

MANAGEMENT AGREEMENT
SEAL BEACH MUTUAL NO. SEVEN

Agreement made this first day of May, 1963, between SEAL BEACH MUTUAL NO. SEVEN a corporation organized and existing under the laws of California, having its principal office at Seal Beach, California, hereinafter called the "Owner", and GOLDEN RAIN FOUNDATION, having its principal office at Seal Beach, California, hereinafter called the "Agent",

W I T N E S S E T H:

In consideration of the terms, conditions, and covenants hereinafter set forth, the parties hereto mutually agree as follows:

FIRST. (a) The owner hereby appoints the Agent, and the Agent hereby accepts appointment, on the terms and conditions hereinafter provided, as exclusive managing agent of the development known as ROSSMOOR LEISURE WORLD - SEAL BEACH MUTUAL NO. SEVEN located in the County of Orange, State of California, and consisting of 334 dwelling units, which property is also designated as FHA Project Nos. 122-30231-M through 122-30235-M, and is hereinafter collectively referred to as the "Project". The separate projects are referred to as "individual projects".

(b) The Agent fully understands that the Owner is a non-profit cooperative ownership housing corporation, providing accommodations in the Project principally for residential use by its stockholders, hereinafter referred to as "Members", and the Agent agrees, notwithstanding the authority given to the Agent in this Agreement, to confer fully and freely with the Owner in the performance of its duties as herein set forth. The Agent agrees to encourage whenever possible the principles of cooperative effort among the Members consistent with such policy guidance as may be given by the Owner, and to attend stockholders' meetings at any time or times requested by the Owner.

SECOND. In order to facilitate efficient operation, the Owner shall furnish the Agent with a complete set of the plans and specifications of the Project as finally approved by the Federal Housing Administration, and with the aid of these documents and inspection made by competent personnel, the Agent will inform itself with respect to the layout, construction, location, character, plan and operation of the lighting, heating, plumbing, and ventilating systems, as well as elevators, if any, and other mechanical equipment in the Project. Copies of guarantees and warranties pertinent to the construction of the Project and in force at the time of the execution of this Agreement shall be furnished to the Agent.

THIRD. The Agent shall hire in its own name all personnel necessary for the efficient discharge of the duties of the Agent hereunder. Compensation for the services of such employees shall be the responsibility of the Agent. Those employees of the Agent and the Agent who handle or are responsible for the handling of the Owner's monies shall, without expense to the Owner, be bonded by a fidelity bond acceptable both to the Agent and the Owner, in an amount and company acceptable to the Agent, the Owner and the Mortgagee.

FOURTH. Under the personal and direct supervision of one of its principal officers, the Agent shall render services and perform duties as follows:

(a) Immediately ascertain the general condition of the property, and if the accommodations there afforded have yet to be occupied for the first time, establish liaison with the general contractor to facilitate the completion by him of such corrective work, if any, as is yet to be done; also, cause an inventory to be

taken of all furniture, office equipment, maintenance tools and supplies, including a determination as to the amount of fuel on hand.

(b) Coordinate the plans of Members for moving their personal effects into the Project or out of it, with a view towards scheduling such movements so that there will be a minimum of inconvenience to other Members.

(c) Maintain businesslike relations with Members whose service requests shall be received, considered and recorded in systematic fashion in order to show the action taken with respect to each. Complaints of a serious nature shall, after thorough investigation, be reported to the owner with appropriate recommendations. As part of a continuing program to secure full performance by the Members of all items and maintenance for which they are responsible, the Agent shall make an annual inspection of all dwelling units and report its findings to the Owner and to the consenting parties.

(d) Collect all monthly carrying charges due from Members, all rents due from users of garage spaces and from users or lessees of other non-dwelling facilities in the Project; also, all sums due from concessionaires in consequence of the authorized operation of facilities in the Project maintained primarily for the benefit of the Members. The Owner hereby authorizes and directs the Agent to request, demand, collect, receive, and receipt for any and all charges or rents which may at any time be or become due to the Owner, and to take such legal action as necessary to evict members delinquent in payment of monthly carrying charges for 30 days or more. As a standard practice, the Agent shall furnish the Owner with an itemized list of all delinquent accounts immediately following the tenth day of each month.

