NOVATO FINANCING AUTHORITY

75 Rowland Way #200, Novato, CA 94945-5054
415/899-8900 • FAX 415/899-8213

BOARD OF DIRECTORS
REGULAR MEETING
Monday, June 21, 2010 - 10:00 A.M.
Marin Valley Mobile Country Club
FIRESIDE ROOM
100 Marin Valley Drive

AGENDA and NOTICE

A. CALL TO ORDER

B. APPROVAL OF FINAL AGENDA

C. PUBLIC COMMENT

D. CONSENT CALENDAR

D-1 Approval of Minutes from February 8, 2010 meeting.

E. NEW BUSINESS

E-1 Review and Approval of 2010-2011 Budget and Capital Plan including Waiver of Rent Increase.

E-2 Information and Provide Staff Direction for Delegation Agreement

F. OLD BUSINESS

F-1 Status of $28,000 FSA request and $130,000 RDA Pledge Account Request

G. GENERAL BUSINESS

G-1 Bucket Analysis for Period Ending March 31, 2010

G-2 Park Management Update: Al Frei

G-3 Update from PAC: Michael Holland

H. BOARD/STAFF COMMENTS

H-1: Confirm next meeting date: August 22, 2010

A copy of the NFA Agenda packet may be viewed at the MVMCC front counter.

AFFADAVIT OF POSTING

I, Tim Wong, certify that June 10, 2010 caused to be posted the agenda of the June, 21, 2010 meeting of the Novato Finance Authority of the City of Novato, California on the City of Novato Community Service Board in the Police Department and City Hall and the Marin Valley Mobile Country Club.

_____

Tim Wong, Housing Coordinator

D-1

NOVATO FINANCING AUTHORITY

75 Rowland Way #200, Novato, CA 94945-5054
415/899-8900 • FAX 415/899-8213

REGULAR MEETING
Monday, February 8, 2010 - 10:00 A.M.
Marin Valley Mobile Country Club
100 Marin Valley Drive, Novato, California

Minutes

A. Call to Order 10:05 am

B. Public Comment

C. Approval of Final Agenda

Board Member Tiernan motions/Board Member Brown seconds.

All approved

D. Consent Calendar
D-1: Approve Minutes of October 20, 2009

Board Member Brown had some grammatical changes. The changes will be made in the minutes.

Board Member Tiernan motions/Board Member Brown seconds.

All approved

E. New Business
E-1: Receive and file of Financial Audit FY 08/09 (attachment)

Staff Member Lauchner mentions that the audit is on the City website.

Public Comment

None

Board Member Tiernan motions/Board Member Read seconds to receive the report.

All approved

Received and filed

E-2: Receive and discuss FY 09/10 Mid-Year Budget Review (attachment)

Board Member MacLeamy gives a brief introduction about the Mid Year recommendation.

FSA and NFA need to approve the Mid Year budget adjustment and FSA has not reviewed the request. There is also additional information regarding the process of spending excess funds. Staff Member Nebb clarified that under the Trust Indenture Agreement, excess funds and their expenditures are strictly governed. They are defined as excess funds only after all the other traps are funded to their expected levels, then the excess revenues roll into the Sr. Cash trap. The only other option is to transfer them to the replacement reserves but FSA and NFA must consent in writing. Any other option is not permitted by the loan documents.

Mr. Frei gave a short introduction. The park had some unanticipated expenses but through savings in other areas, the budget is in good shape. Usually the budget is right on and this year is the same. No significant concerns.

Board Member MacLeamy asked a year ago it appeared you presented the number for half the year and not the whole year so it is a half year view. Mr. Frei responded that that is correct. If there is a mid year budget issue, it will go into the comments section of his report. Board Member MacLeamy asked of the gas line repairs done to date, what percentage of the lines does that cover? Mr. Frei answered that they do an annual gas leak detection review and the results fall under 3 categories, one being lines needing repair. This year, leaks that needed attention exceeded the budget. They are not replacing lines. The park is taking proactive measures to maintain lines.

Public Comment

Michael Holland - PAC affirmed Al Frei's recommendation. For next budget year, PAC will begin to work with Mr. Frei about the overall budget. He asked if they are obligated to charge dollar for dollar and the answer is no. As long as they were meeting their requirements, if the park chose to charge the residents less, they could do that. If this is true, then we can look at our budget to see where this can be applied. He is more concerned about the overall budget of the park instead of just the subordinate excess revenues. The PAC will need direction from the NFA about this.

Bob Lemon - Requested that Staff Member Nebb could go through the process again about the excess funds.

Staff Member Nebb explained that the park documents are complicated but it is the Trust Indenture that governs financial issues and into which traps the payments go in order of priority. In the Trust Indenture is the hierarchy in how reserve funds are paid including what to do with excess funds. After all obligations are paid then the remaining funds are considered as excess funds. The excess funds are required go to the Sr. cash trap. Excess funds can be transferred to Replacement Reserves if approved by PAC, NFA and FSA. The consent to the diversion of the funds must be given prior to payment. In the budgeting process next year, if we prevent excess funds, can we switch to operating capital or other funds, needs FSA and NFA approval.

Staff Member Nebb continued, within the budgeting process for next year, if we prevent as many funds from becoming excess are we less restricted in spending them? Can we switch to operating funds or capital because excess funds are restricted? Two things, can the funds be defined as something other than excess funds and budget requires approval by FSA, NFA and PAC. FSA protects the asset and insures redemption of the Sr. bonds.

Board Member Brown asked if the NFA can receive the report. Or can the NFA receive and adjust for mid year budget.

It can be received but cannot be approved because of the mid year adjustment recommendation.

Board Member Read stated the park pays for the water bill. Can we adjust the budget to eat the sewer fee increase? Staff member Nebb responded that there are not have the funds available for the adjustment because of the strictly regulated distribution of funds. This will require FSA approval. The FSA interests may be slightly different than NFA interests. Staff could put that request forward to FSA but it may take more time than the remaining 4 months in the budget year. Council Member Read asked if it could be done as rebates and Board Member MacLeamy asked if it could be done retroactively. Since it is a different budget year, there would still need to be a budget amendment to appropriate funds to pay for the previous budget year expense.

Mike Holland - As he understands, PAC cannot use savings to roll back the sewer costs but can put the funds into capital reserves. If PAC, NFA and FSA approves, could the funds be put more into infrastructure reserves than the Sr. Cash trap. If we can do that, can we amend the request to put into capital reserves for the remainder of this year? Change in budget amendment requests. It comes out to about $7000 a month in net savings.

Mr. Frei responded why the park cannot pay the bill. There are differences between the sewer increase costs vs. gas leak and park costs. The sewer increase is a resident cost but gas leak and park costs are the park's responsibility. Recommends the NFA accept the report and reject the recommendation. He will deal with this issue in next year's budget. Just look at next year's budget and treat that money that would have gone to the subordinate bonds as revenue. The timing is not right to do it this year.

Staff member Nebb feels the PAC approach is different from AF's recommendation Mike Holland replied that it is not different. The PAC would prefer it to go to reserves vs. Sr. Cash trap. He asked how to get FSA approval. Staff Member Nebb responded that a written request to FSA with PAC and NFA approval and ask to them to approve. Can NFA approve prior to PAC approval or does PAC need to approve it first? Staff member Nebb NFA can conditionally approve in the event that PAC takes the action.

Bob Lemon - He asked where in today's agenda how the BOS energy vote affects the park should the park choose the alternative energy.

Board Member MacLeamy responded that MVMCC is in City and PG&E. There is not the choice to go with alternative energy. It is only for the County and city by city who chose to join. PGE initiative proposed is only for commercial but this is moot since Novato voted out.

Staff Member Capriola stated depending on Board direction, staff can talk to FSA hypothetically about mid year changes about shifting to sewer fees.

Board Member MacLeamy asked whether to reject the report as recommended or conditionally approve as amended.

Board Member Tiernan motions to conditionally approve PAC request to transfer the excess funds to capital reserves, conditioned upon PAC Board and FSA approval. Board Member Read seconds. Board Member Read asked if they could roll it back to Oct. Staff member Lauchner responded that if PAC was going to FSA with this request, they will ask for an amount, whether FSA will approve. It is not limited to the $28,000 (4 months at $7,000/mo) but make a recommendation to see what FSA may approve. Staff member Nebb added that in presenting to FSA from transferring from Sr. cash trap to replacement reserves, FSA will ask what is the replacement reserve budget. Clear delineation of where the funds would go is essential for FSA review. So NFA will need to review the proposal prior to sending to FSA for approval.

Board Member Tiernan amends his previous motion to conditionally approve the amended recommendation to use excess funds towards replacement reserves instead of Sr. Cash trap conditioned on PAC approval and with NFA review of expenses.

Board Member Read Seconds.

Board Member Tiernan motions/Board Member Brown seconds

All approve

Mike Holland said that PAC will make recommendation $28,000 of cash trap will be moved to capital plan for remainder of the year. NFA conditionally approved with the exception of the component of the adjustment to the capital reserve budget. With the $28,000 will require adjustment. Where are you proposing it to go? With that adjustment, FSA will want that information prior to granting approval. The NFA just approved the amendment that contingent to PAC approval and FSA approval and conditioned upon bringing back the revised capital budget.

Al Frei will revise capital budget including the $28,000 expenditure.

E-3: Discuss and give staff direction as to process and timeline for review of PAC Delegation Agreement (attachment)

Board Member MacLeamy gave an introduction of timeline and how the process would work. The City Council, in light of the budget, will gather comments at May meeting and have a summer discussion with PAC.

Public Comment

None

Board Member MacLeamy asked if this was adequate direction for staff. Board Member Tiernan states the timeline seems appropriate and all agree.

E-4: PAC request to NFA to support specific capital improvements to the Redevelopment Agency for $130,000 from funding transferred from sale of the subordinate bonds (attachment)

Board Member MacLeamy reiterated that the NFA has already supported expenditures. Staff will take the requires to RDA on April 13th.

Public Comment.

None

Board Member MacLeamy stated that it was a good priority list.

Board Member Brown motions/Board Member Read seconds to approve the submitted priority list and recommend the list to the RDA

All approved

F. General Business

F-1: Bucket Analysis for Period Ending December 31, 2009

Staff member Lauchner presentation

Board Member Dole motions/Board Member Brown seconds to accept the bucket analysis.

All approved

F-2: Park Management Update: Al Frei

No presentation since the mid year budget update covered it.

Public Comment

Dave Harrington – The Management report is posted on website monthly and past reports under the Al Frei tab in MVMCC website. Projects that were in the budget are listed with detailed information.

