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STAFF REPORT

DATE: February 27, 2012

TO: City Council

FROM: Cathy Capriola, Assistant City Manager
Veronica Nebb, Assistant City Attorney

75 Rowland Way #200
Novato, CA 94945-3232
(415) 899-8900
FAX (415) 899-8213
www.ci.no2vato.ca.us

SUBJECT: PUBLIC REVIEW AND COMMENT ON THE NEGOTIATED DRAFT DELEGATION AGREEMENT AND MANAGEMENT AGREEMENT. PROVIDE DIRECTION ON AGREEMENTS TO RETURN ON MARCH 12 FOR APPROVAL, OR IF NO SIGNIFICANT CONCERNS EXPRESSED OR DIRECTIONS NECESSARY, APPROVE THE NEGOTIATED DOCUMENTS

SUMMARY

For the past year, a negotiating team from the PAC and City staff have been reviewing and negotiating the MVMCC Delegation Agreement and Management Agreement. The negotiating teams have concluded their negotiations and have come to agreement on all items except one. The Delegation Agreement and Management Agreement are attached to this staff report in redline version for review by Council, the full PAC board and residents.

RECOMMENDATION

At the February 27th meeting, the City Council will hear resident input and questions regarding the Delegation Agreement and Management Agreement. In addition, feedback from the PAC Board and Frei Real Estate will also be provided. Based on this input, the Council should provide direction to the negotiating teams for any further changes.

The City Council does have the ability to approve the Delegation Agreement and Management Agreement on February 27th, if there are no significant concerns or issues expressed. However, staff has reserved Monday, March 12 for another Council meeting for final action on these documents in order to allow sufficient time for resident review. The ultimate actions for the Council will be to:

1. Provide any additional direction to the negotiating teams for any further changes;
2. Approve the final Delegation and Management Agreements by Council and the PAC; and
3. Approval of the agreements by the PAC, Frei Real Estate Services, and Assured Guaranty.

DISCUSSION

As Council is aware, there are over twenty documents that govern the financing and operation of MVMCC. Two of the key documents governing the overall operation of the MVMCC are the Delegation Agreement and the Management Agreement. The Delegation Agreement is the formal

contract between the PAC and the City (formerly, the Novato Financing Authority) which governs the relationship between the parties as it relates to the operation of the Park. The Management Agreement is a formal contract between the PAC and Frei Real Estate which outlines roles, expectations and responsibilities of the PAC and the property management company relating to the day-to-day management of the Park.

The original term of the Delegation Agreement began on March 1, 1997 and has been subject to automatic annual renewal each year thereafter. Pursuant to the original Agreement, renegotiation of the Agreement is to take place at particularly scheduled intervals set as October 1, 2010 and October 1, 2025.

In Fall 2010, the Novato Financing Authority (NFA) and the Park Acquisition Corporation (PAC) entered into renegotiation discussions on the Delegation Agreement. The PAC selected Michael Holland and Jim Olsen as their negotiating team. The NFA, and subsequently the City, was represented by staff, Cathy Capriola and Veronica Nebb. During the period between October 1, 2010 and January 31, 2011, the negotiating teams of the PAC and the NFA agreed to meet in order to review the Delegation Agreement and Management Agreement and, if necessary, renegotiate one or more of its terms.

Deadlines

The terms of the original Delegation Agreement provided that the agreement would terminate on January 31, 2011 unless the parties agreed on a renegotiated term. While significant progress was made in the Fall of 2010, additional time was needed in order for the parties to continue to meet and discuss the interests previously identified by the NFA and the PAC. On January 25, 2011, the NFA approved a first amendment to the Delegation Agreement which extended the date to complete the renegotiations until June 30, 2011. Staff's intention was to complete the renegotiation process in February and March, hold a resident workshop, and then return to the NFA in April 2011 for review of the revised documents.

Based on several factors beyond the control of the parties, the negotiations were not able to be concluded by the June 30 deadline and an additional extension became necessary. The parties therefore extended the Delegation Agreement from June 30, 2011 to December 31, 2011 and then again to March 31, 2012 in order to complete the negotiation process.

Public Input Process

Early in the negotiation process, the City sought input from the public and MVMCC residents. This process included processes to educate the public and residents, provide information on the interests to be served by the process and an opportunity for the public and residents to provide feedback. On August 23, 2010, a workshop for resident input was held by the NFA at the MVMCC. On June 21, 2010, at a regular meeting of the NFA, staff provided an overview of information on the Delegation Agreement and obtained initial public input on the process for renegotiation. From August 23, 2010 to September 24, 2010, the public provided comments through public meetings and direct correspondence and communication to staff.

Collectively, these public comments were part of the information that was utilized by staff as the basis for an October 13, 2010 staff report which provided a summary of public comments. This report also listed staff recommendations for the issues and areas of concern to be considered as part

of the negotiation process. The list of these issues is attached in the *Attachment A - NFA's Interests and Negotiation Issues (October 13, 2010 Staff Report)*. The NFA Board agreed with this list of issues to be addressed in the renegotiation process.

Negotiations

The negotiating teams for the two parties met numerous times to review the Delegation Agreement and Management Agreement in great detail. The teams had detailed discussions regarding operational practices, concerns, best practices, comments from residents, and legal parameters to be considered within the revised documents. These negotiations have been productive, animated at times, and yet respectful and professional. In addition, the negotiating teams also met with Al Frei in two meetings to review the Management Agreement and renegotiate the terms thereof. Overall, City staff believes that the negotiating teams have negotiated draft documents that reflect the original interests that were communicated at the various public meetings. The negotiating teams believe that the renegotiated Delegation and Management Agreements can be found to be acceptable by all parties.

Draft Negotiated Changes and Summary of Proposed Changes

Attachments C and D are the proposed renegotiated Delegation Agreement and Management Agreement. The agreements are provided in red-line format showing the proposed changes from the original versions of the two agreements. In addition, staff has prepared a brief summary of some of the key changes organized by the original four interests that were identified in the initial public meetings (Trust and Organizational Clarity, Accountability, Transparency, and Protection of the Park). This is *Attachment B – Summary of Major Proposed Changes to the Delegation Agreement and Management Agreement*.

The negotiating teams for the parties have expressed that they are in agreement with all of proposed changes in the agreements with the exception of one provision in the Delegation Agreement. The PAC negotiating team has expressed concern with the proposed change to Section 5.01(i) which outlines the elections of PAC members when there is a vacancy before an election. The section in question reads as follows:

(i) Notwithstanding any provisions of its By-Laws to the contrary, during the Term of this Agreement, PAC shall not act to appoint any individual to fill a vacancy for an unexpired term on the PAC Board of Directors in any instance where the unexpired term of the vacant seat exceeds six (6) months at the time of the vacancy. Where the unexpired term of the vacant seat exceeds six (6) months at the time of the vacancy, PAC shall hold an election to fill the unexpired term within 90 days of the date of the vacancy. During the Term of this Agreement, PAC shall hold all elections to the PAC board in accordance with the elections guidelines approved by PAC and Owner as the same may be amended and approved by each from time-to-time.

The PAC negotiating team has expressed that they do not object to the six months rule, per se, since this operating practice has already been adopted by the PAC. The negotiating team's objection is philosophical in nature. The PAC team has expressed that in general it has an objection to the City providing requirements for the PAC's internal operations within the Delegation Agreement. As Council may recall, elections have been a sensitive and controversial issue over time in the Park. The City staff negotiating team felt that this issue needed to be addressed and clearly articulated in the Delegation Agreement. This is the only area of

disagreement identified in the proposed draft renegotiated agreements. Despite these comments, the PAC negotiating team has expressed their overall support for the edits within the negotiated draft of the Delegation Agreement and Management Agreement.

