confirmations. The Borrower acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Borrower the right to receive brokerage confirmations of security transactions under the Indenture, the Borrower specifically waives receipt of such confirmations to the extent permitted by law. The Trustee is required under the Indenture to furnish the Borrower with periodic cash transaction statements which include detail for all securities transactions made by the Trustee on behalf of the Borrower thereunder.

Section 10.11. References to the Support Credit Provider. After the expiration or termination of the Support Letter of Credit, all references to the Support Credit Provider and the

Support Letter of Credit contained herein shall be null and void and of no further force and effect.

Section 10.12. Waiver of Personal Liability. No member, officer, agent or employee of the State or the Issuer shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

IN WITNESS WHEREOF, the California Enterprise Development Authority has caused this Agreement to be executed in its name and the Borrower has caused this Agreement to be executed in its name, all as of the date first above written.

CALIFORNIA ENTERPRISE
DEVELOPMENT AUTHORITY

By _____
Wayne Schell, Chairman

Attest:

By _____
Gurbax Sahota, Assistant Secretary

2400 COMPANY, LLC

By _____
Frank Pocino, Manager

[Signature Page to Loan Agreement]

EXHIBIT A

THE PROJECT

The proceeds of the Series 2008 Bonds loaned to the Borrower will be applied to pay, or reimburse the Borrower for, the cost of (1) refinancing \$5,500,000 California Infrastructure and Economic Development Bank Tax-Exempt and Taxable Variable Rate Demand Industrial Development Revenue Bonds, Series 2006A and B (the “Series 2006 Bonds”), the proceeds of which were used by the Borrower to finance and refinance the cost of the (a) expansion and rehabilitation of the manufacturing facility located at 14250 Lomitas Avenue, City of Industry, California 91746 (the “Project Site”), (b) acquisition and installation of certain manufacturing equipment at the Project Site, and (c) payment of capitalized interest and certain costs of issuance in connection with the Series 2006 Bonds, (2) financing the cost of upgrading and making additional improvements at the manufacturing facility located at the Project Site, (3) financing the acquisition and installation of equipment at the Project Site (collectively, the “Facilities”) and (4) the payment of certain credit enhancement costs and costs of issuance in connection with the Series 2008 Bonds (collectively, the “Project”).