(e) Cause the buildings, appurtenances and grounds on the Project to be maintained according to standards acceptable to the Owner, including but not limited to interior and exterior cleaning, painting, and decorating, plumbing, steamfitting, carpentry and such other normal maintenance and repair work as may be necessary, subject to any limitations imposed by the Owner in addition to those contained herein. For any one item of repair or replacement the expense incurred at Owner's expense shall not exceed the sum of \$500.00 unless specifically authorized by the Owner; excepting, however, that emergency repairs, involving manifest danger to life or property, or immediately necessary for the preservation and safety of the property, or for the safety of the Members, or required to avoid the suspension of any necessary service to the Project, may be made by the Agent irrespective of the cost limitation imposed by this paragraph. Notwithstanding this authority as to emergency repairs, it is understood and agreed that the Agent will, if at all possible, confer immediately with the Owner regarding every such expenditure. The Agent shall not incur liabilities against Owner (direct or contingent) which will at any time exceed the aggregate of \$5,000.00, or any liability against Owner maturing more than one year from the creation thereof, without first obtaining the approval of the Owner.

(f) Take such action as may be necessary to comply promptly with any and all orders or requirements affecting the premises placed thereon by any federal, state, county, or municipal authority having jurisdiction thereover, and orders of the Board of Fire Underwriters or other similar bodies, subject to the same limitation contained in Paragraph (e) of this Article in connection with the making of repairs and alterations. The Agent, however, shall not take any action under this Paragraph (f) so long as the Owner is contesting, or has affirmed its intention to contest any such order or requirement. The Agent shall promptly, and in no event later than 72 hours from the time of their receipt, notify the Owner in writing of all such orders and notices of requirements.

(g) Make contracts for water, electricity, gas, fuel

oil, telephone, vermin extermination, and other necessary services. Also, place orders for such equipment, tools, appliances, materials and supplies as are necessary properly to maintain the Project.

(h) Cause to be placed and kept in force all forms of insurance needed adequately to protect the Owner (or as required by law), including but not limited to workmen's compensation insurance, public liability insurance, boiler insurance, fire and extended coverage insurance, and burglary and theft insurance. All of the various types of insurance coverage required for the benefit of the Owner shall be placed with such companies, in such amounts, and with such beneficial interests appearing therein as shall be acceptable to the consenting parties, and otherwise be in conformity with the requirements of the mortgage. The Agent shall promptly investigate and make a full written report as to all accidents or claims for damage relating to the ownership, operation and maintenance of the Project, including any damage or destruction to the Project, the estimated cost of repair, and shall cooperate and make any and all reports required by any insurance company in connection therewith.

(i) The funds collected shall be allocated to the following accounts:

1. Principal and Interest
2. Taxes
3. Mortgage Insurance Premium
4. Insurance
5. Replacement Reserve
6. Operating Expense
7. Maintenance Expense
8. Operating Reserve
9. Contingency Reserve
10. Golden Rain Foundation Services

The allocation shall be in accordance with the operating budget required by sub-section (k) below. The agent shall be authorized to make the following disbursements:

1. The single aggregate payment required to be made monthly to the mortgagee for each individual project, which payment is to include amount due for the mortgage insurance premium, taxes, fire and other hazard insurance premium, interest on the mortgage, amortization of the principal of the mortgage and the amounts specified in the Articles of Incorporation or Regulatory Agreements for allocation to the reserve fund for replacements. Such payment to be made from accounts (1), (2), (3), (4) and (5) above.

2. Operating and maintenance expenses incurred under the terms of this agreement, to the extent of funds available in accounts (6) and (7) above.

3. Funds in account (8) may be disbursed only in accordance with the terms of the Articles of Incorporation of the Owner.

4. The funds in account (10) shall be disbursed to the Golden Rain Foundation monthly.

5. After disbursement in the order herein specified, any balance remaining in the special account may be disbursed or transferred from time to time, but only as specifically directed by the Owner in writing, but such balance must be within the limits of the fidelity bond which shall be in an amount equal to at least the amount of each gross monthly collection.