Matrix of Roles and Responsibilities

During the resident input process, one of the key interests and feedback that staff heard from many residents was the need for better clarity on roles and responsibilities. While the Delegation Agreement and Management Agreement have language that attempts to clarify this, an “MVMCC Matrix of Roles and Responsibilities” has also been added to the Delegation Agreement as Exhibit C in order to provide additional clarity.

Compensation Adjustment for Frei Real Estate Services.

Frei Real Estate Services has managed the MVMCC since 1997. In addition to the cost of expenses, including on-site staff for MVCC, Frei also charges a management fee of \$53,004 annually. Frei Real Estate has not had an increase during this agreement’s term since taking over management. Mr. Frei is requesting that the fee be increased to \$69,480 annually or approximately 3% of the rental income from the mobile homes. This increase would occur over two years, rising to \$60,000 in 2012, then to \$69,480 in 2013.

Staff researched how this fee compares to the industry norm by contacting other public agencies with mobile home park ownership. Below is a table of management fees paid by other California cities that own mobile home parks.

	Novato FY 10-11	Novato FY 13-14 (Proposed)	La Verne	Oceanside	Santa Monica FY 09-10	Santa Monica FY 10-11
Park Spaces	315	315	185	272	105	105
Annual Management Fee	\$53,004	\$69,480	\$48,600	\$74,864	\$60,000	\$125,100
Monthly Rent/Space	\$613.01	\$613.01	\$625.48	\$556.21	\$325.00	\$325.00
Monthly Management Fee/Space	\$14.02	\$18.38	\$21.89	\$22.94	\$47.62	\$99.29
Fee Structure	Flat fee (2.3% of rental income)	Flat fee (approximately 3% of rental income)	3.5% of rental income	3% of rental income + \$1,700/mo.	Flat fee	Per space fee \$125 if occupied, \$35 if unoccupied

In addition, staff contacted other professional property management companies with experience managing mobile home parks to evaluate their fees. Based on these conversations, the industry norms for estimated fees for MVMCC would fall between 3%-5% of total rental income. For larger parks such as MVMCC, the percentage is closer to 3%.

Mr. Frei was clear in his discussions with staff and the PAC Sub-committee that an adjustment in his management fee was warranted. Staff’s review of other compensation showed that this request was reasonable. Staff recommends that Frei Real Estate’s management fee be increased as outlined above and as included in the Management Agreement.

Assured Guaranty

As the provider of mortgage insurance for the bonds, Assured Guaranty has a right to review, comment and approve changes to the Delegation Agreement and the Management Agreement. Staff provided a draft copy of the proposed renegotiated agreements to Assured Guaranty for their review. As of the time of publishing this agenda item, we have received draft comments from Assured Guaranty and are still discussing details on few items. We hope to provide their comments at the February 27th meeting.

Next Steps:

At the February 27th meeting, the City Council will hear resident input and questions. In addition, feedback from the PAC Board and Frei Real Estate will also be provided. Based on this input, the Council should provide direction to the negotiating teams for any further changes.

The City Council does have the ability to approve the Delegation Agreement and Management Agreement on February 27th if there are no significant concerns or issues expressed. However, staff has reserved Monday, March 12 for another Council meeting for final action on these documents.

ATTACHMENTS

- Attachment A: NFA's Interests and Negotiation Issues (October 13, 2010 Staff Report)
- Attachment B: Summary of the Key Proposed Changes to the Delegation Agreement and Management Agreement
- Attachment C: Renegotiated Draft Delegation Agreement
- Attachment D: Renegotiated Draft Management Agreement

NFA's Interests and Negotiation Issues

(From the October 13, 2010 Staff Report – Overall Direction for Negotiation of the Delegation Agreement and Management Agreement)

Staff Recommendations – NFA's Interests and Negotiation Issues

As a publicly owned mobile home community, staff believes there are key “interests” that the NFA Board should consider which are linked to specific changes to be considered during the negotiations. The list below is not exhaustive, but it provides an overview of the general direction and recommendations of staff based on the interests of the NFA.

Interest #1 -- Trust and Organizational Clarity – The NFA has an interest in promoting an environment of trust and clarity of roles and responsibilities within the Park.

Roles and Responsibilities

- Clarify the roles and communications required of and between Owner, Financial Security, Operator, Property Manager and other entities in the Park.

Interest #2 -- Accountability – MVMCC is a publicly owned park and therefore its assets, funding and operating practices need to be accountable to the residents, the Owner, and to the taxpayers of Novato. Accountability includes financial, budgeting, contracting/bidding, elections and legal. Communication and reporting out of actions are also important components of accountability, as well as transparency.

Financial

- Provide increased reporting and controls on disposition and acquisition of assets, the capital and operating budgets, accounting, and audit process.
- Review and address bidding and contracting requirements.
- Review compensation for Frei Real Estate Services.
- Review process, timeline and public input for operating and capital budget.

Reporting / Enforcement

- Clarify reporting relationships and information that needs to be provided to the FSA, PAC and the NFA; numerous instances in the Delegation Agreement that need additional clarification where there are inconsistencies or omissions.
- Clarify enforcement provisions in Agreements; clarify ramifications and examples of default.

Elections

- Suggest changes to improve accountability and trust in elections to the PAC Board.

Operations

- Discuss staffing and operational approach of Management Company to ensure cost effectiveness and efficiency.
- Review training and experience of management personnel and suggest any necessary changes.

Legal & Risk Management

- Clarify and enhance reporting and approval process of any lawsuits, claims, legal actions, other potential legal issues, bonding requirements and insurance coverage amounts to meet current best practices.

Interest #3 -- Transparency – As a public entity and a resident-based community, open and transparent decision making and communication is critical in order to build trust and confidence.

- Fully implement Brown Act for PAC for all actions. Review required PAC meetings and communications. Discuss effectiveness of agendas and minutes to meet the goal of transparency.
- Clarify process and role for residents to raise issues of concern.
- Consider and address conflict of interest, reporting requirements and bidding for Park projects.
- Improve communication between residents, NFA and PAC about issues and accomplishments.

Interest #4 -- Protection of the Park – The NFA utilized its legal authority to purchase bonds to secure a loan for over \$17 million in order to purchase the Park and “provide the permanent financing for the acquisition and improvement of the MVMCC”. As Owner, the NFA must ensure that proper infrastructure investments and best practices in operation and maintenance are conducted in order to ensure a physically safe mobile home park and to protect the Park asset.

- Clarify requirements, timing and responsibilities for the development and implementation of a multi-year Capital Improvement Plan.

