

MANAGEMENT AGREEMENT
 Between
PARK ACQUISITION CORPORATION OF MARIN VALLEY
MOBILE COUNTRY CLUB
 and
FREI REAL ESTATE SERVICES
 Contractor
 For:
MARIN VALLEY MOBILE COUNTRY CLUB
 Located in:
NOVATO, CA
 Dated as of November 1, 1997

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PAGE NUMBERS ARE INCORRECT, NOT TO WORRY

MANAGEMENT AGREEMENT

This Management Agreement (this "Agreement"), dated as of November 1, 1997, is between Park Acquisition Corporation of Marin Valley Mobile Country Club, a nonprofit mutual benefit corporation duly organized and existing under the laws of the State of California (the "PAC"), and Frei Real Estate Services (the "Contractor"). The PAC is obligated to enter into a management agreement with respect to a 315-space mobile home park located in the City of Novato, California, known as the Marin Valley Mobile Country Club (the "Project"), pursuant to the terms of a Delegation Agreement dated as of November 1, 1997 (the "Delegation Agreement"), between the PAC and the Novato Financing Authority, as owner of the Project (the "Owner"). Terms used in this Agreement have the meanings set forth in Section 1, unless the context requires otherwise.

WITNESSETH:

WHEREAS, pursuant to the Delegation Agreement, the PAC has certain responsibilities and duties with respect to the Project on behalf of the Owner; and

WHEREAS, the PAC issued a Request for Proposal and received complete and responsive proposals from five firms; and

WHEREAS, the PAC thoroughly evaluated the various proposals and, based on several evaluation criteria, selected Storz Management Company, Inc. ("Storz") as the initial manager of the Project, but has elected to terminate the management agreement with Storz and enter into this Agreement with the Contractor: and

WHEREAS, the PAC wishes to appoint the Contractor to operate and manage the Project pursuant to this Agreement;

NOW, THEREFORE, the Contractor and the PAC, for and in consideration of the mutual promises and agreements herein contained do agree as follows:

Section 1. *Definitions and Construction.*

(a) The following terms used herein shall have the following meanings unless the context in which they are used clearly requires otherwise.

"*Agreement*" means this Management Agreement, dated as of November 1, 1997, between the Contractor and the PAC, as it may be supplemented or amended from time to time in accordance with the terms hereof.

"*Bond Counsel*" means any attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code.

"*Bonds*" shall mean any of the \$15,485,000 Senior Revenue Bonds, Series 1997A (Marin Valley Mobile Country Club Park Acquisition), Issued for the Benefit of the Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority, and the \$1,585,000 Subordinate Revenue Bonds, Series 1997B (Marin Valley Mobile Country Club Park Acquisition), Issued for the Benefit of the Novato Financing Authority (California), Facilitated by the California Local Government Finance Authority.

"*Business Day*" means any day other than (a) a Saturday or Sunday, (b) a day on which (i) banking institutions in the City of New York, New York, or in San Francisco, California, are authorized or obligated by law or executive order to be closed or (ii) the New York Stock Exchange is authorized or obligated by law or executive order to be closed or (c) with respect to actions required to be taken by the Owner only, a day on which the offices of the City of Novato are closed to the public.

"*Capital Plan*" means the plan of capital expenditures described in Section 10 hereof and required to be prepared by the Owner or the PAC on behalf of the Owner pursuant to Section 6.02 of the Loan Agreement.

"*City*" means the City of Novato, a municipal corporation duly organized and existing under the laws of the State of California.

"*CLGFA*" means the California Local Government Finance Authority, and its successors and permitted assigns.

"Code" means the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds, and any successor statute, together with corresponding and applicable final, or temporary regulations and revenue rulings issued or amended with respect thereto by the Treasury Department or Internal Revenue Service of the United States.

"Deposit Only Account" shall mean the Deposit Only Account established pursuant to the Deposit Only Agreement; and any successor account of which the Contractor receives written notice from Financial Security.

"Deposit Only Agreement" means the Amended and Restated Deposit Only Account Agreement, or any substitute agreement, in form and substance approved by Financial Security.

"Effective Date" means October 15, 1997.

"Financial Security" means Financial Security Assurance Inc., a stock insurance company organized and created under the laws of the State of New York, and any successors or assigns thereto.

"Fiscal Year" means the twelve-month period commencing July 1 and ending on June 30 of the succeeding calendar year.

"Housing Law" means Section 34312 of the Health and Safety Code of the State of California, as now in effect and as it may be amended.

"Indenture" means the Trust Indenture, dated as of March 1, 1997, between CLGFA and the Trustee, as the same may be amended from time to time in accordance with its terms.

"Loan Agreement" means the Loan Agreement dated as of March 1, 1997, among the PAC, the Owner and CLGFA, as the same may be amended from time to time in accordance with its terms.

"Lower Income Residents" has the meaning given to such term pursuant to the Pledge Agreement.

"Lower Income Spaces" has the meaning given to such term pursuant to the Pledge Agreement.

"Management Fee" means the management fee payable pursuant to Subsection 11(a) hereof.

"Management Plan" means Exhibit A to this Agreement.

"Moderate Income Residents" has the meaning given to such term pursuant to the Pledge Agreement.

"Moderate Income Spaces" has the meaning given to such term pursuant to the Pledge Agreement.

"Monthly Reports" means the reports described in Section 7 of the Management Plan.

"Mortgage" shall have the meaning provided in the Indenture.

"Mortgage Loan Documents" shall have the meaning provided in the Indenture.

"NOI" has the meaning set forth in the Indenture.

"Operating Budget" shall have the meaning provided in Section 9 hereof.

"Operation and Maintenance Account" means the account established pursuant to Section 3 of the Management Plan.

"Owner" means the Novato Financing Authority, its successors and permitted assigns.

"Owner Representative" means the Chair of the Owner or any person designated in writing by the Chair to act on behalf of the Owner under or with respect to this Agreement.

"PAC" means the Park Acquisition Corporation of Marin Valley Mobile Country Club, its successors and assigns.

"*PAC Representative*" means the President of the PAC or any person designated in writing by the President to act on behalf of the PAC under or with respect to this Agreement.

"*Pledge Agreement*" means the Housing Assistance Pledge Agreement and Declaration of Restrictive Covenants dated as of March 1, 1997, by and among the PAC, the Redevelopment Agency of the City of Novato and the Owner.

"*Project*" means the mobile home park known as the Marin Valley Mobile Country Club located on the land described on Exhibit A to the Loan Agreement, including the real property described in such Exhibit A, the Improvements (as defined in the Indenture) and any property acquired in substitution for, as a renewal or replacement of or as a modification or improvement to all or any part of such real property or Improvements.

"*Redevelopment Law*" means Section 33334.2 of the Health and Safety Code of the State of California, as now in effect or hereafter amended.

"*Revenues*" means (i) all rents, income, receipts, utility charges and other revenues arising from the operation of the Project, including but not limited to the rents, late charges, penalties, security deposits and other amounts payable to the Contractor on behalf of the Owner by Project residents, or from others for services provided in connection with, or for the use of the Project or any portion thereof and (ii) all nonoperating revenues of the Project.

"*Senior Debt Service Coverage Ratio*" shall have the meaning provided in the Indenture.

"*Trigger Event*" shall have the meaning provided in the Indenture.

"*Trustee*" means First Trust of California, National Association, its successors and assigns.

"*Very Low Income Residents*" has the meaning given to such term pursuant to the Pledge Agreement.

"*Very Low Income Spaces*" has the meaning given to such term pursuant to the Pledge Agreement.

(b) Unless the context clearly requires otherwise, words of the masculine, feminine or neuter gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number and vice versa, when appropriate. All the terms or provisions hereof shall be construed to effectuate the purposes set forth in this Agreement and to sustain the validity hereof.

The captions of this Agreement are for convenience of reference only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

All exhibits to this Agreement constitute a part of this Agreement.

