

AGENDA

STANISLAUS COUNTY CAPITAL IMPROVEMENTS FINANCING AUTHORITY

1010 10TH STREET, BASEMENT LEVEL, MODESTO

October 5, 2010

9:05 A.M.

I. CALL TO ORDER

II. APPROVAL OF CONSENT CALENDAR (Those items marked with an *)

*A. Election of Officers (Chairman and Vice-Chair)

*B. Approval of Minutes of June 24, 2008

III. AGENDA ITEMS

A. Approval of a Resolution Approving Documents Relating to the Transfer of Assets by the Gallo Center for the Arts, a Limited Liability Company to Gallo Center for the Arts, Incorporated; and Related Actions – Chief Executive Office

IV. PUBLIC FORUM

V. ADJOURNMENT

SITTING AS THE CAPITAL IMPROVEMENT FINANCING AUTHORITY
THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Board of Supervisors

BOARD AGENDA # 9:05 a.m. - II. *A.

Urgent

Routine

CEO Concurs with Recommendation YES NO
(Information Attached)

AGENDA DATE October 5, 2010

4/5 Vote Required YES NO

SUBJECT:

Approval of the Stanislaus County Capital Improvements Financing Authority: Election of Officers
(Chairman and Vice-Chair)

STAFF RECOMMENDATIONS:

Approve the Stanislaus County Capital Improvements Financing Authority to Elect the Chairman of the Board of Supervisors as the Chairman of the Authority and Vice-Chair of the Board of Supervisors as the Vice-Chair of the Authority.

FISCAL IMPACT:

There is no fiscal impact associated with this item.

BOARD ACTION AS FOLLOWS:

No. 2010-633

On motion of Supervisor O'Brien, Seconded by Supervisor Monteith

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Monteith, DeMartini, and Chairman Grover

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

4) _____ Other:

MOTION:

ATTEST:


CHRISTINE FERRARO TALLMAN, Clerk

File No.

DISCUSSION:

Pursuant to the by-laws of the Stanislaus County Capital Improvements Financing Authority, it is necessary for the Authority to elect officers for the purpose of exercising all powers and duties of the Authority. It is necessary at this time to elect the following officers: (1) Chairman; and (2) Vice-Chair.

POLICY ISSUES:

There is no policy issue associated with this item.

STAFFING IMPACTS:

There is no staffing impact associated with this recommendation.

CONTACT PERSON:

Patricia Hill Thomas, Chief Operations Officer. Telephone: 209-525-6333

9:05 a.m. II. *B

STANISLAUS COUNTY
CAPITAL IMPROVEMENTS FINANCING AUTHORITY

Regular Session

Tuesday

June 24, 2008

Called to order at 10:03 a.m.

DeMartini/O'Brien unan. Adopted the consent calendar

9:20 am (*II-A) Elected Board of Supervisors Chairman Mayfield as the Chairman of the Capital Improvements Financing Authority and Board of Supervisors Vice Chairman DeMartini as the Vice-Chairman of the Authority

9:20 am (*II-B) Approved the minutes of 01/16/07

Monteith/Grover unan. **9:20 am (III-A)** Authorized the Chairman of the Stanislaus County Capital Improvement Financing Authority to sign the resolution that authorizes the substitution of the County's Minimum Security Housing Unit for current County assets pledged to secure the COP, Series B of 1997; approved Amendment No. 2 to the Site Agreement, Amendment No. 2 to the Lease Agreement and Amendment No. 2 to the Assignment Agreement that make possible an asset substitution to the existing COP, Series B of 1997; authorized the CEO to sign and deliver all Amendments and other documents necessary to complete the substitution of assets for the COP, Series B of 1997 borrowing; authorized the CEO to enter into all necessary professional agreements including, but not limited to services from the County's Financial Advisor, Bond Counsel, Bond Insurer and Escrow Agent; authorized all County officers, employees and agents to take all actions and to execute all documents necessary to complete the substitution of assets

Adjourned at 10:07 a.m.

SITTING AS THE CAPITAL IMPROVEMENT FINANCING AUTHORITY
THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # 9:05 a.m. - III.A.

Urgent Routine

AGENDA DATE October 5, 2010

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval of a Resolution Approving Documents Relating to the Transfer of Assets by the Gallo Center for the Arts, a Limited Liability Company to Gallo Center for the Arts, Incorporated; and Related Actions

STAFF RECOMMENDATIONS:

1. Approve the Resolution of the Board of Directors of the Stanislaus County Capital Improvements Financing Authority to approve documents related to the transfer of assets by the Gallo Center for the Arts, Limited Liability Company (LLC) to Gallo Center for the Arts, Incorporated (Inc.) and authorize the Chairman to sign the Resolution on behalf of the Stanislaus County Capital Improvements Financing Authority.
2. Approve the First Amendment to the original Loan Agreement entered into on March 1, 2004 between the Central Valley Center for the Arts (CVCA) and the Gallo Center for the Arts, LLC and reassign all obligations of the Gallo Center for the Arts, LLC to the Gallo Center for the Arts, Inc.

(Continued on Page 2)

FISCAL IMPACT:

On February 17, 2004, sitting as the Stanislaus County Capital Improvements Financing Authority (CIFA), the Board of the CIFA approved a financing resolution with a value of \$14 million for the acquisition, furnishing, and equipment for the Gallo Center for the Arts.

At that time, the Central Valley Center for the Arts (CVCA) requested the CIFA to serve as the governmental agency to issue the CVCA's conduit revenue bonds, a requirement of the original financing requirements.

(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2010-634

On motion of Supervisor Monteith, Seconded by Supervisor Chiesa
and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Monteith, DeMartini, and Chairman Grover

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

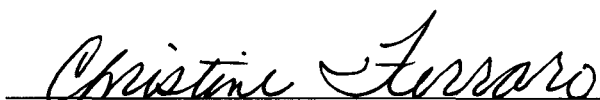
1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

4) _____ Other:

MOTION:



ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

STAFF RECOMMENDATIONS: (Continued)

3. Approve the form of an Assignment and Assumption Agreement between the Gallo Center for the Arts, LLC and the Gallo Center for the Arts, Inc.
4. Approve transferring the responsibilities under the original Operating Agreement from the Gallo Center for the Arts, LLC to the Gallo Center for the Arts, Inc.
5. Authorize the Chairman of the Stanislaus County Capital Improvements Financing Authority or his designee to execute and sign the First Amendment to the Loan Agreement and the Assignment and Assumption Agreement on behalf of the Stanislaus County Capital Improvements Financing Authority and to execute any and all other documents required to complete the transaction as requested by Bond Counsel.

FISCAL IMPACT: (Continued)

There was no fiscal impact to the County related to the issuance of bonds, as the annual debt service obligation and all costs associated with the issuance of the bonds are the sole responsibility of the CVCA. Under the resolution previously approved by the CIFA, in the event the CVCA is unable to re-pay the annual debt service on its bonds, investors will look to the Bank of America for re-payment of the bonds under the terms of its Letter of Credit, which protects the County's credit rating. The term of the financing approved was 30 years.

In a letter dated September 16, 2010, Gallo Center for the Arts (See Attachment 1) advised the Board of Supervisors that it is recommending the transfer of the assets of the Gallo Center for the Arts, LLC to the Gallo Center for the Arts, Inc. because as a nonprofit it is more advantageous to do business as a corporation instead of as a limited liability company.

Under the original Operating Agreement to the Gallo Center for the Arts, Inc., Section 22 of the Operating Agreement provides that neither the Operating Agreement nor any interest in the Operating Agreement is assignable without the consent of the CIFA.

At this time, the Chief Executive Office is returning to the CIFA to approve a Resolution (See Attachment 2) of the Board of Directors of the Stanislaus County Capital Improvements Financing Authority to approve documents related to the transfer of assets by the Gallo Center for the Arts, Limited Liability Company (LLC) to Gallo Center for the Arts, Incorporated (Inc.); to approve the First Amendment to the original Loan Agreement (See Attachment 3) entered into on March 1, 2004 between the Central Valley Center for the Arts (CVCA) and the Gallo Center for the Arts, LLC; and approve an Assignment and Assumption Agreement (See Attachment 4) between the Gallo

Center for the Arts, LLC and the Gallo Center for the Arts, Inc., the terms of which will be consented to by the CIFA and the County.

With the CIFA's approval, the Gallo Center for the Arts, Inc. will assume all obligations of the Gallo Center for the Arts, LLC. The Gallo Center for the Arts, Inc. will assume all repayment obligations under the terms of the original borrowing and annual debt service obligations.

Approval of these actions will have no additional impact to the County's General Fund.

DISCUSSION:

This matter relates to the nonprofit Gallo Center for the Arts organization. On February 17, 2004, Stanislaus County Capital Improvements Financing Authority (CIFA) approved a resolution authorizing the issuance on behalf of the Gallo Center for the Arts of \$14 million of variable rate conduit revenue bonds for the purpose of financing the acquisition, construction, and certain furnishings and equipment for the Gallo Center for the Arts, for the Gallo Center, to be repaid by the Center and their thousands of generous donors. The February 17, 2004 action and the requested action of October 5, 2010 are completely separate from the County's financial participation in the project and in no way impact the County's obligation to the Center.

The CVCA and the Gallo Center for the Arts, LLC entered into a Loan Agreement dated as of March 1, 2004. Section 15(a) of the Loan Agreement provides that the LLC will maintain its existence as a limited liability company of which CVCA is the sole member, and it would not dissolve, consolidate with or merge into another entity.

The action before the Board of Supervisors at this time is to approve the transfer of assets of the Gallo Center for the Arts, LLC to the Gallo Center for the Arts, Inc, a transfer of companies within the Center organization, in order for the Gallo Center, as a nonprofit organization, to do business in a more tax advantageous manner instead of as a limited liability company. Under California law, nonprofits doing business as a limited liability company are required to pay a tax on their gross receipts. Currently the Gallo Center is paying \$12,000/per year gross receipts tax. In these challenging economic times, the Gallo Center is cutting expenses wherever it can so that it can better serve its mission.

The Center's objective is to operate as a nonprofit public benefit corporation as opposed to a nonprofit limited liability company. The Gallo Center for the Arts was always envisioned to operate as a nonprofit and to be exempt from state and federal taxation. This restructuring of the companies and transfer of operations to the nonprofit corporation will allow for the original assumptions for state and federal tax obligations to be implemented. The organization is still entirely responsible for their own debt and for operating the Center in accordance with all the original agreements with the County.

Under the original Operating Agreement to the Gallo Center for the Arts, Inc., Section 22 of the Operating Agreement provides that neither the Operating Agreement nor any interest in the Operating Agreement is assignable without the consent of the CIFA.

At the direction of the Chief Executive Officer, the matter was referred to the Bond Counseling firm of Stradling, Yocca, Carlson and Rauth for expert opinion and advice on this matter.

Bond Counsel recommended that the following provisions be met in order to accomplish the intentions of the parties as described above:

1. Amend the original Loan Agreement between the Central Valley Center for the Arts (CVCA) and the Gallo Center for the Arts, LLC and:
 - a. Receive an opinion of Bond Counsel (See Attachment 5) to the effect that the transfer of assets will not adversely affect the tax-exempt status of interest on the Bonds;
 - b. Receive the written consent of the Bank America, N.A. and acknowledgement from the Bank that the Letter of Credit (See Attachment 6) securing the repayment of the Bonds will remain in effect; and
 - c. Receive a Closing Certificate (See Attachment 7) and the CVCA to the effect that the covenants in the Loan Agreement will be met by the transfer of assets.
2. Gallo Center for the Arts, LLC will work with the Bank to obtain its consent (See Attachment 6) to the proposed transfer of assets so that there is no default under the Letter of Credit and Reimbursement Agreement;
3. Gallo Center for the Arts, Inc., prior to the transfer of assets taking effect, will need to assume the obligations of the LLC under the Operating Agreement, the Loan Agreement and the Remarketing Agreement by executing and delivering the Assignment and Assumption Agreement (See Attachment 4);
4. The Gallo Center for the Arts, LLC prior to the transfer of assets to Inc. taking effect, will need to obtain the consent of the County of the Assignment and Assumption Agreement (See Attachment 4); and
5. Obtain an opinion of the Gallo Center for the Arts, Inc.'s counsel (See Attachment 8) as the enforceability of the financing documents against Inc. upon the transfer of assets.

At this time, the Chief Executive Office is returning to the CIFA to approve a Resolution (See Attachment 2) of the Board of Directors of the Stanislaus County Capital Improvements Financing Authority to approve documents related to the transfer of assets by the Gallo Center for the Arts, Limited Liability Company (LLC) to Gallo Center for the Arts, Incorporated (Inc.); approve the First Amendment to the original Loan Agreement (See Attachment 3) entered into on March 1, 2004 between the Central Valley Center for the Arts (CVCA) and the Gallo Center for the Arts, LLC; and approve an Assignment and Assumption Agreement (See Attachment 4) between the Gallo Center for the Arts, LLC and the Gallo Center for the Arts, Inc., the terms of which will be consented to by the CIFA and the County.

With the CIFA's approval, the Gallo Center for the Arts, Inc. will assume all obligations of the Gallo Center for the Arts, LLC. The Gallo Center for the Arts, Inc. will assume all repayment obligations under the terms of the original borrowing and annual debt service obligations. Staff is also requesting the authority to collect any legal fees and costs temporarily incurred by the County from the Gallo Center for the Arts, Inc. related to the transfer of assets.

Approval of these actions will have no additional impact to the County's General Fund.

STAFFING IMPACT:

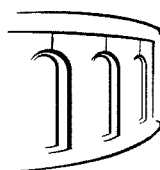
Existing Chief Executive Office and County Counsel staff collaborated with the Bond Counsel and the Gallo Center for the Arts staff to Amend the Loan Agreement and Consent to an Assignment and Assumption Agreement to Reassign all Obligations of the Gallo Center for the Arts, LLC to the Gallo Center for the Arts, Inc.

POLICY ISSUES:

With approval of the recommended actions, the CIFA will ensure the Efficient Delivery of Public Services and Effective Partnerships.

CONTACT PERSON:

Patricia Hill Thomas, Chief Operations Officer. Telephone: (209) 525-6333



GALLO CENTER
FOR THE ARTS

September 16, 2010

Board of Supervisors
County of Stanislaus
1010 10th Street, Suite 6800
Modesto, CA 95354

Dear Board of Supervisors:

As you know, the contracting entity with the County of Stanislaus is the Gallo Center for the Arts, LLC. Even though the Gallo Center for the Arts, LLC is a tax-exempt entity with both the Internal Revenue Service and the California Franchise Tax Board, the state of California imposes a gross receipts tax on all entities, regardless of their tax-exempt status.

Currently, based on our ticket sales, the Gallo Center for the Arts, LLC is paying a gross receipts tax in the amount of \$12,000 per year. We would not have to pay this tax if we were doing business as a corporation instead of as a limited liability company. As such, we have formed a new corporate entity, the Gallo Center for the Arts, Inc. and have obtained tax-exempt status from both the Internal Revenue Service and the Franchise Tax Board for this new entity.

We, therefore, want to start doing business under our corporate entity versus our limited liability company entity. The Board of Directors of the Gallo Center for the Arts is requesting that the County of Stanislaus agree to substitute the Gallo Center for the Arts, Inc. in place and instead of the Gallo Center for the Arts, LLC. as the contracting party in the operating agreement between the County of Stanislaus and the Gallo Center for the Arts, LLC.

Please let me know if there is any information that you may need to respond to my request.

Very truly yours,

A handwritten signature in black ink, appearing to read 'L. Dickerson', with a long horizontal line extending to the right.

Lynn Dickerson
Chief Executive Officer
Gallo Center for the Arts

RESOLUTION NO. 2010-01

RESOLUTION OF THE BOARD OF DIRECTORS OF THE STANISLAUS COUNTY CAPITAL IMPROVEMENTS FINANCING AUTHORITY APPROVING DOCUMENTS RELATED TO THE TRANSFER OF ASSETS BY THE GALLO CENTER FOR THE ARTS, LLC AND APPROVING CERTAIN ACTIONS RELATING THERETO

WHEREAS, the Stanislaus County Capital Improvements Financing Authority is a joint powers authority organized and existing under the laws of the State of California (the "Authority") with the authority to assist in the financing of public capital improvements to be owned by the County of Stanislaus, a body corporate and politic of the State of California (the "County"); and

WHEREAS, under Article 1, Article 2 and Article 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "JPA Law"), the Authority is authorized to issue revenue bonds or other forms of indebtedness in order to assist in financing projects and purposes serving the public interest; and

WHEREAS, pursuant to a request from the Central Valley Center for the Arts, Inc., a non-profit public benefit corporation organized and existing under the laws of the State of California ("CVCA"), the Authority issued its \$14,000,000 Variable Rate Demand Revenue Bonds (Gallo Center for the Arts) Series 2004 (the "Bonds") on March 4, 2004 for the purpose of providing funds to the County for the acquisition, construction, furnishing and equipping of certain arts facilities to be known as "Gallo Center for the Arts" (the "Project") which is now owned by the County and operated by the Gallo Center for the Arts, LLC, a California limited liability company ("LLC"); and

WHEREAS, in connection with the issuance of the Bonds, the Authority, CVCA and LLC entered into a Loan Agreement dated as of March 1, 2004 (the "Loan Agreement"); and

WHEREAS, LLC has advised the Authority that it desires to transfer its assets to the Gallo Center for the Arts, Inc., a nonprofit public benefit corporation ("INC"), in order to eliminate as an expense of the Gallo Center for the Arts the state taxes that LLC is required to pay and to have INC assume its rights and obligations as the operator of the Project; and

WHEREAS, the Authority desires to facilitate the transfer of assets by LLC to INC by adopting this resolution; and

WHEREAS, to accomplish the transfer of assets by LLC to INC, it is necessary to approve a First Amendment to Loan Agreement and an Assignment and Assumption Agreement, the forms of which have been presented to the Authority at this meeting;

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

Section 1. The above recitals, and each of them, are true and correct.