**SUMMARY OF KEY NEGOTIATED CHANGES
TO DELGATION AGREEMENT AND MANAGEMENT AGREEMENT**

*Proposed by Negotiating Teams - February 2012
City - Veronica Nebb, Cathy Capriola; PAC - Mike Holland, Jim Olsen*

INTEREST	MAJOR CHANGES SUMMARY	CITATION
<p>1</p> <p>TRUST AND ORG CLARITY</p> <p>Clarify the roles and communications required of and between Owner, Financial Security, Operator, Property Manager and other entities in the Park.</p> <p>(a)</p>	<p>Added language through the documents to clarify roles and responsibilities based on past practices and best practices.</p> <p>Added verbiage to Delegation Agreement describing roles of PAC and City.</p> <p>Created a new "Matrix of Roles and Responsibilities" as an Exhibit to the Delegation Agreement outlining roles and responsibilities in a summary fashion.</p> <p>The PAC will meet quarterly with City staff to enhance communication.</p>	<p>Numerous locations</p> <p>Delegation Agreement Section 5.01(b)</p> <p>Delegation Agreement Exhibit B</p> <p>Delegation Agreement Section 5.01(g)</p>
<p>2</p> <p>ACCOUNTABILITY</p> <p>(a)</p> <p>Provide increased reporting and controls on disposition and acquisition of assets, the capital and operating budgets, accounting, and audit processes.</p>	<p>The Contractor can not exceed the expenses for any major category of the operating budget by more than ten percent without the prior approval of the City, PAC, and Assured Guaranty. Clarified that overall annual expenditures cannot exceed the approved budget, operating or capital plan, that is approved by the City and Assured Guaranty.</p> <p>The Contractor can not exceed the limits set by the Capital Plan without prior approval.</p> <p>The PAC and Contractor will not dispose of the personal property of the City without the City's permission. The Contractor will keep a record of all the City's property on the site that is in the possession of the PAC or the Contractor.</p> <p>The PAC can not destroy City property without the consent of the City and to the extent that Project funds are used to purchase items for the Project, they are the property of the City.</p>	<p>Management Agreement Section 10(h)</p> <p>Delegation Agreement Section 4.04</p> <p>Management Agreement Section 12(e)</p> <p>Delegation Agreement Section 9.01</p>

INTEREST	MAJOR CHANGES SUMMARY	CITATION
(b) Review and address bidding and contracting requirements.	The PAC will follow the City's Purchasing Policy and will ensure that the Property Manager does so as well. New purchasing parameters have been outlined and are included as an exhibit to the Management Agreement.	Delegation Agreement Section 5.01(f) Management Agreement Section 12(e) and Exhibit B
(c) Review compensation for Frei Real Estate Services.	Frei Real Estate requested a compensation adjustment as part of the review of the Management Agreement. Staff reviewed the compensation provided to mobile home property managers by other municipalities. Analysis is included in the staff report. Negotiating team recommends adjustment to fee to Property Manager.	Staff Report February 27, 2012
(d) Review process, timeline and public input for operating and capital budget.	Added additional clarification to the process for submitting and reviewing the annual operating budget in the spring.	Management Agreement Section (9)a
(e) Clarify Reporting relationships and information that needs to be provided to the FSA, PAC and the NFA; numerous instances in the Delegation Agreement that need additional clarification where there are inconsistencies or omissions.	Added language through the documents to clarify roles and responsibilities based on past practices and best practices. Created a new "Matrix of Roles and Responsibilities" as an Exhibit to the Delegation Agreement outlining roles and responsibilities in a summary fashion.	Numerous locations Delegation Agreement Exhibit B
(f) Clarify enforcement provisions in the Agreements; clarify ramifications and examples of default.	Added various elements that constitute a default and breach of the agreement. Either party can terminate the contract with 60 days notice with the consent of Assured Guaranty.	Delegation Agreement Section 14 Delegation Agreement Section 4.01
(g) Suggest changes to improve accountability and trust in elections to the PAC Board.	New section guides how the PAC can fill vacant seats on its board and dictates that it must hold an election if the term of a vacant seat exceeds 6 months. Election guidelines must be approved by the City and the PAC.	Delegation Agreement Section 5.01(i)
(h) Discuss staffing and operational approach of Management Company to ensure cost effectiveness and efficiency.	Negotiating team discussed staffing with Frei Real Estate and recommends no changes at this time.	
(i) Review training and experience of management personnel and suggest any necessary changes.	Need for training, clear expectations, and importance on customer service was discussed and reinforced with the Property Manager.	

INTEREST	MAJOR CHANGES SUMMARY	CITATION
(i) Clarify and enhance reporting and approval processes of any lawsuits, claims, legal actions, other potential legal issues, bonding requirements and insurance coverage amounts to meet current best practices.	Clarified the litigation section. The Contractor can initiate legislation to collect rent or enforce park rules if they provide prior written notice to the City and PAC. All other litigation requires advanced consent of the City and information notice to Assured Guaranty. Detailed insurance requirements are provided for PAC for greater clarity.	Management Agreement Section 2(d) Delegation Agreement Exhibit B
3 TRANSPARENCY		
(a) Fully implement Brown Act for PAC for all actions. Review required PAC meetings and communications. Discuss effectiveness of agenda and minutes to meet the goal of transparency.	Added new section to ensure all resolutions, minutes, agendas, reports, or minutes of the PAC or Property Manager are sent to the City within 48 hours of their preparation. Section 8.02 Added new section to require the PAC and all its board members to adhere to the Brown Act. Added new section clarifying that the PAC can not destroy records, except in accordance with the City's Records Retention Policy, and must offer copies to the City and Assured Guaranty before their destruction.	Delegation Agreement Section 501(e) Delegation Agreement Section 8.05
(b) Clarify process and role for residents to raise issues of concern.	Revised to require service requests and complaints shall be received by Frei through the Resident Input Form. Frei will respond in 3 business days or provide an estimated reply time. Frei will not delegate this to the PAC or others and upon request will provide copies to the City, PAC, Assured Guaranty and the HOA.	Management Agreement Section 2(e)
(c) Consider and address conflict of interest, reporting requirements and bidding for Park projects.	Added new requirement for the PAC to follow the City's Purchasing Policy and to ensure that the Property Manager does so as well. Added that it is a breach of the agreement any member of the PAC Board of Directors or the Board as a whole takes any action that results in personal financial gain to said individual or the board, except raising rates or improving the Project.	Delegation Agreement Section 5.01(f) Delegation Agreement 14.01(n)

INTEREST	MAJOR CHANGES SUMMARY	CITATION
(d) Improve communication between residents, NFA and PAC about issues and accomplishments.	<p>Added requirements for the following: The Property Manager will be able to provide updates to the MVMCC web site and use it to communicate with tenants. There will also be office hours with Mr. Frei or his designee at least quarterly.</p> <p>The PAC will maintain an active website that includes agendas of all board meetings, resident input forms, and other types of communication for residents. All information on the website will also be available in the Clubhouse for residents without computers. The PAC will provide the Property Manager, Assured Guaranty, and City with access to the MVMCC website through the PAC's web administrator so information can be provided to residents.</p>	<p>Management Agreement Section 2(f)</p> <p>Delegation Agreement Section 5.01(h)</p>
4 PROTECTION OF THE PARK		
(a) Clarify requirements, timing and responsibilities for the development and implementation of a multi-year Capital Improvement Plan.	<p>Clarified budget requirements. Before May 1 of every year, Frei will submit a 5-year Capital Plan that includes a Physical Needs Report. Additional details on the submission and evaluation process are provided in this section.</p> <p>The PAC shall ensure that a Capital Plan is prepared in accordance with the Management Agreement and that residents are able to provide input.</p> <p>Revised section to provide guidelines on the expenditure of and changes to the Capital Budget.</p>	<p>Management Agreement Section 10(a)</p> <p>Delegation Agreement Section 7.1</p> <p>Delegation Agreement Section 7.02(d)-7.02(f)</p>