Section 2. *Appointment; General Duties.* The PAC hereby appoints the Contractor the exclusive agent of the Owner and the PAC, for the term specified herein, to rent, lease, operate, manage and maintain the Project, including any mobile homes situated at the Project which are owned or leased, or any hereinafter owned or leased, upon the terms and conditions set forth in this Agreement. The Contractor hereby accepts such appointment.

The PAC and the Contractor hereby agree as follows:

(a) *Generally.* The Contractor shall manage and operate the Project in accordance with the Management Plan, as an independent contractor, for the period and upon the terms herein provided, and agrees to furnish the services of its organization for the operation and management of the Project, according to generally accepted procedures and practices usual and customary to management of a mobile home park. The Contractor, in the conduct of its activities hereunder, shall take no action, and shall not suffer or permit any resident of space within the Project to take any action, which would cause the loss or impairment of the exclusion from gross income for federal income tax purposes of interest paid with respect to the Bonds.

(b) *Compliance With Law.* The Contractor and its subcontractors, agents and employees shall operate the Project in compliance with all applicable provisions of federal, state and local law, including, but not limited to, the Mobile Home

Residency Law (California Civic Code, Section 10000 et. seq.), Title 25 of the California Administrative Code and Ordinance No. 1341 of the City of Novato and any other applicable laws, regulations and ordinances now in effect or hereinafter enacted, and to maintain any and all records necessary and proper to show compliance therewith.

(c) *Collection of Revenues.* The Contractor shall collect all Revenues and other charges which at any time are due or become due from any resident of the Project occupying space in the Project, or from others for services provided in connection with, or for the use of the Project or any portion thereof. All Revenues shall be the property of the Owner, subject to the pledge and first lien of the Trustee, and, while in the custody of the Contractor, shall be held by the Contractor in trust, separate and apart from all other funds and accounts of the Contractor, the PAC and the Owner, as the Owner's agent hereunder.

The Contractor shall deposit any Revenues collected with respect to the Project, other than security deposits, (i) received prior to 2:00 p.m., Pacific standard time, into the Deposit Only Account on the date of receipt by the Contractor, unless such day is not a Business Day, in which case such funds will be deposited on the next Business Day and (ii) received after 2:00 p.m., Pacific standard time, into the Deposit Only Account on the first day immediately succeeding the date of receipt by the Contractor. The PAC will give the Contractor a copy of the Deposit Only Agreement on the Effective Date.

Any security deposits collected by the Contractor will be deposited in a separate account, established for such deposits.

(d) *Cooperation in Litigation.* The Contractor shall assist the PAC, Financial Security, the Trustee, the Owner, their legal counsel or their insurance carriers, as applicable, in any ongoing litigation or litigation hereafter filed by any resident, potential resident or any other person(s) related to the ownership or operation of the Project. The PAC shall assist the Contractor, its legal counsel or its insurance carrier in any ongoing litigation or litigation filed against the Contractor relating to the maintenance, operation or management of the Project, the collection of rents or other Revenues or the enforcement of leases, rental agreements or other contracts respecting the Project.

(e) *Processing Complaints.* The Contractor shall receive complaints of residents of the Project and shall respond to such complaints in a prudent manner, subject to the limitations imposed by or pursuant to this Agreement. The Contractor agrees to maintain copies of any such complaints received as well as correspondence from the Contractor on behalf of the PAC and make them available for the PAC's, the Owner's, the Trustee's and Financial Security's inspection.

Section 3. Powers and Duties of the Contractor. The PAC hereby gives the Contractor the following powers and duties in connection with the operation of the Project and in accordance with this Agreement.

(a) *Generally.* The Contractor shall enter into such agreements, contracts and arrangements as it may deem necessary for the operation of the Project, consistent with the terms and conditions as set forth herein. Without limiting the generality of the foregoing, the Contractor shall have the right and duty (i) to sign, renew, amend, enforce, terminate and/or cancel leases and/or rental agreements for the Project or any portion hereof, subject to the right of the PAC to approve the form of such leases and agreements to collect rents, security deposits or other charges and expenses due or to become and to give receipts therefor; (ii) to sign and serve in the name of the Owner such notices as are appropriate to, with written notice to the Owner Representative, institute and prosecute actions to evict residents of the Project and/or to recover rents and other Revenues due and enforce leases and rental agreements, in the name of the Contractor or in the name of the Owner; and (iii) when expedient, to settle, compromise and release such actions or suits or reinstate such tenancies. The Contractor shall fairly and uniformly enforce the rules and regulations of the Project as they now exist or as hereinafter may be amended. The Contractor shall, in accordance with standards of prudent business practice, enforce the provisions of all leases and rental agreements for spaces within the Project.

The Contractor shall have the right and duty to hire attorneys, accountants and other professionals selected with due care to assist in the performance of its duties hereunder. None of the work or services to be performed hereunder shall be assigned, delegated or subcontracted to third parties without the prior written approval of the PAC, the Owner and Financial Security. Copies of all third-party contracts shall be submitted to the PAC, the Owner and Financial Security for approval at least 10 Business Days prior to the proposed effective date. If the PAC, the Owner and Financial Security approve any such assignment, delegation or subcontract, the subcontractors, assignees or delegates shall be deemed to be employees of the Contractor, and the Contractor shall be responsible for their performance and any liabilities attaching to their actions or omissions.

(b) *Repairs.* The Contractor shall have the obligation to make, or cause to be made, and supervise repairs and decorations to the Project in accordance with the Operating Budget and the Capital Plan, or as otherwise approved by the PAC, the Owner and Financial Security, and shall have the right to purchase supplies and pay all bills therefor, subject in all respects to the provisions of this Agreement. The Contractor agrees to obtain a minimum of three estimates for any such single repair in excess of five thousand dollars (\$5,000), except for emergency repairs.

(c) *Utilities and Services.* The Contractor shall have the right to make contracts, in the capacity of agent for the Owner and in the Owner's name, for electricity, natural gas, fuel, water, telephone, cable TV, trash or rubbish hauling, janitorial, security, pool maintenance or servicing, landscaping and other utilities and/or services or such of them as the Contractor shall deem advisable and as required by the rental/lease agreements with the residents of the Project.

(d) *Employees.* The Contractor shall have the right to hire, discharge and supervise all labor required for the operation of the Project. All such employees shall be the employees of the Contractor and shall be adequately bonded, if required by the PAC in an amount satisfactory to the PAC. All such employees shall be compensated in accordance with provisions of this Agreement. Such employees shall be used for the maintenance and operation of the Project only.

(e) *Modifications to Project.* Subject to the limitations set forth in this Agreement, the Contractor shall make additions, alterations, modifications and improvements to the Project in accordance with the Capital Plan or as otherwise approved in writing by the PAC, the Owner and Financial Security. Such additions, alterations, modifications and improvements, or any removal thereof, shall not in any way damage the Project, decrease the level of service received by Project residents or cause the Project to be used for purposes other than those authorized under the provisions of state and federal law, including the Code (including sections governing the tax-exempt status of the Bonds), and the Mortgage Loan Documents. The Project, upon completion of any additions, alterations, modifications and improvements, shall be of a value which is not less than the value thereof immediately prior to the making of such additions, modifications and improvements.

(f) *Subject to Financial Considerations.* All decisions by the Contractor with respect to any contract, agreement or other arrangement for the setting of rents or charges for the use by any resident of space in the Project shall be consistent with the requirement of the Owner to repay its financial obligations with respect to the Project and the Bonds from the Revenues paid to the Trustee pursuant to the provisions of this Agreement. Upon written or oral notice from the PAC Representative, the Owner or Financial Security to the Contractor stating that an action, which the Contractor proposes to take or refrain from taking, could have the effect of reducing Revenues below the amount required by the Owner to meet its obligations under the Mortgage Loan Documents, the Contractor shall comply with all directions given to it by the Owner or Financial Security, as applicable, as consented to by the Owner or Financial Security, as applicable, with respect to such action.