Section 2. The form, terms and provisions of the First Amendment to Loan Agreement and the Assignment and Assumption Agreement (together, the "Agreements") on file with the Secretary of the Authority are hereby approved, and the Chair or the Secretary of the Authority, or their designees, and such other officers of the Authority as the Chair of the Authority may designate (collectively, the "Authorized Officers"), are each hereby authorized and directed, for and in the name and on behalf of the

Authority, to execute and deliver the Agreements in substantially said form, with such changes therein as are recommended or approved by Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”), and approved by the Authorized Officer executing the same, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. All actions heretofore taken by the officers and agents of the Authority with respect to the proposed transfer of assets by LLC to INC are hereby approved, confirmed and ratified, and the officers of the Authority and their authorized deputies and agents are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates and other documents in addition to those enumerated herein, and any offering material, which they or Bond Counsel may deem necessary or advisable in order to consummate the transfer of assets by LLC to INC and otherwise to effectuate the purposes of this Resolution.

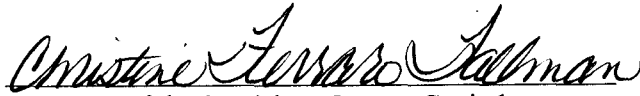
Section 4. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 5th day of October, 2010.

STANISLAUS COUNTY CAPITAL
IMPROVEMENTS FINANCING AUTHORITY

By: 
Chair of the Board of Directors of the
Stanislaus County Capital Improvements
Financing Authority

Attest:


Secretary of the Stanislaus County Capital
Improvements Financing Authority

SECRETARY'S CERTIFICATE

I, Christine Ferraro Tallman, Secretary of Stanislaus County Capital Improvements Financing Authority, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a meeting of the Governing Board of said Authority duly and regularly held on October 5, 2010, of which meeting all of the members of said Board had due notice and at which a majority thereof were present; and that at said meeting said resolution was adopted by the following vote:


AYES: O'Brien, Chiesa, Monteith, DeMartini, and Chairman Grover

NOES: None

ABSENT OR NOT VOTING: None

I further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office; that the foregoing resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: October 5, 2010


Secretary of the Stanislaus County Capital
Improvements Financing Authority

STANISLAUS COUNTY CAPITAL IMPROVEMENTS FINANCING AUTHORITY

and

CENTRAL VALLEY CENTER FOR THE ARTS, INC.

and

GALLO CENTER FOR THE ARTS, LLC

FIRST AMENDMENT TO LOAN AGREEMENT

Dated as of October 5, 2010

\$14,000,000
STANISLAUS COUNTY CAPITAL IMPROVEMENTS FINANCING AUTHORITY
VARIABLE RATE DEMAND REVENUE BONDS
(GALLO CENTER FOR THE ARTS)
SERIES 2004

FIRST AMENDMENT TO LOAN AGREEMENT

THIS FIRST AMENDMENT TO LOAN AGREEMENT, dated as of October 5, 2010 (the "First Amendment"), by and among the STANISLAUS COUNTY CAPITAL IMPROVEMENTS FINANCING AUTHORITY, a joint exercise of powers agency organized and existing under the laws of the State of California (the "Authority"), CENTRAL VALLEY CENTER FOR THE ARTS, INC., a nonprofit public benefit corporation organized and existing under the laws of the State of California ("CVCA"), and GALLO CENTER FOR THE ARTS, LLC, a California limited liability company (as further defined in Section 1.01 of the Indenture hereinafter referenced, the "Operator" and, together with CVCA, the "Borrower").

WITNESSETH:

WHEREAS, the Authority and the Borrower entered into that certain Loan Agreement, dated as of March 1, 2004 (the "Loan Agreement");

WHEREAS, the Authority and the Borrower desire to enter into this First Amendment to Loan Agreement pursuant to Section 31 of the Loan Agreement;

WHEREAS, the Bank and the Trustee (as defined in the Indenture described below) have consented to the execution of this First Amendment to Loan Agreement;

NOW, THEREFORE, in consideration of the premises and the respective representations and covenants herein contained, the parties hereto agree as follows:

SECTION A1. Amendment to Section 15(a) of the Loan Agreement.

Section 15(a) of the Loan Agreement is deleted in its entirety and amended to read as follows:

(a) CVCA agrees that during the term of this Agreement and so long as any Bond is Outstanding, it will maintain its corporate existence as a nonprofit public benefit corporation qualified to do business in the State and as an organization described in Section 501(c)(3) of the Code, and that the Operator will maintain its existence as a limited liability company of which CVCA is the sole member and that neither entity will dissolve, sell or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another entity or permit one or more entities to consolidate with or merge into it; provided, however, that CVCA may, without violating the agreements contained in this Section (a), consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve if: CVCA is the surviving, resulting or transferee corporation, as the case may be; or if CVCA is not the surviving, resulting or transferee corporation, as the case may be, (i) is a corporation organized under the laws of the United States or any state, district or territory thereof; (ii) is qualified to do business in the State; (iii) assumes in writing, if such corporation is not CVCA, all of the obligations of the Borrower under this Agreement; and (iv) is not, after such transaction, otherwise in default under any provisions of this Agreement; and provided, further that the Operator may transfer all or substantially all of its assets to the Gallo Center for the Arts, Inc., a nonprofit public benefit corporation, if such

entity assumes in writing all of the obligations of the Operator under this Agreement; and is not, after such transaction, otherwise in default under any provisions of this Agreement

Notwithstanding the foregoing, as a condition precedent to any consolidation, merger, sale or other transfer, the Trustee and the Authority shall receive (i) an Opinion of Bond Counsel to the effect that such merger, consolidation, sale or other transfer will not in and of itself adversely affect the Tax-Exempt status of interest on the Bonds; (ii) to the extent a Letter of Credit is required to be maintained by the terms of this Agreement or the Indenture, the written consent of the Bank to such contemplated corporate control event together with a written acknowledgement that the Letter of Credit will remain in effect; and (iii) a Certificate of CVCA and/or the Operator, as applicable, and a certificate of the putative surviving corporation or transferee, if other than CVCA, to the effect that the covenants hereunder will be met after such consolidation, merger, sale or transfer.

Notwithstanding any other provision of this Section 15(a), CVCA and the Operator, and their successors and assigns, need not comply with any of the above provisions of this Section 15(a) (other than the delivery of the Opinion of Bond Counsel referred to in the second paragraph of this Section 15(a)) if, at the time of such transaction, all of the Bonds will be defeased as provided in Article X of the Indenture.

SECTION A2. Survival of Warranties. All agreements, representations and warranties made herein shall survive the execution and delivery of this Amendment.

SECTION A3. Applicable Law. This Amendment and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of California.

SECTION A4. Integration. This Amendment, the Loan Agreement and the documents and instruments executed in connection herewith constitute a single, integrated written contract expressing the entire agreement of the parties hereto relative to the subject matter hereof.

SECTION A5. Severability. If any provision of this Amendment is found to be illegal, invalid or unenforceable under present or future Laws effective during the term of this Amendment, such provisions shall be fully severable; this Amendment shall be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part of this Amendment; and the remaining provisions of this Amendment shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by severance from this Amendment.

SECTION A6. Execution in Counterpart. This Amendment may be executed and delivered in two or more counterparts, each of which, when so executed and delivered, shall be an original, and such counterparts together shall constitute but one and the same instrument, and the Amendment shall not be binding on any party until all parties have executed it.

SECTION A7. Capitalized Terms. Any capitalized terms not defined herein shall have the meanings set forth in the Loan Agreement.

SECTION A8. Full Force. Except as expressly set forth herein, the Loan Agreement shall remain unmodified and in full force and effect.

IN WITNESS WHEREOF, the Authority and the Borrower have caused this First Amendment to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed, all as of the date first above written.

ATTEST:

STANISLAUS COUNTY CAPITAL
IMPROVEMENT FINANCING AUTHORITY

Christine Ferraro Hillman
Secretary

By: _____

[Signature]
Chairman

CONSENTED TO BY:

WELLS FARGO BANK, N.A.

By: Cecil D. Bobey

Cecil D. Bobey
Vice President

BANK OF AMERICA, N.A.

By: _____

IN WITNESS WHEREOF, the Authority and the Borrower have caused this First Amendment to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed, all as of the date first above written.

ATTEST:

STANISLAUS COUNTY CAPITAL
IMPROVEMENT FINANCING AUTHORITY

Secretary

By: _____
Chairman

CONSENTED TO BY:

WELLS FARGO BANK, N.A.

By: _____

BANK OF AMERICA, N.A.


By: Sebastian Luni

CENTRAL VALLEY CENTER FOR THE ARTS, INC.
a California nonprofit public benefit corporation

By: 
Ron Emerzian, Chairman

GALLO CENTER FOR THE ARTS, LLC
a California limited liability company

By: CENTRAL VALLEY CENTER FOR THE ARTS, INC.
a California nonprofit public benefit corporation
Its: Sole Member

By: 
Ron Emerzian, Chairman

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is dated as of October __, 2010 (the "Effective Date"), by and between Gallo Center for the Arts, LLC, a California limited liability company (the "LLC"), and Gallo Center for the Arts, Inc., a California corporation (the "INC"), with reference to the following:

A. LLC is the operator of the Gallo Center for the Arts (the "Project") which is owned by the County of Stanislaus (the "County");

B. On March 4, 2004, the Stanislaus County Capital Improvements Financing Authority (the "Authority") issued its \$14,000,000 Variable Rate Demand Revenue Bonds (Gallo Center for the Arts) Series 2004 (the "Bonds") for the purpose of providing funds to the County for the acquisition, construction, furnishing and equipping of the Project, which Bonds are secured, in part, by a letter of credit provided by Bank of America, N.A. (the "Bank") under the terms of that certain Indenture by and between the Authority and Wells Fargo Bank, N.A., as Trustee (the "Trustee");

C. Prior to the issuance of the Bonds, LLC, the County and the Central Valley Center for the Arts, Inc. ("CVCA") entered into that certain Operating Agreement dated as of February 17, 2004 (the "Operating Agreement") pursuant to which LLC agreed to operate the Project on the terms set forth therein;

D. In connection with the issuance of the Bonds, LLC, CVCA and the Authority entered into that certain Loan Agreement dated as of March 1, 2004 which has been amended by that First Amendment to Loan Agreement dated as of October 5, 2010 (together, the "Loan Agreement");

E. In connection with the issuance of the Bonds, LLC, CVCA and Banc of America Securities LLC ("BAS") entered into that certain Remarketing Agreement dated as of March 1, 2004 (the "Remarketing Agreement");

F. LLC desires to transfer its assets to INC and in connection with the execution and delivery of this Assignment and Assumption Agreement INC is prepared to assume all of the rights and obligations of LLC under the Operating Agreement, the Loan Agreement and the Remarketing Agreement (together the "Borrower Documents")

G. Concurrently with the execution and delivery of this Assignment and Assumption Agreement, the County, the Authority, the Trustee, the Bank and BAS have provided their written consent to the transfer of assets by LLC to INC, which consents are attached hereto, and INC's counsel has delivered an opinion to the Authority, the County, the Trustee, the Bank and BAS that INC has assumed in full the obligations of LLC under the Borrower Documents.

NOW, THEREFORE, in consideration of the consent of the Authority to the transfer of the Project to INC, the parties hereto hereby agree as follows:

1. Assumption of LLC's Obligations under the Borrower Documents.

1.1. LLC hereby assigns to INC all of LLC's rights in and under the Borrower Documents from and after the Effective Date and INC hereby accepts such rights. LLC further delegates to INC all of LLC's duties and obligations under the Borrower Documents arising or

accruing after the Effective Date, and INC unconditionally accepts and assumes all such duties and obligations and agrees to perform all such duties and obligations arising or accruing after the Effective Date in accordance with the terms of the Borrower Documents.

1.2. INC hereby represents and warrants that the performance of INC's obligations under the Borrower Documents and compliance with the terms thereof will not result in a breach of any of the terms and provisions of, or constitute a default under, any contract, lease, indenture, deposit agreement, mortgage, deed of trust or other agreement to which INC is a party or by which it is bound.

1.3. INC acknowledges that it has received and reviewed the Borrower Documents, that it understands the provisions, contents and effect thereof, and agrees to perform all obligations of LLC under the Borrower Documents arising from and after the Effective Date.

1.4. Notwithstanding anything to the contrary contained herein, the assumption by INC of LLC's rights, duties and obligations as described above shall not release LLC from any liability or obligation for events occurring prior to the Effective Date or the representation and warranty set forth in Section 2 below.

2. No Defaults. LLC represents that (i) no material default in the performance or observance of any covenant, agreement or obligation of LLC set forth in the Borrower Documents has occurred and is continuing under the Borrower Documents, and no event has occurred and is continuing which, with the giving of notice or passage of time, or both, would constitute an event of default or default under the Borrower Documents with respect to any of LLC's obligations, (ii) all amounts owing by LLC under the Borrower Documents payable to the Authority are current, and (iii) it has not received any notice of default relating to amounts owing by LLC under the Borrower Documents.

3. Miscellaneous.

3.1. This Assignment and Assumption Agreement shall be binding upon the parties hereto, and upon their successors in interest and assigns.

3.2. This Assignment and Assumption Agreement may be executed in counterparts, each of which shall be deemed an original upon execution.

3.3. This Assignment and Assumption Agreement shall be effective on the Effective Date.

3.4. This Assignment and Assumption Agreement has been negotiated and executed in the State of California and shall be governed by and construed under the laws of the State of California. In the event of any legal action to enforce or interpret this Assignment and Assumption Agreement, the sole and exclusive venue shall be a court of competent jurisdiction located in Stanislaus County, California, and the parties hereto agree to and do hereby submit to the jurisdiction of such court, notwithstanding California Code of Civil Procedure Section 394.

3.5. The County, the Authority, the Trustee, the Bank and BAS are express third party beneficiaries of the Assignment and Assumption Agreement and shall be entitled to enforce the provisions of this Assignment and Assumption Agreement against LLC and INC

3.6. All correspondence and notices given or required to be given under this Assignment and Assumption Agreement, or to INC under the Borrower Documents, shall be addressed to INC as follows:

Gallo Center for the Arts, Inc.
1000 "I" Street
Modesto, California 95354
Attention: Lynn Dickerson

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

GALLO CENTER FOR THE ARTS, INC.,
a California corporation:

By: 

Lynn Dickerson, CEO

[SIGNATURES CONTINUED ON NEXT PAGE]

[SIGNATURE PAGE CONTINUED]

**GALLO CENTER FOR THE ARTS, LLC,
a California limited liability company**

By: CENTRAL VALLEY CENTER FOR THE
ARTS, INC., its sole member

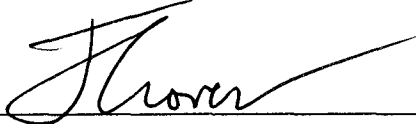
By: 

Ron Emerzian, Chairman


CONSENT OF COUNTY AND AUTHORITY

The County of Stanislaus and the Stanislaus County Capital Improvements Financing Authority, hereby consent to the terms of the foregoing Assignment and Assumption Agreement and to the transfer of assets by LLC to INC.

COUNTY OF STANISLAUS

By: 

**STANISLAUS COUNTY CAPITAL
IMPROVEMENTS FINANCING AUTHORITY**

By: 

ATTEST:

CHRISTINE FERRARO TALLMAN,
Clerk of the Board of Directors

By: 

CONSENT OF TRUSTEE

Wells Fargo Bank, N.A. hereby consents to the terms of the foregoing Assignment and Assumption Agreement and to the transfer of assets by LLC to INC.

WELLS FARGO BANK, N.A.

By: Cecil D. Bobey

Cecil D. Bobey
Vice President

CONSENT OF BANK

Bank of America, N.A. hereby consents to the terms of the foregoing Assignment and Assumption Agreement and to the transfer of assets by LLC to INC.


BANK OF AMERICA, N.A.

By: *Deborah Luni*

CONSENT OF BANC OF AMERICA SECURITIES LLC

Bank of America Securities LLC. hereby consents to the terms of the foregoing Assignment and Assumption Agreement and to the transfer of assets by LLC to INC.

BANC OF AMERICA SECURITIES LLC

By: 

STRADLING YOCCA CARLSON & RAUTH

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
660 NEWPORT CENTER DRIVE, SUITE 1600
NEWPORT BEACH, CA 92660-6422
TELEPHONE (949) 725-4000
FACSIMILE (949) 725-4100

ORANGE COUNTY
(949) 725-4000
SAN DIEGO
(858) 926-3000
SAN FRANCISCO
(415) 283-2240
SANTA BARBARA
(805) 730-6800
SACRAMENTO
(916) 449-2350

October 5, 2010

Stanislaus County Capital Improvements Financing Authority
Modesto, California

Wells Fargo Bank, National Association.
San Francisco, California

Re: *\$14,000,000 Stanislaus County Capital Improvements Financing Authority
Variable Rate Demand Revenue Bonds (Gallo Center for the Arts) Series 2004*

Ladies and Gentlemen:

We acted as bond counsel to the Stanislaus County Capital Improvements Financing Authority (the "Authority") in connection with the issuance by the Authority of its \$14,000,000 Stanislaus County Capital Improvements Financing Authority Variable Rate Demand Revenue Bonds (Gallo Center for the Arts) Series 2004 (the "Bonds"). The Bonds were issued on March 4, 2004 (the "Bond Issuance Date") under that certain Indenture of Trust dated as of March 1, 2004, by and between Wells Fargo Bank, National Association (the "Trustee") and the Authority (the "Indenture"). The Indenture provides that the Bonds are issued for the purpose of making a loan of the proceeds thereof to Central Valley Center for the Arts, Inc., a California non-profit public benefit corporation ("CVCA") and Gallo Center for the Arts, LLC, a California limited liability company solely owned by CVCA ("LLC" and together with CVCA, the "Borrower") pursuant to a loan agreement, dated as of March 1, 2004 (the "Original Loan Agreement"), by and among the Authority and the Borrower.