(j) Maintain a comprehensive system of office records, books, and accounts in a manner satisfactory to the Owner and to the consenting parties, which records shall be subject to examination by their authorized agents at all reasonable hours. As a standard practice, the Agent shall render to the Owner by not later

than the tenth of each succeeding month a statement of receipts and disbursements as of the end of every month.

(k) Prior to final endorsement of the loan for each individual project and thereafter at least 60 days before the beginning of each new fiscal year, prepare with the assistance of an accountant, if need be, an operating budget for each individual project setting forth an itemized statement of the anticipated receipts and disbursements for the new fiscal year based upon the then current schedule of monthly carrying charges, and taking into account the general condition of the Project. Each such budget, together with a statement from the Agent outlining a plan of operation and justifying the estimates made in every important particular, shall be submitted to the Owner in final draft at least 30 days prior to the commencement of the annual period for which it has been made, and following its adoption by the Owner, copies of it shall be made available, upon request, for submission to the consenting parties. The budget shall serve as a supporting document for the schedule of monthly carrying charges proposed for the new fiscal year. It shall also constitute a major control under which the Agent shall operate, and there shall be no substantial variances therefrom, except such as may be sanctioned by the Owner. By this is meant that no expenses may be incurred or commitments made by the Agent in connection with the maintenance and operation of the Project in excess of the amounts allocated to the various classifications of expense in the approved budget without the prior consent of the Owner, except that, if necessary because of an emergency or lack of sufficient time to obtain such prior consent, an overrun may be experienced, provided it is brought promptly to the attention of the Owner in writing.

(l) Maintain a current list of acceptable prospective Members and handle all arrangements necessary and incident to the acceptance of Subscription Agreements. The Agent shall exercise its best efforts to effect the renewal of all Occupancy Agreements in such a way as will normally obviate vacancy loss. The Agent shall also assist those Members who are desirous of transferring their stock and Occupancy Agreements in obtaining in their place and stead new Members acceptable to the Owner and on such terms and conditions as the Owner may dictate. The Agent shall actively handle the renting of any garage spaces or other non-dwelling accommodation, arranging for the execution of such leases or permits as may be required.

(m) It shall be the duty of the Agent at all times during the term of this Agreement to operate and maintain the Project according to the highest standards achievable consistent with the overall plan of the Owner and the interests of the consenting parties. Full compliance by the Members with the terms and conditions of their respective Occupancy Agreements shall be secured, and to this end the Agent shall see that all Members are informed with respect to such rules, regulations and notices as may be promulgated by the Owner from time to time. The Agent shall be expected to perform such other acts and deeds as are reasonable, necessary and proper in the discharge of its duties under this Agreement.

FIFTH. The Agent shall establish and maintain, in a bank whose deposits are insured by the Federal Deposit Insurance Corporation and in a manner to indicate the custodial nature thereof, a separate bank account as Agent of the Owner for the deposit of the monies of the Owner, with authority to draw thereon for any payments to be made by the Agent to discharge any liabilities or obligations incurred pursuant to this Agreement, and for the payment of the Agent fee, all of which payments shall be subject to the limitations in this Agreement.

SIXTH. The sole compensation which the Agent shall be entitled to receive for all services performed under this Agreement shall be a fee computed and payable monthly in an amount equal to \$.56 per unit exclusive of all surcharges.

SEVENTH. (a) Unless cancelled pursuant to section (b), (c), or (d) of this Article, this Agreement shall be in effect for a term of one year from the date of execution, provided that in no event shall it be of any force and effect until there is endorsed hereon the consent of the consenting parties. This agreement is automatically renewable at the end of the original term and any subsequent terms for one year, provided neither party has given notice of intent to terminate 30 days prior to the end of any term.

(b) This Agreement may be terminated by mutual consent of the parties as of the end of any calendar month, but not without prior written notice to the consenting parties.