F-3: Update from PAC: Michael Holland

Peggy Hill is a new PAC Board member. It is election season with a June PAC and NFA election. The new election committee is being formed. He thanked the NFA board and staff for the $130,000 recommendation. He is appreciative of the support. It is a big deal for the residents. PAC is starting the budget process again.

Public Comment

Bob Lemon - The MVMCC phone directory is almost complete. A copy will to go to the NFA and staff.

G. Board/Staff Comments

G-1: Next meeting – FY 10/11 Budget Approval

G-2: Next Meeting Dates – May / August (possible) / October / January

Will email out dates for May and August meeting

Board Member Brown had one comment in regards to the 10/11 budget. Please get the draft budget in as quickly as possible.

Board Member MacLeamy mentioned that it is the 50th City birthday celebration. There will be a number of activities to celebrate. May 22 is next with the time capsule. Mike Holland responded that the MVMCC has bought a brick for City Hall.

Meeting adjourned 11:02 am

E-1

MEMORANDUM

THE CITY OF
NOVATO
CALIFORNIA

75 Rowland Way #200
Novato, CA 94945-3232
(415) 899-8900
FAX (415) 899-8213
www.ci.novato.ca.us

DATE: June 10, 2010

TO: Novato Financing Authority Board of Directors

FROM: Tim Wong, Housing Coordinator

SUBJECT: Proposed FY 10/11 MVMCC Budget

The PAC has proposed the attached budget for Fiscal Year 2010-2011. Staff has reviewed the budget and is sending it along to the NFA board for review and approval.

The PAC has proposed a budget assumption of no rent increase in January 2011. In the Pledge Agreement, in Section 3.05, it requires that rents be increased by a minimum of 75% of the Consumer Price Index for the preceding calendar year. If the proposed rent increase is less than 75% of the CPI, it must be approved by the Redevelopment Agency of the City of Novato (RDA).

Staff supports the PAC proposed budget with no rent increase because their current revenues are adequate to cover their expenses with projected excess revenue of $333,154. The excess revenue will be distributed to the appropriate cash traps per the requirements of the Trust Indenture. This is in addition to a $550,000 contribution to their reserves.

If the NFA approves the proposed budget and agrees with PAC's proposal of no rent increase, staff will prepare a staff report requesting the RDA to consider the PAC's request for no rent increase. It will be heard by the RDA at their June 29, 2010 meeting.

Attachment
2010-2011 Budget

FREI REAL ESTATE SERVICES
8340 AUBURN BOULEVARD. • SUITE 100 • CITRUS HEIGHTS, CA 95610 (916) 722-8110 • (916) 722-8111

DATE: April 30, 2010

TO: Jason Margnelli, Assured Guaranty
Novato Financing Authority
Cc: Park Acquisition Corporation

FROM: Al Frei

RE: Marin Valley Mobile Country Club
2010-2011 Proposed Budget

The attached proposed budget is still being considered by the Novato Financing Authority. The date of their next meeting has not yet been scheduled. The proposed budget is based on the following assumptions:

- no rent increase in January 2011;
- the long term reserve plan is approved as submitted;
- the reserve study run concurrent with fiscal year;
- operating & maintenance expenses will be consistent with historical patterns; and
- the reserve contribution of $550,000.

A copy of the proposed operating budget was made available to all residents of Marin Valley Mobile Country Club. Assured Guaranty and the Novato Finance Authority have 45 days after receipt to give comments or it shall be assumed to be approved.

sent to FSA 5/12/10

Marin Valley Mobile Country Club
Proposed Budget Detail 7/1/10 - 6/30/11

Acct #		DETAIL	2010-2011	2009-2010
	INCOME		**Proposed**	**Budget**
41110	Mobilehome Space Rent	193,098.78, no increase in Jan 11	2,317,185	2,325,807
41300	Late Fees	Jul-Jan Avg $30/mo	360	360
41400	Laundry	Jul-Dec Avg $140/mo	1,680	1,200
41500	Managers Mobile Home Rent	$998/MO + 1.0% Increase Jan 11	12,036	11,916
41700	Vehicle Parking Fees/RV	Jul-Jan Avg $915/mo	10,980	11,820
	Total Permanent Rent		**2,342,241**	**2,351,103**
42100	Cable TV	Contract=245 @ $39.50	121,520	117,149
42200	Electric	Per estimate analysis +10% (Park Billing Historical Data)	158,662	162,912
42300	Garbage	$6683/mo 313 @ 21.35 + addl, + 3.5% increase Jan	82,197	76,326
42400	Gas	Per estimate analysis +10% (Park Billing Historical Data)	172,286	223,053
42500	Sewer	$14,778.75/mo	177,345	95,445
	Total Utilities		**712,010**	**674,885**
43100	Interest Income	Jul-Jan Avg $0/mo	0	3,300
43200	Investment Income (GIC)	est Sept/Mar	140,000	210,000
43300	Other Income		0	0
	Total Other Income		**140,000**	**213,300**
	TOTAL INCOME		**3,194,251**	**3,239,288**
	EXPENSES			
50100	Wages - Office Manager	$16.87/hr 30hr/wk, 2% increase in January 2011	26,575	26,060
50150	Wages-Maintenance	$2465/month, 2% increase in January 2011	29,880	29,310
50200	Wages-Assistant Maintenance	$1850/month, 2% increase in January 2011	22,410	21,996
50400	Managers' Mobile Home Rent	$988/MO + 1.0% Increase Jan 1, 2011	12,036	11,916
50500	Travel	$50/mo	600	600
	Total Wages		**91,501**	**89,882**
51100	P/R Taxes	Estimate - Employer Taxes	9,000	8,640
51200	Insurance - Health	$400 per month	4,800	7,200
51300	Insurance-Workers Comp	Estimate	5,400	4,200
	Total P/R Taxes/Insurance		**19,200**	**20,040**
	TOTAL EMPLOYEE COSTS		**110,701**	**109,922**
52100	Cable TV	$10,450/mo (includes manager homes) 10% incr Mar	129,580	117,800
52200	Electric	Per estimate analysis (prev year Actual + 10%)	115,775	125,903
52300	Garbage - contract	$7050/mo based on current contract 2% incr Jan	85,500	83,700
52310	Garbage	additional cleanup (dumpsters)	5,100	5,000
52400	Gas	Per estimate analysis (prev year Actual +10%)	143,443	204,938
52500	Sewer	$88,672.50 semi annually	177,345	95,445
52700	Water	Based on act Jul-Jan +10%	64,800	59,100
	Total Utilities		**721,543**	**691,886**
53100	Concrete Maintenance	Estimate	504	500
53200	Fire Abatement	Estimate	7,500	6,500
53300	Landscape Maintenance	DelToro $790/mo + $4,500 extra/yr (weed control)	15,000	13,980
53400	Manager Home Repairs	Estimate	1,000	600
53500	Operating Supplies & Equip	Estimate	4,800	4,800
53600	Pool Supplies & Equipment	July-Feb Avg $300/mo	3,600	4,500
53700	Repairs & Maintenance	Estimate + strip/wax floor 1700	29,000	29,000
53900	Street/Parking Lot Maint.	street sweep $3542 semi-annually	7,296	7,300
54000	System Maintenance - Gas	$1800/Ann. Gas Leak Survey-$10,200/Repairs	12,500	6,000
54030	System Maintenance - Electrical	Main switch service / Repairs ave $520/mo	15,000	15,000
54050	System Maintenance - Generator	Maintenance contract ($1,950)+ repairs	3,300	2,400

Marin Valley Mobile Country Club
Proposed Budget Detail 7/1/10 - 6/30/11

Acct #		DETAIL	2010-2011	2009-2010
54100	System Maintenance - Sewer	Ave $850/mo	18,000	18,000
54200	System Maintenance - Water	Estimate	600	600
54300	Tools & Equipment Repair	Estimate	2,000	2,000
54400	Trees	Estimate	9,500	8,400
54500	Uniforms	Shirts/Jackets/Raingear	300	300
54600	Utility Maintenance	Estimate	2,400	2,400
54700	Vehicle Maintenance	Repairs/DMV	3,000	3,000
54800	Contingency	Estimate	8,000	8,000
	Total Repairs/Maintenance		**143,300**	**133,280**
55100	Advertising & Promotion	Estimate	600	600
55200	Bank Charges	Ave $150/mo	1,800	1,800
55400	Copier Supplies/Repairs	Estimate Based on July/Feb Avg $100/mo	1,200	1,200
55500	Dues & Subscriptions	Estimate	300	300
55600	Education & Seminars	Estimate	852	850
55700	Legal		12,000	12,000
55800	Licenses & Permits	Dvc-$728/HCD-$4383/PrkUtl-AnRpt$41/Pl,Spa Pmt $740	5,892	4,200
56100	Office Supplies & Equipment	July-Feb Avg $520/mo add $50 p/mo water	6,840	6,240
56200	Other Expense	Estimate	504	500
56300	Outside Services	Park Billing $470-billing/$95-ans serv/205 pest	9,900	9,900
56600	Telephone	July-Feb Avg $325	3,900	3,900
	Total Office & Administration		**43,788**	**41,490**
	TOTAL OPERATING COSTS		**1,019,332**	**976,578**
57050	Research Ownership Alternatives		24,996	25,000
57100	FSA Insurance Premium	Debt Service Schedule	59,067	63,391
57200	In-Lieu of Tax Fees - Novato	Loan Payment Schedule	65,868	62,820
57220	Resident Humanitarian Services		12,000	10,000
57300	Insurance-Prop & Liability	Based on policy period 3/09-10 estimate	75,000	75,000
57400	Issuer (CLGFA)	Debt Service Schedule ($625)	7,500	7,500
57500	Trustee Fees	Debt Service Schedule ($675)	8,100	8,100
57600	Management Fee	$4,417.00/mo	53,004	53,004
57700	Capital Expenses		550,000	342,102
57800	Arbitrage Fee/Rebate		7,500	7,500
57750	Audit	based audit from Odenberg, CPA	9,000	9,000
59900	Mobile Home Rent Control Fee	18,900	18,900	18,900
	Total Project Fees Costs		**890,935**	**682,317**
	NET OPERATING INCOME		**1,283,984**	**1,580,393**
	Senior Bond Service:			
20510	Senior Bond Principal	Debt Service Schedule	340,000	321,246
61100	Senior Bond Interest Expense	Debt Service Schedule	610,830	628,098
	Total Senior Bond Service		950,830	949,344
	Subordinate Bond Service:			
20520	Subordinate Bond Principal	Paid off in October 2009	0	45,000
61200	Subordinate Bonds Interest Exp.	Paid off in October 2009	0	92,343
	Total Subordinate Bond Service		0	137,343
	Total Bond Service		**950,830**	**1,086,687**
1)	**Excess Revenue**		**333,154**	**493,706**
	Application of Budget			
1)	EXCESS REVENUE		333,154	493,706