We understand that on the date hereof, LLC will transfer its assets (the "Transfer") to Gallo Center for the Arts, Inc., a California corporation ("Inc"). To effectuate the Transfer, the Original Loan Agreement will be amended by the First Amendment to Loan Agreement, dated as of October 5, 2010 (together the "Loan Agreement") by and among the Authority and the Borrower and Inc will be assuming all the rights and obligations of LLC pursuant to the terms of an Assignment and Assumption Agreement dated October 5, 2010 by and between LLC and Inc (the "Assignment Agreement"). Capitalized terms not defined herein shall have the meanings set forth in the Loan Agreement.

Section 15(a) of the Loan Agreement provides that as a condition precedent to any consolidation, merger, sale or other transfer, the Trustee and Authority shall receive an Opinion of

Bond Counsel to the effect that such merger, consolidation, sale or other transfer will not in and of itself adversely affect the Tax-Exempt status of interest on the Bonds.

In rendering this opinion, we have reviewed the Indenture, the Loan Agreement, the Assignment Agreement, a resolution of Board of Directors of the Authority and the Board of Supervisors of the County of Stanislaus relating to the Transfer, the Tax Certificate, dated March 4, 2004 (the "Tax Certificate") executed by the Authority and the Borrower, the Supplement To Tax Certificate, dated October 5, 2010, a Tax Questionnaire executed by Inc, an opinion of Damrell, Nelson, Schrimp, Pallios, Pacher & Silva, dated October 5, 2010 with respect to Inc (the "Opinion"), and we have relied upon certain representations of fact and certifications made by the Authority, the County of Stanislaus (the "County"), Inc and others, and such other information and documents as we consider necessary to render this opinion. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

In order for interest on the Bonds to remain excludable from gross income for federal income tax purposes subsequent to the Bond Issuance Date, it is necessary that applicable provisions of the Internal Revenue Code of 1986, as amended, be complied with on a continuous basis. Because we have made no independent investigation as to whether there has been such compliance in the present case, for purposes of this opinion and with your consent, we have assumed that interest on the Bonds is excludable from gross income for federal income tax purposes and exempt from State of California personal income taxes as of the date of this opinion. We express no opinion as to whether interest on the Bonds is excludable from gross income for federal income tax purposes or exempt from State of California personal income taxes as of the date of this opinion, and this opinion does not constitute a reaffirmation of our opinion dated the Bond Issuance Date or any other opinion previously rendered by our firm in connection with the Bonds.

Based upon and subject to the foregoing, and in reliance thereon, we are of the opinion that the Transfer will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Certificate, as supplemented, and other documents related to the Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest on any Bond if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction and express no opinion as to the enforceability of the choice of law provisions contained in the Indenture.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Other than as specifically stated herein, we express no other opinion regarding federal income tax consequences with respect to the Bonds.

Our engagement with respect to the matters described herein terminates as of the date of this opinion and we expressly disclaim any obligation to update you as to the matters described herein subsequent to the date hereof.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). We disclaim any obligation to update the matters set forth herein.

Respectfully submitted,

STRADLING YOCCA CARLSON & RAUTH

CLL:nc

**ASSUMPTION, CONSENT AND THIRD AMENDMENT TO LETTER OF CREDIT
AND REIMBURSEMENT AGREEMENT**

This Assumption, Consent and Third Amendment to Letter of Credit and Reimbursement Agreement ("Agreement") is made and entered into as of the 5th day of October, 2010, by and among the following: BANK OF AMERICA, N. A., a national banking association (together with its successor and assigns, "Lender"); CENTRAL VALLEY CENTER FOR THE ARTS, INC., a California nonprofit public benefit corporation ("CVCA") and GALLO CENTER FOR THE ARTS, LLC, a California limited liability company (the "LLC" and, together with CVCA, the "Existing Borrower"), and GALLO CENTER FOR THE ARTS, INC., a California nonprofit corporation ("New Borrower"); with reference to the following facts:

RECITALS

A. Existing Borrower and Lender have heretofore entered into a Letter of Credit and Reimbursement Agreement dated as of March 1, 2004, as previously amended ("Reimbursement Agreement"), pursuant to which Lender has issued its Irrevocable Letter of Credit No. 3061498 dated March 4, 2004 (the "Letter of Credit") in the stated amount of \$14,161,096.00, for the account of Existing Borrower, in favor of Wells Fargo, N.A., as trustee (the "Trustee"), for the owners of the Stanislaus County Capital Improvement Financing Authority (the "SCCIFA") Variable Rate Demand Revenue Bonds (Gallo Center for the Arts) Series 2004 (the "Bonds").

B. This Amendment, the Reimbursement Agreement, any Interest Rate Protection Agreement (as defined in the Reimbursement Agreement), and any and all other documents executed by and/or evidencing the obligations of Existing Borrower in connection therewith, are hereafter referred to individually and collectively as the "Loan Documents".

C. LLC desires to transfer all or substantially all of its assets to New Borrower (the "Asset Transfer") and have New Borrower assume all rights, duties and obligations of LLC as Operator of the Project.

D. The transfer of all or substantially all of the assets of LLC is prohibited by Section 5.02 (c) of the Reimbursement Agreement. Nevertheless, Existing Borrower and New Borrower have each requested that Lender consent to the Asset Transfer, and further that Lender permit New Borrower to assume the indebtedness and obligations of LLC under and in connection with the Reimbursement Agreement and the other Loan Documents, subject to the terms and conditions set forth in this Amendment.

E. Lender is willing to consent to the Asset Transfer, the assumption of LLC's obligations under the Reimbursement Agreement and the other Loan Documents, subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. Recitals and Definitions.

The Recitals are incorporated herein by this reference, and the parties agree that the facts recited above are true and correct. Except as expressly provided herein, all of the terms, conditions, and provisions of the Loan Documents and the Letter of Credit shall remain in full force. In the event of any conflict or inconsistency between the terms, conditions, and provisions of this Amendment and the Loan Documents and/or the Letter of Credit, the terms, conditions, and provisions of this Amendment shall prevail.

2. Assumption of Liability under the Loan Documents.

a. New Borrower hereby assumes and agrees to (i) pay the indebtedness and obligations represented by the Reimbursement Agreement and the other Loan Documents to wit, an amount equal to the stated amount of the Letter of Credit, or so much thereof as may be outstanding under the terms of the Letter of Credit and the Reimbursement Agreement, and including any obligation or liability arising pursuant to any Interest Rate Protection Agreement (as defined in the Reimbursement Agreement), and (ii) be bound by, observe and perform, all past, present and future liabilities, indebtedness, terms, provisions, covenants and obligations of Existing Borrower under the Loan Documents, and New Borrower agrees that it will be bound by all of such terms and provisions, promptly pay all such liabilities and indebtedness and promptly observe and perform all such covenants and obligations, with the same force and effect as if such New Borrower had originally executed and delivered the Loan Documents instead of LLC, effective as of the date of this Amendment (collectively, the "Assumed Obligations").

b. Subject to the terms and conditions set forth in this Amendment, including, without limitation, the conditions precedent set forth in Section 5 below, and except as expressly provided herein, Lender hereby consents to the Asset Transfer and the assumption of the Assumed Obligations by New Borrower; provided, however, that this consent shall not be deemed a waiver of any right to require consent to any other or future transactions.

3. No Release of LLC.

LLC shall continue to be liable for its obligations under the Loan Documents, and nothing herein shall be construed as a release, discharge or modification of such obligations.

4. Limitation of Consent.

Lender's consent set forth in this Amendment is strictly limited to the Asset Transfer and New Borrower's assumption of the Assumed Obligations. This Amendment shall not constitute a waiver or modification of any requirement of obtaining Lender's consent to any future merger, consolidation or other combination or acquisition or transfer of assets, nor shall it constitute a modification of the terms, provisions, or requirements in the Loan Documents in any respect except as expressly provided herein. New Borrower and Existing Borrower, and each of them, specifically acknowledge that any transfer of all or substantially all of the assets of New Borrower without Lender's prior written consent shall entitle Lender to declare a default under the Reimbursement Agreement.

5. Conditions Precedent.

In addition to all other conditions of the effectiveness of this Amendment, the effectiveness of this Amendment and the obligations of Lender under this Amendment are expressly conditioned upon the following having occurred or Lender having received all of the following documents or other instruments in form and content satisfactory to Lender in its sole opinion and judgment and suitable for filing or recording as required:

- a. This Amendment fully executed by Existing Borrower, New Borrower, and Lender;
- b. Payment in full by New Borrower and/or Existing Borrower of all fees and costs incurred by Lender in connection with the negotiation and preparation of this Amendment and all other documents and instruments related thereto, including, but not limited to, attorneys' fees;
- c. Such resolutions and/or related documents from New Borrower and those holding an interest in New Borrower as Lender may request;
- d. True and correct copies of the duly filed, certified and/or executed documents or instruments evidencing or confirming the lawful formation and existence of New Borrower, and all written consents and certifications required by Lender from persons and/or entities having management and/or ownership interests in New Borrower. Such documents and instruments shall include, without limitation, any and all article of incorporation, lists of officers, certificates of incumbency and certificates of good standing, lawful existence, status, qualification or similar documents, any and all operation agreements, and a written authorization or resolution duly adopted and/or executed by the directors and/or officers of New Borrower authorizing and permitting the transactions herein described. All of such documents and instruments must first be reviewed and approved by Lender, its counsel, or both;
- e. A true and correct copy of the fully executed Assignment and Assumption Agreement by and between LLC, as assignor, and New Borrower, as assignee, duly acknowledged and consented to by SCCIFA, the Bank, the Trustee and the Remarketing Agent permitting the transactions herein described;
- f. A true and correct copy of the fully executed First Amendment to Loan Agreement, between CVCA, LLC and SCCIFA;
- g. The Amended and Restated Security Agreement (Receivables, Inventory and Equipment), in substantially the form of Exhibit B to the Reimbursement Agreement, duly executed by New Borrower and CVCA;
- h. A true and correct copy of an opinion letter ("Opinion Letter") issued and executed by Bond Counsel in connection with the issuance of the Bonds, opining that, among other things, the Asset Transfer will not adversely affect the tax-exempt status of the interest on the Bonds;

i. A true and correct copy of the agreement providing for the Asset Transfer, executed by LLC and New Borrower.

j. No suit, action, or other proceeding shall be pending or threatened which seeks to restrain or prohibit the consummation of the transactions contemplated by this Agreement, or to obtain damages or other relief in connection therewith;

k. No breach of any warranty or representation by Existing Borrower or any New Borrower to Lender shall have occurred;

l. No event or circumstance shall have occurred and be continuing which constitutes, or would upon the giving of notice or passage of time, constitute a default, breach of covenant or agreement or failure of any condition of this Amendment, or any of the Loan Documents; and

m. Such additional assignments, agreements, certificates, reports, approvals, instruments, documents, financing statements, consents, and opinions as Lender may request.

6. Modifications to Reimbursement Agreement.

a. The definition of "Borrower" in Section 1.01 of the Reimbursement Agreement is amended to read as follows:

"Borrower" means, individually and collectively, CVCA, Gallo Center for the Arts, LLC and the Operator.

b. The definition of "Operator" in Section 1.01 of the Reimbursement Agreement is amended to read as follows:

"Operator" means Gallo Center for the Arts, Inc., a California nonprofit corporation.

7. Representations and Warranties of Existing Borrower and New Borrower.

Existing Borrower and New Borrower, and each of them, represent and warrant to Lender, and Lender is relying thereon, as follows:

a. This Amendment and the documents and instruments executed in connection herewith constitute legal, valid, and binding obligations of Existing Borrower and New Borrower, as applicable, to Lender.

b. There are no actions, suits, or proceedings pending or, to the knowledge of Existing Borrower and New Borrower, threatened against or affecting Existing Borrower or any New Borrower in relation to their obligations to Lender, or involving the validity or enforceability of this Amendment, the Loan Documents, or any other documents executed in connection herewith or therewith.

c. No event or circumstance has occurred which constitutes, or would, upon the giving of notice or passage of time, constitute a default, breach of covenant or agreement or failure of any condition of this Amendment, or any of the Loan Documents.

d. The execution and delivery of this Amendment by Existing Borrower and New Borrower, and each of them, and the performance by Existing Borrower and New Borrower, and each of them, of all their obligations hereunder do not and will not result in a breach of or constitute a default under, or cause or permit the acceleration of any obligation owed or required under, any other agreement or instrument to which Existing Borrower or New Borrower is a party or by which Existing Borrower or New Borrower or their properties are bound or affected.

e. Neither Existing Borrower nor any New Borrower is in default under, or in violation of any law, order, writ, judgment, injunction, decree, determination, or award, or under any obligation, agreement, instrument, loan, or indenture, whether to Lender or otherwise, that would affect the ability of Existing Borrower or New Borrower to perform their obligations hereunder.

f. Existing Borrower and New Borrower consent to each and every transaction, condition, term, and provision contained in this Amendment.

g. CVCA is a nonprofit public benefit corporation, validly existing and in good standing under the laws of the State of California; LLC is a limited liability company validly existing and in good standing under the laws of the State of California; and New Borrower is a nonprofit corporation validly existing and in good standing under the laws of the State of California.

h. In addition to all other covenants given by Existing Borrower and New Borrower in this Amendment, in the documents and instruments executed in connection herewith, and in the Loan Documents, Existing Borrower and New Borrower will, so long as any obligations to Lender remain outstanding:

(1) Execute any and all documents as Lender may reasonably request in connection with this Amendment.

(2) Cooperate fully with Lender during the term of the Reimbursement Agreement and the other Loan Documents, and the documents executed in connection with this Amendment.

8. Arbitration. This paragraph, including the subparagraphs below, is referred to as the "Dispute Resolution Provision." This Dispute Resolution Provision is a material inducement for the parties entering into this agreement.

a. This Dispute Resolution Provision concerns the resolution of any controversies or claims between the parties, whether arising in contract, tort or by statute, including but not limited to controversies or claims that arise out of or relate to this Amendment; any document related to this Amendment, the Reimbursement Agreement, the other Loan Documents and/or the Letter of Credit (including any renewals, extension or modification)

(collectively a "Claim"). For the purposes of this Dispute Resolution Provision only, the term "parties" shall include any parent corporation, subsidiary or affiliate of the Lender involved in the servicing, management or administration of any obligation described or evidenced by this agreement.

b. At the request of any party to this agreement, any Claim shall be resolved by binding arbitration in accordance with the Federal Arbitration Act (Title 9, U.S. Code) (the "Act"). The Act will apply even though this agreement provides that it is governed by the law of a specified state.

c. Arbitration proceedings will be determined in accordance with the Act, the then-current rules and procedures for the arbitration of financial services disputes of the American Arbitration Association or any successor thereof ("AAA"), and the terms of this Dispute Resolution Provision. In the event of any inconsistency, the terms of this Dispute Resolution Provision shall control. If AAA is unwilling or unable to (i) serve as the provider of arbitration or (ii) enforce any provision of this arbitration clause, the Lender may designate another arbitration organization with similar procedures to serve as the provider of arbitration.

d. The arbitration shall be administered by AAA and conducted, unless otherwise required by law, in any U.S. state where real or tangible personal property collateral for this credit is located or if there is no such collateral, in the state specified in the governing law section of this agreement. All Claims shall be determined by one arbitrator; however, if Claims exceed Five Million Dollars (\$5,000,000), upon the request of any party, the Claims shall be decided by three arbitrators. All arbitration hearings shall commence within ninety (90) days of the demand for arbitration and close within ninety (90) days of commencement and the award of the arbitrator(s) shall be issued within thirty (30) days of the close of the hearing. However, the arbitrator(s), upon a showing of good cause, may extend the commencement of the hearing for up to an additional sixty (60) days. The arbitrator(s) shall provide a concise written statement of reasons for the award. The arbitration award may be submitted to any court having jurisdiction to be confirmed and have judgment entered and enforced.

e. The arbitrator(s) will give effect to statutes of limitation in determining any Claim and may dismiss the arbitration on the basis that the Claim is barred. For purposes of the application of any statutes of limitation, the service on AAA under applicable AAA rules of a notice of Claim is the equivalent of the filing of a lawsuit. Any dispute concerning this arbitration provision or whether a Claim is arbitrable shall be determined by the arbitrator(s), except as set forth at subparagraph (j) of this Dispute Resolution Provision. The arbitrator(s) shall have the power to award legal fees pursuant to the terms of this agreement.

f. The procedure described above will not apply if the Claim, at the time of the proposed submission to arbitration, arises from or relates to an obligation to the Lender secured by real property. In this case, all of the parties to this agreement must consent to submission of the Claim to arbitration.

g. To the extent any Claims are not arbitrated, to the extent permitted by law the Claims shall be resolved in court by a judge without a jury, except any Claims which are brought in California state court shall be determined by judicial reference as described below.