Section 4. **Term.** The initial term of the appointment of the Contractor (the "Initial Term") shall be for the period beginning on the Effective Date and ending on the 30th day of June, 1998. On July 1, 1998 and each anniversary thereof, this Agreement will be extended for an additional term (each such term, a "Subsequent Term") consisting of the next 12 consecutive months, unless (a) an Event of Default exists under this Agreement, (b) a Trigger Event exists, (c) the Contractor or (with the consent, which shall not be unreasonably withheld, or at the direction, of Financial Security) the PAC gives written notice to each other party hereto and to the Trustee and Financial Security that it does not intend to extend the term of this Agreement or (d) the parties hereto and the Owner are unable to reach an agreement in this Section 4.

On October 1, 2010, and on October 1, 2025, this Agreement shall be subject to review by both parties hereto and by the Owner. The parties agree to meet together with the Owner at mutually agreeable times for the review and, if necessary, renegotiate one or more of the terms hereof. If the parties and the Owner agree to modifications of this Agreement, with the prior written consent of Financial Security such modifications shall be incorporated herein by amendment as hereinafter provided, such amendments to become effective on the date stipulated therein. In the event the parties and the Owner do not agree to modifications of this Agreement, this Agreement shall continue in effect without modifications until a replacement property manager is retained by the PAC, with the prior written consent of Financial Security, with respect to the Project; provided, however, that if a replacement manager has not been retained within six months following the commencement of such renegotiations Financial Security shall have the right to appoint a replacement property manager. If an Event of Default or a Trigger Event exists, this Agreement may not be extended for a Subsequent Term without prior written consent of Financial Security, such consent to be in its sole discretion. This paragraph of Section 4 may be amended in accordance with Section 24 herein only upon the delivery of an opinion of Bond Counsel to the effect that such amendment shall not affect the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

Either the PAC or the Owner, with the prior written consent of Financial Security, or the Contractor may terminate this Agreement for any reason by giving 30 days' prior written notice to the other party hereto, Financial Security, the Owner and the Trustee. In addition, if the Delegation Agreement is terminated, the Owner shall assume all of the rights, duties and obligations of the PAC contained herein.

Section 5. ***Very Low Income Residents, Lower Income Residents and Moderate Income Residents.*** Pursuant to the requirements of the Pledge Agreement, the Housing Law and the Redevelopment Law, the Contractor hereby covenants as follows:

- (a) ***Rent to Very Low Income Residents, Lower Income Residents or Moderate Income Residents.*** The Contractor has reviewed a copy of the Pledge Agreement. The Contractor will comply with the provisions thereof relating to the renting of Very Low Income Spaces to Very Low Income Residents, Lower Income Spaces to Lower Income Residents and Moderate Income Spaces to Moderate Income Residents.
- (b) ***No Discrimination.*** The Contractor will not give preference to any particular class or group of persons in renting the mobile home sites in the Project, except to the extent that sites are Very Low Income Spaces, Lower Income Spaces or Moderate Income Spaces and except to the extent that the Project continues to be maintained as a "Seniors Only Facility" which rents sites solely to persons who are 55 years old or older. Residents occupying Very Low Income Spaces, Lower Income Spaces and Moderate Income Spaces will have equal access to and enjoyments of all common facilities of the Project as other residents. Subject to the first sentence of this Subsection (b), all of the mobile home sites in the Project shall be leased or rented, or held available for lease or rental, to the general public. In the performance of its obligations under this Agreement, the Contractor will comply with the provisions of any federal, state or local law prohibiting discrimination in housing on the grounds of, but not limited to, race, color, sex, creed or national origin, including, but not limited to, Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241), regulations issued pursuant to Executive Order 11063; Title VIII of the 1968 Civil Rights Act; and the Americans With Disabilities Act of 1990.
- (c) ***Certificate of Resident Eligibility.*** The Contractor will obtain and maintain on file from each Very Low Income Resident, Lower Income Resident and Moderate Income Resident, a certification of resident eligibility in a form approved by the PAC Representative, consistent with the Pledge Agreement.
- (d) ***Maintenance of Records.*** The Contractor will maintain complete and accurate records pertaining to the Very Low Income Spaces, Lower Income Spaces and Moderate Income Spaces and will permit the PAC Representative, the Owner, the Trustee and Financial Security to inspect the books and records of the Contractor pertaining to the incomes of Very Low Income Residents, Lower Income Residents and Moderate Income Residents of the Project.
- (e) ***Certificate of Compliance.*** The Contractor will prepare and submit to the PAC, Financial Security, the Trustee, the Agency and the Owner no later than the thirty-first day of January of each year during the term of this Agreement a Certificate of Continuing Program Compliance in substantially the form attached to the Pledge Agreement as Appendix B, commencing January 31, 1998, and executed by the PAC.
- (f) ***Rental Assistance.*** The Contractor shall have the right to provide a rental assistance program for the benefit of any resident in the Project under qualifications standards which are consistent with Section 8 of the United States Housing Act of 1937, as approved by the PAC, provided that such rental assistance program is consistent with the requirements of the preceding paragraph (a).

Section 6. ***Rental Agreements.***

- (a) The Contractor shall use best efforts to secure and/or retain residents for the Project. The Contractor shall rent the spaces in the Project pursuant to a rental schedule, a form of rent agreement, a form of rules and regulations and general guidelines approved by the PAC, which shall incorporate the requirements imposed on the Project by the Pledge Agreement. Any necessary advertising to rent or lease spaces in the Project shall be done in the name of the Project out of funds available pursuant to the Operating Budget. The PAC Representative shall have the right to revise the form of rental agreements from time to time during the term of this Agreement, upon written notice to the Contractor. As long as any Bonds are Outstanding (as defined in the Indenture), each rental agreement (written or oral) executed after the Effective Date shall direct the tenant to make all rent checks payable to the Trustee. On or prior to the Effective Date, all tenants then living in the Project shall be directed to make rent checks payable to the Trustee.

(b) Each resident of the Project on the Effective Date of this Agreement shall have the right to remain in occupancy under the existing terms and conditions of such resident's current lease or rental agreement, as modified in order to comply with the restrictions contained in the Pledge Agreement.

(c) Upon the expiration or termination of any rental agreement for any reason whatsoever, the subsequent or renewal resident shall be required to enter into a new rental agreement in a form approved by the PAC Representative.

(d) Any rental agreement shall specify that it is subject and subordinate to the Bonds and the lien of the Mortgage.

Section 7. *Maintenance.*

(a) The Contractor shall perform or cause to be performed all necessary repairs and maintenance of the Project and the Contractor shall pay, or cause to be paid, from Revenues (as provided in Section 11(b)) charges for all utility and other services supplied to the Project, costs of the repair and replacement of Project facilities or equipment used in the operation of the Project, all assessments of any type or nature, if any, charged to the Owner or to the PAC on the Owner's behalf or the Contractor on account of the ownership or operation of the Project or the respective interests or estates therein; provided that with respect to special assessments or other government charges that may lawfully be paid in installments over a period of years, the Contractor shall be obligated to pay only such installments as are required to be paid as and when the same become due.

The Contractor shall promptly deliver to the Trustee copies of invoices or statements for all insurance premiums required pursuant to Section 6.06 of the Loan Agreement (and Section 8(d) hereof) and assessments due with respect to the Project at least 10 days prior to the due date for such premiums or assessments, together with a requisition to the Trustee specifying the amount to be paid, the payee and the date such amount is due, so that the Trustee may pay such premiums or assessments in a timely manner.

(b) The Contractor may, with the prior written consent of the PAC, the Owner and Financial Security, contest, in good faith, any such assessments, utility and other charges, and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the PAC or Financial Security shall notify the Contractor that, in its opinion, by nonpayment of any such items, the interest of the Owner in the Project will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event the Contractor shall promptly pay such taxes, assessments or charges out of Revenues as hereinafter specified.

Section 8. *Hold Harmless and Insurance.*

(a) The Contractor shall indemnify, defend and hold harmless the PAC, the Owner, the Trustee, CLGFA, Financial Security and their officers, officials and employees from and against all claims, damages, losses and expenses including attorney fees arising out of the performance of its obligations described herein, by the Contractor, any subcontractor, anyone directly or indirectly employed by any of them, except where caused by the active negligence, sole negligence or willful misconduct of the PAC.