(c) In the event a petition in bankruptcy is filed by or against either Owner or Agent, or in the event that either shall make an assignment for the benefit of creditors or take advantage of any insolvency act, either party hereto may terminate this Agreement without notice to the other, but prompt advice of such action shall be given to the consenting parties.

(d) It is expressly understood and agreed by and between the parties hereto that the Federal Housing Administration or the mortgagee shall have the right to terminate this Agreement at the end of any calendar month, with or without cause, on 30 days' written notice to the Owner and the Agent of its intention so to do, except that in case a default of the Owner has occurred under its Articles of Incorporation, Regulatory Agreement, or under the obligation of the mortgage, the Federal Housing Administration or the mortgagee shall have the right to terminate this Agreement immediately upon the issuance of a notice of cancellation to the Owner and the Agent. It is further understood and agreed that no liability shall attach to the Federal Housing Administration or the mortgagee in the event of termination of this Agreement pursuant to this section.

(e) Upon termination, the contracting parties shall account to each other with respect to all matters outstanding as of the date of termination, and the Owner shall furnish the Agent security, satisfactory to the Agent, against any outstanding obligations or liabilities which the Agent may have incurred hereunder.

EIGHTH. As used in this Agreement:

(a) The term "mortgage" shall mean those *five* Deeds of Trust dated DEC 1 1962 all by and between the Owner, as Trustor, United California Bank, as Trustee, and United California Bank, as Beneficiary, which Deeds of Trust and the notes secured thereby are insured by the Federal Housing Commissioner pursuant to authority contained in Section 213 of Title II of the National Housing Act and the regulations promulgated thereunder.

(b) The term "mortgagee" shall mean United California Bank or any other holder of said mortgage.

(c) The term "consenting parties" shall mean (i) the mortgagee as herein defined, and (ii) the Federal Housing Administration acting through its Commissioner or his duly authorized representatives.

(d) The term "Occupancy Agreements" shall mean those certain forms of agreement between the Owner and its stockholder Members (and any renewals thereof) under the terms of which said stockholder Members are entitled to enjoy possession of their respective dwelling units.

(e) The term "carrying charges" shall mean those monthly rates which stockholder Members are bound to pay to the Owner pursuant to the terms of their respective Occupancy Agreements.

NINTH. (a) This Agreement, which is made subject and subordinate to all rights of the Federal Housing Administration as insurer of the mortgage, shall inure to the benefit of and constitute a binding obligation upon the contracting parties, their respective successors and assigns; and to the extent that it confers


rights, privileges, and benefits upon the consenting parties, the same shall be deemed to inure to their benefit, but without a liability to either, in the same manner and with the same force and effect as though the mortgagee and the Federal Housing Administration were signatories to this Agreement.

(b) This Agreement shall constitute the entire Agreement between the contracting parties, and no variance or modification thereof shall be valid and enforceable, except by supplemental agreement in writing, executed and approved in the same manner as this Agreement.

(c) For the convenience of the parties, this Agreement has been executed in several counterparts, which are in all respects similar and each of which shall be deemed to be complete in itself so that any one may be introduced in evidence or used for any other purpose without the production of the other counterparts. Immediately following endorsement of the consenting parties, counterparts will be furnished to the consenting parties so that each may be advised of the rights, privileges, and benefits which this Agreement confers.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

SEAL BEACH MUTUAL NO. SEVEN
(Cooperative)

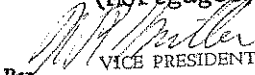
By 
C. J. Mercer, Jr., Vice President
GOLDEN RAIN FOUNDATION

By 
L. M. Letson, President

United California Bank hereby consents to the foregoing Management Agreement and the Managing Agent designated therein.

DATE: JUL 23 1963

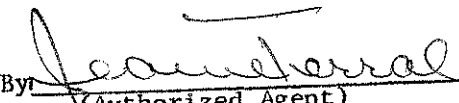
UNITED CALIFORNIA BANK
(Mortgagee)

By 
VICE PRESIDENT

The Federal Housing Administration hereby consents to the foregoing Management Agreement and the Managing Agent designated therein.

DATE: JUL 24 1963

FEDERAL HOUSING COMMISSIONER

By 
(Authorized Agent)