Marin Valley Mobile Country Club
Proposed Budget Detail 7/1/10 - 6/30/11

Acct #		DETAIL	2010-2011	2009-2010
	Apply as:	Per Trust Indenture, Section 5.03(b)(xxi)(A)(2)		
	Cash Trap	1/2 of excess revenue	166,577	246,853
72000	Owner Expense		25,000	25,000
71000	PAC Expense		4,000	4,000
	Cash Trap	1/2 of excess revenue less Owner/PAC expenses	137,577	217,853

Marin Valley Mobile Country Club

Proposed Budget 7/1/10 - 6/30/11

Acct #		Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Total 2010-11	Total 2009-10
	INCOME														
41110	Mobilehome Space Rent	193,099	193,099	193,099	193,099	193,099	193,099	193,099	193,099	193,099	193,099	193,099	193,099	2,317,185	2,325,807
41300	Late Fees	30	30	30	30	30	30	30	30	30	30	30	30	360	360
41400	Laundry	140	140	140	140	140	140	140	140	140	140	140	140	1,680	1,200
41500	Managers Mobile Home Rent	998	998	998	998	998	998	1,008	1,008	1,008	1,008	1,008	1,008	12,036	11,916
41700	Vehicle Parking Fees	915	915	915	915	915	915	915	915	915	915	915	915	10,980	11,820
	Total Permanent Rent	**195,182**	**195,182**	**195,182**	**195,182**	**195,182**	**195,182**	**195,192**	**195,192**	**195,192**	**195,192**	**195,192**	**195,192**	**2,342,241**	**2,351,103**
42100	Cable TV	9,678	9,678	9,678	9,678	9,678	9,678	9,678	9,678	11,025	11,025	11,025	11,025	121,520	117,149
42200	Electric	10,858	11,257	14,714	17,343	11,599	12,023	11,764	17,794	15,356	10,148	13,690	12,116	158,662	162,912
42300	Garbage	6,683	6,683	6,683	6,683	6,683	6,683	6,683	6,683	6,683	7,350	7,350	7,350	82,197	76,326
42400	Gas	5,792	5,339	5,865	5,973	5,369	10,925	18,692	35,234	30,862	17,525	18,621	12,089	172,286	223,053
42500	Sewer	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	177,345	95,448
	Total Utilities	**47,789**	**47,735**	**51,718**	**54,455**	**48,107**	**54,087**	**61,595**	**84,167**	**78,705**	**60,827**	**65,465**	**57,359**	**712,010**	**674,888**
	Total Income From Park Oper.	**242,971**	**242,917**	**246,900**	**249,637**	**243,289**	**249,269**	**256,787**	**279,359**	**273,897**	**256,019**	**260,657**	**252,551**	**3,054,251**	**3,025,991**
43100	Interest Income	0	0	0	0	0	0	0	0	0	0	0	0	0	3,300
43200	Investment Income				70,000					70,000				140,000	210,000
43300	Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total Other Income	**0**	**0**	**0**	**70,000**	**0**	**0**	**0**	**0**	**70,000**	**0**	**0**	**0**	**140,000**	**213,300**
	TOTAL PROJECT REVENUE	**242,971**	**242,917**	**246,900**	**319,637**	**243,289**	**249,269**	**256,787**	**279,359**	**343,897**	**256,019**	**260,657**	**252,551**	**3,194,251**	**3,239,291**
	EXPENSES														
50100	Wages-Manager	2,193	2,193	2,193	2,193	2,193	2,193	2,236	2,236	2,236	2,236	2,236	2,236	26,575	26,060
50150	Wages-Maintenance	2,465	2,465	2,465	2,465	2,465	2,465	2,515	2,515	2,515	2,515	2,515	2,515	29,880	29,310
50200	Wages-Assistant Maintenance	1,850	1,850	1,850	1,850	1,850	1,850	1,885	1,885	1,885	1,885	1,885	1,885	22,410	21,996
50400	Managers' Mobile Home Rent	998	998	998	998	998	998	1,008	1,008	1,008	1,008	1,008	1,008	12,036	11,916
50500	Travel	50	50	50	50	50	50	50	50	50	50	50	50	600	600
	Total Wages	**7,556**	**7,556**	**7,556**	**7,556**	**7,556**	**7,556**	**7,694**	**7,694**	**7,694**	**7,694**	**7,694**	**7,694**	**91,501**	**89,882**
51100	P/R Taxes	750	750	750	750	750	750	750	750	750	750	750	750	9,000	8,640
51200	Insurance - Health	400	400	400	400	400	400	400	400	400	400	400	400	4,800	7,200
51300	Insurance-Workers Comp	450	450	450	450	450	450	450	450	450	450	450	450	5,400	4,200
	Total P/R Taxes/Insurance	**1,600**	**1,600**	**1,600**	**1,600**	**1,600**	**1,600**	**1,600**	**1,600**	**1,600**	**1,600**	**1,600**	**1,600**	**19,200**	**20,040**
	TOTAL EMPLOYEE COSTS	**9,156**	**9,156**	**9,156**	**9,156**	**9,156**	**9,156**	**9,294**	**9,294**	**9,294**	**9,294**	**9,294**	**9,294**	**110,701**	**109,922**
52100	Cable TV	10,450	10,450	10,450	10,450	10,450	10,450	10,450	10,450	11,495	11,495	11,495	11,495	129,580	117,800
52200	Electric	8,530	9,320	9,252	11,113	7,973	10,487	11,053	11,148	10,807	8,648	8,599	8,845	115,775	125,903
52300	Garbage - contract	7,050	7,050	7,050	7,050	7,050	7,050	7,200	7,200	7,200	7,200	7,200	7,200	85,500	83,700
52310	Garbage	425	425	425	425	425	425	425	425	425	425	425	425	5,100	5,000
52400	Gas	3,793	3,590	3,478	3,513	7,745	25,705	17,714	27,901	18,983	14,293	12,273	4,455	143,443	204,938
52500	Sewer	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	177,345	95,448
52700	Water	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	64,800	59,100
	Total Utilities	**50,427**	**51,014**	**50,834**	**52,730**	**53,822**	**74,296**	**67,021**	**77,303**	**69,089**	**62,240**	**60,171**	**52,599**	**721,543**	**691,889**
53100	Concrete Maintenance	42	42	42	42	42	42	42	42	42	42	42	42	504	500
53200	Fire Abatement	625	625	625	625	625	625	625	625	625	625	625	625	7,500	6,500
53300	Landscape Maintenance	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000	13,980
53400	Manager Home Repairs	83	83	83	83	83	83	83	83	83	83	83	83	1,000	600
53500	Operating Supplies & Equip	400	400	400	400	400	400	400	400	400	400	400	400	4,800	4,800

Marin Valley Mobile Country Club

Proposed Budget 7/1/10 - 6/30/11

Acct #		Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Total 2010-11	Total 2009-10
53600	Pool Supplies & Equipment	300	300	300	300	300	300	300	300	300	300	300	300	3,600	4,500
53700	Repairs & Maintenance	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	29,000	29,000
53900	Street/Parking Lot Maint.	608	608	608	608	608	608	608	608	608	608	608	608	7,296	7,300
54000	System Maintenance - Gas	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	12,500	6,000
54030	System Maintenance - Electrical	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000	15,000
54050	System Maintenace-Generator	275	275	275	275	275	275	275	275	275	275	275	275	3,300	2,400
54100	System Maintenance - Sewer	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000	18,000
54200	System Maintenance - Water	50	50	50	50	50	50	50	50	50	50	50	50	600	600
54300	Tools & Equipment Repair	167	167	167	167	167	167	167	167	167	167	167	167	2,000	2,000
54400	Trees	792	792	792	792	792	792	792	792	792	792	792	792	9,500	8,400
54500	Uniforms	25	25	25	25	25	25	25	25	25	25	25	25	300	300
54600	Utility Maintenance	200	200	200	200	200	200	200	200	200	200	200	200	2,400	2,400
54700	Vehicle Maintenance	250	250	250	250	250	250	250	250	250	250	250	250	3,000	3,000
54800	Contingency	667	667	667	667	667	667	667	667	667	667	667	667	8,000	8,000
	Total Repairs/Maintenance	**11,942**	**11,942**	**11,942**	**11,942**	**11,942**	**11,942**	**11,942**	**11,942**	**11,942**	**11,942**	**11,942**	**11,942**	**143,300**	**133,280**
55100	Advertising & Promotion	50	50	50	50	50	50	50	50	50	50	50	50	600	600
55200	Bank Charges	150	150	150	150	150	150	150	150	150	150	150	150	1,800	1,800
55400	Computer & Copies Supplies	100	100	100	100	100	100	100	100	100	100	100	100	1,200	1,200
55500	Dues & Subscriptions	25	25	25	25	25	25	25	25	25	25	25	25	300	300
55600	Education & Seminars	71	71	71	71	71	71	71	71	71	71	71	71	852	850
55700	Legal	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000	12,000
55800	Licenses & Permits	491	491	491	491	491	491	491	491	491	491	491	491	5,892	4,200
56100	Office Supplies & Equipment	570	570	570	570	570	570	570	570	570	570	570	570	6,840	6,240
56200	Other Expense	42	42	42	42	42	42	42	42	42	42	42	42	504	500
56300	Outside Services	825	825	825	825	825	825	825	825	825	825	825	825	9,900	9,900
56600	Telephone	325	325	325	325	325	325	325	325	325	325	325	325	3,900	3,900
	Total Office & Administration	**3,649**	**3,649**	**3,649**	**3,649**	**3,649**	**3,649**	**3,649**	**3,649**	**3,649**	**3,649**	**3,649**	**3,649**	**43,788**	**41,490**
	TOTAL OPERATING COSTS	**75,173**	**75,760**	**75,580**	**77,476**	**78,568**	**99,042**	**91,905**	**102,187**	**93,973**	**87,124**	**85,055**	**77,483**	**1,019,331**	**976,581**
57050	Research Ownership Alternatives	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	24,996	25,000
57100	FSA Insurance Premium	5,163	5,163	5,163	4,842	4,842	4,842	4,842	4,842	4,842	4,842	4,842	4,842	59,067	63,391
57200	In-Lieu of Tax Fees-Novato	5,489	5,489	5,489	5,489	5,489	5,489	5,489	5,489	5,489	5,489	5,489	5,489	65,868	62,820
57220	Resident Humanitarian Services	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000	10,000
57300	Insurance-Prop & Liability	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	75,000	75,000
57400	Issuer-CLGFA	625	625	625	625	625	625	625	625	625	625	625	625	7,500	7,500
57500	Trustee Fees	675	675	675	675	675	675	675	675	675	675	675	675	8,100	8,100
57600	Management Fees	4,417	4,417	4,417	4,417	4,417	4,417	4,417	4,417	4,417	4,417	4,417	4,417	53,004	53,004
57700	Capital Expenses	45,833	45,833	45,833	45,833	45,833	45,833	45,833	45,833	45,833	45,833	45,833	45,833	550,000	342,102
57800	Arbitrage Fee/Rebate	625	625	625	625	625	625	625	625	625	625	625	625	7,500	7,500
57750	Audit	750	750	750	750	750	750	750	750	750	750	750	750	9,000	9,000
59900	Mobile Home Rent Control Fee	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	18,900	18,900
	Total Project Fees Costs	**74,485**	**74,485**	**74,485**	**74,164**	**74,164**	**74,164**	**74,164**	**74,164**	**74,164**	**74,164**	**74,164**	**74,164**	**890,935**	**682,317**
	NET OPERATING INCOME	**93,312**	**92,671**	**96,834**	**167,996**	**90,556**	**76,062**	**90,717**	**103,007**	**175,759**	**94,730**	**101,437**	**100,903**	**1,283,985**	**1,580,393**
	Senior Bond Service:														
20510	Senior Bond Principal	27,083	27,083	27,083	28,750	28,750	28,750	28,750	28,750	28,750	28,750	28,750	28,750	340,000	321,246
61100	Senior Bond Interest Expense	51,999	51,999	51,999	50,537	50,537	50,537	50,537	50,537	50,537	50,537	50,537	50,537	610,830	628,098
	Total Senior Bond Service	**79,083**	**79,083**	**79,083**	**79,287**	**79,287**	**79,287**	**79,287**	**79,287**	**79,287**	**79,287**	**79,287**	**79,287**	**950,830**	**949,344**