Attachment C

RESTATED AND AMENDED

MARIN VALLEY MOBILE COUNTRY CLUB PARK

DELEGATION AGREEMENT

between

CITY OF NOVATO ~~FINANCING AUTHORITY~~

and

**PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB**

Dated as of ~~March 1, 1997~~ **March 31, 2012**

\$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 1997E
(MARIN VALLEY MOBILE COUNTRY CLUB PARK ACQUISITION PROJECT)
ISSUED FOR THE BENEFIT OF TIM
NOVATO FINANCING AUTHORITY (CALIFORNIA)
FACILITATED BY THE
CALIFORNIA LOCAL GOVERNMENT FINANCE AUTHORITY~~**

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PROPOSED NEGOTIATED DRAFT – FOR REVIEW

**RESTATED AND AMENDED MARIN VALLEY
MOBILE COUNTRY CLUB PARK
DELEGATION AGREEMENT**

This Restated and Amended Marin Valley Mobile Country Club Park Delegation Agreement (this "Agreement") is made and entered into as of ~~March 1, 1997~~ March 31, 2012 ~~December 1997~~ December, 31, 2011 between The City of 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~~

WHEREAS, the Novato Financing Authority (NFA), a joint powers authority duly organized and existing under the constitution and laws of the State of California and predecessor in interest to Owner borrowed 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~~ NFA; and

PROPOSED NEGOTIATED DRAFT – FOR REVIEW

WHEREAS, the NFA and the PAC entered into the Marin Valley Mobile Country Club Park Delegation Agreement as of March 1, 1997 (the “Original Delegation Agreement”) in order to establish and declare the terms and conditions upon which the PAC would perform certain obligations and duties with respect to the Project; and

WHEREAS, pursuant to section 4.02 of the Original Delegation Agreement, the Original Delegation Agreement was subject to periodic renegotiation, with the first of such renegotiation periods occurring on October 1, 2010; and

WHEREAS, on March 8, 2011, the NFA transferred ownership of the Project to the City of Novato and the NFA and the City of Novato entered into an Assignment and Assumption Agreement dated, March 8, 2011, whereby the City of Novato assumed the obligations and benefits of the Original Delegation Agreement; and

WHEREAS, in order to satisfy the periodic renegotiation obligations of Section 4.02 of the Original Delegation Agreement, amend the requirements thereof and continue 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; Restated and Amended Marin Valley Mobile Country Club Delegation Agreement (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 and is the contract by which the PAC shall perform the duties delegated to it by Owner as to the operation and control of the Project and associated facilities.

Section 1.01.

The Owner. The Owner ~~will hold~~is the legal owner holding title to the Project and is responsible for the financial control and oversight of 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

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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:

“Assured Guaranty” means Assured Guaranty Municipal Corporation (formerly known as Financial Security Assurance Inc.)

"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 PACOwner and approved by ~~the Owner and Financial Security Assured Guaranty~~ 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 ~~3113~~, 19972012.

"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.

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"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 City of 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 MarinMann Valley Mobile Country Club Park as more fully described in the Loan Agreement.

"Property Manager" means, ~~initially, Storz Management Company, Inc.,~~ Frei Real Estate Services 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, subject to the provisions of this Agreement and the rights of Owner, for the purpose of providing land and a portion of the mobile home sites located at the Project to persons and families of low or moderate income within the City of Novato, California; ~~provided that the~~ The PAC is obligated to enter into a Management Agreement, which separates the PAC from the day-to-day management of the Project and provides for those duties to be performed by a professional property manager and have such an agreement in effect at all times. Said Management Agreement shall be in form and substance satisfactory to ~~Financial Security~~ Owner and Assured Guaranty, and 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 Assured Guaranty, 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 Frei Real Estate Services, in the initial form attached hereto, as Property Manager.

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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~~2012. On January 1, ~~1998~~2013 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 Assured Guaranty~~) gives written notice to each other party hereto and to the Trustee and ~~Financial Security Assured Guaranty~~ 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. This Agreement may be terminated at any time upon sixty (60) days prior written notice by either party to the other with the written consent of Assured Guaranty. 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 Assured Guaranty~~, 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-December~~ 1, 2010~~2~~ and on October 1, ~~2025~~2017; 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 Assured Guaranty~~, 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

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Trustee and ~~Financial Security Assured Guaranty~~ 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.

(c) Upon termination of this Agreement, the PAC shall return to the possession and control of Owner all of Owner's personal property located at the Project as the same has been identified on the Inventory of Owner Personal Property except any such property as has been approved for disposition or sale by Owner in writing.

ARTICLE V OPERATION AND CONTROL OF THE PROJECT

Section 5.01. Operation of the Project.

(a) The PAC agrees to operate, maintain and control the Project in accordance with the terms of the Mortgage Loan Documents.

~~(b)~~ (b) Subject to the provisions of this Agreement and the rights of Owner, PAC is obligated to enter into a Management Agreement, which separates the PAC from the day-to-day management of the Project and provides for those duties to be performed by a professional property manager. The responsibilities of the parties and the Property Manager shall be as set forth herein and in the Management Agreement. A table "MVMCC Matrix of Roles and Responsibilities" of responsibilities is attached hereto as Exhibit C and incorporated herein by reference. In the event of an inconsistency between the terms of this Agreement, the Management Agreement and Exhibit C, Owner shall determine the resolution of said inconsistency (with the consent of Assured Guarantee-). 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.~~ Any and all changes therein as, modifications or amendments to said Management Agreement proposed by PAC and the Property Manager shall be approved in writing by require the advance written approval of the Owner ~~(which approval may not be unreasonably withheld) and Financial Security and Assured Guarantee.~~ 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 Assured~~

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Guaranty in writing of such failure and, if directed by the Owner, with the consent of Financial Security Assured Guaranty, or by Financial Security Assured Guaranty, shall take such action as so directed by such party.

(c) 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 Assured Guaranty.

(d) The PAC shall, and shall ensure that the Property Manager 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 Civil Code, Section 798 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 shall maintain any and all records necessary and proper to show compliance therewith. PAC shall not amend or notice the amendment of the Park Rules without the express written permission of Owner and full compliance with all state laws relating to the amendment of Mobilehome Park Rules (California Civil Code, Section 798.25).

-(e) In the exercise of its duties hereunder PAC understands that the Owner is a public agency and that the Project is subject to certain laws, rules and regulations applicable to property owned by a municipality. The PAC and each of the members of the Board of Directors thereof, shall ensure that its primary function and duty under this Agreement shall be for the operation of the Project on behalf of Owner and shall, in said regard, at all times operate the Project in the best interest of the Owner and in accordance with the laws, rules and regulations applicable to real property owned by a municipality. The Owner and PAC have a shared interest in operating the Project to preserve the health, safety and welfare of the residents of the Project, including the affordability of the housing and preservation of the use of the land upon which the Project is located as a senior mobilehome park. Neither PAC, nor any member of the Board of Directors thereof, shall not undertake or take any action whatsoever which is adverse to Owner or Assured Guaranty in the operation and management of the Project nor shall PAC represent to any third party any ownership interest in the Project on the part of PAC. PAC, and each and every member of the Board of Directors thereof, shall direct all communication regarding the Mortgage Loan Documents only to Owner and shall not communicate directly with the CLGFA or Assured Guaranty except through the Owner. In the conduct of all of its meetings and business, PAC, and each and every member of the Board of Directors thereof, shall at all times adhere to the provisions of the Ralph M. Brown Act (California Government Code Section 50950 et seq.) as if the PAC were considered to be a Legislative Body subject to the provisions thereof. PAC shall conduct meetings of the Board of Directors of PAC at the Project site no less often than quarterly. The PAC shall timely provide Owner with copies of all agendas and minutes of the meetings of the Board of Directors of PAC.

