

MANAGEMENT AGREEMENT
SEAL BEACH MUTUAL NO. SEVENTEEN

Agreement made this first day of December, 1981, between SEAL BEACH MUTUAL NO. SEVENTEEN, a nonprofit mutual benefit corporation, organized and existing under the laws of California, hereinafter called the "Mutual," and GOLDEN RAIN FOUNDATION, a nonprofit corporation, 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 Mutual hereby appoints the Agent, and the Agent hereby accepts appointment on the terms and conditions hereinafter provided, as exclusive managing agent of that certain residential condominium project consisting of 126 condominiums and related common area facilities located in the City of Seal Beach, County of Orange, State of California, and commonly known as Regency Terrace Condominiums (hereinafter called the "Project").

(b) The Agent fully understands that the Mutual has been created as a nonprofit mutual benefit corporation, to which has been delegated the obligation to maintain, manage, operate and administer the Project on behalf of all owners of Condominiums in the Project. Each owner shall automatically become a member (hereinafter "Member") of the Mutual. The Agent agrees to confer fully and freely with the Mutual 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 Mutual, and to attend Members' meetings at any time or times requested by the Mutual.

SECOND: In order to facilitate efficient operation, the Mutual shall furnish the Agent with a complete set of the plans and specifications of the Project 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 who handle or are responsible for the handling of the Mutual's moneys shall, without expense to the Mutual, be bonded by a fidelity bond acceptable both to the Agent and the Mutual.

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 Mutual 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 the exterior of all dwelling units and report its findings to the Mutual.

(d) Collect all monthly carrying charges due from Members 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 Mutual hereby authorizes the Agent to request, demand, collect and receive any and all charges or rents which may at any time be or become due to the Mutual, and to take such action with respect thereto as the Mutual may authorize. As a standard practice, the Agent shall furnish the Mutual 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 Mutual, subject to any limitations imposed by the Mutual in addition to those contained herein, for any one item of repair or replacement the expense incurred at Mutual's expense shall not exceed the sum of \$550.00 unless specifically authorized by the Mutual; 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 Mutual regarding every such expenditure. The Agent shall not incur liabilities against Mutual (direct or contingent) which will at any time exceed the aggregate of \$5,000.00 or any liability against Mutual maturing more than one (1) year from the creation thereof, without first obtaining the approval of the Mutual.

(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 Mutual is contesting, or has affirmed its intention to contest any such order or requirement. The Agent shall promptly, and in no event later than seventy-two (72) hours from the time of their receipt, notify the Mutual 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 to properly maintain the Project.

(h) Cause to be placed and kept in force all forms of insurance needed to adequately protect the Mutual (or as required by law), including, but not limited to, workmen's compensation insurance, public liability insurance, boiler insur-

ance, fire and extended coverage insurance, and burglary and theft insurance. All of the various types of insurance coverage required for the benefit of the Mutual shall be placed with such companies, in such amounts and with such beneficial interests appearing therein as shall be acceptable to the consenting parties. 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 common facilities, including any damage or destruction to the common facilities, 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 appropriate accounts established by Mutual and Agent:

1. Insurance
2. Replacement Reserve
3. Operating Expense (including taxes)
4. Maintenance Expense
5. Operating Reserve
6. Contingency Reserve
7. Golden Rain Foundation Services

The allocation shall be in accordance with the operating budget required by subsection (k) below. The Agent shall be authorized to make the following disbursements:

1. Fire and other hazard insurance premiums.
2. Operating and maintenance expenses incurred under the terms of this Agreement, to the extent of funds available in accounts (3) and (4) above.
3. Funds in account (5) may be disbursed only in accordance with the terms of the Articles of Incorporation of the Mutual.
4. The funds in account (7) shall be disbursed to the Golden Rain Foundation monthly.
5. After disbursements 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 Members in writing.

(j) Maintain a comprehensive system of office records, books and accounts in a manner satisfactory to the Mutual 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 Mutual by not later than the twenty-fifth (25th) day of each succeeding month a statement of receipts and disbursements as of the end of every month.

(k) At least sixty (60) days before the beginning of each new fiscal year, prepare with the assistance of an accountant, if need be, an operating budget for the 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 Mutual in final draft at least thirty (30) days prior to the commencement of the annual period for which it has been made, for its adoption by the Mutual. 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 Mutual. 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 Mutual, 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 Mutual in writing.

(l) Maintain a current list of acceptable prospective Members and handle all arrangements necessary and incident to their acceptance.

(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 Mutual and the interests of the consenting parties. Full compliance by the Members with the terms and conditions of the regulations their respective occupancies 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 Mutual 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 Mutual for the de-

posit of the moneys of the Mutual, 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 and to be renegotiated annually.

SEVENTH: (a). Unless cancelled pursuant to section (b), (c) or (d) of this article, this Agreement shall be in effect for a term of fifteen (15) years from the date of execution. This Agreement is automatically renewable at the end of the original term and any subsequent terms for one (1) year, provided neither party has given notice of intent to terminate thirty (30) days prior to the end of any term. No termination may be made as to this Management Agreement unless a new managing agent agreeable and acceptable to Golden Rain Foundation has been appointed and a management contract in terms acceptable to Golden Rain Foundation is made by the Mutual.

(b) This Agreement may be terminated by mutual consent of the parties as of the end of any calendar month.

(c). In the event a petition in bankruptcy is filed by or against either Mutual 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 Department of Housing and Urban Development (H.U.D.) shall have the right to terminate this Agreement at the end of any calendar month, with or without cause, on thirty (30) days written notice to the Mutual and the Agent of its intention so to do. It is further understood and agreed that no liability shall attach to the H.U.D. 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 Mutual 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, the term "carrying charges" shall mean those monthly rates which Members are bound to pay to the Mutual pursuant to the terms of their respective common facility maintenance agreements, and all Trust maintenance charges.

NINTH: (a) 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.

(b) 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.

"MUTUAL"

SEAL BEACH MUTUAL NO. SEVENTEEN,
a corporation

BY:

Susan C. Mills
Its: Secretary

"AGENT"

GOLDEN RAIN FOUNDATION,
a corporation

BY:

Howard E. McCurdy
Its: President