(b) Upon the Effective Date of this Agreement, the Contractor shall, at its expense, procure and maintain for the duration of this Agreement insurance against claims against the Project for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Contractor, its agents, representatives, employees or subcontractors excluding Course of Construction insurance. Upon the effective date of a subcontract, the Contractor shall require that subcontractors procure and maintain for the duration of any subcontract insurance against claims against the Project for injuries to persons or damages to property which may arise from or in connection with the performance of the work described in the subcontract including Course of Construction insurance.

(i) *Minimum Scope of Insurance.* Coverage shall be at least as broad as:

(1) Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001).

(2) Insurance Services Office form number CA 0001 (ed. 1/87) covering Automobile Liability, code 1 (any auto).

(3) Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

(ii) *Minimum Limits of Insurance.*

(1) General Liability: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the Project or the general aggregate limit shall be twice the required occurrence limit.

(2) Automobile Liability: \$1,000,000 per accident for bodily injury and property damage, Insurance Services Office form number CA 0001 (ed. 1/87) covering Automobile Liability, code 1 (any auto).

(3) Employer's Liability: \$1,000,000 per accident for bodily injury or disease.

(iii) *Deductibles and Self-Insured Retentions.* Any deductibles or self-insured retentions must be declared to and approved by the PAC. At the option of the PAC, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the PAC, its officers, officials, employees and volunteers or the Contractor or subcontractor shall provide a financial guarantee satisfactory to the PAC guaranteeing payment of losses and related investigations, claim administration and defense expenses.

(iv) *Other Insurance Provisions.* The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

(1) Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after 30 days' prior written notice by certified mail, return receipt requested, has been given to the PAC.

(2) Course of Construction policies shall contain the following provisions: the Owner shall be named as loss payee and the insurer shall waive all rights of subrogation against the Owner.

(v) *Acceptability of Insurers.* Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII.

(vi) *Verification of Coverage.* The Contractor or subcontractors shall furnish the PAC with original certificates and amendatory endorsement effecting coverage required by this clause. The endorsement should be on forms provided by the PAC or on other than the PAC's forms, provided those endorsements or policies conform to the requirements. All certificates and endorsements are to be received and approved by the PAC before work commences. The PAC reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications at any time.

(vii) *Subcontractors.* The Contractor shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

(viii) The Owner and Financial Security shall be named additional insureds.

(c) The Contractor shall cause all employees and officers of the Contractor who handle or are responsible for the safekeeping of any rents or other moneys of the Owner to be covered by an Employee Crime and Dishonesty Policy, naming the Trustee and Financial Security as beneficiaries, in an amount not less than the amount of the maximum monthly gross receipts from the Project, as estimated in good faith by the PAC, initially \$175,000. Any such policy shall insure the Owner against losses from forgery, theft, embezzlement and fraud of employees and officers of the Contractor. Upon request, the Contractor shall provide copies of any such Employee Crime and Dishonesty Policy to the Trustee and to Financial Security.

(d) The Contractor shall maintain or cause to be maintained all policies of insurance as required pursuant to Section 6.06 of the Loan Agreement.

(e) The PAC may, with the consent of the Owner and Financial Security, from time to time amend the insurance coverages required to be maintained according to the terms of Section 8(b). Upon receipt of written notice of any such amendment, the Contractor shall promptly comply with such requirements.

Section 9. *Financial Management.*

(a) On or before the Effective Date, and on or before April 1 during the Initial Term and each Subsequent Term, the Contractor will submit to the PAC and the Owner for approval a proposed budget (the "Operating Budget") of monthly operating expenses to be incurred in connection with operation of the Project for the succeeding Fiscal Year, including expenses described in Section 6 of the Management Plan. The PAC Governing Board may review, approve, make reasonable amendments or disapprove the Operating Budget prior to April 25. The Operating Budget shall also be made available for inspection by Project residents and members of the public. Project residents and members of the public may, on or prior to April 28, submit comments to the Contractor and the PAC, which the Contractor will promptly forward to the Owner and the Agency. After the time for public review and comment has ended, but no later than May 1, the Contractor will submit the Operating Budget to Financial Security and the Owner. Each Operating Budget shall include a statement of assumptions upon which the Operating Budget is based.

Provided that a proposed Operating Budget is submitted to Financial Security and the Owner together with a certificate stating that Financial Security and the Owner have 45 days after receipt to give comments on the Operating Budget or it shall be assumed to be approved by Financial Security and the Owner, such Operating Budget shall be assumed to be approved by Financial Security and the Owner after 45 days unless (a) Financial Security or the Owner, as applicable, gives written notice otherwise to the PAC and the Contractor within 45 days after receipt by Financial Security and the Owner of the Operating Budget or (b) a Trigger Event (as defined in the Indenture), an Event of Default (as defined in the Indenture) or an Event of Default (as defined in this Agreement) exists. The Contractor will make any reasonable changes to a proposed Operating Budget required by Financial Security and submit a revised Operating Budget to Financial Security for approval within five Business Days. Upon receipt of final approval by Financial Security, the Contractor shall prepare the related Loan Payment Schedule as set forth in the Loan Agreement. By June 15 in each year during the term of this Agreement, commencing June 15, 1998, the PAC shall approve an Operating Budget, which has been approved by Financial Security and the Owner, for the next Fiscal Year. If a Trigger Event or an Event of Default (as defined in the Indenture) or an Event of Default (as defined herein) exists, the Contractor shall make any changes to the Operating Budget required by Financial Security and submit such revised Operating Budget to Financial Security within five Business Days.

(b) Not later than December 15 in each year during each term of this Agreement, the Contractor shall prepare and file with the PAC Representative and the Owner a mid-year budget report for the current Fiscal Year and may recommend budget revisions. The mid-year budget report shall be made available for inspection by Project residents and members of the public. Project residents and members of the public may submit comments to the Contractor and the PAC, which the Contractor will promptly forward to the Owner and the Agency. The PAC Governing Board may review the mid-year budget report and, with the prior written consent of Financial Security, the Agency and the Owner, approve budget amendments. The PAC Representative shall review such mid-year budget report and discuss any revisions which the PAC Representative deems advisable and are approved by the Owner with the Contractor. After the time for public review and comment has ended, and the PAC has approved it, the Contractor will submit the mid-year budget report to Financial Security for approval.

(c) The Contractor shall pay all expenses incurred in connection with the operation and management of the Project pursuant to this Agreement from amounts deposited in the Operation and Maintenance Account as hereinafter set forth; provided, however, no expenses shall be paid in any Fiscal Year unless the same are included in the Operating Budget or Capital Plan for such Fiscal Year which has been adopted in accordance with this Agreement, unless the PAC, the Owner and Financial Security give their prior written consent. In the event that any expense is incurred, or in the opinion of the Contractor ought properly be incurred, which is not included in the Operating Budget, or in the event at any time amounts deposited in the Operation and Maintenance Account are not sufficient to permit the payment of any budgeted expense, the Contractor shall promptly notify the PAC Representative, the Owner and Financial Security and provide information relating to such expense as the PAC Representative, the Owner or Financial Security may request. Payment of such expense shall be made either directly by the PAC or, at the option of the PAC, by the Contractor out of amounts deposited in the Operation and Maintenance Account, but only with the prior written approval of the PAC Representative, the Owner and Financial Security.

(d) The Contractor is liable for repayment of disallowed costs. Disallowed costs may be identified through audits, monitoring or other processes. The Contractor shall be required to respond to any adverse findings which may lead to disallowed costs.

(e) The Contractor shall provide, by date due, to the PAC, the Owner and Financial Security the monthly reports required by the Management Plan. The Contractor shall, in addition, and upon the written request of the PAC Representative, the Owner or Financial Security furnish such other and/or further information concerning the operation of the Project in such manner and on such forms as the PAC Representative, the Owner or Financial Security may specify from time to time. The Contractor shall be held strictly accountable for all receipts and disbursements with respect to the operation of the Project.