-(f) In the exercise of its duties hereunder, PAC shall adhere, and shall cause the Property Manager to adhere, to the Owner's purchasing policy and the applicable provisions of the California Public Contract Code. In this regard, PAC shall, and shall cause the Property Manager to, follow the provisions of Exhibit B of the Management Agreement hereto

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relating to any and all contracts or expenditure of Project funds for any work of improvement on or at the Project.

-(g) PAC representatives shall meet quarterly with staff designated by Owner in order to review the actions undertaken by PAC and the Property Manager during the previous quarter, expected upcoming actions and to review the performance of the duties of PAC, Owner and Property Manager pursuant to this Agreement.

-(h) PAC shall maintain an active website for the Project upon which it shall post information to residents regarding the Project including, but not limited to, agendas and minutes of all PAC board meetings, a description of the resident input process and forms for residents to submit relating to same, notifications regarding events or actions in the Project, monthly financial reports as submitted to Owner pursuant to the terms of this Agreement, a copy of the approved budget and mid-year budgets, -notification regarding Owner meetings relating to the Project as requested by Owner and any other information requested by Owner to be placed on the website for the purposes of communication to the residents. Said website may also be used for the purposes of communication of information regarding the actions of HOL and MarVal meetings and activity but shall not be used for communication of personal messages or information from other organizations or entities. To the extent that Project funds are used for communication to residents within the Project in the form of a newsletter, posting, mailing, or other form of communication, such communication shall adhere to the same rules as set forth for the website. All information available on the website shall also be available at the clubhouse office in the Project so that it is available to those residents without computers. PAC shall provide the Property Manager, Assured Guaranty, and Owner direct-access to the website through the PAC's website administrator so that the Property Manager and Owner -can directly-post information to the website for the residents. The PAC will ensure that information provided from the City, Assured Guaranty or the Owner is posted on the MVMCC web site within three business days of email receipt to the PAC's website administrator.

-(i) Notwithstanding any provisions of its By-Laws to the contrary, during the Term of this Agreement, PAC shall not act to appoint any individual to fill a vacancy for an unexpired term on the PAC Board of Directors in any instance where the unexpired term of the vacant seat exceeds ~~ninesix~~ (96) months at the time of the vacancy. Where the unexpired term of the vacant seat exceeds ~~ninesix~~ (96) months at the time of the vacancy, PAC shall hold an election to fill the unexpired term within 90 days of the date of the vacancy. During the Term of this Agreement, PAC shall hold all elections to the PAC board in accordance with the elections guidelines approved by PAC and Owner as the same may be amended and approved by each from time to time.

Section 5.02. Owner's Right of Entry.

The Owner and ~~Financial Security~~ Assured Guaranty 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.

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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~~relating solely to the performance of the obligations of PAC pursuant to the terms of this Agreement and as approved through the annual budget process as set forth herein. ~~Such reasonable fees and expenses shall include the costs of an errors and omissions insurance policy for PAC and, printing costs for the conduct of elections and meeting notices. Such reasonable fees and expenses shall not include legal or other fees or costs associated with the formation or operation of other entities, or costs associated with the acquisition of real or personal property by the PAC. All actual and verified reasonable expenses of the PAC in performing its services hereunder shall be payable as follows: (i) an amount not to exceed \$4,000 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 Property Manager and Owner setting forth all expenses incurred in performing such services and shall provide receipts or other proof of expenditures. Owners shall provide a copy of same to Assured Guaranty.~~ 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 Section 9 of the Management Agreement~~and submitted for approval pursuant Section 9 of the Management Agreement. ~~PAC shall further ensure that a Capital Plan is prepared for the Project and submitted for approval pursuant to Section 10 of the Management Agreement. PAC shall ensure that any and all changes to the proposed Budget and Capital Plan which are required by Owner and/or Assured Guaranty pursuant to Section 9 and 10 of the Management Agreement are incorporated into the Budget and/or Capital Plan prior to final adoption. PAC shall ensure that residents have an opportunity to provide input to PAC regarding the proposed Budget and Capital Plan prior to the submission of the proposed Budget and Capital Plan to Owner and Assured Guaranty for approval.~~

Section 7.02. Expenditure Limitations.

The PAC agrees that the following limitations will apply to its activities as they relate to financial matters:

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- (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.
- (d) No expenditures of Project funds shall be made unless provided for in the Budget and Capital Plan or approved in advance by Owner.
- (e) Notwithstanding approval of the Budget and Capital Plan by Owner and Assured Guaranty, any and all expenditures of Project funds for any work of improvement on or at the Project shall be made only in accordance with the provisions of Exhibit B of the Management Agreement hereto.
- (f) Notwithstanding approval of the Budget and Capital Plan by Owner and Assured Guaranty, reallocation of budgeted funds between major categories or line items within said categories shall be made only in compliance with Section 9 of the Management Agreement.

Section 7.03. Monthly Reports.

On the twentieth day of each month, commencing April May-20, 2012+1997, the PAC will cause the Property Manager to provide Financial Security Assured Guaranty, the Owner and the PAC with a Profit & Loss Statement, Cash Flow Statement, Balance Sheet and Budget Control Report for the prior month. PAC shall post of copy of each of said documents on the Project website and shall make the same available in hard copy at the on-site office at the Project.

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 selected by Owner and approved by acceptable to Financial Security and the Owner Assured Guaranty.

Section 8.01. Maintenance of Records.

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The PAC shall cause the Property Manager to maintain, at the offices of the Project or Property Manager's office 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 Assured Guaranty 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. PAC shall ensure that all resolutions, minutes, and reports of PAC or the Property Manager pertaining to the Project shall be sent to Owner within 48 hours of the preparation of same.

Section 8.03. Financial Statements.

The PAC shall cause to be furnished to the Owner and Financial Security Assured Guaranty 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~~the annual audit required herein 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: and as required by Owner. 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 not destroy or dispose of any Records ~~which are five years of the Project or more of age after~~regarding the Project without the prior written consent of Owner. The actual destruction of records shall be approved and completed in accordance with Owner's record retention policy. Notwithstanding Owner's approval of any request to destroy Records, PAC shall ensure that prior to the destruction of any Records such Records have been offered to the Owner and Financial Security Assured Guaranty for retention and/or copying.

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**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. PAC shall not sell, transfer, gift, hypothecate, lend, or otherwise dispose of any of the personal property of Owner without the express written consent of Owner and in accordance with the surplus property disposition policies of Owner. To the extent that Project funds are at any time used to purchase or otherwise acquire or maintain any personal property to be used at the Project, said acquisition shall be made in accordance with the purchasing policy of Owner as set forth in Exhibit B of the Management Agreement and such personal property shall become the property of Owner.

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 Assured Guaranty and Owner.~~

**ARTICLE X
~~[RESERVED]~~
USE BY THIRD PARTIES**

Except in accordance with the provisions of this Article 10, PAC shall not rent, sublet, or permit the use of any portion of the Project (Club House) by any non-resident, business or individual except as the same may be guests of a resident at that resident's unit or as guests of a resident hosting a function at the facilities within the Project. All use of any portion of the Project by other than the PAC shall require compliance with the Owner's/PAC's facility rental policy as the same may be amended from time to time.

**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, CLOFA Assured Guaranty, CLGFA~~ and the Trustee and their respective officials, officers,

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agents, servants and employees, from and against 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.