Marin Valley Mobile Country Club

Proposed Budget 7/1/10 - 6/30/11

Acct #		Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Total 2010-11	Total 2009-10
	Subordinate Bond Service:														
20520	Subordinate Bond Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	45,000
61200	Subordinate Bonds Interest Exp.	0	0	0	0	0	0	0	0	0	0	0	0	0	92,343
	Total Subordinate Bond Service	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**137,343**
	TOTAL BOND SERVICE	**79,083**	**79,083**	**79,083**	**79,287**	**79,287**	**79,287**	**79,287**	**79,287**	**79,287**	**79,287**	**79,287**	**79,287**	**950,830**	**1,086,687**
	EXCESS REVENUE	**14,230**	**13,589**	**17,752**	**88,709**	**11,269**	**-3,225**	**11,430**	**23,720**	**96,472**	**15,443**	**22,150**	**21,616**	**333,155**	**493,706**

Revised April 29, 2010

Proposed Capital Expenditure Forecast
2010-2020

CAPITAL COMPONENT	Act/Proj. 2009-2010	YEAR 1 2010-2011	YEAR 2 2011-2012	YEAR 3 2012-2013	YEAR 4 2013-2014	YEAR 5 2014-2015	YEAR 6 2015-2016	YEAR 7 2016-2017	YEAR 8 2017-2018	YEAR 9 2018-2019	YEAR 10 2019-2020
ASPHALT/STREETS	thru 03/10										
Overlay	60,000	38,000									
Repairs		5,000		10,000			5,000			5,000	
Seal Coat/Restripe/	20,000					35,000					
Crack Fill	4,995					7,500					
Driveways & Cul de sacs		40,000	40,000	40,000		40,000		40,000		40,000	
CLUBHOUSE											
Earthquake Proof											
Exterior Paint		25,000									
HVAC											
Air Conditioning(2) - great hall		20,000									
Heat (5)											
Deck/Rails & Dryrot Repair (rear deck)	40,000	25,000									
Water Heaters (2)											
Kitchen Remodel - stove											
New Ballroom Floor			15,000								
New East Wall		90,000									
New East Wall Windows		30,000									
Bathroom Remodel for Disabled (H/C) - womens	12,000										
Windows and Doors		50,000									
Insulation			10,000								
Ballroom Floor					20,000						
Bathroom (Women's)											
Clubhouse Flat Roof, Laundry Room Roof & Misc Repairs											
Photovoltaic System							75,000				
Emergency Generator		40,000									
POOL LANAI											
POOL/SPA											
Pool Deck	40,000										
PARK IMPRV-STREET LIGHTS											
GEO TECHNICAL											
Slopes/Drains/V-ditches	5,000	40,000	40,000	40,000	40,000	25,000	25,000	25,000	25,000	25,000	25,000
Retaining Walls	50,000	75,000	75,000	75,000	75,000	75,000					
Kleinfelder Recommendations	5,417										
SEWER											
Remedy Excessive Water Intrusion / Las Gallinas		40,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
GAS REPAIRS	6,321	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
ELECTICAL REPAIRS		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Park Vehicle (truck)											
Disaster Planning											
St. Vincents Runoff Issue		7,500									
Sub Total	243,733	547,500	205,000	190,000	160,000	207,500	130,000	90,000	50,000	95,000	50,000
LONG TERM -											
Balance (including contribution 2010-11)											
EMERGENCY SLOPE ($46,113)	50,000	178,162	10,000	10,000	15,000	10,000	10,000	15,000	10,000	10,000	10,000
CONTINGENCY ($30,000)	50,000	100,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
INFRASTRUCTURE ($214,500)	64,000	278,500	50,000	50,000							
Sub Total Long Term Projects	164,000	556,662	80,000	80,000	35,000	30,000	30,000	35,000	30,000	30,000	30,000
Total Projected Expenditures and Long Term Funds	407,733	1,104,162	285,000	270,000	195,000	237,500	160,000	125,000	80,000	125,000	80,000
For Information Only:											
Beginning Balance Capital Fund Includes carryover from prior year incl interest:	290,051										
Contribution (2009-10 budget $342,102+$28,000)	370,102										
Total Available	660,153										
less actual/projected spent	-243,733										
add interest received on account	7,742										
Projected Balance 6/30/10 Capital Account	424,162										
Resolution R-1-10 funds to be deposited May 2010	130,000										
Contribution per Budget 2010-2011	550,000										
Total Available for the 2010-2011 budget including long term balances	1,104,162										

LOAN PAYMENT SCHEDULE

FOR ALLOCATION DATES DURING EFFECTIVE PERIOD*

$15,485,000
SENIOR REVENUE BONDS, SERIES 1997A
(MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT)
ISSUED FOR THE BENEFIT OF
THE NOVATO FINANCING AUTHORITY (CALIFORNIA)
FACILITATED BY THE
CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

*Effective Period 7/01/10-6/30/11

A Monthly Interest Payment on Senior Bonds (1)	B Monthly Principal Payment on Senior Bonds (1)	C Reserve Costs	D Replacement Reserve Fund (2)	E Fees and Expenses	F Management Fee and Monthly Operating Expenses
		Insurance		Trustee	Management Fee
51,999.00 (7/10-9/10)	27,083.00 (7/10-9/10)	4,585.00 (7/10-12/10)	45,833.00 (7/10-6/11)	675.00 (7/10-6/11)	4,417.00 (7/10-6/11)
				Issuer CLGFA	Operating Expenses
50,537.00 (10/10-6/11)	28,750.00 (10/10-6/11)	5,181.00 (1/11-3/11)		625.00 (7/10-6/11)	(3)
		4,585.00 (4/11-6/11)		FSA Premium 5,163.00 (7/10-9/10)	
		In-Lieu Taxes 5,489.00 (7/10-6/11)		4,842.00 (10/10-6/11)	

(1) If dollar amounts for a payment change during the year, the month of change is indicated and the new amount is inserted where that amount can be calculated based upon the information available on date of completion.
(2) Three hundred fifteen units at $1,746.03 per unit per annum effective July 1, 2010
(3) See Operating Budget

E-2

MEMORANDUM

MEETING DATE:	June 21, 2010
TO:	Chair MacLeamy and Board Members
FROM:	Cathy Capriola, Assistant Agency Executive Director Veronica A. F. Nebb, Agency Counsel Tim Wong, Housing Coordinator
SUBJECT:	Direction Regarding Process and Negotiation Timeline for Renegotiation of and Description of the Major Provisions of the Marin Valley Mobile Country Club Park Delegation Agreement

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REQUEST

Consider providing direction to staff regarding a process for public input and overall negotiations approach relating to consideration of renegotiation of the Marin Valley Mobile Country Club Park Delegation Agreement.

DISCUSSION

Pursuant to the terms of the Marin Valley Mobile Country Club Park Delegation Agreement (Agreement), the Agreement is subject to periodic renegotiation at certain specified periods. The first such specified period begins on October 1, 2010 and ends on January 31, 2011. During this period, NFA and PAC representatives are to meet to review the agreement and, if necessary, to renegotiate one or more of the terms thereof. If the NFA and PAC agree to modifications of the Delegation Agreement, then the modifications become incorporated as amendments. The modifications require written approval of the Financial Security firm also.

Prior to the start of the negotiation period, the NFA Board will need to understand the terms of the Agreement and provide any necessary direction to staff. In order to gain input from residents and direction from the NFA Board, staff is recommending a process for input and discussion prior to the start of negotiations.

PROCESS AND TIMELINE

The renegotiation of the Delegation Agreement must comply with the Brown Act with as much transparency as allowable for the confidence of residents and the public. Staff recommends that the process include the following components – education and information; input and feedback by residents; direction by the NFA; negotiation; and finally agreement on any modifications to

the Delegation Agreement. The goal is to gain input and direction in August and September, negotiate in October through December, and finalize the Agreement for consideration and approval in January.

Staff recommends that the NFA Board provide direction to staff regarding negotiations on the Delegation Agreement in open session on September 20. The actual negotiations between NFA staff and the PAC will be held in private meetings. Staff proposes that would an ad-hoc sub-committee (2 members) of the NFA be appointed to be available for staff to review negotiations ideas or proposals with prior to bringing back to the full NFA Board. Staff recommends that the Chair of the NFA be one of the two Ad-Hoc committee members. In addition, staff also recommends that the PAC appoint two members to serve on the ad-hoc committee to negotiate directly with staff.

Below is a draft approach and timeline for consideration by the NFA.

Date	Responsible Party	Action / Event
June 21	NFA Staff	NFA Regular Meeting -- Provide overview of information on the Delegation Agreement and gain initial input on process for renegotiation.
August 22	NFA Workshop	NFA Special Meeting -- Hold workshop for resident input (evening session).
September 20	NFA Meeting	Regular Meeting – NFA Board to provide direction to staff regarding negotiation of the Delegation Agreement.
October 1	NFA & PAC	Window opens for negotiations.
January 18	NFA meeting	Regular meeting – Action on the Delegation Agreement
January 31	NFA & PAC	Deadline for an Agreement to be negotiated and approved.