Section 10. *Capital Plan; Capital Improvement Agreement.* The Contractor shall on behalf of the Owner, on or before May 1, 1998 and on or before each May 1 during each Subsequent Term, submit to the PAC, to the Owner and to Financial Security for approval by Financial Security's consulting engineer, a capital expenditure plan for the Project for the next three Fiscal-Year period (each, a "Capital Plan"). Each Capital Plan shall include an estimate of the required annual contribution to the Replacement Reserve Fund, shall be prepared based upon findings of the physical needs reports prepared by Kleinfelder, Inc. with respect to the geotechnical evaluation and by Park Utilities Inc. with respect to the underground utilities lines, and shall detail descriptions of all planned capital improvements to be made to the Project during the related Fiscal Years, an estimate of expenditures to be incurred therewith each month of such Fiscal Years and a timetable for completion of such improvements. The Capital Plan shall be submitted to Financial Security with a notice that failure of Financial Security to respond within 30 days constitutes approval of the plan by Financial Security. Financial Security shall approve or require changes to such plan within 30 days of its submission and shall advise the PAC, the Owner and the Contractor in writing of any changes to be made therein or Financial Security's approval. Unless a Trigger Event (as defined in the Indenture) or any Event of Default (as defined in either this Management Agreement or the Indenture) exists, failure of Financial Security to approve or require changes to such plan within 30 days of its submission shall be deemed to be approval of the Capital Plan.

If Financial Security's consulting engineer disagrees as to the cost of a capital improvement detailed on the Capital Plan, Financial Security will provide the PAC and the Contractor with evidence of the basis for the disagreement, as provided by the consulting engineer.

The Contractor will make any changes required by Financial Security to the Capital Plan (if requested in a timely fashion as described above), including changes to the amount of required monthly contributions to the Replacement Reserve Fund, within five Business Days, and the PAC will provide copies of such Capital Plan to the Contractor and the Owner within two Business Days after receipt of approval from Financial Security.

Funds for capital expenditures outlined on the Capital Plan will be deposited into the Replacement Reserve Fund established by the Trustee pursuant to the Indenture. The amount of funds maintained in the Replacement Reserve Fund will be based upon a physical needs reserve analysis report prepared by a consulting engineer and mutually agreed upon by the Contractor and the PAC, with the approval of Financial Security. Upon completion of any capital expenditure detailed on a Capital Plan, the Contractor will submit to the Trustee, with a copy to Financial Security and the PAC, the invoice for such expense, together with a requisition for payment which includes a certification that (a) the related expense was included in the Capital Plan and the amount requested to be paid is not greater than the amount allocated for such expense on the current Capital Plan and (b) the required repairs were performed in a satisfactory manner. If the amount of the invoice is greater than the amount allocated for such expense on the current Capital Plan, the Contractor must certify the amount of the variance and obtain the written consent of Financial Security for the Trustee to pay the excess amount prior to submission of the related requisition to the Trustee (such consent to be included with the requisition submitted to the Trustee).

During the last fiscal quarters of 2007 and 2017, the Controlling Party's consulting engineer, as an operating expense of the Project, shall conduct a new 10-year physical needs reserve analysis with respect to the Project. Findings of such analysis shall be set forth in a written report (the "Physical Needs Report") delivered to the Controlling Party, CLGFA, the Trustee, Financial Security, the Owner, the PAC and the Contractor. The Owner and the Contractor shall prepare successive Capital Plans based upon the findings of the Physical Needs Report.

On or before the Effective Date, the PAC will provide the Contractor with a copy of the "Capital Improvement Agreement" dated March 13, 1997 pursuant to which the PAC agrees to make certain repairs and improvements to the Project as listed on the schedule attached to the Capital Improvement Agreement. Upon completion of the repairs detailed in such agreement, the Contractor will prepare, for the PAC's submission to Financial Security, such evidence as Financial Security shall reasonably require to demonstrate completion of such repairs, together with a requisition, substantially in the form attached as Exhibit B to the Capital Improvements Agreement, to the Trustee to transfer funds sufficient to pay such invoices from the "Capital Improvements Subaccount" created pursuant to the Indenture to the Operation and Maintenance Account. The Contractor will promptly pay the invoices from the amounts so transferred.

In the event there are insufficient Revenues to pay all amounts due and owing under the Mortgage Loan Documents payable from Revenues or to comply with the covenants set forth in Section 3 of the Pledge Agreement and Section 2.02(t) of the Insurance Agreement, the Contractor and the PAC will prepare and submit within 30 days a "Net Operating Income" petition to the City in accordance with the provisions of Ordinance No. 1341. The purpose of such a petition will be to obtain a space rent increase sufficient to comply with such covenants.

Section 11. *Compensation.*

(a) As compensation for the performance of its services hereunder, the Contractor shall be paid a management fee equal to \$4,167 per month, pro rated for partial months. In addition, the Contractor shall be entitled to reimbursement for its reasonable expenses incurred in the performance of its duties hereunder, to the extent such expenses are properly incurred under this Agreement and are included in the Operating Budget or otherwise approved by the PAC, the Owner and Financial Security.

(b) The Contractor acknowledges that, notwithstanding any other provision of this Agreement, it shall receive from the Trustee on the Allocation Date of each month its Management Fee for the previous month pursuant to Section 5.03 of the Indenture, an amount equal to the utility charges for the previous month pursuant to Section 5.03 of the Indenture as certified to the Trustee by the Contractor, and an amount equal to the monthly operating expenses for the Project, as set forth in the current Operating Budget, in accordance with the terms of Section 5.03 of the Indenture.

Section 12. *Documentation and Records.*

(a) On or prior to the Effective Date, the Contractor shall provide the PAC with copies of the following documents, evidencing filing with the appropriate governmental agency: (i) Articles of Incorporation; (ii) names and addresses of the current officers and/or Board of Directors of the Contractor; and (iii) a copy of the Contractor's adopted personnel policies and procedures.

(b) The Contractor shall immediately report to the PAC any changes, subsequent to the date of this Agreement, in the Contractor's Articles of Incorporation, officers, Board of Directors, personnel policies and procedures.

(c) The Contractor shall keep accurate books and records and in a form acceptable to the PAC, Financial Security and the Owner, in connection with all matters arising under the terms of this Agreement. The Contractor shall allow the PAC, the Trustee, the Owner and Financial Security, or any of their representatives, during normal business hours, access to the records and correspondence of the Contractor pertaining to any transaction arising out of this Agreement to audit, examine or copy any or all such books and records, including, without limitation, all contracts and subcontracts, invoices, payrolls, records of personnel, conditions of employment, materials and all other data relating to the Project and matters covered by this Agreement. The Contractor will be notified in advance that an audit will be conducted. The Contractor will be required to respond to any audit findings, and have the responses included in the final audit report. The cost of any such audit will be borne by the PAC.

At the close of each Fiscal Year, the Contractor shall allow the books of the Operation and Maintenance Account to be examined and audited by a certified public accountant, selected by the PAC and approved by Financial Security, who shall transmit a copy of his report of said audit to the PAC within 90 days after the close of each Fiscal Year. The Contractor shall maintain complete and accurate records of all its transactions including, but not limited to, contracts, invoices, time cards, cash receipts, vouchers, canceled checks, bank statements, client statistical records, personnel, property and all other pertinent records sufficient to reflect properly all direct and indirect costs of whatever nature claimed to have been incurred or anticipated to be incurred to perform this Agreement or to operate the Project and all other matters covered by this Agreement.

(d) The Contractor shall preserve and make available its records until:

(i) The expiration of five years from the date of final payment to the Contractor under this Agreement and in compliance with Section 8.04 of the Delegation Agreement;

(ii) For such longer period, if any, as is required by applicable law; or

(iii) If this Agreement is terminated, for a period of five years from the date of termination.

Section 13. **Contract Compliance.** Evaluation and monitoring of the Project performance shall be the mutual responsibility of both the PAC and the Contractor. The Contractor shall furnish all data, statements, records, information and reports necessary for the PAC to monitor, review and evaluate the performance of the Project and its components.