- a) 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.
- b) PAC shall ensure that such coverage shall name Owner as additional insured as required by the Management Agreement.
- c) PAC shall further maintain in full force and effect at all times during the Term of this Agreement, insurance for PAC as set forth in Exhibit B, attached hereto. The funding for the insurance may be paid for from funds provided to the PAC under Article VI of this Delegation Agreement.
- d) PAC shall ensure that any person, individual, firm or corporation using or renting the facilities within the Project, other than a resident or any resident using or renting the facilities within the Project for any purpose which involves the attendance of non-resident individuals shall be required to comply with Owner's insurance requirements for the rental of City buildings as the same may be amended from time-to-time.

Section 12.03. Evidence of Insurance.

Evidence of all insurance and endorsements as set forth above shall be provided by the PAC to the Owner, CLGFA and Financial Security-Assured Guaranty prior to the commencement of the Term of this Agreement, annually thereafter and otherwise at such times and in such manner as the Owner, CLGFA or Financial Security-Assured Guaranty shall from time-to-time request.

ARTICLE XIII ASSIGNMENT

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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 Assured Guaranty~~, and then only upon such terms and conditions as may be prescribed by the Owner and ~~Financial Security Assured Guaranty~~. 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 For the Term of the PAC's board~~this Agreement all of directorsthe members of the Board of Directors of PAC shall consist of tenants at the Project and no member of the Board of Directors shall be a member of the governing body of any other entity doing business with the Project or any for profit or not-for profit entity which proposes any sale or transfer of the Project to such entity.

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 Assured Guaranty~~ 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.

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(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 Assured Guaranty~~, 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 Assured Guaranty~~, 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 Assured Guaranty~~, 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)~~ After notice and an opportunity to cure, a violation of the provisions of the Ralph M. Brown Act (California Government Code Section 50950 et seq.) relating to the meetings of the PAC Board of Directors.

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

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

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

~~(i)~~~~(j)~~ 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)~~~~(k)~~ Any claim, action, proceeding or lawsuit is filed by the PAC against the Owner.

If any

~~(l)~~ Failure of PAC or any member of the Board of Directors thereof, to act in the best interest of the Project and Owner in performance of its duties pursuant to the Terms of this Agreement.

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

~~(n)~~ Any member of the PAC Board of Directors or the Board as a whole takes any action other than action relating to the rental rates, or improvements to the Project, which results in personal financial gain to said individual or Board.

Section 14.02. Rights and Remedies.

Upon the occurrence of a default by the PAC, and at any time thereafter, with or without further

PROPOSED NEGOTIATED DRAFT – FOR REVIEW

notice or demand and without limiting the Owner in the exercise of any right or remedy which it may have, ~~Financial Security Assured Guaranty~~ or the Owner (with ~~Financial Security Assured Guaranty~~ 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 Assured Guaranty~~ 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 Assured Guaranty~~ to or of any act by the PAC requiring the Owner's or ~~Financial Security's Assured Guaranty's~~ consent or approval shall not be deemed to waive or render unnecessary the Owner's or ~~Financial Security's Assured Guaranty's~~ consent to or approval of any subsequent similar acts by the PAC. No waiver by the Owner or ~~Financial Security Assured Guaranty~~ 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

PROPOSED NEGOTIATED DRAFT – FOR REVIEW

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

PROPOSED NEGOTIATED DRAFT – FOR REVIEW

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 Assured~~ Guaranty.

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

PROPOSED NEGOTIATED DRAFT – FOR REVIEW

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~~President of the Board ~~or the President of Directors~~; or (b) in the case of the Owner, to the ~~Chairman~~Mayor or City Manager.

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

If to the Owner:

City of Novato ~~Financing Authority~~
~~900 Sherman Avenue~~
~~75 Rowland Way, Suite 200~~
Novato, CA 94945
Attn: ~~Deputy Director of Redevelopment~~ FAX: (415) 897-4354 City Manager

If to the PAC:

Park Acquisition Corporation of Marin Valley Mobile Country Club
100 Marin Valley Drive
Novato, CA 94949-9716
Attn: President

~~If to Financial Security: _____~~

~~Financial Security Assurance Inc. 350 Park Avenue~~

~~If to Assured Guaranty: _____~~

~~Assured Guaranty Municipal Corp.~~
~~31 West 52nd Street~~
New York, NY 1002219
~~Attention: Surveillance Department~~
~~Telephone: (212) 826-0100~~
~~Telecopier: (212) 339-3518 or (212) 339-3529~~

~~Attn: Risk Management Department~~

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~~ ~~Assured Guaranty~~ and CLGFA shall be third-party beneficiaries to this Agreement, entitled to enforce the provisions hereof as if parties hereto. All consensus of Assured Guaranty required hereunder must be in writing to be effective.

Section 17.10. Conduit Facilitator.

All parties hereto recognize and ~~agree that~~ CLOFA 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

PROPOSED NEGOTIATED DRAFT – FOR REVIEW

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~~Assured Guaranty, 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~~Mayor, and the PAC has caused this Agreement to be executed by its President, all as of the ~~1st~~ ____ day of ~~March, 1997~~ _____, 2012.

PROPOSED NEGOTIATED DRAFT – FOR REVIEW

CITY OF NOVATO FINANCING AUTHORITY, as Owner

By

Name Patricia Eklund

Title Chair

By: _____

Denise Athas, Mayor

Attest: _____

Sheri Hartz, City Clerk

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB

By

Name Owen V. Haxton Title By: _____

Michael Holland, President

Attest: _____

Secretary

EXHIBIT A
MANAGEMENT AGREEMENT

(See separate document)

EXHIBIT B

INSURANCE REQUIREMENTS FOR PAC

Without limiting the PAC's indemnification provided herein, PAC shall take out, maintain and provide the Owner with certificates and endorsements satisfactory to the City Attorney of the following policies of insurance during the terms of this Agreement. Certificates of such insurance shall be filed with the Owner on or before commencement or performance of this Agreement. The City reserves the right to require complete, certified copies of all required insurance policies at any time. The certificates of insurance with original endorsements shall also name Assured Guaranty.

Liability Insurance Coverage

The PAC shall take out and maintain at all times during the life of this agreement Commercial General Liability Insurance including personal injury and property damage insurance for all activities of the PAC and its sub-contractors or sub-consultants arising out of or in connection with this contract, written on a commercial general liability form including, but not limited to, property damage, blanket contractual, products liability and completed operations, vehicle coverage and non-owned auto liability covers in an amount no less than \$1 million combined single limit personal injury and property damage for each occurrence.

Each such policy shall be endorsed to name the City its officers, agents, and employees as additional insureds for all liability arising out of the work performed by or on behalf of the named insured. The insurance provided shall be primary and no insurance held or owned by the City shall be called upon to contribute to a loss. The inclusion of more than one insured shall not operate to impair the rights of one insured against another insured, and the coverages afforded shall apply as though separate policies had been issued to each insured. The coverage provided by this policy shall not be cancelled without thirty (30) days prior written notice given to the Owner and Assured Guaranty.

Directors and Officers Liability Coverage

The PAC shall take out and maintain, at all times during the life of this agreement, Directors and Officers liability coverage. The amount of the insurance shall be \$1,000,000 per accident.

Automobile Liability Insurance Coverage

The PAC agrees to have and maintain for the duration of the Agreement an Automobile Liability insurance policy insuring the PAC and any current or future employees to an amount not less than Five Hundred Thousand Dollars (\$500,000) combined single limit per accident for bodily injury and property damage. At the time the Agreement is entered into the City may require higher limits depending on the nature of the service being provided by the PAC. Such determination shall be made by the City's Risk Manager.