MAJOR PROVISIONS OF EXISTING AGREEMENT

The Delegation Agreement (Agreement) is the agreement by which the Novato Financing Authority (NFA) delegates to the Park Acquisition Corporation (PAC) the responsibility for the day to day operation and control of the Park. The Agreement provides basic direction to the PAC regarding operation and control of the park in order to be in conformance with the bond financing documents. In addition the Agreement provides that the PAC must retain and maintain the services of a professional management company. The Delegation Agreement includes, as an attachment, the terms of the required Management Agreement.

The Delegation Agreement and the Management Agreement are posted on the MVMCC web site for easy access. Below are the locations.

Delegation Agreement, http://www.mvmcc.com/pdfs/Delegation%20Agreement.pdf
Management Agreement, http://www.mvmcc.com/pdfs/Frei-management-Agreement.pdf

The following are the major points of the Marin Valley Mobile Country Club Park Delegation Agreement.

- Parties: The current parties to the Agreement are the NFA, as the Owner of the mobile home park, and the Park Acquisition Corporation (PAC).

- Current Term: The current term of the Agreement expired on December 31, 1997 and has been subject to automatic annual renewal each year thereafter. Automatic annual renewal ceases upon the occurrence of any one of the following events: a) the occurrence of an event of default under the Trust Indenture, this Agreement or a Trigger event exists; b) either party gives written notice to the other party of its intent to not extend the term of the Agreement (note that in order for the PAC to terminate it must have the consent of FSA, NFA termination requires no such consent); or c) the parties can not reach an agreement at one of the Periodic Renegotiation stages (see below)

- Obligations on Termination: Upon the termination of the Agreement, the PAC will no longer manage the park and the NFA will assume the duties currently being performed by the PAC pursuant to the Loan Documents, including the obligation to enter into an agreement with a Property Manager. The PAC is obligated to cooperate with the NFA regarding effecting the termination and turning over all documents and records to the NFA.

- Periodic Renegotiation: As noted above, pursuant to Section 4.02 of the Agreement, periodic renegotiation of the Agreement is to take place at particularly scheduled intervals set as October 1, 2010 and October 1, 2025. During the period between October 1 and January 31 of the following year, the parties agree to meet in order to review the Agreement and, if necessary renegotiate one or more of its terms. If the parties agree to the modifications and if FSA, the bond insurer consents to such modifications, the modifications shall be incorporated into the Agreement by amendment. If the parties do not, after good faith negotiations, agree to the modifications, the Agreement shall terminate on January 31.

- Operation of the Park: The Agreement provides that the park shall be operated in accordance with the all of the Mortgage Loan Documents and that the PAC is obligated to retain a Property Manager at all times and have in effect a Management Agreement in substantially the form as the current Management Agreement.

- Financial Reporting: The Agreement provides that a Profit and Loss Statement, Cash Flow Statement, Balance Sheet and Budget Control Report shall be provided by the PAC to the NFA and FSA monthly and requires an annual audit.

- Indemnification and Insurance: The PAC must indemnify, defend and hold harmless the NFA, FSA, CLGFA and the Trustee relating to the operation and control of the park and the activities of the PAC and cause the Property Manager to maintain insurance coverage.

- Default: The following actions constitute an event of default and breach of the Agreement:

    - PAC being denied any license legally required to operate a mobilehome park or PAC ceasing to operate the park.

    - Failure of PAC to make any payments due under any of the Mortgage Loan Documents.

    - A general assignment or general arrangement for the benefit of creditors, petition of bankruptcy or reorganization is made by the PAC or there is a trustee or receiver appointed or attachment of assets relating to the PAC.

    - Any representations or warranties of the PAC shall prove to be untrue or incorrect in any material respect as of the date made or deemed to be made.

    - A continuing violation or breach of any covenant or material term of the Agreement or the Mortgage Loan Documents to which PAC is a party.

    - Failure of the PAC to have a property manager.

    - Failure of the PAC to respond in a timely manner to any written inquiry of the NFA or FSA pertaining to any reports required pursuant to the Management Agreement.

    - Any event of default pursuant to the Management Agreement has occurred.

    - An event of default has occurred under any agreement pertaining to the park into which the PAC or the Property Manager have entered.

    - Required insurance is not procured or maintained.

RECOMMENDATION

Provide direction to staff on the process and timeline for renegotiation of the Delegation Agreement. Request any additional information or research to be completed.

ATTACHMENTS

Draft Process and Timeline
Current Delegation Agreement
Current Management Agreement

2010 Process & Timeline - DRAFT

Renegotiation of Delegation Agreement between Novato Financing Authority and PAC

Date	Responsible Party	Action / Event
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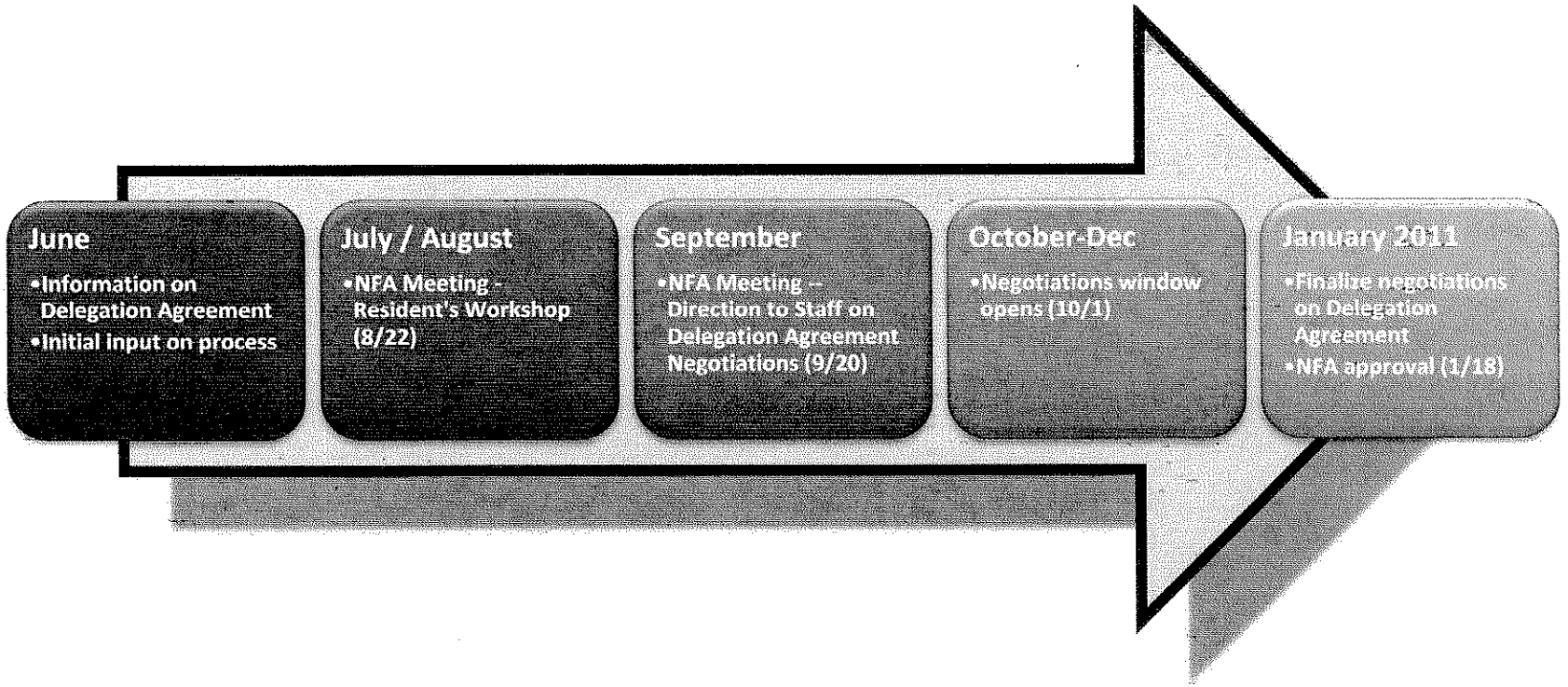

MARIN VALLEY MOBILE COUNTRY CLUB PARK DELEGATION AGREEMENT

between

NOVATO FINANCING AUTHORITY

and

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB

Dated as of March 1, 1997

$15,485,000
SENIOR REVENUE BONDS, SERIES 1997A
(MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT)
ISSUED FOR THE BENEFIT OF THE
NOVATO FINANCING AUTHORITY (CALIFORNIA)
FACILITATED BY THE
CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

and

$1,585,000
SUBORDINATE REVENUE BONDS, SERIES 1997B
(MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT)
ISSUED FOR THE BENEFIT OF THE
NOVATO FINANCING AUTHORITY (CALIFORNIA)
FACILITATED BY THE
CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY

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MARIN VALLEY MOBILE COUNTRY CLUB PARK DELEGATION AGREEMENT

This Marin Valley Mobile Country Club Park Delegation Agreement (this "Agreement") is made and entered into as of March 1, 1997 between Novato Financing Authority (the "Owner"), a joint powers authority duly organized and existing under the constitution and laws of the State of California and the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC"), a California nonprofit, mutual benefit corporation duly organized and existing under the laws of the State of California.

STATEMENT OF AGREEMENT AND PREAMBLE

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

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

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

WHEREAS, the Owner desires to borrow the proceeds of the Senior Bonds and Subordinate Bonds (the "Bonds") from CLGFA (the "Loan") for the purpose of providing the permanent financing for the acquisition and improvement of the Marin Valley Mobile Country Club Park (the "Project") by the Owner; and

WHEREAS, in order to establish and declare the terms and conditions upon which the PAC will perform certain obligations and duties with respect to the Project, the Owner and the PAC wish to enter into this Agreement; and

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

NOW, THEREFORE, in consideration of, and in reliance upon, the covenants and conditions contained in this Agreement to be kept and performed by the respective parties, it is mutually agreed as follows:

ARTICLE I

RELATIONSHIP OF THE PARTIES

This Agreement shall govern the relationship of the parties hereto as to the operation and control of the Project and associated facilities.

Section 1.01. ***The Owner***. The Owner will hold title to the Project.

Section 1.02. ***The PAC***. In performing its obligations under this Agreement, the PAC is engaged solely in the capacity of an independent contractor. It is expressly understood that no relationship between the Owner or the State of California and the PAC, other than that of independent contractor, has been or is intended to be created by this Agreement. This Agreement does not constitute, and the parties to it do not intend it to create a partnership or a joint venture, or the relationship of master and servant or principal and agent.