Section 14. **Events of Default.** The occurrence of any of the following events shall constitute an "Event of Default" hereunder:

(a) Any representation or warranty made by the Contractor under this Agreement, or in any certificate or report furnished under this Agreement, shall prove to be untrue or incorrect in any material respect as of the date when made or deemed to be made;

(b) A continuing violation or breach of any covenant or material term of this Agreement (other than a failure or breach described in another paragraph of this Section 14) for a period of 30 days after written notice of such breach is given to the Contractor by the PAC, the Trustee, the Owner or Financial Security, provided that, if such failure shall be of a nature that it cannot be cured within 30 days, such failure shall not constitute an Event of Default hereunder if within such 30-day period the Contractor shall have given notice to the PAC, the Owner and Financial Security of corrective action it proposes to take, which corrective action is agreed in writing by the PAC, the Owner and Financial Security (in the event Financial Security, the Owner and the PAC do not agree, the decision of Financial Security will control) to be satisfactory, and the Contractor shall thereafter pursue such corrective action diligently until such default is cured;

(c) Failure of the Contractor to (i) deposit any Revenues collected in connection with the Project (other than security deposits) into the Deposit Only Account in accordance with this Agreement, (ii) deposit any security deposits into a separate account therefor or (iii) pay generally when due any operating expenses related to the Project to the extent funds are on deposit in the Operations and Maintenance Account;

(d) The total annual expenses for any major category of the Operating Budget or Capital Plan for the Project exceeds 10% of the category amount in the related Operating Budget or Capital Plan approved by Financial Security and the Owner, unless such variance has been previously approved by the PAC, the Owner and Financial Security (in its sole discretion). Such major categories include all operating expenses of the Project, with the exception of taxes, insurance and utilities.

(e) Failure of the Contractor to respond, in a timely manner, to any inquiry of the PAC, the Owner or Financial Security pertaining to any Monthly Reports required pursuant to the Management Plan;

(f) An "event of default" exists under any Mortgage Loan Document;

(g) The occupancy rate for the Project, as measured at the end of each calendar month, is less than 95%;

(h) The Senior Debt Service Coverage Ratio for the Project for any calendar month is less than 1.10x;

(i) The Contractor fails to implement and follow the provisions of the Capital Plan during the time period specified in the Capital Plan;

(j) The Contractor shall fail to pay its non-Project-related corporate debts generally as they come due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or shall institute any proceeding seeking to adjudicate the Contractor insolvent or seeking a liquidation, or shall take advantage of any insolvency act, or shall commence a case or other proceeding naming the Contractor as debtor under the United States Bankruptcy Code or similar law, domestic or foreign, or if a case or other proceeding shall be commenced against the Contractor under the United States Bankruptcy code or similar law, domestic or foreign, or any proceeding shall be instituted against the Contractor seeking liquidation of the Contractor or the Contractor's assets and the Contractor shall fail to take appropriate action resulting in the withdrawal or dismissal of such proceeding within 30 days or there shall be appointed or the Contractor shall consent to, or acquiesce in, the appointment of a receiver, liquidator, conservator, trustee or similar official in respect of the Contractor or the whole or any substantial part of its properties or assets or the Contractor shall take any corporate action in furtherance of any of the foregoing; or

(k) Failure of the Contractor to conduct the leasing of the Project to comply with all applicable leasing restrictions contained in this Agreement, including, without limitation, the restrictions set forth in Section 8 of the Management Plan, and the Mortgage Loan Documents or to preserve the tax-exempt status of interest on the Bonds.

Section 15. *Remedies*

(a) Upon the occurrence of an Event of Default, Financial Security may, or the PAC or the Owner may, with the consent of Financial Security, and shall, at the direction of Financial Security, (i) terminate this Agreement, immediately upon written notice to the Contractor or upon any date specified in such notice, or (ii) take whatever action at law or in equity as may appear necessary or desirable in its judgment to collect the amounts then due and thereafter to become due under this Agreement or to enforce performance of any obligation of the Contractor under this Agreement.

Upon termination of this Agreement, Financial Security may, with the prior written consent of the Owner, which consent may not be unreasonably withheld and shall not be required if a Trigger Event or an Event of Default (as defined in the Indenture) exists, appoint a successor property manager, or the PAC may, with the prior written consent of Financial Security and the Owner, which consent may not be unreasonably withheld and shall not be required if a Trigger Event or an Event of Default (as defined in the Indenture) exists, appoint a successor approved by Financial Security and the Owner.

(b) No remedy herein conferred upon or reserved is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under the Mortgage Loan Documents or existing at law or in equity. No delay or failure to exercise any right or power accruing under this Agreement upon the occurrence of any Event of Default or otherwise shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 16. *[RESERVED]*.

Section 17. *Transfer of Records*. In the event the Contractor's duties, responsibilities and liabilities hereunder are terminated pursuant to either Sections 4 or 15 of this Agreement, the Contractor shall discharge such duties and responsibilities during the period from the date it acquires knowledge of such termination until the effective date thereof with the same degree of diligence and prudence which it is obligated to exercise hereunder, and shall take no action whatsoever that might impair or prejudice the rights or financial condition of its successor, the Owner or the PAC. Furthermore, the Contractor agrees to cooperate with the PAC, the Owner and Financial Security and any successor Contractor in effecting the termination of the Contractor duties and responsibilities hereunder and shall promptly also transfer to the Deposit Only Account all amounts held by the Contractor which have not been deposited into the Deposit Only Account or which are thereafter received by the Contractor with respect to the Project. The Contractor shall immediately provide the PAC, Financial Security and the Owner access to all documents, records, payroll, minutes of meetings, correspondence and all other data pertaining to the PAC funds held by the Contractor pursuant to this Agreement and, upon the request of the PAC, the Owner or Financial Security, but at the expense of the Contractor, deliver to the Owner or the successor Contractor, all files, documents and records (including computer tapes and diskettes, including data but not programs) relating to the Project and an accounting of any amounts collected and held by the Contractor, and shall otherwise use its best efforts to effect the orderly and efficient transfer of its rights, duties and responsibilities to the assuming party.

Upon termination of this Agreement, the Contractor shall (i) be paid for all documented services actually rendered hereunder to the date of such termination; provided, however, the PAC shall be obligated to compensate the Contractor only for that portion of the Contractor's services which are allowable costs and expenses as determined by an audit or other monitoring device; (ii) turn over to the Owner immediately any and all copies of studies, reports and other data, whether or not completed, prepared by the Contractor or its subcontractors, if any, in connection with this Agreement. Such materials shall become the property of the Owner. The Contractor, however, shall not be liable for the PAC's or the Owner's use of incomplete materials or for the PAC's or the Owner's use of completed documents if used for other than the services contemplated by this Agreement; and (iii) transfer to the Owner all assets acquired with Owner funds unless otherwise negotiated by separate agreement.

Section 18. *Project Coordination*.

(a) The PAC Representative may designate an individual who shall render overall supervision of the progress and performance of this Agreement by the PAC. All services agreed to be performed by the PAC shall be under the overall direction of the designated individual.

(b) As of the date hereof, the Contractor has designated Al Frei to assume overall responsibility for the execution and operation of this Agreement. The PAC and Financial Security shall be immediately notified in writing of the appointment of a new representative.

(c) All notices or other correspondence required or contemplated by this Agreement shall be sent to the parties at the following addresses:

PAC: Park Acquisition Corporation of Marin
Valley Mobile Country Club
100 Marin Valley Drive
Novato, CA 94949-6716
Telephone: (415) 883-5911
Telecopy: (415) 883 1971
Attention: President

Contractor: Mr. Al Frei
Frei Real Estate Services
8340 Auburn Blvd., Suite 100
Citrus Heights, CA 95610
Telephone: (916) 722-8110
Telecopy: (916) 722-8111

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

(in each case in which notice or other communication to Financial Security refers to an Event of Default, or with respect to which failure on the part of Financial Security to respond shall be deemed to constitute consent or acceptance, then a copy of such notice or other communication should also be sent to the attention of each of the General Counsel and the Head-Financial Guaranty Group and shall be marked to indicate "URGENT MATERIAL ENCLOSED.")