Workers' Compensation

The PAC shall take out and maintain at all times during the life of this agreement workers' compensation insurance as required by the Labor Code of the State of California for all employees that PAC may now or hereafter have. The PAC shall require the Property Manager to have worker's compensation insurance as outlined here. The amount of said insurance shall

PROPOSED NEGOTIATED DRAFT – FOR REVIEW

be \$1 million per accident. The PAC certifies that it is aware of the provision of the California Labor Code which requires every employee to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that Code. All such policies shall be endorsed with the provision that it will not be cancelled or altered without first giving 30 days prior written notice to the City. Said Workers' Compensation policy shall have the following endorsement: "All rights of subrogation are hereby waived against the City, its officers, employees when acting within the scope of their appointment or employment."

General Provisions – The PAC shall comply with the following provisions.

(1) The City, its officers, officials, employees, and volunteers and Assured Guaranty are to be covered as insureds as respects: liability arising out of activities performed by or on behalf of PAC; products and completed operations of PAC; premises owned or used by PAC; or automobiles owned, leased, hired or borrowed by PAC.

(2) The PAC's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees and volunteers in addition to Assured Guaranty. Any insurance or self-insurance maintained by the City, its officers, officials, employees or volunteers shall be in excess of PAC's insurance and shall not contribute with it.

(3) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the City, its officers, officials, employees or volunteers in addition to Assured Guaranty.

(4) The PAC's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

(5) If the PAC utilizes the services of a secondary consultant in the performance of this Agreement, the PAC shall either provide the required insurance(s) for the type of service being provided by the secondary consultant or provide evidence acceptable to the Owner and Assured Guaranty demonstrating that the secondary consultant has in effect the required insurance(s).

All Coverages – Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, canceled, or reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City. Current certification of such insurance shall be kept on file with the City Clerk at all times during the term of this Agreement.

Deductibles and Self-Insured Retentions – Any deductibles or self-insured retentions must be declared to and approved by the Owner. At the option of the Owner, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its officers, officials, employees and volunteers, or the PAC shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

Acceptability of Insurers – Insurance is to be placed with insurers with a Best's rating of no less than A:VII.

EXHIBIT C
MVMCC MATRIX OF ROLES AND RESPONSIBILITIES

Attached is a matrix outlines the roles and responsibilities of the Frei Real Estate, the PAC, the City, and Assured Guaranty to provide greater clarity in the functioning of the Park. The Matrix is a new appendix to the Delegation Agreement proposed to be added in 2012. The formatting has been accepted to ease the reading of the document.

	Frei Real Estate Services	Park Acquisition Corporation (PAC)	City of Novato	Assured Guaranty
Broad Description of Role	OPERATION AND MANAGEMENT	OVERSIGHT OF MANAGER & RESIDENT ENGAGEMENT	OWNER – RESPONSIBLE FOR FINANCIAL, POLICY AND CONTRACTUAL COMPLIANCE	INSURER OF SENIOR BONDS
Broad Description of Responsibilities	Frei Real Estate Services, a professional property management company, has been selected by the PAC and approved by the City to rent, lease, operate, manage and maintain the Park in accordance with the Management Plan. The <i>Management Agreement</i> outlines the scope and duties for Frei Real Estate with the Management Plan as an attachment to the Management Agreement.	PAC is a non-profit organization with which the City has chosen to contract in the <i>Delegation Agreement</i> to operate and control the Project provided that the PAC is obligated to enter into a Management Agreement, which separates the PAC from the day-to-day management of the Project and provides for those duties to be performed by a professional property manager.	City of Novato is the owner of the Park and holds overall responsibility, financial control, and liability except where portions are transferred to other parties through contracts.	Assured Guaranty provides insurance on the senior bonds and has a variety of specific rights (but not obligations) relating to bonds and actions related to the Park.

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	Frei Real Estate Services	Park Acquisition Corporation (PAC)	City of Novato	Assured Guaranty
CONTRACTS AND PURCHASING				
Purchasing & Contracts Delegation Agreement Section 5.01(c)	Follow administrative outlines per attachment.	Ensure Frei Real Estate follows administrative outlines per attachment.	As a public agency, the City has different legal requirements. Attachment outlines administrative parameters.	No role.
BUDGET – Operating and Capital Plan (Management Agreement, Section 9 and 10]				
Annual Budget Process Delegation Agreement Section 7.01	Prepare, compile and present a draft budget to PAC and residents. Submit a recommended budget to City and Assured Guaranty after PAC and resident input. Pass forward PAC and resident input along with proposed budget.	Review and provide feedback on proposed MVMCC budget prepared by Frei Real Estate. Hold a public meeting and ensure resident input.	Review proposed budget and approve with changes if necessary.	Review proposed budget and approve with changes if necessary.
Mid-Year Budget Process Management Agreement Section 9(b)	Frei Real Estate prepares mid-year budget and gains input from PAC and residents. All comments are forwarded to City. Frei Real Estate will make any reasonable changes to the mid-year budget required by City or Assured Guaranty.	PAC reviews mid-year budget report. PAC may approve or disapprove.	City reviews and approves, disapproves or requires changes to the mid-year budget report.	Reviews and approves, disapproves or requires changes to the mid-year budget report.

PROPOSED NEGOTIATED DRAFT – FOR REVIEW

	Frei Real Estate Services	Park Acquisition Corporation (PAC)	City of Novato	Assured Guaranty
LEGAL ISSUES				
Litigation [Park Rules and Unpaid Rent] Management Agreement Section 2(d)	Frei Real Estate can initiate litigation to enforce park rules and collect unpaid rents. In these instances, Frei shall inform PAC, the City and the City’s legal counsel via written email or letter.	Monitor litigation actions by Frei. Communicate concerns or issues to Frei and City if necessary.	Communicate any concerns or issues when litigation is initiated based on communication from Frei. Monitor feedback or communication from PAC or Frei as necessary.	Has right to be informed as applicable.
Litigation [All Other Litigation] Management Agreement Section 2(d)	All other litigation concerning the Park and proposed to be initiated on behalf of or the Project or Owner shall require the advance authorization and consent of City.	PAC makes recommendations regarding all other litigation to City.	City is final decision making authority regarding all other litigation and will inform Assured Guaranty if impacts bonds or project financing.	
RESIDENT ISSUES AND OPERATIONS				
Complaints and Requests for Service – Resident Input Form (RIF) Management Agreement Section 2(e)	Frei Real Estate shall receive requests for service or complaints of residents at the Park through the use of a <i>Resident Input Form</i> . The Resident Input Form shall provide information on the resident providing the input, the nature of the complaint, service request or concern. A copy of the Resident Input Form is provided, if requested, to the PAC, City, Assured Guaranty, Trustee, and Home Owners	Monitor responsiveness and appropriateness of Frei Real Estate Services customer service and resolution of Resident Input Form issues by monitoring monthly RIF report. Concerns or issues shall be communicated to AI Frei directly and not local management staff.	Support the internal administrative process for residents’ issues and concerns by not becoming involved in individual issues. The City may take comments/concerns and provide direction to PAC and Frei Real Estate when there multiple complaints of the same nature or performance concerns by Frei or PAC.	May inspect the Resident Input Forms upon request. Has right to be informed as applicable.