h. Any Claim which is not arbitrated and which is brought in California state court will be resolved by a general reference to a referee (or a panel of referees) as provided in California Code of Civil Procedure Section 638. The referee (or presiding referee of the panel) shall be a retired Judge or Justice. The referee (or panel of referees) shall be selected by mutual written agreement of the parties. If the parties do not agree, the referee shall be selected by the Presiding Judge of the Court (or his or her representative) as provided in California Code of Civil Procedure Section 638 and the following related sections. The referee shall determine all issues in accordance with existing California law and the California rules of evidence and civil procedure. The referee shall be empowered to enter equitable as well as legal relief, provide all temporary or provisional remedies, enter equitable orders that will be binding on the parties and rule on any motion which would be authorized in a trial, including without limitation motions for summary judgment or summary adjudication. The award that results from the decision of the referee(s) will be entered as a judgment in the court that appointed the referee, in accordance with the provisions of California Code of Civil Procedure Sections 644(a) and 645. The parties reserve the right to seek appellate review of any judgment or order, including but not limited to, orders pertaining to class certification, to the same extent permitted in a court of law.

i. This Dispute Resolution Provision does not limit the right of any party to: (i) exercise self-help remedies, such as but not limited to, setoff; (ii) initiate judicial or non-judicial foreclosure against any real or personal property collateral; (iii) exercise any judicial or power of sale rights, or (iv) act in a court of law to obtain an interim remedy, such as but not limited to, injunctive relief, writ of possession or appointment of a receiver, or additional or supplementary remedies. The filing of a court action is not intended to constitute a waiver of the right of any party, including the suing party, thereafter to require submittal of the Claim to arbitration or judicial reference.

j. Any arbitration, judicial reference or trial by a judge of any Claim will take place on an individual basis without resort to any form of class or representative action (the "Class Action Waiver"). The Class Action Waiver precludes any party from participating in or being represented in any class or representative action regarding a Claim. Regardless of anything else in this Dispute Resolution Provision, the validity and effect of the Class Action Waiver may be determined only by a court or referee and not by an arbitrator. The parties to this agreement acknowledge that the Class Action Waiver is material and essential to the arbitration of any disputes between the parties and is nonseverable from the agreement to arbitrate Claims. If the Class Action Waiver is limited, voided or found unenforceable, then the parties' agreement to arbitrate shall be null and void with respect to such proceeding, subject to the right to appeal the limitation or invalidation of the Class Action Waiver. **The Parties acknowledge and agree that under no circumstances will a class action be arbitrated.**

k. By agreeing to binding arbitration or judicial reference, the parties irrevocably and voluntarily waive any right they may have to a trial by jury as permitted by law in respect of any Claim. Furthermore, without intending in any way to limit this Dispute Resolution Provision, to the extent any Claim is not arbitrated or submitted to judicial reference, the parties irrevocably and voluntarily waive any right they may have to a trial by jury to the extent permitted by law in respect of such Claim. This waiver of jury trial shall remain in effect even if the Class Action Waiver is limited, voided or found unenforceable. **WHETHER THE CLAIM IS DECIDED BY ARBITRATION, BY JUDICIAL REFERENCE, OR BY**

TRIAL BY A JUDGE, THE PARTIES AGREE AND UNDERSTAND THAT THE EFFECT OF THIS AGREEMENT IS THAT THEY ARE GIVING UP THE RIGHT TO TRIAL BY JURY TO THE EXTENT PERMITTED BY LAW.

9. Miscellaneous.

a. Not a Novation. This Amendment is not a novation, nor is it to be construed as a release or modification of any of the terms, conditions, warranties, waivers, or rights set forth in the Loan Documents, except as expressly set forth herein.

b. Survival of Warranties. All agreements, representations, and warranties made herein shall survive the execution and delivery of this Amendment.

c. Failure or Indulgence Not Waiver. No failure or delay on the part of Lender in the exercise of any right, power, or privilege hereunder or under the documents or instruments referred to herein shall operate as a waiver thereof, and no single or partial exercise of any such power, right, or privilege shall preclude a further exercise of any right, power, or privilege.

d. Applicable Law. This Amendment and the Loan Documents, and the rights and obligations of the parties hereto and thereto shall be governed by and construed in accordance with the laws of the State of California. Existing Borrower and New Borrower waive any objection to jurisdiction and venue of any action instituted against either of them as provided herein and agree not to assert any defense based on lack of jurisdiction or venue.

e. Assignability. This Amendment shall be binding upon and inure to the benefit of Lender, Existing Borrower and New Borrower, and their respective successors and assigns, except that the respective rights of Existing Borrower and New Borrower hereunder are not assignable without the prior written consent of Lender, which consent Lender may give or withhold in its sole and absolute opinion and judgment.

f. Expenses and Fees. In the event that Lender employs attorneys to remedy or obtain relief from, or arising out of, a breach or default under this Amendment, the documents and instruments executed in connection herewith, the Loan Documents, any of the terms, covenants, provisions and all conditions hereof or thereof, or any of the matters referred to herein or therein or in connection with any bankruptcy proceeding, Lender shall be entitled to be reimbursed by New Borrower and Existing Borrower, and each of them, for all of its attorneys' fees, whether or not suit is filed and including, without limitation, those incurred in each and every action, suit, or proceeding, including any and all appeals and petitions therefrom and all fees and costs incurred by Lender.

g. Modifications and Amendments. The Reimbursement Agreement as herein modified, may be further modified or amended only by written agreement duly executed by the parties hereto.

h. Integration. This Amendment, the Loan Documents, and the documents and instruments executed in connection herewith constitute a single, integrated written contract expressing the entire agreement of the parties hereto relative to the subject matter hereof. No

covenants, agreements, representations, or warranties of any kind whatsoever have been made by any party hereto with respect to the subject matter hereof, except as specifically set forth in this Amendment and the documents and instruments executed in connection with this Amendment.

i. Severability. If any provision of this Amendment is found to be illegal, invalid, or unenforceable under present or future Laws effective during the term of this Amendment, such provisions shall be fully severable; this Amendment shall be construed and enforced as if such illegal, invalid, or unenforceable provision never comprised a part of this Amendment; and the remaining provisions of this Amendment shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by severance from this Amendment.

j. Execution in Counterpart. This Amendment may be executed and delivered in two or more counterparts, each of which, when so executed and delivered, shall be an original, and such counterparts together shall constitute but one and the same instrument, and the Amendment shall not be binding on any party until all parties have executed it.

k. Effectiveness of Amendment. In addition to any other conditions to the effectiveness and enforceability of this Amendment set forth in this Amendment, this Amendment shall not be effective and enforceable unless and until it is executed by Lender.

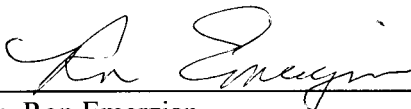
l. USA Patriot Act Notice. Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. Lender will ask for Existing Borrower's and New Borrower's legal name, address, tax ID number or social security number and other identifying information. Lender may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of Existing Borrower, New Borrower, or other related persons.

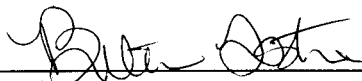
[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day and year set forth above.

“Existing Borrower”

CENTRAL VALLEY CENTER FOR THE ARTS, INC.,
a California nonprofit public benefit corporation


By: 
Name: Ron Emerzian
Title: Chairman of the Board

By: 
Name: Britta Foster
Title: Treasurer

GALLO CENTER FOR THE ARTS, LLC,
a California limited liability company

By: Central Valley Center for The Arts, Inc.,
its sole member

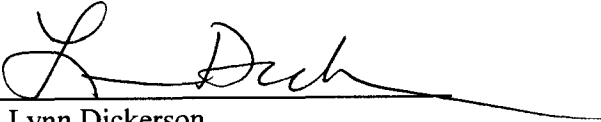
By: 
Name: Ron Emerzian
Title: Chairman of the Board

By: 
Name: Britta Foster
Title: Treasurer

[Signatures Continued on Next Page]

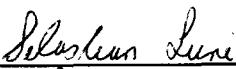
“New Borrower”

GALLO CENTER FOR THE ARTS, INC.,
a California non-profit corporation

By: 
Name: Lynn Dickerson
Title: Chief Executive Officer

“Lender”

BANK OF AMERICA, N. A.

By: 
Name: Sebastian Lurie
Its: Vice President

**AMENDED AND RESTATED SECURITY AGREEMENT
(RECEIVABLES, INVENTORY AND EQUIPMENT)**

1. **THE SECURITY.** Each of the undersigned, Central Valley Center for the Arts, Inc., a California nonprofit public benefit corporation, and Gallo Center for the Arts, Inc., a California nonprofit corporation (individually and collectively, "Debtor"), hereby assigns and grants to Bank of America, N.A. ("Bank"), a security interest in the following described property ("Collateral"):

A. All of the following, whether now owned or hereafter acquired by Debtor: accounts, contract rights, chattel paper, instruments, and general intangibles.

B. All inventory now owned or hereafter acquired by Debtor.

C. All machinery, furniture, fixtures and other equipment of every type now owned or hereafter acquired by Debtor.

D. All negotiable and nonnegotiable documents of title now owned or hereafter acquired by Debtor covering any of the above-described property.

E. All rights under contracts of insurance now owned or hereafter acquired by Debtor covering any of the above-described property.

F. All proceeds, product, rents and profits now owned or hereafter acquired by Debtor of any of the above-described property.

G. All books and records now owned or hereafter acquired by Debtor pertaining to any of the above-described property, including but not limited any computer-readable memory and any computer hardware or software necessary to process such memory ("Books and Records").

The foregoing notwithstanding, except as provided in that certain Security Agreement (Securities) dated as of March 1, 2004 herewith between Central Valley Center for the Arts, Inc. and Bank, at no time shall the term "Collateral" include Debtor's Unrestricted Cash and Readily Marketable Securities (as defined in the Reimbursement Agreement referred to below).

2. **THE INDEBTEDNESS.** The Collateral secures and will secure all Indebtedness of Debtor to Bank. For the purposes of this Agreement, "Indebtedness" means all loans and advances made by Bank to Debtor and all other obligations and liabilities of Debtor to the Bank, arising under that certain Letter of Credit and Reimbursement Agreement dated as of March 1, 2004 between Bank and Debtor, as the same may be amended from time to time, ("Reimbursement Agreement") whether now existing or hereafter incurred or created, whether voluntary or involuntary, whether due or not due, whether absolute or contingent, and including any obligation or liability arising pursuant to any Interest Rate Protection Agreement (as defined in the Reimbursement Agreement) entered into with the Bank and/or any affiliate of the Bank.

3. **DEBTOR'S COVENANTS.** Debtor covenants and warrants that unless compliance is waived by Bank in writing:

A. Debtor will properly preserve the Collateral; defend the Collateral against any adverse claims and demands; and keep accurate Books and Records.

B. Debtor has notified the Bank in writing of, and will notify Bank in writing prior to any change in, the locations of (i) Debtor's place of business or Debtor's chief executive office if Debtor has more than one place of business, and (ii) any Collateral, including the Books and Records.

C. Debtor will notify Bank in writing prior to any change in Debtor's name, identity or business structure.

D. Debtor will maintain and keep in force insurance covering Collateral designated by Bank against fire and extended coverages. Such insurance shall require losses to be paid on a replacement cost basis, be issued by insurance companies acceptable to Bank and include a loss payable endorsement in favor of Bank in a form acceptable to Bank.

E. Debtor has not granted and will not grant any security interest in any of the Collateral except to Bank, and will keep the Collateral free of all liens, claims, security interests and encumbrances of any kind or nature except the security interest of Bank and except for Permitted Encumbrances (as defined in the Reimbursement Agreement).

F. Debtor will not sell, lease, agree to sell or lease, or otherwise dispose of, or remove from Debtor's place of business (i) any inventory except in the ordinary course of business as heretofore conducted by Debtor, or (ii) any other Collateral except as retired in the ordinary course of business or with the prior written consent of Bank.

G. Debtor will promptly notify Bank in writing of any event which materially affects the value of the Collateral, the ability of Debtor or Bank to dispose of the Collateral, or the rights and remedies of Bank in relation thereto, including, but not limited to, the levy of any legal process against any Collateral and the adoption of any marketing order, arrangement or procedure affecting the Collateral, whether governmental or otherwise.

H. If any Collateral is or becomes the subject of any registration certificate or negotiable document of title, including any warehouse receipt or bill of lading, Debtor shall immediately deliver such document to Bank

I. Except as required by the Operating Agreement with Stanislaus County, Debtor will not attach any Collateral to any real property or fixture in a manner which might cause such Collateral to become a part thereof unless Debtor first obtains the written consent of any owner, holder of any lien on the real property or fixture, or other person having an interest in such property to the removal by Bank of the Collateral from such real property or fixture. Such written consent shall be in form and substance acceptable to Bank and shall provide that Bank has no liability to such owner, holder or any lien, or any other person.

J. Until Bank exercises its rights to make collection, Debtor will diligently collect all Collateral.

K. Upon the Bank's request, Debtor will deliver to Bank (i) copies or extracts from the Books and Records, and (ii) information on any contracts or other matters affecting the Collateral.

L. Debtor will permit the Bank during normal business hours to examine the Collateral, including the Books and Records, and make copies of or extracts from the Books and Records, and for such purposes enter at any reasonable time upon the property where any Collateral or any Books and Records are located

4. **ADDITIONAL OPTIONAL REQUIREMENTS.** Debtor agrees that Bank may at its option at any time following the occurrence and during the continuance of any default:

A. Require Debtor to segregate all collections and proceeds of the Collateral so that they are capable of identification and deliver daily such collections and proceeds to Bank in kind.

B. Require Debtor to deliver to Bank any instruments or chattel paper.

C. Require Debtor to obtain Bank's prior written consent to any sale, lease, agreement to sell or lease, or other disposition of any inventory.

D. Notify any account debtors, any buyers of the Collateral, or any other persons of Bank's interest in the Collateral.

E. Require Debtor to direct all account debtors to forward all payments and proceeds of the Collateral to a post office box under Bank's exclusive control.

F. Demand and collect any payments and proceeds of the Collateral. In connection therewith Debtor irrevocably authorizes Bank to endorse or sign Debtor's name on all checks, drafts, collections, receipts and other documents, and to take possession of and open the mail addressed to Debtor and remove therefrom any payments and proceeds of the Collateral.

5. **DEFAULTS.** Any one or more of the following shall be a default hereunder:

A. Debtor fails to pay any Indebtedness when due.

B. Debtor breaches any material term, provision, warranty or representation under this Agreement, or under any other obligation of Debtor to Bank.

C. Any custodian, receiver or trustee is appointed to take possession, custody or control of all or a substantial portion of the property of Debtor or of any guarantor of any Indebtedness.

D. Debtor or any guarantor of any Indebtedness becomes insolvent, or is generally not paying or admits in writing its inability to pay its debts as they become due, fails in

business, makes a general assignment for the benefit of creditors, dies or commences any case, proceeding or other action under any bankruptcy or other law for the relief of, or relating to, debtors.

E. Any case, proceeding or other action is commenced against Debtor or any guarantor of any Indebtedness under any bankruptcy or other law for the relief of, or relating to, debtors.

F. Any involuntary lien of any kind or character attaches to any Collateral.

G. Any financial statements, certificates, schedules or other information now or hereafter furnished by Debtor to Bank proves false or incorrect in any material respect.

6. **BANKS REMEDIES AFTER DEFAULT.** In the event of any default Bank may do any one or more of the following:

A. Declare any Indebtedness immediately due and payable, without notice or demand.

B. Enforce the security interest given hereunder pursuant to the Uniform Commercial Code and any other applicable law.

C. Enforce the security interest of Bank in any deposit account of Debtor maintained with Bank by applying such account to the Indebtedness.

D. Require Debtor to assemble the Collateral, including the Books and Records, and make them available to Bank at a place designated by Bank.

E. Enter upon the property where any Collateral, including any Books and Records, are located and take possession of such Collateral and such Books and Records, and use such property (including any buildings and facilities) and any of Debtor's equipment, if Bank deems such use necessary or advisable in order to take possession of, hold, preserve, process, assemble, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral.

F. Grant any extensions and compromise or settle claims with respect to the Collateral for less than face value, all without prior notice to Debtor.

G. Use or transfer any of Debtor's rights and interests in any Intellectual Property now owned or hereafter acquired by Debtor, if Bank deems such use or transfer necessary or advisable in order to take possession of, hold, preserve, process, assemble, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral. Debtor agrees that any such use or transfer shall be without any additional consideration to Debtor. As used in this paragraph, "Intellectual Property" includes, but is not limited to, all trade secrets, computer software, service marks, trademarks, trade names, trade styles, copyrights, patents, applications for any of the foregoing, customer lists, working drawings, instructional manuals, and rights in processes for technical manufacturing, packaging and labeling, in which Debtor has any right or interest, whether by ownership, license, contract or otherwise. Bank

acknowledges that the right to use the name "Gallo" is not transferable without the consent of E&J Gallo Winery.

H. Have a receiver appointed by any court of competent jurisdiction to take possession of the Collateral.

I. Take such measures as Bank may deem necessary or advisable to take possession of, hold, preserve, process, assemble, insure, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral, and Debtor hereby irrevocably constitutes and appoints Bank as Debtor's attorney-in-fact to perform all acts and execute all documents in connection therewith.

7. MISCELLANEOUS.

A. Any waiver, express or implied, of any provision hereunder and any delay or failure by Bank to enforce any provision shall not preclude Bank from enforcing any such provision thereafter.