Trustee: U. S. Bank Trust, National Association
Suite 400
One California Street
San Francisco, CA 94111
Telephone: (415) 273-4555
FAX: (415) 273-4590
Attention: Corporate Trust Department

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

All notices shall either be hand delivered or sent by United States mail, registered or certified, postage prepaid. Notices given in such a manner shall be deemed received when received. Any party may change its address for the purpose of this Section by giving five days' written notice of such change to each other party hereto, Financial Security and the Trustee in the manner provided in this Section.

Section 19. ***Independent Contractor.*** This is an Agreement by and between independent contractors and is not intended and shall not be construed to create the relationship of servant, employee, partnership, joint venture or association between the Contractor and the PAC. The Contractor, including its officers, employees, agents or independent contractors or subcontractors, shall not have any claim under this Agreement or otherwise against the Owner for any Social Security, Worker's Compensation or employee benefits extended to employees of the Contractor.

Section 20. ***Successors; Assignability.*** This Agreement shall be binding upon the successors and assigns of the Contractor and the successors and assigns of the PAC, provided, however, that the Contractor shall not assign its rights under this Agreement without (a) the PAC's and the Owner's prior written consent, which may not be unreasonably withheld and will not be required if an Event of Default (as defined in the Indenture) exists and (b) Financial Security's prior written consent. No successor Contractor may be appointed without the approval of Financial Security.

Section 21. ***[RESERVED].***

Section 22. ***Disclosure of Confidential Information.*** Except as may be required by law or this Agreement, the PAC and the Contractor agree to maintain the confidentiality of any information regarding Project residents pursuant to this Agreement or their immediate families which may be obtained through application forms, interviews, tests, reports from public agencies or counselors or any other source. Without the written permission of the resident, such information shall be divulged only as necessary for purposes related to the performance or evaluation of the services and work to be provided pursuant to this Agreement, and then only to persons having responsibilities under this Agreement, including those furnishing services through approved subcontracts.

Section 23. ***Waiver of Rights and Remedies.*** In no event shall any payment by the PAC, the Owner or Financial Security constitute or be construed to be a waiver by the PAC, the Owner or Financial Security of any breach of the covenants or conditions of this Agreement or any default which may then exist on the part of the Contractor, and the making of any such payment while any such breach or default shall exist, shall in no way impair or prejudice any right or remedy available to the PAC, the Owner or Financial Security with respect to such breach or defaults. In no event shall payment to the Contractor by the PAC, the Owner or Financial Security in any way constitute a waiver by the PAC, the Owner or Financial Security of their rights to recover from the Contractor the amount of money paid to the Contractor on any item which is not eligible for payment under this Agreement. No act of omission by the Contractor, Financial Security, the Owner or the PAC, including specifically any failure to exercise any right, remedy or recourse, shall be deemed to be a waiver or release of the same, such waiver or release to be effected only through a written document executed by the PAC, with the prior written consent of Financial Security and the Owner, or by Financial Security, and then only to the extent specifically recited therein. A waiver or release with reference to any one event shall not be constructed as continuing, or as a bar to, or as a waiver of, any subsequent right, remedy or recourse as to a subsequent event.

Section 24. ***Amendments.*** Amendments to the terms or conditions of this Agreement shall be requested in writing by the party desiring such amendments, and any such amendment shall be effective only upon the mutual Agreement in writing of the parties hereto, with the prior written consent of Financial Security and the Owner.

Section 25. ***Integrated Document; Counterparts.*** This Agreement contains the entire Agreement between the PAC and the Contractor with respect to the subject matter hereof. No written or oral Agreements with any officer, agent or employee of the PAC prior to execution of this Agreement shall affect or modify any of the terms or obligations contained in any documents comprising this Agreement.

This Agreement may be executed in counterparts by the parties hereto, and all such counterparts shall constitute one and the same instrument.

Section 26. ***Invalidity.*** In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity or unenforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision(s) had never been included.

Section 27. **Third-Party Beneficiary.** Financial Security, CLGFA and the Owner shall be third-party beneficiaries to this Agreement, entitled to enforce the provisions hereof as if parties hereto.

Section 28. **Representations and Warranties.** The Contractor hereby represents and warrants to and covenants with the PAC, and for the benefit of Financial Security, the Owner and the Trustee, that:

- (a) The Contractor is a sole proprietorship in good standing under the laws of the State of California;
- (b) The Contractor holds, and will hold during the term of this Agreement, all material licenses, certificates and permits from all governmental authorities necessary for the conduct of its business and has received no notice of proceedings relating to the revocation of any such license, certificate or permit which singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially affect the conduct of the business, results of operations, net worth or condition (financial or otherwise) of the Contractor;
- (c) The Contractor has the full power and authority to execute, deliver and perform, and to enter into and consummate, all transactions contemplated by this Agreement, has duly authorized the execution, delivery and performance of this Agreement and has duly executed and delivered this Agreement, and this Agreement constitutes a legal, valid and binding obligation of the Contractor, enforceable against it in accordance with its terms, except as such enforcement may be limited (i) by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general and (ii) by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);
- (d) Neither the execution and delivery by the Contractor of this Agreement, the consummation by the Contractor of the transactions contemplated hereby nor the fulfillment of or compliance by the Contractor with the terms and conditions of this Agreement will conflict with or result in a breach of any of the terms, conditions or provisions of any legal restriction or any material agreement or instrument to which the Contractor is now a party or by which it is bound, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Contractor or its property is subject;
- (e) The consummation by the Contractor of the transactions contemplated by this Agreement are in the ordinary course of business of the Contractor; and, at the date hereof, the Contractor does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every one of its duties and covenants contained in this Agreement;
- (f) There is no litigation pending or, to the Contractor's knowledge, threatened, which, if determined adversely to the Contractor, would adversely affect the execution, delivery or enforceability of this Agreement, or the ability of the Contractor to manage the Project hereunder in accordance with the terms hereof, or which would have a material adverse effect on the financial condition of the Contractor;
- (g) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Contractor of or compliance by the Contractor with this Agreement or the consummation by the Contractor of the transactions contemplated by this Agreement; and
- (h) The Contractor is familiar with all material federal, state and local laws, rules and regulations applicable to the management and operation of mobile home developments to be occupied in part by individuals of low or moderate income and will manage the Project in accordance with all such laws, rules and regulations.

Section 29. **Conduit Facilitator.** All parties hereto recognize and agree that CLGFA is acting in the transactions contemplated herein solely in a conduit facilitating role to assist the substantive parties in achieving their goals; CLGFA is not a substantive party to such transaction; and CLGFA's agreements and obligations hereunder are solely for the purpose of passing through funds and substantive agreements and obligations of such substantive parties.

Section 30. **No Petition.** The Contractor will not institute against, or join any other person in instituting against, the Owner, CLGFA or the PAC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any bankruptcy or similar law, until the later of: (x) the date on which no Senior Bonds remain Outstanding under the

Indenture and no amounts are due and payable to Financial Security under the Indenture or the Insurance Agreement or (y) the day which is the 123rd day after the expiration of the Insurance Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this instrument or caused this Management Agreement to be executed by their duly authorized agents this 1st day of November, 1997.

PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB

By /s/ Owen V. Haxton
Name Owen V. Haxton
Title President

FREI REAL ESTATE SERVICES

By /s/ Al Frei
Name Al Frei
Title Owner

EXHIBIT A

MANAGEMENT PLAN

TO OPERATE AND MANAGE MARIN VALLEY MOBILE COUNTRY CLUB

Section 1. **Introduction.** Given the high cost of housing in relation to wages and salaries in the Novato area, substantial numbers of low- and moderate-income households find it difficult to secure affordable housing. Mobile homes constitute a viable affordable housing resource. Nonetheless, the ownership of mobile home parks by investors may limit the value of mobile homes as an affordable housing resource. The Park Acquisition Corporation of the Marin Valley Mobile Country Club (the "PAC") consequently entered into purchase negotiations with the owner of the Marin Valley Mobile Country Club, located in Novato, California (the "Project"). The Novato Financing Authority (the "Owner") has decided to purchase the Project. The PAC has selected Frei Real Estate Services, to operate and manage the Project.