ARTICLE II

DEFINITIONS

The capitalized terms used herein which are included as defined terms in the Indenture shall have the same meanings defined for and assigned to them in the Indenture. Additionally, for the purposes of this Agreement, the following additional terms shall have the following meanings:

"*Audited Financial Statements*" means the balance sheet relating to operations of the Project pursuant to this Agreement as of the end of each Fiscal Year during the Term and the related statements of earnings and cash flows for the year then ended, prepared in accordance with generally accepted accounting principles and accompanied by an opinion thereon issued by an independent certified public accountant or accounting firm selected by the PAC and approved by the Owner and Financial Security in accordance with Section 8.03.

"*Bond*" or "*Bonds*" means, collectively, any one or all, as the case may be, of the Senior Bonds and the Subordinate Bonds.

"*Budget*" means income and expense projections for the Fiscal Year as required under the Management Agreement.

"*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 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 capital expenditure plan submitted by the Owner (or the Property Manager on its behalf) and approved by the Controlling Party, as provided in the Management Agreement and the Loan Agreement.

"*Effective Date*" means March 13, 1997.

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

"*Hazardous Material*" has the meaning set forth in Section 15.02.

"*Indenture*" means that certain Trust Indenture, dated as of March 1, 1997, by and between CLGFA and the Trustee, pursuant to which the Bonds are issued and secured, together with any amendments or supplements thereto.

"*Management Agreement*" means the management agreement in substantially the form set forth in Exhibit A hereto to be entered into between the Property Manager and the PAC.

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

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

"*Project*" means the Marin Valley Mobile Country Club Park as more fully described in the Loan Agreement.

"*Property Manager*" means, initially, Storz Management Company, Inc., and any successor property manager appointed in accordance with the terms and provisions of the Management Agreement.

"*Records*" has the meaning set forth in Section 8.01.

"*Renegotiation Year*" has the meaning set forth in Section 4.02.

"*Term*" means, as applicable, the Initial Term and each Subsequent Term (as such terms are defined in Section 4.01 hereof).

ARTICLE III

THE PROJECT

The Owner, in reliance upon and in consideration of the representations, warranties, covenants and conditions contained in this Agreement, grants to the PAC, and the PAC, in reliance upon and in consideration of the representations, warranties, covenants and conditions contained in this Agreement, accepts from the Owner, subject to the restrictions stated in this Agreement, the exclusive right to operate and control the Project for the purpose of providing land and a portion of the mobilehome sites located at the Project to persons and families of low or moderate income within the City of Novato, California; provided that the PAC is obligated to enter into a Management Agreement, in form and substance satisfactory to Financial Security, with a Property Manager approved by the Owner (which approval may not be unreasonably withheld and shall not be required if a Trigger Event or an Event of Default under the Indenture exists) and Financial Security, and to have such an agreement in effect at all times. The Owner hereby approves the form of Management Agreement attached hereto as Exhibit A and approves the initial Management Agreement with the initial Property Manager.

ARTICLE IV

TERM OF AGREEMENT

Section 4.01. ***Term of Agreement.*** The initial term of this Agreement (the "Initial Term") shall be for the period beginning on the Effective Date and ending on the 31st day of December, 1997. On January 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 the Indenture, a default exists under this Agreement or a Trigger Event exists, or (b) the Owner or the PAC (with the consent, which shall not be unreasonably withheld, or at the direction, of Financial Security) 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 (c) the parties hereto are unable to reach an agreement as described in Section 4.02 herein. If an Event of Default under the Indenture, a default under this Agreement or a Trigger Event exists, this Agreement may not be extended for a Subsequent Term without the prior written consent of Financial Security, such consent to be in its sole discretion. Upon the termination or expiration of this Agreement, the Owner shall become obligated to assume immediately all of the PAC's duties, obligations and rights contained in the Mortgage Loan Documents including, without limitation, the obligation to enter into the Management Agreement with the Property Manager.

Section 4.02. ***Periodic Renegotiation***. On October 1, 2010 and on October 1, 2025, this Agreement shall be subject to review by both parties hereto. During this review period, the parties agree to meet together at mutually agreeable times for the review of this Agreement and, if necessary, to renegotiate one or more of the terms hereof. If the parties agree to modifications of this Agreement, such modifications, if consented to in writing by Financial Security, shall be incorporated herein by amendment as hereinafter provided, such amendments to become effective on the date stipulated therein.

If, after good faith negotiations, the parties cannot reach agreement on the proposed changes noticed for renegotiation by January 31 of the immediately succeeding year, this Agreement shall terminate as of such January 31.

Section 4.03. ***[RESERVED]***.

Section 4.04. ***Duties Upon Termination***. (a) Upon the termination of this Agreement, the appointment of the PAC shall terminate.

(b) In the event the PAC's duties, responsibilities and liabilities hereunder are terminated pursuant to this Agreement, the PAC 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 or the Owner. Furthermore, the PAC agrees to cooperate with the Owner, the Trustee and Financial Security and any successor hereunder in effecting the termination of the PAC's duties and responsibilities hereunder. The PAC shall, upon the request of the Owner but at the expense of the PAC, deliver to the Owner or the successor delegate all files, documents and records (including computer tapes and diskettes including data but not programs) relating to the Project, and otherwise use its best efforts to effect the orderly and efficient transfer of its rights, duties and responsibilities to the assuming party. The Owner and the PAC agree to perform their respective duties and obligations contained in the Mortgage Loan Documents.

ARTICLE V

OPERATION AND CONTROL OF THE PROJECT

Section 5.01. ***Operation of the Project***. The PAC agrees to operate, maintain and control the Project in accordance with the terms of the Mortgage Loan Documents. The PAC agrees to retain at all times the Property Manager and other experts experienced with providing management, advice and other duties with respect to mobile home parks in order to effectively perform its duties and responsibilities herein set forth. The fees and expenses of the Property Manager and other such experts shall be set forth in the Operating Budget and paid solely from Revenues of the Project as provided in Section 5.03(b) and (c) in the Indenture. The PAC shall enter into a Management Agreement with the Property Manager in substantially the form set

forth in Exhibit A, with only such changes therein as shall be approved in writing by the Owner (which approval may not be unreasonably withheld) and Financial Security. If the Property Manager fails to perform any or all of its obligations under the Management Agreement in any material respect, the PAC agrees to immediately notify the Owner and Financial Security in writing of such failure and, if directed by the Owner, with the consent of Financial Security, or by Financial Security, shall take such action as so directed by such party. The PAC shall not use or permit the Project, or any portion thereof, to be used for any purposes other than that set forth herein and in the Management Agreement, except as otherwise mutually agreed upon with the Owner with the prior written consent of Financial Security.

Section 5.02. ***Owner's Right of Entry***. The Owner and Financial Security shall have the right, at reasonable times during the term of this Agreement, to enter upon the Project to the extent necessary to inspect the Project and the Records of the Project as described in Section 8.01 hereof.

ARTICLE VI

CONSIDERATION

The PAC shall not be entitled to receive compensation for its services hereunder, but shall be reimbursed for its actual verified expenses incurred in performing such services, including, but not limited to, reasonable fees and expenses of its counsel and the costs of an errors and omissions insurance policy. Such expenses shall be payable as follows: (i) an amount not to exceed $1,000 each Fiscal Year shall be included in the Budget as an operating expense, payable from Revenues of the Project as provided in Section 5.03(b) and (c) of the Indenture. The PAC shall provide a certificate to Financial Security setting forth all expenses incurred in performing such services. Except as specifically set forth in the immediately preceding sentence, neither the PAC nor any officers, directors or employees of the PAC shall be permitted to receive or handle any funds related to the Project and the Bonds, it being expressly understood that the Property Manager shall have the sole right to collect revenues and other amounts related to the Project to be deposited into the Deposit Only Account, and to, receive certain amounts from the Trustee in order to maintain and operate the Project.

ARTICLE VII

BUDGET APPROVAL AND EXPENDITURE LIMITATIONS

Section 7.01. ***Annual Budget Approval***. The PAC shall ensure that a Budget is prepared for the Project pursuant to Section 9 of the Management Agreement.

Section 7.02. ***Expenditure Limitations***. The PAC agrees that the following limitations will apply to its activities as they relate to financial matters:

(a) No member of the PAC's Board of Directors shall be entitled to receive any compensation for service in that capacity. The PAC's Board of Directors shall certify to the Owner on the Closing Date that none of such Directors have received any compensation from Bond proceeds or any other source of Bond proceeds or Project funds.

(b) The annual expenditures for the Property Manager and other experts with respect to the Project shall be reasonable in amount and shall be contained in the Budget.

(c) No expenditures related to the Project shall be inconsistent with the usual good practices in the mobilehome park industry in the San Francisco Bay area. All expenditures related to the Project shall, in the best business judgment of the PAC and the Property Manager be made for the benefit of the Project.

Section 7.03. ***Monthly Reports***. On the twentieth day of each month, commencing May 20, 1997, the PAC will cause the Property Manager to 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.

ARTICLE VIII

RECORDS, REPORTS AND AUDITS

The PAC shall cause the Property Manager to maintain the books and records of the Project on an accrual basis and the books and records shall be audited annually by a firm of nationally recognized certified public accountants acceptable to Financial Security and the Owner.

Section 8.01. ***Maintenance of Records***. The PAC shall cause the Property Manager to maintain, at the offices of the Project during the Term of this Agreement, papers, contracts, books, ledgers, journals, accounts and other data (collectively referred to as "Records") which (a) reflect the identity and interest of all persons having any beneficial interest, whether direct or indirect, in the PAC or the Project; (b) reflect the identity and capacity of all officers, directors and other persons having managerial responsibility of and for the PAC or the Project; (c) reflect all of the business activities of the Project; and (d) verify compliance with the provisions of the Pledge Agreement. These Records shall include, but not be limited to, the financial and other Records which reflect all of the receipts and disbursements of whatever nature from, on and after the date of delivery of the Bonds related to the Project.

Section 8.02. ***Examination of Records***. The PAC shall permit the Owner and Financial Security to examine and, at the expense of the Project, to have copies made of all Records required to be maintained pursuant to this Section. Any such examination and copying shall be during reasonable business hours and upon the giving of reasonable notice to the PAC or the Property Manager.

Section 8.03. ***Financial Statements***. The PAC shall cause to be furnished to the Owner and Financial Security quarterly and annual financial statements with respect to the Project and the Agency in accordance with Section 2.02(c) of the Insurance Agreement. The expense of such audit shall be paid or reimbursed from the Revenues of the Project as an operating expense included in the Budget.

Section 8.04. ***Reports and Certificates***. The PAC hereby undertakes to provide or cause the Property Manager to provide all reports and certificates required to be provided by the Owner pursuant to the Mortgage Loan Documents.