B. Debtor shall, at the request of Bank, execute such other agreements, documents, instruments, or financing statements in connection with this Agreement as Bank may reasonably deem necessary.

C. All notes, security agreements, subordination agreements and other documents executed by Debtor or furnished to Bank in connection with this Agreement must be in form and substance satisfactory to Bank.

D. This Agreement shall be governed by and construed according to the laws of the State of California, to the jurisdiction of which the parties hereto submit.

E. All rights and remedies herein provided are cumulative and not exclusive of any rights or remedies otherwise provided by law. Any single or partial exercise of any right or remedy shall not preclude the further exercise thereof or the exercise of any other right or remedy.

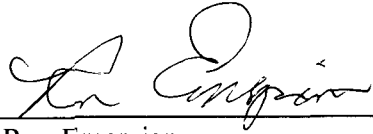
F. All terms not defined herein are used as set forth in the Uniform Commercial Code.


G. In the event of any action by Bank to enforce this Agreement or to protect the security interest of Bank in the Collateral, or to take possession of, hold, preserve, process, assemble, insure, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral, Debtor agrees to pay immediately the reasonable costs and expenses thereof, together with reasonable attorney's fees and allocate costs for in-house legal services.

H. This Agreement fully amends, restates and supersedes that certain Security Agreement (Receivables, Inventory and Equipment) dated as of March 1, 2004 among Central Valley Center for the Arts, Inc., Gallo Center for the Arts, LLC, and the Bank.


This Amended and Restated Security Agreement is dated as of the 5th day of October, 2010.

CENTRAL VALLEY CENTER FOR THE ARTS, INC., a California nonprofit public benefit corporation

By: 
Name: Ron Emerzian
Title: Chairman of the Board

By: 
Name: Britta Foster
Title: Treasurer

GALLO CENTER FOR THE ARTS, INC.
a California nonprofit corporation

By: 
Name: Lynn Dickerson
Title: Chief Executive Officer

BANK OF AMERICA, N.A.

By: _____
Name: _____
Title: _____

This Amended and Restated Security Agreement is dated as of the 5th day of October, 2010.

CENTRAL VALLEY CENTER FOR THE
ARTS, INC., a California nonprofit public
benefit corporation

By: _____
Name: Ron Emerzian
Title: Chairman of the Board

By: _____
Name: Terrance Withrow
Title: Treasurer

GALLO CENTER FOR THE ARTS, INC.
a California nonprofit corporation

By: _____
Name: Lynn Dickerson
Title: Chief Executive Officer

BANK OF AMERICA, N.A.

By: Sebastian Lurie
Name: Sebastian Lurie
Title: Vice President

Attachment 7

\$14,000,000
STANISLAUS COUNTY CAPITAL IMPROVEMENTS FINANCING AUTHORITY
VARIABLE RATE DEMAND REVENUE BONDS
(GALLO CENTER FOR THE ARTS)
SERIES 2004

CLOSING CERTIFICATE OF GALLO CENTER FOR THE ARTS, INC

On this 5th day of October, 2010, the undersigned, an authorized representative of Gallo Center for the Arts, Inc, a California nonprofit public benefit corporation (“INC”), hereby certifies as follows:

1. INC is duly organized, existing and in good standing as a nonprofit public benefit corporation under and by virtue of the laws of the State of California. . Attached hereto as Exhibit A is a true and correct copy of INC’s Bylaws, which have not been amended, supplemented or repealed and are in full force and effect as of the date hereof. Attached hereto as Exhibit B is a certified copy of the INC’s Article of Incorporation, which have not been amended, supplemented or repealed and are in full force and effect as of the date hereof. Attached hereto as Exhibit C are true, correct and complete copies of written consents and/or resolutions of the INC related to the Transfer (as defined below).. Attached hereto as Exhibit D is a true, correct and complete copy of the IRS Determination Letter for Inc. Attached hereto as Exhibit E is a true, correct and complete copy of the FTB Exempt Letter of Good Standing. Attached hereto as Exhibit F is a true, correct and complete copy of the Statement of Information (Domestic Nonprofit Corporation). Attached hereto as Exhibit G is a true, correct and complete copy of the Certificate of Status Domestic Corporation. All required filings have been made with the Secretary of State of the State of California.

2. INC is a nonprofit public benefit corporation formed under the laws of the State of California and is in good standing under the laws of the State.

3. INC has full power and authority to execute and deliver the Assignment and Assumption Agreement, dated as of October 5, 2010 (the “Assignment Agreement”), by and between INC and the Gallo Center for the Arts, LLC. (“LLC”) and the Asset Purchase Agreement dated as of _____, 2010 by and between INC and LLC (collectively, the “Transfer Documents”). The Transfer Documents will result in a transfer to INC of all of LLC’s assets (the “Transfer”).

4. The resolution of the Board of Directors adopted on June 28, 2010 with respect to the Transfer remains in full force and effect, has not been amended since its date of adoption and authorizes the Transfer and the execution and delivery of the Transfer Documents.

5. The Transfer Documents have been duly executed by authorized officers of INC and are valid and binding on INC.

6. The representations and warranties set forth in the Transfer Documents are true and correct in all material respects on the date hereof.

7. There are no actions, suits or proceedings which have been served on INC or the knowledge of INC are otherwise pending or threatened against INC (i) to restrain or enjoin the execution or delivery of the Transfer Documents; (ii) in any way contesting the existence or powers of INC, or the consummation of the transactions contemplated by the Transfer Documents or the financial condition, assets or properties of INC.

GALLO CENTER FOR THE ARTS, INC.,
a California corporation:

By: 

Lynn Dickerson, CEO

EXHIBIT A

INC'S BYLAWS

**BYLAWS
OF
GALLO ARTS CENTER, INC.
A California Nonprofit Public Benefit Corporation**

**ARTICLE I
OFFICES**

Section 1.1 OFFICES OF THE CORPORATION. The principal office for the transaction of the activities and affairs of the corporation (principal office) is located at 1601 J Street, Fifth Floor, Modesto, in Stanislaus County, California. The board of directors ("board") may change the principal office from one location to another.

Section 1.2 OTHER OFFICES. The board may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to conduct its activities.

**ARTICLE II
PURPOSES**

Section 2.1 GENERAL PURPOSES. The corporation is a nonprofit PUBLIC BENEFIT CORPORATION and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public, charitable and educational purposes.

Section 2.2 SPECIFIC PURPOSES. The specific purpose of this corporation is to receive, acquire, hold, manage, operate, administer and expend property and funds for charitable and public purposes to support and encourage the arts in the Central Valley, including but not limited to conducting fund-raisers to receive gifts, money, or property, to provide financial support for the operation of a regional arts center in Stanislaus County. This corporation shall not hold any permanent endowment funds and shall direct all such gifts to the Central Valley Center for the Arts, Inc. as long as such organization is qualified as a nonprofit Public Benefit Corporation.

Section 2.3 LIMITATIONS. This corporation is organized and operated exclusively for charitable and/or educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

ARTICLE III MEMBERSHIP

Section 3.1 **NO MEMBERS.** This corporation shall have no members.

ARTICLE IV DIRECTORS

Section 4.1 **GENERAL CORPORATE POWERS.** Subject to the provisions and limitations of the California Nonprofit Public Benefit Corporation Law and any other applicable laws, the corporation's activities and affairs shall be managed, and all corporate powers shall be exercised, by or under the direction of the board.

Section 4.2 **SPECIFIC POWERS.** Without prejudice to the general powers set forth in section 4.1 of these bylaws, but subject to the same limitations, the directors shall have the power to:

- (1) Appoint and remove at the pleasure of board, all the corporation's officers, agents, and employees; prescribe powers and duties for them that are consistent with law, with the articles of incorporation, and with these bylaws; and fix their compensation and require from them security for faithful performance of their duties.
- (2) Change the principal office or the principal business office in California from one location to another; cause the corporation to be qualified to conduct its activities in any other state, territory, dependency, or country and conduct its activities within or outside California; and designate any place within or outside California for holding any meeting of directors.
- (3) Adopt and use a corporate seal and alter the forms of the seal.
- (4) Borrow money and incur indebtedness on behalf of the corporation and cause to be executed and delivered for the corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities.

Section 4.3 **NUMBER AND QUALIFICATION OF DIRECTORS.** The board of directors shall consist of not fewer than three (3) nor more than seven (7) directors until changed by amendment to these bylaws. The exact number of directors shall be fixed, within those limits, by a resolution adopted by the board of directors.

Section 4.4 RESTRICTION ON INTERESTED PERSONS AS DIRECTORS.

No more than 49 percent of the persons serving on the board may be interested persons. An interested person is (a) any person compensated by the corporation for services rendered to it within the previous 12 months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a director as director; and (b) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of such person. However, any violation of the provisions of this paragraph shall not affect the validity or enforceability of any transaction entered into by the corporation.

Section 4.5 ELECTION, DESIGNATION, AND TERM OF OFFICE. The initial directors of the corporation shall be designated by the Incorporator of the corporation, and their term shall be deemed to have commenced on October 28, 2002. Subsequent directors shall be designated by a majority of directors then in office. The initial and subsequent directors shall hold office for four years and until a successor has been designated and qualified.

Section 4.6 VACANCIES ON BOARD; REMOVAL FROM OFFICE. A vacancy or vacancies on the board shall exist on the occurrence of the following: the death or resignation of any director or the declaration by resolution of the board of a vacancy in the office of a director who has been declared of unsound mind by an order of court, convicted of a felony, or found by final order or judgment of any court to have breached a duty under Article 3 of Chapter 2 of the California Nonprofit Public Benefit Corporation Law. Any director may be removed from office, with or without cause, by vote of two-thirds of the other directors then in office.

Section 4.7 RESIGNATIONS. Except as provided below, any director may resign by giving written notice to the chairman of the board, if any, or to the president or the secretary of the board. The resignation shall be effective when the notice is given unless it specifies a later time for the resignation to become effective. If a director's resignation is effective at a later time, the board may elect a successor to take office as of the date when the resignation becomes effective. Except on notice to the Attorney General of California, no director may resign if the corporation would be left without a duly elected director or directors.

Section 4.8 FILLING VACANCIES. Vacancies on the board may be filled by a majority of the directors then in office or by a sole remaining director.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

Section 4.9 DIRECTORS' MEETINGS. Meetings of the board shall be held at any place within or outside California that has been designated by resolution of the board or in the notice of the meeting or, if not so designated, at the principal office of the corporation.

Any meeting may be held by conference telephone or similar communication equipment, as long as all directors participating in the meeting can hear one another. All such directors shall be deemed to be present in person at such a meeting.

The board shall hold a regular meeting for purposes of organization, election of officers, and transaction of other business. Notice of this meeting is not required.

Other regular meetings of the board may be held without notice at such time and place as the board may fix from time to time.

Section 4.10 SPECIAL MEETINGS. Special meetings of the board, for any purpose, may be called at any time by the chairman of the board, if any, the president or any vice president, or the secretary or any two directors.

Except as hereafter provided in Section 4.12, notice of the time and place of special meetings shall be given to each director by one of the following methods: (a) by personal delivery of written notice; (b) by first-class mail, postage prepaid; (c) by telephone, either directly to the director or to a person at the director's office who would reasonably be expected to communicate that notice promptly to the director; (d) by telegram, charges prepaid; (e) by facsimile transmission ; or (f) by e-mail. All such notices shall be given or sent to the director's address or telephone number as shown on the records of the corporation .

Notices sent by first-class mail shall be deposited in the United States mails at least four days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least 48 hours before the time set for the meeting.

The notice shall state the time of the meeting, and the place if the place is other than the principal office of the corporation. It need not specify the purpose of the meeting.

Section 4.11 QUORUM. A majority of the directors then in office shall constitute a quorum for the transaction of business, except to adjourn. Every action taken or decision made by a majority of the directors then in office at a duly held meeting at which a quorum is present shall be the act of the board, subject to any more stringent provisions of the California Nonprofit Public Benefit Corporation Law, including, without limitation, those provisions relating to (a) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (b) approval of certain transactions between corporations having common directorships, (c) creation of and appointments to committees of the board, and (d) indemnification of directors.

Section 4.12 WAIVER OF NOTICE. Notice of a meeting need not be given to any director who, either before or after the meeting, signs a waiver of notice, a written consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals

shall be filed with the corporate records or made a part of the minutes of the meetings. Notice of a meeting need not be given to any director who attends the meeting and does not protest before or at the commencement of the meeting, the lack of notice to him or her.

Section 4.13 ADJOURNMENT. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place.

Notice of the time and place of holding an adjourned meeting need not be given unless the original meeting is adjourned for more than 24 hours. If the original meeting is adjourned for more than 24 hours, notice of any adjournment to another time and place shall be given, before the time of the adjourned meeting, to the directors who were not present at the time of the adjournment.

Section 4.14 ACTION WITHOUT A MEETING. Any action that the board is required or permitted to take may be taken without a meeting if all members of the board consent in writing to the action; provided, however, that the consent of any director who has a material financial interest in a transaction to which the corporation is a party and who is an "interested director" as defined in section 5233 of the California Corporations Code shall not be required for approval of that transaction. Such action by written consent shall have the same force and effect as any other validly approved action of the board. All such consents shall be filed with the minutes of the proceedings of the board.

Section 4.15 COMPENSATION AND REIMBURSEMENT. Directors may receive such compensation, if any, for their services as directors or officers, and such reimbursement of expenses, as the board may determine by resolution to be just and reasonable as to the corporation at the time that the resolution is adopted.

ARTICLE V COMMITTEES

Section 5.1 COMMITTEES. The board, by resolution adopted by a majority of the directors then in office, provided a quorum is present, may create one or more committees, each consisting of one or more directors and persons who are not directors, to serve at the pleasure of the board. Appointments to committees of the board shall be by majority vote of the directors then in office. The board may appoint one or more directors as alternate members of any such committee, who may replace any absent member at any meeting. Any such committee, to the extent provided in the board resolution, shall have the authority that the board in its discretion grants the committee until said authority is revoked by majority vote of the board. No committee, regardless of board resolution, may:

- (1) Take any final action on any matter that, under the California Nonprofit Public Benefit Corporation Law, also requires approval of a majority of all members of the board, if any;
- (2) Fill vacancies on the board or on any committee that has the authority of the board;
- (3) Fix compensation of the directors for serving on the board or on any committee;
- (4) Amend or repeal bylaws or adopt new bylaws;
- (5) Amend or repeal any resolution of the board that by its express terms is not so amendable or repealable;
- (6) Create any other committees of the board or appoint the members of committees of the board;
- (7) Expend corporate funds to support a nominee for director after more people have been nominated for director than can be elected; or
- (8) Approve any contract or transaction to which the corporation is a party and in which one or more of its directors has a material financial interest, except as special approval is provided for in Section 5233(d)(3) of the California Corporations Code.

Section 5.2 MEETINGS AND ACTION OF COMMITTEES. Meetings and actions of committees of the board shall be governed by, held, and taken in accordance with the provisions of these bylaws concerning meetings and other board actions, except that the time for regular meetings of such committees and the calling of special meetings of such committees may be determined either by board resolution or, if there is none, by resolution of the committee of the board. Minutes of each meeting of any committee of the board shall be kept and shall be filed with the corporate records. The board may adopt rules for the government of any committee; provided they are consistent with these bylaws or, in the absence of rules adopted by the board, the committee may adopt such rules.

ARTICLE VI OFFICERS

Section 6.1 OFFICERS OF THE CORPORATION. The officers of the corporation shall be a president, secretary, and a chief financial officer. The corporation may also have, at the board's discretion, a chairman of the board, one or more vice presidents, one or more assistant secretaries, one or more assistant chief financial officers, and such other officers as may

be appointed in accordance with Section 6.3 of these bylaws. Any number of offices may be held by the same person, except that neither the secretary nor the chief financial officer may serve concurrently as either the president or the chairman of the board.

Section 6.2 ELECTION OF OFFICERS. The officers of the corporation, except those appointed under Section 6.3 of these bylaws shall be chosen annually by the board and shall serve at the pleasure of the board, subject to the rights, if any, of any officer under any contract of employment.

Section 6.3 OTHER OFFICERS. The board may appoint and may authorize the chairman of the board, the president, or other officer, to appoint any other officers that the corporation may require. Each officer so appointed shall have the title, hold office for the period, have the authority, and perform the duties specified in the bylaws or determined by the board.

Section 6.4 REMOVAL OF OFFICERS. Without prejudice to any rights of an officer under any contract of employment, any officer may be removed with or without cause by the board and also, if the officer was not chosen by the board, by any officer on whom the board may confer that power of removal.

Section 6.5 RESIGNATION OF OFFICERS. Any officer may resign at any time by giving written notice to the corporation. The resignation shall take effect as of the date the notice is received or at any later time specified in the notice and, unless otherwise specified in the notice, the resignation need not be accepted to be effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

Section 6.6 VACANCIES IN OFFICE. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to that office, provided, however, that vacancies need not be filled on an annual basis.

Section 6.7 CHAIRMAN OF THE BOARD. If a chairman of the board is elected, he or she shall preside at meetings of the board and shall exercise and perform such other powers and duties as the board may assign from time to time. If there is no president, the chairman of the board shall also be the chief executive officer and shall have the powers and duties of the president of the corporation prescribed by these bylaws.

Section 6.8 PRESIDENT. Subject to such supervisory powers as the board may give to the chairman of the board, if any, and subject to the control of the board, the president shall be the chief executive officer of the corporation and shall supervise, direct and control the corporation's activities, affairs and officers. In the absence of the chairman of the board, or if

there is none, the president shall preside at all board meetings. The president shall have such other powers and duties as the board or the bylaws may prescribe.