Section 2. **Purposes.** The purposes of this Agreement are as follows:

- (a) to provide full-service operation and management services for the Project;
- (b) to enable the sale of revenue bonds at an interest as low as reasonably feasible;
- (c) to operate the Project in a professional and businesslike manner and separate the PAC and the Owner from day-to-day operation and management of the Project;
- (d) to encourage residents to seek to resolve issues with the professional managers of the Project;
- (e) to provide mobile home park residents with input in the operation of the Project;
- (f) to abide by the provisions of Ordinance No. 1341 of the City of Novato, insofar as they may apply to spaces within the Project;
- (g) to provide security that bondholders can expect regular bond payments;
- (h) to create a surplus in the Senior Cashtrap Account and the Subordinate Cashtrap Account held by the Trustee under the Indenture which will grow annually;
- (i) to provide for the regular upkeep of the Project and to make prudent capital improvements; and
- (j) to create a formal residents' association.

Section 3. **Flow of Funds.**

- (a) The Contractor will arrange for the reading of meters and calculate gas, water, sewer, electric and other miscellaneous charges and prepare rent and utility bills. On or about the twenty-fifth of each month the Contractor will make available rent and utility bills for each space. When requested by the appropriate individual rent and utility bills will be mailed to a designated address or delivered to the mobilehome space.
- (b) The Contractor will, upon receipt of any Revenues, record the payment upon a payment register maintained at the Project and available for inspection by representatives of the Owner, the PAC and Financial Security. Records of any rent and utility payments shall include, at the least, date received, resident's name, space number, current charges, total amount collected and the balance due, if any. The Contractor will also maintain a separate general ledger which will include a record of payments, available for inspection by representatives of the Owner, the PAC and Financial Security.
- (c) The Contractor will establish an Operation and Maintenance Account, which shall be a separate trust account established in the name of the Owner. No funds relating to the Project will be commingled with funds of the Contractor or relating to any other matter or person other than the Project. On each Allocation Date, commencing November 12, 1997, the

Trustee will transfer funds from the Revenue Fund to the Operation and Maintenance Account sufficient to pay operation and maintenance costs for the current month consistent with the adopted Operating Budget. On the Effective Date, the Contractor will give the Trustee written notice of the details of the Operation and Maintenance Account, to permit the Trustee to make the transfers to such account required pursuant to the Indenture.

Section 4. **[RESERVED]**.

Section 5. **Other Pledged Funds.** In the event that the Project's Senior Debt Service Coverage Ratio falls below 1.20x, the Trustee (at the direction of Financial Security) may draw upon moneys in the Senior Cashtrap Account (as defined in the Indenture), and the Senior Debt Service Reserve Fund (as defined in the Indenture) to cover any shortfall in debt service due on the Senior Bonds and Project operating expenses and/or redeem Outstanding Senior Bonds. In addition, amounts in the Subordinate Pledged Funds Account (as defined in the Indenture) and the Subordinate Debt Service Reserve Fund (as defined in the Indenture) may be drawn upon by the Trustee to cover any shortfall in debt service due on the Subordinate Bonds. Should the Trustee draw upon moneys in any such account, the PAC and the Contractor will prepare and submit within 30 days a "Net Operating Income" petition to the City of Novato in accordance with the provisions of Ordinance No. 1341. The purpose of such a petition will be to obtain a space rent increase sufficient to comply with such covenants.

Section 6. **Budget and Expenditures.** The budgets prepared in accordance with Section 9 of the Management Agreement will include the following line items: Office Supplies, Postage, Telephone, Computer & Copies Supplies, Legal, Bank Charges, Bookkeeping, Audit, Dues & Subscriptions, Mileage, Travel/Meals, Business Development & Training, General & Administrative, Marketing, Social Programs, Repair & Maintenance, Landscape Maintenance, Tools & Equipment Repair, Swimming Pool Supplies, Lighting Supplies, Grounds Materials & Supplies, Street/Parking Lot Maintenance, Security Services, Vehicle Maintenance, Resident Manager, Manager's Mobile Home Rent, Assistant Manager, Maintenance Assistant, Health Insurance & Benefits, Payroll Taxes, Worker's Compensation, Electricity, Gas, Trash Removal, Sewer, Water, Cable TV, Property & Liability Insurance, Trees, Utilities, Concrete, Street Repairs, Manager's Home Repairs, and Management Fee and capital expenditures.

Section 7. **Monthly Reports.**

(a) On the twentieth day of each month, commencing November 1997, the Contractor will provide Financial Security, the Owner and the PAC with a Profit & Loss Statement, Cash Flow Statement, Balance Sheet and Budget Control Report for the prior month. The Budget Control Report will compare revenues and expenditures to the budget for the prior month and for the fiscal year and include date of purchase, vendor, item purchased, authorized by, the amount and the remaining balance in each budget category.

(b) On the twentieth day of each month, the Contractor will provide Financial Security, the PAC and the Owner a Delinquency Report. The Delinquency Report will help maintain control of past-due rents, the collection process and the legal status of cases. The Delinquency Report will contain the date, property, resident's name, space number, current month past due, prior months past due, total, date 30-60-day notice filed, date unlawful detainer filed and served, court date, date of eviction, court fees and additional comments.

(c) On the twentieth day of each month, the Contractor will provide the PAC a Check Register Report listing invoices paid during the prior month. In addition, the Contractor will notify the PAC of any past-due notices, liens filed or other actions that an employee, vendor or service provider may have taken to collect on overdue wages or payments.

(d) On the twentieth day of each month, the Contractor will provide Financial Security, the Owner and the PAC with a Vacancy Turnover Report for the prior month. This report will include a recapitulation of vacant spaces, mobile homes available for sale and mobile homes occupied. The report will also include notifications received from residents who intend to move out of the Project and a cumulative total of expected move-outs and move-ins.

(e) Prior to the twentieth day of each month, commencing November 1997, the Contractor will calculate and report in writing to the Owner, Financial Security and the PAC the NOI, Nonowner Occupied Percentage, the Vacancy Factor and Senior Debt Service Coverage Ratio for the Project for the previous calendar month and Senior Debt Service Coverage Ratio for the fiscal year.

(f) The Contractor will, within 60 days following the Effective Date, create a listing of resident household incomes. The purpose of this listing is to verify qualification for a property tax exemption, authority for bond financing and requirements for use of Redevelopment Agency funds. The Contractor will obtain household income information from move-in households. On an annual basis, by January 31, commencing January 31, 1998, the Contractor will provide the Owner with a list of resident household incomes.

(g) The Contractor will provide, to the Owner, the PAC and the Issuer on a monthly basis, by the twentieth day of each month, an accurate and detailed statement listing collections, disbursements, delinquencies, uncollectible accounts, vacancies and other matters pertaining to the operation of the Project during the previous month and copies of the monthly statements for the prior month for the Deposit Only Account and the Operations and Maintenance Account. Upon written request by the Owner, the PAC or Financial Security, the Contractor will furnish such other information concerning the operation of the Project in such manner and on such form as the Owner, the PAC or Financial Security may specify from time to time. The Contractor will be held strictly accountable for all receipts and disbursements with respect to the operation of the Project.

Section 8. ***Median Area Income.*** The Contractor will offer vacant spaces to only households with incomes meeting the requirements of the Pledge Agreement. If the standards set forth in the Pledge Agreement with respect to Very Low Income Residents, Lower Income Residents and Moderate Income Residents are not met at any time, the Contractor will immediately notify the Owner, Financial Security and the PAC. Area income values will be those periodically calculated and published by the United States Department of Housing and Urban Development.

Section 9. ***Environmental.*** The Contractor will, prior to December 1, 1997, (i) prepare an Operations and Maintenance Plan acceptable to Dames and Moore and Financial Security with respect to the asbestos contained in the office/clubhouse building; and (ii) perform radon testing at the Project in accordance with the recommendations of Dames and Moore.