Section 8.05. ***Location of Records***. The Records shall be kept and maintained in such a manner as is usual and customary for businesses of the same type conducted in the State of California at the time. In no event, however, shall those Records be less detailed and complete than is customary or required by law for privately held businesses of the same type in the State of California at the time of the execution of this Agreement. The PAC may destroy or dispose of any Records which are five years or more of age after such Records have been offered to the Owner and Financial Security for retention and/or copying.

ARTICLE IX

MAINTENANCE AND ALTERATIONS TO THE PROJECT

Section 9.01. ***Personal Property***. The PAC shall provide and maintain in good repair all personal property and equipment which may be necessary to enable the PAC to operate the Project for the purposes authorized by this Agreement and to fulfill its obligations under this Agreement. Other than with respect to the Project, the Owner shall not be permitted the use of any personal property or equipment of the Project during the term of this Agreement. The Owner is not required to furnish or maintain any items of personal property or equipment.

Section 9.02. ***Mechanics Liens***. During the term of this Agreement, the PAC will not in any way encumber or cloud the title to the Project, or any part thereof, and will promptly pay and discharge any and all debts contracted by it in reference thereto for labor, material, or services or anything connected with or used by it upon the Owner's property to the end that no liens shall attach thereto.

If, nevertheless, any such lien shall be recorded, such lien may be contested in good faith by the PAC with the written consent of Financial Security.

ARTICLE X

[RESERVED]

ARTICLE XI

[RESERVED]

ARTICLE XII

INDEMNIFICATION AND INSURANCE

Section 12.01. ***Indemnification***. The PAC agrees to indemnify, defend and hold harmless the Owner, Financial Security, CLGFA and the Trustee and its respective officers, agents, servants and employees, from any and all claims, demands, suits, causes of action or damages, of any kind or character, including reasonable attorneys' fees, and by whomever claimed, arising out of or in any way connected with (i) the operation and control of the Project by the PAC, (ii) any of the activities of the PAC, its agents, contractors, employees, concessionaires or assigns, conducted upon the Project or in connection with the operation and control of the Project, (iii) the PAC's performance under this Agreement or any other agreement to which the PAC is a party which pertains to the Project, (iv) the PAC's violation of or noncompliance with any applicable law, ordinance or regulation, and/or (v) the PAC's violation of any law, ordinance or regulation governing or pertaining to Hazardous Materials. However, the PAC shall have the right to contest the validity of any and all claims and demands and defend any and all such suits, causes of action, and claims for damages, of any kind or character and by whomsoever claimed, as the PAC may deem necessary or proper.

Section 12.02. ***Insurance Coverage***. The PAC shall cause the Property Manager to maintain in full force and effect at all times during the Term of this Agreement, the insurance coverage required under the Loan Agreement and the Insurance Agreement as required by Section 8 of the Management Agreement.

Section 12.03. ***Evidence of Insurance***. Evidence of insurance shall be provided by the PAC to the Owner, CLGFA and Financial Security prior to the commencement of the Term of this Agreement and otherwise at such times and in such manner as the Owner, CLGFA or Financial Security shall from time to time request.

ARTICLE XIII

ASSIGNMENT

The PAC shall not assign, mortgage, pledge, hypothecate or otherwise dispose of this Agreement, or any of its rights, privileges, or obligations under this Agreement, or the Project or any portion of the Project, nor shall the PAC suffer any other person to operate the Project or any portion thereof, without the prior written consent of the Owner and Financial Security, and then only upon such terms and conditions as may be prescribed by the Owner and Financial Security. Any consent granted shall not be deemed to confer any right upon the PAC to

thereafter do or suffer any of these prohibited acts. A majority of the PAC's board of directors shall consist of tenants at the Project.

ARTICLE XIV

DEFAULT AND REMEDIES

The performance of each of the PAC's obligations under this Agreement is a condition as well as a covenant. The PAC's right to continue its operation and control of the Project is conditioned upon such performance.

Section 14.01. ***Events of Default.*** The occurrence of any of the following shall constitute a default and breach of this Agreement by the PAC:

(a) If the PAC is denied any license legally required to operate a mobilehome park or if the PAC ceases to operate the Project.

(b) If the PAC fails to cause to be made any payment required by this Agreement, the Loan Agreement or the Insurance Agreement or any other charge to be paid by the PAC as and when due, where such failure continues for one Business Day after written notice thereof by the Owner, the Trustee or Financial Security to the PAC.

(c) If (i) a general assignment or general arrangement for the benefit of creditors made by the PAC; (ii) a petition for adjudication of bankruptcy or reorganization or rearrangement is filed by or against the PAC; (iii) there is appointed a trustee or receiver to take possession of substantially all of the PAC's assets; or (iv) substantially all of the PAC's assets are subjected to attachment, execution or other judicial seizure which is not discharged within 30 days.

(d) Any representation or warranty made by the PAC under this Agreement, the Loan Agreement, the Management Agreement, the Insurance Agreement or any other agreement related to the Project or the Bonds to which the PAC is a party, or in any certificate or report furnished under this Agreement, the Loan Agreement, the Management Agreement, the Insurance Agreement or any other agreement related to the Project or the Bonds to which the PAC is a party, shall prove to be untrue or incorrect in any material respect as of the date when made or deemed to be made.

(e) A continuing violation or breach of any covenant or material term of this Agreement, the Loan Agreement, the Management Agreement, the Insurance Agreement or any other agreement related to the Project or the Bonds to which the PAC is a party (other than a failure or breach described in another paragraph of this Section 14.01) for a period of 30 days after written notice of such breach is given to the PAC by the Owner, the Trustee 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 PAC shall have given notice to Financial Security, the Trustee and the Owner of corrective action it proposes to take, which corrective action is consented to in writing by the Owner, the Trustee and Financial Security, which consent shall not be unreasonably withheld or delayed, and the PAC shall thereafter pursue such corrective action diligently until such default is cured.

(f) Failure of the PAC to have a Property Manager operating the Project and a Management Agreement in effect at all times.

(g) Failure of the PAC to respond, in a timely manner, to any written inquiry of the Owner or Financial Security pertaining to any reports prepared pursuant to the Management Agreement.

(h) An "Event of Default" has occurred under the Management Agreement.

(i) An "Event of Default" has occurred under any agreement pertaining to the Project into which the PAC and/or the Property Manager have entered into.

(j) Any action or lawsuit is filed by the PAC against the Owner.

(k) If any insurance is not procured or maintained as provided for in this Agreement as the result of any act or omission by the PAC.

Section 14.02. ***Rights and Remedies***. Upon the occurrence of a default by the PAC, and at any time thereafter, with or without further notice or demand and without limiting the Owner in the exercise of any right or remedy which it may have, Financial Security or the Owner (with Financial Security consent) shall be entitled to terminate the PAC's rights hereunder by any lawful means, in which case this Agreement shall terminate and the PAC shall immediately surrender any and all control over the Project to the Owner. In such event, the Owner shall have the immediate right to remove all persons and property of the PAC and such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of, the PAC, all without service of notice or resort to legal process and without becoming liable for any loss or damage which might be occasioned thereby.

Section 14.03. ***Procedure for Termination***. The Owner shall not be deemed to have terminated this Agreement, the PAC's rights hereunder or the liability of the PAC to pay any payment required under this Agreement, the Loan Agreement or the Insurance Agreement thereafter to accrue or its liability for damages under any of the provisions hereof, unless the Owner shall have notified the PAC in writing that it has so elected to terminate this Agreement.

Section 14.04. ***Cumulative Nature of Remedies***. All rights, options and remedies of the Owner contained in this Agreement shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and the Owner shall have the right to pursue any one

or all of such remedies or any other remedy or relief which may be provided by law whether or not stated in this Agreement.

Section 14.05. ***No Waiver.*** No waiver of any default of the PAC hereunder shall be implied from any omission by the Owner or Financial Security to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect default other than as specified in that waiver. The consent or approval by the Owner or Financial Security to or of any act by the PAC requiring the Owner's or Financial Security's consent or approval shall not be deemed to waive or render unnecessary the Owner's or Financial Security's consent to or approval of any subsequent similar acts by the PAC. No waiver by the Owner or Financial Security of a breach of any of the terms, covenants or conditions of this Agreement by the PAC shall be construed or held to be a waiver of any succeeding or preceding breach of the same or any other term, covenant or condition.

ARTICLE XV

HAZARDOUS MATERIALS

Section 15.01. ***Prohibition of Storage.*** The PAC shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Project, by the PAC, its agents, employees, contractors or invitees in a manner or for a purpose prohibited by any governmental agency or authority. If the presence of any Hazardous Material on the Project caused or permitted by the PAC prior to or during the term of this Agreement results in any contamination of the Project, the PAC shall promptly take all actions at its sole expense as are necessary to return the Project to the condition existing prior to the introduction of any such Hazardous Material to the Project, provided that the Owner's consent to such action shall first be obtained.

Section 15.02. ***Definition of Hazardous Material.*** As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is (a) defined as a "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7 or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law); (b) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 2, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act); (c) defined as a "hazardous material," "hazardous substance" or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Substances); (d) petroleum; (e) asbestos; (f) listed under Article 9 and defined as hazardous or extremely hazardous pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20; (g) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317); (h) defined as a "hazardous waste" pursuant to Section 1004 of the Federal

Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, *et seq.* (42 U.S.C. Section 6903); or (i) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. Section 9601, *et seq.* (42 U.S.C. Section 9601).

ARTICLE XVI

COMPLIANCE WITH LAW

The Owner represents and warrants to the PAC that this Agreement has been authorized and entered into by the Owner in compliance with all applicable laws. The PAC represents and warrants to the Owner that this Agreement has been authorized and entered into by the PAC in compliance with all applicable laws.

ARTICLE XVII

MISCELLANEOUS PROVISIONS

Section 17.01. ***California Law Governs.*** This Agreement shall be governed by and construed in accordance with the laws of the State of California. The reference in this Agreement to any legislation shall be read as though the words for any statutory modifications or reenactments thereof or any statutory provisions substituted therefore, were added to such reference.

Section 17.02. ***Meaning of Headings.*** The section headings of this Agreement are only to assist the parties in reading the Agreement and shall have no effect upon its construction or interpretation.

Section 17.03. ***Damage.*** The PAC shall not damage the Project or any part thereof, or permit any acts to be done thereon in violation of any law or which create a nuisance and shall not operate the Project or any part thereof for any immoral purpose.