Section 6.9 VICE PRESIDENTS. If the president is absent or disabled, the vice presidents, if any, in order of their rank as fixed by the board, or, if not ranked, a vice president designated by the board, shall perform all duties of the president. When so acting, a vice president shall have all powers of and be subject to all restrictions on the president. The vice presidents shall have such other powers and perform such other duties as the board or the bylaws may prescribe.

Section 6.10 SECRETARY. The secretary shall keep or cause to be kept, at the corporation's principal office or such other place as the board may direct, a book of minutes of all meetings, proceedings, and actions of the board and of committees of the board. The minutes of meetings shall include the time and place that the meeting was held, whether the meeting was annual, regular, or special, and, if special, how authorized, the notice given, the names of those present at board and committee meetings. The secretary shall keep or cause to be kept, at the principal office in California, a copy of the articles of incorporation and bylaws, as amended to date.

The secretary shall give, or cause to be given, notice of all meetings of the board and of committees of the board required by these bylaws to be given. The secretary shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as the board or the bylaws may prescribe.

Section 6.11 CHIEF FINANCIAL OFFICER. The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the corporation's properties and transactions. The chief financial officer shall send or cause to be given to the directors such financial statements and reports as are required to be given by law, by these bylaws, or by the board. The books of account shall be open to inspection by any director at all reasonable times.

The chief financial officer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the corporation with such depositories as the board may designate, shall disburse the corporation's funds as the board may order, shall render to the president, chairman of the board, if any, and the board, when requested, an account of all transactions as chief financial officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as the board or the bylaws may prescribe.

If required by the board, the chief financial officer shall give the corporation a bond in the amount and with the surety or sureties specified by the board for faithful performance of the duties of the office and for restoration to the corporation of all of its books, papers, vouchers.

money, and other property of every kind in the possession or under the control of the chief financial officer on his or her death, resignation, retirement, or removal from office.

ARTICLE VII INDEMNIFICATION

Section 7.1 RIGHT OF INDEMNITY. To the fullest extent permitted by law, this corporation shall indemnify its directors, officers, employees, and other persons described in Section 5238(a) of the California Corporations Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the corporation, by reason of the fact that the person is or was a person described in that section. "Expenses," as used in this bylaw, shall have the same meaning as in Section 5238(a) of the California Corporations Code.

Section 7.2 APPROVAL OF INDEMNITY. On written request to the board by any person seeking indemnification under Section 5238(b) or Section 5238(c) of the California Corporations Code, the board shall promptly determine under Section 5238(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met and, if so, the board shall authorize indemnification.

Section 7.3 ADVANCEMENT OF EXPENSES. To the fullest extent permitted by law and except as otherwise determined by the board in a specific instance, expenses incurred by a person seeking indemnification under Sections 7.1-7.2 of these bylaws in defending any proceeding covered by those Sections shall be advanced by the corporation before final disposition of the proceeding, on receipt by the corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the corporation for those expenses.

Section 7.4 INSURANCE. The corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, directors, employees, and other agents, against any liability asserted against or incurred by any officer, director, employee, or agent in such capacity or arising out of the officer's, director's, employee's, or agent's status as such.

ARTICLE VIII RECORDS AND REPORTS

Section 8.1 MAINTENANCE OF CORPORATE RECORDS. The corporation shall keep:

- (1) Adequate and correct books and records of account;
- (2) Written minutes of the proceedings of its board and committees of the board.

Section 8.2 MAINTENANCE AND INSPECTION OF ARTICLES AND BYLAWS. The corporation shall keep at its principal office, or if its principal office is not in California, at its principal business office in this state, the original or a copy of the articles of incorporation and bylaws, as amended to date.

Section 8.3 INSPECTION BY DIRECTORS. Every director shall have the absolute right at any reasonable time to inspect the corporation's books, records, documents of every kind, physical properties, and the records of each of its subsidiaries. The inspection may be made in person or by the director's agent or attorney. The right of inspection includes the right to copy and make extracts of documents.

Section 8.4 ANNUAL REPORT. The board shall cause an annual report to be sent to the directors within 120 days after the end of the corporation's fiscal year. That report shall contain the following information, in appropriate detail, for the fiscal year:

- (1) The assets and liabilities, including the trust funds, of the corporation as of the end of the fiscal year.
- (2) The principal changes in assets and liabilities, including trust funds.
- (3) The revenue or receipts of the corporation, both unrestricted and restricted to particular purposes.
- (4) The expenses or disbursements of the corporation for both general and restricted purposes.
- (5) Any information required by Section 8.5 of these bylaws.

The annual report shall be accompanied by any report on it of independent accountants or, if there is no such report, by the certificate of an authorized officer of the corporation that such statements were prepared without audit from the corporation's books and records.

This requirement of an annual report shall not apply if the corporation receives less than \$25,000 in gross receipts during the fiscal year, provided, however, that the information specified above for inclusion in an annual report must be furnished annually to all directors who request it in writing.

Section 8.5 ANNUAL STATEMENT OF CERTAIN TRANSACTIONS AND INDEMNIFICATIONS. As part of the annual report, or as a separate document if no annual report is issued, the corporation shall annually prepare and mail or deliver to each director a statement of any transaction or indemnification of the following kind within 120 days after the end of the corporation's fiscal year:

(1) Any transaction (i) in which the corporation, its parent, or its subsidiary was a party, (ii) in which an "interested person" had a direct or indirect material financial interest, and (iii) which involved more than \$50,000, or was one of a number of transactions with the same interested person involving, in the aggregate, more than \$50,000. For this purpose, an "interested person" is either of the following:

- (a) Any director or officer of the corporation, its parent, or subsidiary (but mere common directorship shall not be considered such an interest); or
- (b) Any holder of more than 10 percent of the voting power of the corporation, its parent, or its subsidiary. The statement shall include a brief description of the transaction, the names of interested persons involved, their relationship to the corporation, the nature of their interest in the transaction and, if practicable, the amount of that interest, provided that if the transaction was with a partnership in which the interested person is a partner, only the interest of the partnership need be stated.

(2) Any indemnifications or advances aggregating more than \$10,000 paid during the fiscal year to any officer or director of the corporation under sections 7.1-7.3 of these bylaws.

ARTICLE IX CONSTRUCTION

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Nonprofit Corporation Law shall govern the construction of these bylaws. Without limiting the generality of the preceding sentence, the masculine gender includes the feminine and neuter, the singular includes the plural, the plural includes the singular, and the term "person" includes both a legal entity and a natural person.

ARTICLE X AMENDMENTS

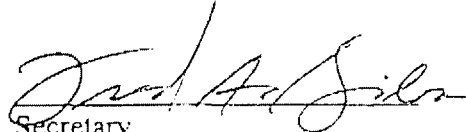
Section 10.1 AMENDMENT BY BOARD. The board may adopt, amend, or repeal these bylaws.

Section 10.2 **HIGH VOTE REQUIREMENT.** If any provision of these bylaws requires the vote of a larger proportion of the board than is otherwise required by law, that provision may not be altered, amended, or repealed except by that greater vote.

CERTIFICATE OF SECRETARY

I certify that I am the duly elected and acting Secretary of Gallo Arts Center, Inc., a nonprofit public benefit corporation, and that the above bylaws, consisting of 12 pages, are the bylaws of this corporation.

Executed on October 28, 2002, at Modesto, California.


Secretary

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BYLAWS
OF
GALLO CENTER FOR THE ARTS, INC.
A California Nonprofit Public Benefit Corporation
As Amended on December 22, 2008

ARTICLE I
OFFICES

Section 1.1 OFFICES OF THE CORPORATION. The principal office for the transaction of the activities and affairs of the corporation (principal office) is located at 1000 I Street, Modesto, in Stanislaus County, California. The board of directors (board) may change the principal office from one location to another.

Section 1.2 OTHER OFFICES. The board may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to conduct its activities

ARTICLE II
PURPOSES

Section 2.1 GENERAL PURPOSES. The corporation is a nonprofit PUBLIC BENEFIT CORPORATION and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public, charitable and educational purposes

Section 2.2 SPECIFIC PURPOSES. The specific purpose of this corporation is to receive, acquire, hold, manage, administer and expend property and funds for charitable and public purposes to support and encourage the arts in the Central Valley, including but not limited to conducting fund-raisers to receive gifts, money, or property, to provide financial support for the operation of the Gallo Center for the Arts in Stanislaus County as a regional arts center.

Section 2.3 LIMITATIONS. This corporation is organized and operated exclusively for charitable and/or educational purposes within the meaning of Section 501(c) (3) of the Internal Revenue Code. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

**ARTICLE III
MEMBERSHIP**

Section 3.1 **NO MEMBERS.** This corporation shall have no members.

**ARTICLE IV
DIRECTORS**

Section 4.1 **GENERAL CORPORATE POWERS.** Subject to the provisions and limitations of the California Nonprofit Public Benefit Corporation Law and any other applicable laws, the corporation's activities and affairs shall be managed, and all corporate powers shall be exercised, by or under the direction of the board

Section 4.2 **SPECIFIC POWERS.** Without prejudice to the general powers set forth in section 4.1 of these bylaws, but subject to the same limitations, the board shall have the power to:

- (1) Appoint and remove at the pleasure of board, all the corporation's officers, agents, and employees; prescribe powers and duties for them that are consistent with law, with the articles of incorporation, and with these bylaws; and fix their compensation and require from them security for faithful performance of their duties.
- (2) Change the principal office or the principal business office in California from one location to another; cause the corporation to be qualified to conduct its activities in any other state, territory, dependency, or country and conduct its activities within or outside California; and designate any place within or outside California for holding any meeting of directors.
- (3) Adopt and use a corporate seal; and alter the forms of the seal.
- (4) Borrow money and incur indebtedness on behalf of the corporation and cause to be executed and delivered for the corporations purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations and other evidences of debt and securities
- (5) Adopt policies and procedures to avoid conflicts of interest for private benefit

Section 4.3 **NUMBER AND QUALIFICATION OF DIRECTORS** The board of directors shall consist of not fewer than nine (9) nor more than twenty one (21) directors until changed by amendment to these bylaws. The exact number of directors shall be fixed, within those limits, by a resolution adopted by the board. The Board of Directors shall include a member designated by the Stanislaus County's Chief Executive Officer. Such representative shall serve at the will of the County's Chief Executive officer and will be a voting member. The Board of Directors shall also

include the Executive Director of the Gallo Center for the Arts who shall serve as an Ex Officio voting member of the board.

Section 4.4 RESTRICTION ON INTERESTED PERSONS AS DIRECTORS. No more than 49 percent of the persons serving on the board may be interested persons. An interested person is (a) any person compensated by the corporation for services rendered to it within the previous 12 months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a director as director; and (b) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of such person. However, any violation of the provisions of this paragraph shall not affect the validity or enforceability of any transaction entered into by the corporation

Section 4.5 ELECTION, DESIGNATION, AND TERM OF OFFICE Directors shall be designated by a majority of directors then in office. Terms of office for directors shall be three (3) years. Commencing with terms beginning July 1, 2010, terms of directors shall be staggered so that one-third of the terms expire each year. Directors may not serve more than two (2) consecutive terms except Chair, Vice-Chair and Immediate past Chair, who may serve until completion of their term as Immediate Past Chair

Section 4.6 DIRECTORS EMERITUS The board may, by the vote of two-thirds of the board, designate a person as a "Director Emeritus." A person designated as a Director Emeritus shall hold the position for life unless removed by a vote of two-thirds of the board. As Director Emeritus, the person shall be entitled to receive all board materials and to attend board meetings as a non-voting member.

Section 4.7 VACANCIES ON BOARD; REMOVAL FROM OFFICE. A vacancy or vacancies on the board shall exist on the occurrence of the following: the death or resignation of any director or the declaration by resolution of the board of a vacancy in the office of a director who has been declared of unsound mind by an order of court, convicted of a felony, or found by final order or judgment of any court to have breached a duty under Article 3 of Chapter 2 of the California Nonprofit Public Benefit Corporation Law. Any director may be removed from office with or without cause, by vote of two-thirds of the other directors then in office.

Section 4.8 RESIGNATIONS. Except as provided below, any director may resign by giving written notice to the chairman of the board, if any, or to the president or the secretary of the board. The resignation shall be effective when the notice is given unless it specifies a later time for the resignation to become effective. If a director's resignation is effective at a later time, the board may elect a successor to take office as of the date when the resignation becomes effective. Except on notice to the Attorney General of California, no director may resign if the corporation would be left without a duly elected director or directors.

Section 4.9 FILLING VACANCIES. Vacancies on the board may be filled by a majority of the directors then in office or by a sole remaining director.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

Section 4.10 DIRECTORS' MEETINGS. Meetings of the board shall be held at any place within or outside California that has been designated by resolution of the board or in the notice of the meeting or, if not so designated, at the principal office of the corporation. Any meeting may be held by conference telephone or similar communication equipment, as long as all directors participating in the meeting can hear one another. All such directors shall be deemed to be present in person at such a meeting. The board may establish a required director attendance policy.

The board shall hold a regular annual meeting in April for purposes of organization, election of directors and officers for the year beginning July 1, and transaction of other business. Notice of this meeting is not required.

Other regular meetings of the board may be held without notice at such time and place as the board may fix from time to time.

The business of the board of directors shall be conducted in accordance with Robert's Rules of Order.

Section 4.11 SPECIAL MEETINGS. Special meetings of the board, for any purpose, may be called at any time by the chairman of the board, if any, the president or any vice president, or the secretary or any two directors.

Except as hereafter provided in Section 4.12, notice of the time and place of special meetings shall be given to each director by one of the following methods: (a) by personal delivery of written notice; (b) by first-class mail, postage prepaid; (c) by telephone, either directly to the director or to a person at the director's office who would reasonably be expected to communicate that notice promptly to the director; (d) by telegram, charges prepaid; (e) by facsimile transmission; or (f) by e-mail. All such notices shall be given or sent to the director's address or telephone number as shown on the records of the corporation.

Notices sent by first-class mail shall be deposited in the United States mails at least four days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned or given to the telegraph company at least 48 hours before the time set for the meeting.

The notice shall state the time of the meeting and the place if the place is other than the principal office of the corporation. It need not specify the purpose of the meeting.

Section 4.12 QUORUM. A majority of the directors then in office shall constitute a quorum for the transaction of business, except to adjourn. Every action taken or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be the act of the board, subject to any more stringent provisions of the California Nonprofit Public Benefit Corporation Law, including, without limitation, those provisions relating to (a) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (b) approval of certain transactions between corporations having common directorships, (c) creation of and appointments to committees of the board, and (d) indemnification of directors.

Section 4.13 WAIVER OF NOTICE. Notice of a meeting need not be given to any director who, either before or after the meeting, signs a waiver of notice, a written consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meetings. Notice of a meeting need not be given to any director who attends the meeting and does not protest before or at the commencement of the meeting, the lack of notice to him or her.

Section 4.14 ADJOURNMENT. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place.

Notice of the time and place of holding an adjourned meeting need not be given unless the original meeting is adjourned for more than 24 hours. If the original meeting is adjourned for more than 24 hours, notice of any adjournment to another time and place shall be given, before the time of the adjourned meeting, to the directors who were not present at the time of the adjournment.

Section 4.15 ACTION WITHOUT A MEETING. Any action that the board is required or permitted to take may be taken without a meeting if all members of the board consent in writing to the action; provided, however, that the consent of any director who has a material financial interest in a transaction to which the corporation is a party and who is "an interested director" as defined in section 5233 of the California Corporations Code shall not be required for approval of that transaction. Such action by written consent shall have the same force and effect as any other validly approved action of the board. All such consents shall be filed with the minutes of the proceedings of the board.

Section 4.16 COMPENSATION AND REIMBURSEMENT. Directors may receive such compensation, if any, for their services as directors or officers, and such reimbursement of expenses, as the board may determine by resolution to be just and reasonable as to the corporation at the time that the resolution is adopted.

ARTICLE V COMMITTEES

Section 5.1 COMMITTEES. The board, by resolution adopted by a majority of the directors

present, provided a quorum is present, may create one or more committees, each consisting of one or more directors and persons who are not directors, to serve at the pleasure of the board. Appointments to committees of the board shall be by the Chair with ratification by majority vote of the directors present. The board may appoint one or more directors as alternate members of any such committee, who may replace any absent member at any meeting. Any such committee, to the extent provided in the board resolution, shall have the authority that the board in its discretion grants the committee until said authority is revoked by the board. No committee, regardless of board resolution, may:

- (1) Take any final action on any matter that, under the California Nonprofit Public Benefit Corporation Law, also requires approval of the members or approval of a majority of all members, if any;
- (2) Fill vacancies on the board or on any committee that has the authority of the board;
- (3) Fix compensation of the directors for serving on the board or on any committee;
- (4) Amend or repeal bylaws or adopt new bylaws;
- (5) Amend or repeal any resolution of the board that by its express terms is not so amendable or repealable;
- (6) Create any other committees of the board or appoint the members of committees of the board;
- (7) Expend corporate funds to support a nominee for director after more people have been nominated for director than can be elected, or
- (8) Approve any contract or transaction to which the corporation is a party and in which one or more of its directors has a material financial interest, except as special approval is provided for in Section 5233(d)(3) of the California Corporations Code

The board may add special ad-hoc committees as needed

Section 5.2 STANDING COMMITTEES The corporation shall have the following standing committees and any additional standing committees that the board deems appropriate and, unless otherwise provided, shall be appointed by the Chair effective July 1 of each year

(a) **EXECUTIVE COMMITTEE.** The corporation shall have an executive committee comprised of the executive director, all officers of the corporation and any directors of the corporation that the board deems appropriate to appoint. The executive committee, unless limited by a resolution of the board or by law, shall have and may exercise all the authority of the board in

the management of the business and affairs of the corporation between meetings of the board provided, however, that the executive committee shall not have the authority of the board enumerated in Section 4.2 and 5.1 of these bylaws. The executive committee shall meet as needed and all actions of the executive committee shall be reported to and ratified by the full board at the next duly scheduled board meeting.