Section 17.04. ***Assignability.*** This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. Notwithstanding any provision of this Agreement, this Agreement shall not be assigned or assignable by operation of law and in no event shall this Agreement be an asset of the PAC in any receivership, bankruptcy, insolvency or reorganization proceeding. Any assignment of this Agreement shall be subject to the provisions contained in the Loan Agreement and the written consent of Financial Security.

Section 17.05. ***Partial Invalidity.*** If any term or provision of this Agreement shall be held invalid or unenforceable to any extent under any applicable law by a court of competent Jurisdiction, the remainder of this Agreement shall not be affected and each remaining term and provision shall be valid and enforceable to the fullest extent permitted by law. To the extent that

the provisions of applicable law may be waived, they are hereby waived to the end that this Agreement be deemed to be a valid and binding agreement and enforceable in accordance with its terms.

Section 17.06. *Giving of Consent.* Whenever the Owner is required or authorized to give consent or approval to or authorization of, any act of the PAC, such consent, approval or authorization may be given by such committee or person as may be designated by the Owner. The action of such committee or person shall be binding on the parties for whom such action is taken.

Section 17.07. *Entire Agreement.* This Agreement, along with any schedules, exhibits, attachments or other documents referred to, constitutes the entire and exclusive agreement between the Owner and the PAC relative to the operation and control of the Project. This instrument and such exhibits, attachments and other documents may be amended or revoked only by an instrument in writing signed by both the Owner and the PAC or their respective successors in interest. The Owner and the PAC agree that no prior agreement, understanding or representation pertaining to any matter covered or mentioned in this Agreement shall be effective for any purpose.

Section 17.08. *Notices.* All notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by certified or registered mail, return receipt requested and postage prepaid. If any request, demand or notice is to be given by personal delivery it shall be given as follows: (a) in the case of the PAC, to the Chairman of the Board or the President; or (b) in the case of the Owner, to the Chairman.

If any request, demand or notice is to be given by mail, it shall be delivered as follows:

If to the Owner:
Novato Financing Authority
900 Sherman Avenue
Novato, CA 94945
Attention: Deputy Director of Redevelopment
FAX: (415) 897-4354

If to the PAC:
Park Acquisition Corporation of Marin Valley Mobile Country Club
100 Marin Valley Drive
Novato, CA 94949-9716
Attention: President

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

Any person or address set forth above may be changed, or other persons added, by giving notice in accordance with the provisions of this subsection.

Section 17.09. ***Third-Party Beneficiary***. Financial Security and CLGFA shall be third-party beneficiaries to this Agreement, entitled to enforce the provisions hereof as if parties hereto.

Section 17.10. ***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 17.11. ***Limited Obligation***. Under no circumstances shall the City of Novato or the Agency, or their respective officers, agents, employees or representatives, or the officers, agents, employees or representatives of the Owner, be liable under this Agreement.

Section 17.12. ***Non-discrimination***. The PAC covenants by and for itself, its successors and assigns and all persons claiming under or through it, and this Agreement is made and accepted upon and subject to the condition that, there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, sex, physical handicap, disability, national origin, or ancestry in the operation and control of the Project; provided, however, that the PAC shall be allowed to maintain the Project as a "Seniors Only Facility" restricting spaces to residents who are 55 years old or older.

Section 17.13. ***Amendments***. This Agreement may be amended only by the mutual agreement of the Owner and the PAC, with the prior written consent of Financial Security, evidenced by a written amendment duly executed by the Owner and the PAC.

Section 17.14. ***Execution of Certain Documents***. The Owner hereby authorizes the PAC to enter into and to execute the Deposit Only Account Agreement on its behalf.

Section 17.15. ***Execution and Binding Effect***. This Agreement shall not be binding upon the Owner until it has been duly executed by the Owner.

Section 17.16. ***Counterparts***. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such

counterparts shall together constitute but one and the same Agreement, and, in making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

IN WITNESS WHEREOF, the Owner has caused this Delegation Agreement to be executed by its Chairman, and the PAC has caused this Agreement to be executed by its President, all as of the 1st day of March, 1997.

NOVATO FINANCING AUTHORITY, as Owner

By _____
Name Patricia Eklund
Title Chair

PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB

By _____
Name Owen V. Haxton
Title President

EXHIBIT A

FORM OF MANAGEMENT AGREEMENT

MANAGEMENT AGREEMENT

Between

PARK ACQUISITION CORPORATION OF MARIN VALLEY
MOBILE COUNTRY CLUB

and

STORZ MANAGEMENT COMPANY, INC.
Contractor

For:

MARIN VALLEY MOBILE COUNTRY CLUB

Located in:

NOVATO, CA

Dated as of March 1, 1997

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MANAGEMENT AGREEMENT

This Management Agreement (this "Agreement"), dated as of March 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 Storz Management Company, Inc. (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 March 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.

W I T N E S S E T H :

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 the Contractor as the best proposal; 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 March 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 Deposit Only Account Agreement in form and substance approved by Financial Security.

"*Effective Date*" means March 13, 1997, being the date of execution and delivery of this Agreement.

"*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 the tenth day of each month, 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.

Promptly after 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, provided that the payment due in March 1997 will be $2,083.34 and for each month from and including April 1997 through March 1998 will be $4,584.34. 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 Ken Waterhouse to assume overall responsibility for the progress and execution 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 Attention: President
Contractor:	Ken Waterhouse, Director of Property Management Storz Management Company, Inc. Suite 3 9152 Greenback Lane Post Office Box 620580 Orangevale, CA 95662 Telephone: (916) 989-5333 Telecopy: (916) 989-1393
Financial Security:	Financial Security Assurance Inc. 350 Park Avenue New York, NY 10022 Attention: Surveillance Department Telephone: (2312) 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: First Trust of California, 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 has been, and will be during the term of this Agreement, duly incorporated and is validly existing 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 the Contractor's charter or bylaws or 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 day of March, 1997.

PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB

By _____
Name Owen V. Haxton
Title President

STORZ MANAGEMENT COMPANY, INC.

By _____
Name Ken Waterhouse
Title Vice President

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 issued a Request for Proposal and selected Storz Management Company, Inc., 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 send or deliver rent and utility bills to each 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 April 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 May 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 fifteenth day and the last day of each month, after accounts payable and payroll are processed, the Contractor will provide the PAC a Check Register Report listing invoices paid. 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 May 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, on a monthly basis, by the tenth 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. 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 June 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.

EXECUTION COPY

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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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 March 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.

W I T N E S S E T H :

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 Attention: President
Contractor:	Mr. Al Frei Frei Real Estate Services 3300 Douglas Blvd., Suite 390 Roseville, CA 95661 Telephone: (916) 773-8110 Telecopy: (916) 781-2557
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: First Trust of California, 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 as of this 1st day of November, 1997.

PARK ACQUISITION CORPORATION OF MARIN VALLEY MOBILE COUNTRY CLUB

By _____
Name Owen V. Haxton
Title President

FREI REAL ESTATE SERVICES

By _____
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 Operation 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.

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MEMORANDUM

DATE: April 7, 2010

TO: Novato Financing Authority Board of Directors

FROM: Deborah Lauchner, Finance Manager

SUBJECT: **Bucket Analysis for the Month of March 2010**

Attached is a copy of the Bucket Analysis Report for the period ending March 31, 2010. According to the analysis, the Cash Trap balances are as follows:

Senior Cash Trap balance	$ 852,872
Subordinate Cash Trap balance	0
Total Available Cash Trap Balance	**$852,872**

The purpose of this analysis is to determine available amounts in the cash trap fund. The analysis is used to determine how much of the actual funds are needed to fund each bucket. The remaining funds are distributed to each cash trap.

The outstanding bond debt as of March 31, 2010 is as follows:

Senior Revenue Bonds	$10,760,000
Subordinate Revenue Bonds	0
Total Debt Outstanding	**$10,760,000**

Novato Financing Authority
Marin Valley Mobile Country Club "Bucket" Analysis
Through 3/31/2010

Bucket No.	Description	US Bank No.	Required Balance	US Bank Balance	Due To (From) Cash Trap	Adjusted Balance
	Revenue Fund	95436060	0	1,877	1,877	0
1	Senior Bond Interest	6061	311,996	329,307	17,311	311,996
2	Senior Bonds Principal	6062	162,500	174,526	12,026	162,500
3	Senior Debt Service Reserve	6065	1,000,000	1,000,000	0	1,000,000
4	Utility Account	6077	(3,416)	55,760	59,176	(3,416)
5	Replacement Reserve Fund-Capital Plan	6064	504,888	417,041	(87,847)	504,888
6	Escrow (Insurance) Fund (Reserve costs)	6063	12,999	12,999	0	12,999
7,8	Expense Fund	6066	3,464	17,323	13,859	3,464
9	First Trust Expenses					0
10	FSA Expenses					0
11	Property Manager Account	6072	0	0	0	0
12	Operating Expenses	6078	107,455	170,972	63,517	107,455
13	Arbitrage Rebate Account	6068	5,625	0	(5,625)	5,625
14	Subordinate Bonds Interest	6051	0	0	0	0
15	Subordinate Bonds Principal	6052	0	0	0	0
16	Subordinate Debt Service Reserve	6054	0	0	0	0
17	Subordinate Pledged Fund Account	6055	0	0	0	0
18	Redevelopment Agency Pledge Payments					
19	In Lieu of Tax-City of Novato	6059	0	0	0	0
20	Debt Service-Owner Obligations					
	Deferred Costs Fund-Owner Account	6073	0	0	0	0
	Deferred Costs Fund-Consultant Account	6074	0	12	12	0
	PAC Expense Account	6075	4,000	3,490	(510)	4,000
	Owner's Expense Account	6076	15,000	18,754	3,754	15,000
	Subtotal required Balances		2,124,513		77,550	
21	Senior Cash Trap	6067	923,933	849,628	(74,306)	
22	Subordinate Cash Trap	6056	0			
	Total Cash Trap Balances			849,628	3,244	852,872
	TOTAL CASH HELD BY TRUSTEE	**3/31/2010**		3,051,690		

Debt as of March 31, 2010

Senior Loan principal outstanding is $ 10,760,000
Subordinate Loan principal outstanding is $ 0

Novato Financing Authority
Marin Valley Mobile Country Club "Bucket" Analysis
Through 3/31/2010

1. Senior Cash Trap Balance

748,154	Prior month's balance	
3,244	Trustee allocation March	
101,473		Distribution at 03/31/10
852,872	Balance	

2.) Subordinate Cash Trap Balance

0	Prior Month's Balance	
-	Trustee allocation March	
0	Distribution at	3/31/2010
-	Balance	

Amount available for Distribution to Cash traps **$3,244**
One half to Senior Cash Trap, and one half to bucket requirements -3,244 due from Subordinate Cash Trap
for Owners, PAC & CGLFA and remaining to subordinate cash trap.