(b) FINANCE COMMITTEE. The corporation shall have a finance committee comprised of a chair or co-chairs, the treasurer of the corporation, all of whom shall be directors, the executive director, the staff member serving as Director of Finance or equivalent position, and at least one or more other members who can be non-directors. The finance committee shall cause to be kept and maintained, adequate and correct books and accounts of the corporation's properties and transactions. The finance committee shall review and recommend the proposed annual operating and capital budgets, monitor operating results of the corporation, select managers for the corporation's operating and endowment investments and monitor the results of the selected managers. The finance committee shall send or cause to be given to the directors such financial statements and reports as are required to be given by law, by these bylaws, or by the board. The books of account shall be open to inspection by any director at all reasonable times.

The finance committee shall cause to be deposited, all money and other valuables in the name and to the credit of the corporation with such depositories as the board may designate, shall disburse the corporation's funds as the board may order, shall render to the president, chairman of the board, if any, and the board, when requested, an account of all transactions by the finance committee and of the financial condition of the corporation, and shall have such other powers and perform such other duties as the board or the bylaws may prescribe.

If required by the board, those directors who comprise the finance committee shall give the corporation a bond in the amount and with the surety or sureties specified by the board for faithful performance of their duties and for restoration to the corporation of all of its books, papers, vouchers, money, and other property of every kind in the possession or under the control of the finance committee on any committee member's respective death, resignation, retirement, or removal from committee.

(c) AUDIT COMMITTEE. The corporation shall have an audit committee consisting of at least two directors, and may include nonvoting advisors. Directors who are employees or officers of the corporation or who receive, directly or indirectly, any consulting, advisory, or other compensatory fees from the corporation (other than for service as director) may not serve on the audit committee. The audit committee shall perform the following duties including, but not limited to, overseeing the financial reporting process of the corporation; monitoring the choice of accounting policies and principles; monitoring internal control processes; ensuring open communication among management, internal auditors, external auditors, and the audit committee, and overseeing the hiring and performance of the independent auditor(s). The audit committee shall obtain the annual audit report and management letter from the independent auditors.

Members of the audit committee shall not receive compensation for their service on the audit committee in excess of that provided to directors for their service on the board. If the corporation has a finance committee, a majority of the members of the audit committee may not concurrently serve as members of the finance committee, and the chair of the audit committee may not serve on the finance committee.

(d) **PERSONNEL AND COMPENSATION COMMITTEE.** The corporation shall have a personnel and compensation committee consisting of at least three directors designated by the Chair, and no one who is not a director. Pursuant to the Government Code section 12586(g) and the applicable provisions of federal law, the personnel and compensation committee shall review the compensation of the executive director, and such other employees of the corporation that the personnel and compensation committee determines appropriate, annually and whenever a modification in compensation is proposed. The review shall include an evaluation of the performance of the executive director and an analysis of appropriate comparability data. Based upon its review, the personnel and compensation committee shall recommend personnel policies and just and reasonable compensation amounts for the executive director and other employees of the corporation. At the request of the board, the personnel and compensation committee shall review any issue involving staff compensation and benefits, including but not limited to health and retirement plans.

(e) **GOVERNANCE COMMITTEE:** The corporation shall have a governance committee consisting of the immediate past, present and chair elect, current president, anyone designated by the Chair and the executive director. The duties of the Governance Committee are to nominate members of the board of directors and officers of the corporation or any successor organization, and Trustees of the Gallo Center for the Arts. The Committee shall be responsible for board development and mentoring directors on 'boardsmanship'. The Governance Committee shall be responsible for periodic reviews of the Bylaws, and recommend revisions as deemed advisable.

Section 5.3 MEETINGS AND ACTION OF COMMITTEES. Meetings and actions of committees of the board shall be governed by, held, and taken in accordance with the provisions of these bylaws concerning meetings and other board actions, except that the time for regular meetings of such committees and the calling of special meetings of such committees may be determined either by board resolution or, if there is none, by resolution of the committee of the board. Minutes of each meeting of any committee of the board shall be kept and shall be filed with the corporate records. The board may adopt rules for the governance of any committee; provided they are consistent with these bylaws or, in the absence of rules adopted by the board, the committee may adopt such rules.

ARTICLE VI OFFICERS

Section 6.1 OFFICERS OF THE CORPORATION. The officers of the corporation shall be a

chair of the board, vice chair, president, secretary, and treasurer. The corporation may also have, at the board's discretion, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with Section 6.3 of these bylaws. Any number of offices may be held by the same person, except that neither the secretary nor the treasurer may serve concurrently as either the president or the chairman of the board.

Section 6.2 ELECTION OF OFFICERS. The officers of the corporation, except those appointed under Section 6.3 of these bylaws shall be chosen annually by the board and shall serve at the pleasure of the board, subject to the rights, if any, of any officer under any contract of employment.

Section 6.3 OTHER OFFICERS. The board may appoint and may authorize the chairman of the board, the president, or other officer, to appoint any other officers that the corporation may require. Each officer so appointed shall have the title, hold office for the period, have the authority, and perform the duties specified in the bylaws or determined by the board.

Section 6.4 REMOVAL OF OFFICERS. Without prejudice to any rights of an officer under any contract of employment, any officer may be removed with or without cause by the board and also, if the officer was not chosen by the board, by any officer on whom the board may confer that power of removal.

Section 6.5 RESIGNATION OF OFFICERS. Any officer may resign at any time by giving written notice to the corporation. The resignation shall take effect as of the date the notice is received or at any later time specified in the notice and, unless otherwise specified in the notice, the resignation need not be accepted to be effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

Section 6.6 VACANCIES IN OFFICE. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to that office, provided, however, that vacancies need not be filled on an annual basis.

Section 6.7 CHAIR OF THE BOARD. The chair of the board ("Chair") shall preside at meetings of the board and shall exercise and perform such other powers and duties as the board may assign from time to time. The chair of the board shall also be the chief executive officer. The Chair or the Chair's designee shall be the corporation's spokesperson to the public and the press. The term of the chair is two (2) years unless terminated early by death, disability, resignation or removal by a two-thirds vote of the board.

Section 6.8 VICE-CHAIR OF THE BOARD. The Vice-Chair shall perform all duties of the Chair if the Chair is unable to act. The Vice-Chair shall also exercise and perform such other

powers and duties as the board may assign from time to time. The term of the vice-chair is two (2) years unless terminated early by death, disability, resignation or removal by a two-thirds vote of the board

Section 6.9 PRESIDENT. Subject to the control of the board as expressed in board policies and executive limitations, the president shall have such powers and duties as the board or the bylaws may prescribe

Section 6.10 VICE PRESIDENTS. If the president is absent or disabled, the vice presidents, if any, in order of their rank as fixed by the board, or, if not ranked, a vice president designated by the board, shall perform all duties of the president. When so acting, a vice president shall have all powers of and be subject to all restrictions on the president. The vice presidents shall have such other powers and perform such other duties as the board or the bylaws may prescribe.

Section 6.11 SECRETARY. The secretary shall keep or cause to be kept, at the corporation's principal office or such other place as the board may direct, a book of minutes of all meetings, proceedings, and actions of the board and of committees of the board. The minutes of meetings shall include the time and place that the meeting was held, whether the meeting was annual, regular, or special, and, if special, how authorized, the notice given, the names of those present at board and committee meetings. The secretary shall keep or cause to be kept, at the principal office in California, a copy of the articles of incorporation and bylaws, as amended to date

The secretary shall give, or cause to be given, notice of all meetings of the board and of committees of the board required by these bylaws to be given. The secretary shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as the board or the bylaws may prescribe

Section 6.12 TREASURER. The treasurer shall oversee the general financial and accounting matters of the corporation with the aid of the finance committee. The treasurer shall have such other power and duties as may be designated from time to time by the directors.

ARTICLE VII INDEMNIFICATION

Section 7.1 RIGHT OF INDEMNITY. To the fullest extent permitted by law, this corporation shall indemnify its directors, officers, employees, and other persons described in Section 5238(a) of the California Corporations Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the corporation, by reason of the fact that the person is or was a person described in that section. "Expenses," as used in this bylaw, shall have the same meaning as in Section 5238(a) of the California Corporations Code

Section 7.2 APPROVAL OF INDEMNITY. On written request to the board by any person seeking indemnification under Section 5238(b) or Section 5238(c) of the California Corporations Code, the board shall promptly determine under Section 5238(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met and, if so, the board shall authorize indemnification.

Section 7.3 ADVANCEMENT OF EXPENSES. To the fullest extent permitted by law and except as otherwise determined by the board in a specific instance, expenses incurred by a person seeking indemnification under Sections 7.1-7.2 of these bylaws in defending any proceeding covered by those Sections shall be advanced by the corporation before final disposition of the proceeding, on receipt by the corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the corporation for those expenses.

Section 7.4 INSURANCE. The corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, directors, employees, and other agents, against any liability asserted against or incurred by any officer, director, employee, or agent in such capacity or arising out of the officer's, director's, employee's, or agent's status as such.

ARTICLE VIII RECORDS AND REPORTS

Section 8.1 MAINTENANCE OF CORPORATE RECORDS. The corporation shall keep:

- (1) Adequate and correct books and records of account on the basis of a June 30 fiscal year end,
- (2) Written minutes of the proceedings of its board and committees of the board.

Section 8.2 MAINTENANCE AND INSPECTION OF ARTICLES AND BYLAWS. The corporation shall keep at its principal office, or if its principal office is not in California, at its principal business office in this state, the original or a copy of the articles of incorporation and bylaws, as amended to date.

Section 8.3 INSPECTION BY DIRECTORS. Every director shall have the absolute right at any reasonable time to inspect the corporation's books, records, documents of every kind, physical properties and the records of each of its subsidiaries. The inspection may be made in person or by the director's agent or attorney. The right of inspection includes the right to copy and make extracts of documents.

Section 8.4 ANNUAL REPORT. The board shall cause an annual report to be sent to the directors within 120 days after the end of the corporation's fiscal year. That report shall contain the

following information, in appropriate detail, for the fiscal year:

- (1) The assets and liabilities of the corporation as of the end of the fiscal year.
- (2) The principal changes in assets and liabilities.
- (3) The revenue or receipts of the corporation both unrestricted and restricted to particular purposes.
- (4) The expenses or disbursements of the corporation for both general and restricted purposes.
- (5) Any information required by Section 8.5 of these bylaws.

The annual report shall be accompanied by any report on it of independent accountants or, if there is no such report, by the certificate of an authorized officer of the corporation that such statements were prepared without audit from the corporation's books and records.

Section 8.5 ANNUAL STATEMENT OF CERTAIN TRANSACTIONS AND INDEMNIFICATIONS. As part of the annual report, or as a separate document if no annual report is issued, the Chair of the board shall annually prepare and mail or deliver to each director a statement of any transaction or indemnification of the following kind within 120 days after the end of the corporation's fiscal year:

(1) Any transaction (i) in which the corporation, its parent, or its subsidiary was a party, (ii) in which an "interested person" had a direct or indirect material financial interest, and (iii) which involved more than \$50,000, or was one of a number of transactions with the same interested person involving, in the aggregate, more than \$50,000. For this purpose, an "interested person" is either of the following:

- (a) Any director or officer of the corporation, its parent, or subsidiary (but mere common directorship shall not be considered such an interest); or
- (b) Any holder of more than 10 percent of the voting power of the corporation, its parent, or its subsidiary. The statement shall include a brief description of the transaction, the names of interested persons involved, their relationship to the corporation, the nature of their interest in the transaction and, if practicable, the amount of that interest, provided that if the transaction was with a partnership in which the interested person is a partner, only the interest of the partnership need be stated.

(2) Any indemnifications or advances aggregating more than \$10,000 paid during the fiscal year to any officer or director of the corporation under sections 7.1-7.3 of these bylaws.

**ARTICLE IX
CONSTRUCTION**

Unless the context requires otherwise, the general provisions, rules of construction and definitions in the California Nonprofit Corporation Law shall govern the construction of these bylaws. Without limiting the generality of the preceding sentence, the masculine gender includes the feminine and neuter, the singular includes the plural, the plural includes the singular, and the term "person" includes both a legal entity and a natural person.

**ARTICLE X
AMENDMENTS**

Section 10.1 AMENDMENT BY BOARD. The board, by vote of a majority of directors then in office, may adopt, amend, or repeal these bylaws.

Section 10.2 HIGH VOTE REQUIREMENT. If any provision of these bylaws requires the vote of a larger proportion of the board than is otherwise required by law, that provision may not be altered, amended, or repealed except by that greater vote.

CERTIFICATE OF SECRETARY

I certify that I am the duly elected and acting Secretary of Central Valley Center for the Arts, Inc., a nonprofit public benefit corporation, and that the above restated bylaws, consisting of 13 pages, are the bylaws of this corporation.

Executed on 12/22/, 2008, at Modesto, California

Secretary

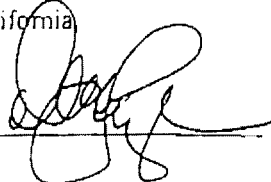


EXHIBIT B

INC'S ARTICLES OF INCORPORATION

DEC 17 2007

CERTIFICATE OF AMENDMENT
OF ARTICLES OF INCORPORATION

The undersigned certify that:

1. They are the president and the secretary, respectively, of GALLO ARTS CENTER, INC., a California nonprofit corporation

2. Article 1 of the Articles of Incorporation of this corporation is amended to read as follows:

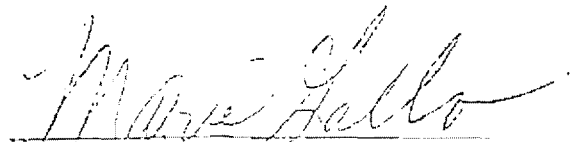
The name of the corporation is GALLO CENTER FOR THE ARTS, INC

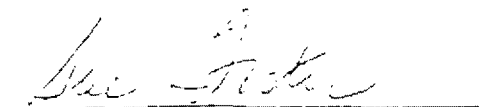
3. The foregoing amendment of Articles of Incorporation has been duly approved by the Board of Directors.

4. The corporation has no members

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge

Date December 10, 2007


Marie Gallo, President


Sue Foster, Secretary



ENDORSED - FILED
in the office of the Secretary of State
of the State of California

NOV 12 2002

BILL JONES, Secretary of State

ARTICLES OF INCORPORATION
OF
GALLO ARTS CENTER, INC.

I.

The name of this corporation shall be GALLO ARTS CENTER, INC.

II.

- A. This corporation is a nonprofit PUBLIC BENEFIT CORPORATION and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public and charitable purposes.
- B. The specific purpose of this corporation is to operate a multi-venue arts center and to receive, acquire, hold, manage, administer, and expend property and funds for charitable and public purposes to support and encourage the arts in the Central Valley, including but not limited to conducting fund-raising to receive gifts, money, or property, to provide financial support for the operation of a regional arts center in Stanislaus County. This corporation shall not receive any permanent endowment funds and shall direct all such gifts to the Central Valley Center for the Arts, Inc. as long as such organization is qualified as a nonprofit Public Benefit Corporation.

III.

The name and address in the State of California of the corporation's initial agent for service of process are:

Fred A. Silva
c/o Danrell, Nelson, Schrimp, Pallios, Pacher & Silva
1601 I Street, Fifth Floor
Modesto, California 95354

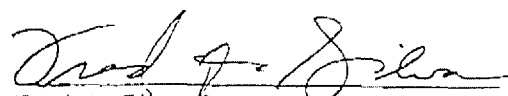
IV

- A. This corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code
- B. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office

V.

The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof, or to the benefit of any private person. Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation, shall be distributed to one or more nonprofit funds, foundations, or corporations, which are organized and operated exclusively for charitable purposes, and which have established their tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

Dated: November 7, 2002


Fred A. Silva, Incorporator

G:\HJF\AS\ARTS CTR\Galle Arts Center Inc\incorporation docs\Articles

EXHIBIT C

INC'S WRITTEN CONSENTS AND/OR RESOLUTIONS

**Central Valley Center for the Arts, Inc.
Gallo Center for the Arts, LLC
Gallo Center for the Arts, Inc.**

Resolution 2010-2

A resolution of the Board of Directors of the Central Valley Center for the Arts, Inc. (CVCA), the Gallo Center for the Arts, LLC (GCA, LLC), and the Gallo Center for the Arts, Inc. (GCA, Inc.) pertaining to the reorganization of Gallo Center for the Arts;

WHEREAS, the CVCA is a California nonprofit public benefit corporation and the CVCA's general purpose is to support and encourage the arts in the Central Valley and its specific purpose is to support the operation of the Gallo Center for the Arts;

WHEREAS, the GCA, LLC is a single member limited liability company;

WHEREAS, the GCA, Inc. is a California nonprofit public benefit corporation;

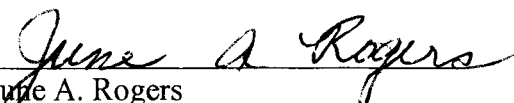
WHEREAS, the GCA, LLC incurs a gross receipts tax in the amount of \$12,000 per year that could be substantially avoided by operating as a corporation instead of as a limited liability company;

NOW, THEREFORE, BE IT RESOLVED that the CVCA, GCA, LLC and GCA, Inc. Board of Directors declare the following:

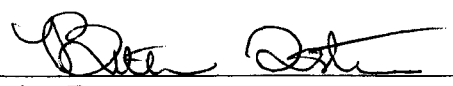
1. The operations and assets of GCA, LLC will be transferred, assigned, and assumed by the Gallo Center for the Arts, Inc. (GCA, Inc.).
2. A duly noticed meeting of the Board of Directors of the Central Valley Center for the Arts, Inc., the Gallo Center for the Arts, LLC, and the Gallo Center for the Arts, Inc. was held on June 28, 2010, at 1000 I Street, Modesto, California. A quorum was present.
3. Following discussion by the Board of Directors, it was moved, seconded, and approved to adopt the following resolution:

RESOLVED, that the Board of Directors of Central Valley Center for the Arts, Inc. hereby declares that the operations and assets of GCA, LLC will be transferred, assigned, and assumed by the Gallo Center for the Arts, Inc., effective as of July 1, 2010.

DATED: June 28, 2010



June A. Rogers
President



Britta Foster
Corporate Secretary

EXHIBIT D

INC'S IRS DETERMINATION LETTER

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: **MAR 26 2009**

GALLO CENTER FOR THE ARTS INC
1000 I ST
MODESTO, CA 95354

Employer Identification Number:
56-2607443
DLN:
17053077011009
Contact Person:
JOAN C KISER ID# 31217
Contact Telephone Number:
(877) 829-5500
Accounting Period Ending:
June 30
Public Charity Status:
509(a)(2)
Form 990 Required:
Yes
Effective Date of Exemption:
March 13, 2009
Contribution Deductibility:
Yes
Addendum Applies:
No

RECEIVED APR - 2 2009

Dear Applicant:

We are pleased to inform you that upon review of your application for tax exempt status we have determined that you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Contributions to you are deductible under section 170 of the Code. You are also qualified to receive tax deductible bequests, devises, transfers or gifts under section 2055, 2106 or 2522 of the Code. Because this letter could help resolve any questions regarding your exempt status, you should keep it in your permanent records.

Organizations exempt under section 501(c)(3) of the Code are further classified as either public charities or private foundations. We determined that you are a public charity under the Code section(s) listed in the heading of this letter.

Please see enclosed Publication 4221-PC, Compliance Guide for 501(c)(3) Public Charities, for some helpful information about your responsibilities as an exempt organization.

Letter 947 (DO/CG)

GALLO CENTER FOR THE ARTS INC

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Choi". The signature is stylized with a large, sweeping initial "R" and a cursive "C".

Robert Choi
Director, Exempt Organizations
Rulings and Agreements

Enclosures: Publication 4221-PC

EXHIBIT E

INC'S FTB EXEMPT LETTER OF GOOD STANDING

EXHIBIT F

**INC'S STATEMENT OF INFORMATION
(DOMESTIC NONPROFIT CORPORATION)**



STATE OF CALIFORNIA
FRANCHISE TAX BOARD
PO BOX 1286
RANCHO CORDOVA CA 95741-1286

In reply refer to
755:AFF:ARJ

June 8, 2009

GALLO CENTER FOR THE ARTS INC
LOUIS FRIEDMAN/BRYAN BRANCO
1000 I ST
MODESTO CA 95354-2381

Purpose : CHARITABLE/EDUCATIONAL
Code Section : 23701d
Form of Organization : Corporation
Accounting Period Ending: June 30
Organization Number : 8004659

EXEMPT ACKNOWLEDGEMENT LETTER

This letter acknowledges that the Franchise Tax Board (FTB) has received your federal determination letter that shows exemption under Internal Revenue Code (IRC) Section 501(c)(3). Under California law, Revenue and Taxation Code (R&TC) Section 23701d(c)(1) provides that an organization is exempt from taxes imposed under Part 11 upon submission of the federal determination letter approving the organization's tax-exempt status pursuant to Section 501(c)(3) of the IRC.

The effective date of your organization's California tax-exempt status is 03/13/2009.

R&TC Section 23701d(c)(1) further provides that the effective date of an organization's California tax-exempt status is the same date as the federal tax-exempt status under IRC Section 501(c)(3).

Under R&TC Section 23701d(c), any change to your organization's operation, character, or purpose that has occurred since the federal exemption was originally granted must be reported immediately to this office. Additionally, organizations are required to be organized and operating for

June 8, 2009
GALLO CENTER FOR THE ARTS, INC.
ENTITY ID : 8004659
Page 2

nonprofit purposes to retain California tax-exempt status.

For filing requirements, see FTB Pub. 1068, Exempt Organizations - Requirements for Filing Returns and Paying Filing Fees. Go to our website at ftb.ca.gov and search for 1068.

Note: This exemption is for state franchise or income tax purposes only. For information regarding sales tax exemption, contact the State Board of Equalization at 800.400.7115, or go to their website at boe.ca.gov.

A JENKINS
EXEMPT ORGANIZATIONS
BUSINESS ENTITIES SECTION
TELEPHONE (916) 845-4605
FAX NUMBER (916) 845-9029

RTF:

EXHIBIT G

INC'S CERTIFICATE OF STATUS DOMESTIC CORPORATION

State of California
Secretary of State

CERTIFICATE OF STATUS

ENTITY NAME:

CENTRAL VALLEY CENTER FOR THE ARTS, INC.

FILE NUMBER: C2170538
FORMATION DATE: 07/21/1999
TYPE: DOMESTIC NONPROFIT CORPORATION
JURISDICTION: CALIFORNIA
STATUS: ACTIVE (GOOD STANDING)

I, DEBRA BOWEN, Secretary of State of the State of California,
hereby certify:

The records of this office indicate the entity is authorized to
exercise all of its powers, rights and privileges in the State of
California.

No information is available from this office regarding the financial
condition, business activities or practices of the entity.



IN WITNESS WHEREOF, I execute this certificate
and affix the Great Seal of the State of
California this day of September 30, 2010.

Debra Bowen

DEBRA BOWEN
Secretary of State

State of California
Secretary of State

CERTIFICATE OF STATUS

ENTITY NAME:

GALLO CENTER FOR THE ARTS, INC.

FILE NUMBER: C2475317
FORMATION DATE: 11/12/2002
TYPE: DOMESTIC NONPROFIT CORPORATION
JURISDICTION: CALIFORNIA
STATUS: ACTIVE (GOOD STANDING)

I, DEBRA BOWEN, Secretary of State of the State of California,
hereby certify:

The records of this office indicate the entity is authorized to
exercise all of its powers, rights and privileges in the State of
California.

No information is available from this office regarding the financial
condition, business activities or practices of the entity.



IN WITNESS WHEREOF, I execute this certificate
and affix the Great Seal of the State of
California this day of September 30, 2010.

Debra Bowen

DEBRA BOWEN
Secretary of State

\$14,000,000
STANISLAUS COUNTY CAPITAL IMPROVEMENTS FINANCING AUTHORITY
VARIABLE RATE DEMAND REVENUE BONDS
(GALLO CENTER FOR THE ARTS)
SERIES 2004

CLOSING CERTIFICATE OF GALLO CENTER FOR THE ARTS, LLC

On this 5th day of October, 2010, the undersigned, an authorized representative of Gallo Center for the Arts, LLC, a California limited liability company ("LLC"), hereby certifies as follows:

1. LLC is duly organized, existing and in good standing under and by virtue of the laws of the State of California. Central Valley Center for the Arts, Inc., a California nonprofit public benefit corporation ("CVCA"), is the single member of LLC which is wholly-owned by CVCA. Attached hereto as Exhibit A is a certified copy of the LLC's Form LLC-1 Certificate of Formation and amendments thereto, which has not been amended, supplemented or repealed and is in full force and effect as of the date hereof. Attached hereto as Exhibit B is a true, correct and complete copy of the Certificate of Status of Domestic Corporation. All required filings have been made with the Secretary of State of the State of California.
2. LLC is a limited liability company formed under the laws of the State of California and is in good standing under the laws of the State.
3. LLC has full power and authority to execute and deliver the First Amendment to Loan Agreement, dated as of October 5, 2010, by and among the Authority, CVCA and LLC, the Assignment and Assumption Agreement, dated as of October 5, 2010 (the "Assignment Agreement"), by and between LLC and the Gallo Center for the Arts, Inc. ("Inc") and the Asset Purchase Agreement dated as of _____, 2010 by and between LLC and INC (collectively, the "Transfer Documents"). The Transfer Documents will result in a transfer to INC of all of LLC's assets (the "Transfer").
4. The resolution of the Board of Directors adopted on June 28, 2010 with respect to the Transfer remains in full force and effect, has not been amended since its date of adoption and authorizes the Transfer and the execution and delivery of the Transfer Documents.
5. The Transfer Documents have been duly executed by authorized officers of LLC and are valid and binding on LLC.

6. The representations and warranties set forth in the Transfer Documents are true and correct in all material respects on the date hereof.

7. There are no actions, suits or proceedings which have been served on LLC or the knowledge of LLC are otherwise pending or threatened against LLC (i) to restrain or enjoin the execution or delivery of the Transfer Documents; (ii) in any way contesting the existence or powers of LLC, or the consummation of the transactions contemplated by the Transfer Documents or the financial condition, assets or properties of LLC.

**GALLO CENTER FOR THE ARTS, LLC,
a California limited liability company**

By: CENTRAL VALLEY CENTER FOR THE
ARTS, INC., its sole member

By: 

Ron Emerzian, Chairman

EXHIBIT A

LLC's CERTIFICATE OF FORMATION

EXHIBIT B

LLC'S CERTIFICATE OF STATUS OF DOMESTIC CORPORATION

State of California
Secretary of State

CERTIFICATE OF STATUS

ENTITY NAME: GALLO CENTER FOR THE ARTS, LLC

FILE NUMBER: 200312810047
FORMATION DATE: 05/05/2003
TYPE: DOMESTIC LIMITED LIABILITY COMPANY
JURISDICTION: CALIFORNIA
STATUS: ACTIVE (GOOD STANDING)

I, DEBRA BOWEN, Secretary of State of the State of California, hereby certify:

The records of this office indicate the entity is authorized to exercise all of its powers, rights and privileges in the State of California.

No information is available from this office regarding the financial condition, business activities or practices of the entity.



IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of September 30, 2010.

A handwritten signature in black ink that reads "Debra Bowen".

DEBRA BOWEN
Secretary of State

September 29, 2010

Stanislaus County Board of Supervisors
1010 10th Street, Suite 6800
Modesto, CA 95354

Wells Fargo
Attn: Cecil D. Bobey
333 Market Street, 18th Floor
San Francisco, CA 94105

Bank of America Merrill Lynch
Attn: Sebastian Lurie
315 Montgomery Street, 13th Floor
San Francisco, CA 94104-1866

Ladies and Gentlemen:

We provide this opinion letter (“Opinion Letter”) to you at the request of the Central Valley Center for the Arts, Inc., a California nonprofit public benefit corporation (“CVCA”), the Gallo Center for the Arts, LLC, a California limited liability company (“GCA LLC”), and the Gallo Center for the Arts, Inc., a California nonprofit public benefit corporation (“GCA Inc.”) (collectively referred to herein as “Borrower”), pursuant to section G. of that certain Assignment and Assumption Agreement dated October ___, 2010.

In rendering this opinion, we have reviewed and examined the following documents:

1. Assignment and Assumption Agreement;
2. Asset Purchase Agreement;
3. Tax Certificates of the CVCA and GCA Inc.;
4. Organizational Clearance Certificate for Welfare or Veterans Organization Exemption for the CVCA;

5. Operating Agreement dated February 17, 2004, between the County of Stanislaus and the CVCA and GCA LLC, as amended;
6. Articles of Incorporation of CVCA and the bylaws of CVCA;
7. Resolution of the CVCA adopted by its Board of Directors on June 28, 2010, approving the transactions contemplated by the Transaction Documents;
8. Articles of Incorporation of GCA Inc. and the bylaws of GCA Inc.;
9. Resolution of the GCA Inc. adopted by its Board of Directors on June 28, 2010, approving the transactions contemplated by the Transaction Documents;
10. Articles of Organization of GCA LLC and the Operating Agreement of GCA LLC, as amended;
11. Resolution of GCA LLC adopted by its sole member on June 28, 2010, approving the transaction contemplated by the Transaction Documents;
12. The written agreements to which GCA Inc., GCA LLC, and CVCA are parties and identified to us by an officer of same as involving obligations, including mortgages, deeds of trust, notes, or other agreements, documents, or instruments, pursuant to which an amount in excess of \$50,000 is due in any one year (the "Material Agreements").

The documents described in items 1-5 above are referred to in this Opinion Letter as the "Transaction Documents." The documents described in items 1, 3, 4, and 5 are referred to in this Opinion Letter as the "Borrower Documents." The documents described in items 5-11 above are referred to in this Opinion Letter as the "Organizational Documents."

In connection with the opinions herein set forth, we have reviewed the Transaction Documents, the Organizational Documents, the Material Agreements, and such other documents and certificates of public officials and engaged in such discussions with representatives of GCA Inc., GCA LLC, and CVCA and have given consideration to such matters of law and fact as we have deemed appropriate in our professional judgment to render such opinions.

Based upon and subject to the foregoing under the qualifications set forth below, as of the date hereof, we are of the opinion that:

1. The CVCA is a nonprofit public benefit corporation, duly incorporated, validly existing and in good standing under the laws of the State of California and has full corporate power and authority to enter into and perform its obligations under the Borrower Documents and to own its property and to carry on its business as it is now being conducted.

2. The GCA Inc. is a nonprofit public benefit corporation, duly incorporated, validly existing and in good standing under the laws of the State of California and has full corporate power and authority to enter into and perform its obligations under the Borrower Documents and to own its property and to carry on its business as it is now being conducted.

3. The GCA LLC is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of California and has full corporate power and authority to enter into and perform its obligations under the Borrower Documents and to own its property and to carry on its business as it is now being conducted.

4. The Borrower Documents have been duly authorized, executed, and delivered by each Borrower, and the Borrower Documents constitute the legal, valid, and binding obligations of the respective Borrower enforceable in accordance with their terms. The Assignment and Assumption Agreement, the Asset Purchase Agreement, and the Bill of Sale have been duly approved by each Borrower.

5. The execution, delivery, and performance of the Borrower Documents by CVCA and the consummation of the transactions contemplated thereby will not violate or conflict with (i) the Articles of Incorporation or bylaws of CVCA or (ii) to our actual knowledge, any law, rule, government regulation, or judgment, decree or order of any court applicable to CVCA, or (iii) constitute a default under any Material Agreement to which CVCA or its properties may be bound, which violation, conflict, or default would reasonably be expected to have a materially adverse effect on the ability of CVCA to perform under the Borrower Documents.

6. The execution, delivery, and performance of the Borrower Documents by GCA Inc. and the consummation of the transactions contemplated thereby will not violate or conflict with (i) the Articles of Incorporation or bylaws of GCA Inc. or (ii) to our actual knowledge, any law, rule, government regulation,

or judgment, decree or order of any court applicable to GCA Inc., or (iii) constitute a default under any Material Agreement to which GCA Inc. or its properties may be bound, which violation, conflict, or default would reasonably be expected to have a materially adverse effect on the ability of GCA Inc. to perform under the Borrower Documents.

7. The execution, delivery, and performance of the Borrower Documents by GCA LLC and the consummation of the transactions contemplated thereby will not violate or conflict with (i) the Articles of Organization or Operating Agreement of GCA LLC or (ii) to our actual knowledge, any law, rule, government regulation, or judgment, decree or order of any court applicable to GCA LLC, or (iii) constitute a default under any Material Agreement to which GCA LLC or its properties may be bound, which violation, conflict, or default would reasonably be expected to have a materially adverse effect on the ability of GCA LLC to perform under the Borrower Documents.

8. To our actual knowledge, there is no action or proceeding, inquiry, or investigation at law or in equity before any state or federal, judicial or administrative agency pending or threatening against the Borrower or either of them which, if adversely determined, would materially and adversely affect the validity and enforceability of the Transaction Documents or the consummation of the transaction contemplated thereby.

9. CVCA and GCA Inc. are both organizations described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and are exempt from federal income taxes under section 501(a) of the Code except for unrelated business income subject to taxation under section 511 of the Code.

10. With respect to unrelated business income subject to taxation under section 511 of the Code, we have ascertained that for fiscal year 2009-10, such income amounted to .6% and was well within the parameters and limitations for unrelated business activity.

11. CVCA and GCA Inc. are both organizations described in section 23701(d) of the California Revenue and Taxation Code ("R&T Code") and are both exempt from state income taxes to the extent provided by the R&T Code.

12. This Opinion Letter is furnished by us as counsel to Borrower, and we acknowledge that an attorney-client relationship has existed and exists between our firm and Borrower.

13. We assume no obligation to revise or supplement this letter should any law relied upon be changed by legislative, administrative, or judicial decision or otherwise. We assume no obligation to advise you of any additional information which may hereafter be brought to our attention.

14. The opinions addressed in this Opinion Letter are solely for use of the addressees for the purposes contemplated by the Transaction Documents. Without our prior written consent, this Opinion Letter may not be used or relied upon by any other person or for any other purpose whatsoever.

Very truly yours,

DAMRELL, NELSON, SCHRIMP,
PALLIOS, PACHER & SILVA

Fred A. Silva

FAS;jh