PROPOSED NEGOTIATED DRAFT – FOR REVIEW

	<p>League.</p> <p>Frei Real Estate will provide an initial response to the resident within three (3) business days. The initial response shall either substantively respond to the complaint, request additional information or provide a date to the complaining resident by which a substantive response will be provided.</p> <p>Frei Real Estate shall maintain a log of all RIF's submitted and their status, actions, and outcomes. All such complaints shall be responded to by Frei Real Estate in a prudent manner, using Frei's professional judgment. Frei Real Estate shall not delegate this duty to the PAC or any other person, firm or organization other than employees of Contractor.</p>			
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PROPOSED NEGOTIATED DRAFT – FOR REVIEW

	Frei Real Estate Services	Park Acquisition Corporation (PAC)	City of Novato	Assured Guaranty
<p>Park Rules and Regulations</p> <p>State Law</p>	<p>Frei Real Estate may propose an amendment in the park’s rules and regulations. Information, feedback and comments may come from residents, PAC, HOL, or City.</p> <p><u>Note:</u> State law has requirements for park rules. A proposed change to the Rules requires a written notice mailed to all residents with the written proposed amendment and an invitation to a park meeting to discuss the rule change with at least 10 day notice before the meeting and compliance with State law (California Civil Code Section 798.25).</p>	<p>PAC shall ensure all state laws are followed and shall gain permission of City before modifying any park rules or regulations.</p>	<p>City will be noticed by PAC about proposed changes to park rules and regulations and must approve any changes or amendments.</p>	<p>Has right to be informed if requested as applicable.</p>

Attachment D

AMENDED AND RESTATED

MARIN VALLEY MOBILE COUNTRY CLUB PARK

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~~ March 31, 2012

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EXHIBIT A
MANAGEMENT PLAN TO OPERATE AND MANAGE MARIN VALLEY MOBILE
COUNTRY CLUB 31

EXHIBIT B
PURCHASING PARAMETERS FOR MVMCCError! Bookmark not defined.35

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AMENDED AND RESTATED 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 "Original Delegation Agreement"); and as amended pursuant to the Restated and Amended Delegation Agreement dated as of March 31, 2012, between the PAC and the City of Novato Financing Authority, as owner of the Project (the "Owner"). Terms used in this Agreement have the meanings set forth in Section 1, unless the context requires otherwise.

WITNESSETH:

WHEREAS, pursuant to the NFA and the PAC entered into the Marin Valley Mobile Country Club Park Delegation Agreement, the PAC has as of March 1, 1997 (the "Original Delegation Agreement) in order to establish and declare the terms and conditions upon which the PAC would perform certain responsibilities obligations and duties with respect to the Project on behalf of; and

WHEREAS, Pursuant to the Original Delegation Agreement PAC was obligated to enter into a Management Agreement with a professional management company approved by the Owner; and in a form as attached to the Original Delegation Agreement; and

WHEREAS, in 1997, the PAC issued a Request for Proposal and received complete and responsive proposals from five firms to perform management services with respect to the Project; 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 thereafter elected to terminate the management agreement with Storz and enter into thisa Management Agreement with the Contractor; and

WHEREAS, theon November 1, 1997, PAC wishes to appoint the and Contractor entered into a Management Agreement ("Original Management Agreement") and Contractor was appointed to operate and manage the Project pursuant tothereto; and

WHEREAS, pursuant to section 4.02 of the Original Delegation Agreement, the Original Delegation Agreement and therefore the Original Management Agreement was subject to periodic renegotiation, with the first of such renegotiation periods occurring on October 1, 2010; and

WHEREAS, on March __, 2011, the NFA transferred ownership of the Project to the City of Novato and the NFA and the City of Novato entered into an Assignment and Assumption Agreement dated, March __, 2011, whereby the City of Novato assumed the obligations and benefits of the Original Delegation Agreement and Original Management

Agreement; and

WHEREAS, in order to satisfy the periodic renegotiation obligations of Section 4.02 of the Original Delegation Agreement, amend the requirements thereof and of the Original Management Agreement and to continue to establish and declare the terms and conditions upon which the Contractor will manage the Project, the Contractor and PAC wish to enter into this Restated and Amended Management (“Agreement;”); and

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~~ March 31, 2012, between the Contractor and the PAC, as it may be supplemented or amended from time to time in accordance with the terms hereof.

"Assured Guaranty" means Assured Guaranty Municipal Corp., (formerly known as Financial Security Assurance Inc.), and any successors or assigns thereto.

"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~~ Assured Guaranty.

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

"*Effective Date*" means ~~March 31~~ October 15, 2012 ~~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 City of Novato ~~Financing Authority~~, its successors and permitted assigns.

"*Owner Representative*" means the ChairMayor of the Owner or any person designated in writing by the ChairMayor 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 non-operating 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.
- (c) 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.
- (d) 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. Pursuant to the terms of the Delegation Agreement, Owner has granted to PAC, subject to the restrictions stated in the Delegation Agreement and the rights of Owner, the right to operate and control the Project. Pursuant to the Delegation Agreement and the Management Plan, PAC is to be separated from the day-to-day management of the Project and those duties are to be performed by Contractor in accordance with the terms of this Agreement.

- (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 Civil Code, Section ~~10000-798~~ 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 Assured Guaranty, 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. The Contractor shall have the right, with prior written notice to Owner, Owner's Counsel and PAC, to initiate litigation on behalf of the Project, in the name of Contractor for the purpose of collection of unpaid rents within the Project or enforcement of Park rules. All other litigation concerning the Project and proposed to be initiated on behalf of or the Project or Owner or relating in any way to the Project shall require the advance authorization and consent of Owner, it being expressly understood that Owner shall retain the sole right to determine the initiation, progress and settlement of any such litigation.

~~(d)~~(e) Processing ~~Complaints~~ Requests for Service and Complaints. The Contractor shall receive requests for service and complaints of residents of the Project ~~and~~ through the use of a "Resident Input Form". The Resident Input Form shall provide information on the resident providing the input, the nature of the request/complaint -or concern and any person(s) to be contacted by the Contractor relating to information or resolution of the request/complaint, or concern. Contractor shall provide an initial response to the Resident Input Form within 3 business days. Said initial response shall either substantively respond to the request/complaint, request additional information or provide a date to the complaining-resident by which a substantive response will be provided. All such requests/complaints shall be responded to by Contractor in a prudent manner, using the Contractor's own professional judgment and subject to the limitations imposed by or pursuant to this Agreement. Contractor shall not delegate this duty to the PAC or any other person, firm or organization other than employees of Contractor. The Contractor agrees to maintain copies of any such requests/complaints received-as well as, the responses to same and any and all correspondence from the Contractor on behalf of the PAC-relating thereto and shall upon request provide copies thereof to-PAC, -and-Owner, -and make them available for the PAC's, the Owner's, the Trustee's,-and Financial Security's Assured Guaranty, and Home Owners League of MVMCC. 's inspection.

(f) Contractor agrees that Contractor will use the Project website established by the PAC in order to communicate information regarding the activities of Contractor within the Project to the tenants of the Project and in this regard will post an updates regularly-no less frequently than monthly. Contractor will further establish regular office hours within the Project, no less frequently than quarterly, during which tenants, PAC and Owner may meet with Mr. Al Frei or with the approval of Owner and PAC, his designee, to discuss issues of concern.

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 Owner and 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~~Contractor 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 Assured Guaranty. Copies of all third-party contracts for attorney, accountant or other professionals or for assignment of any of the duties hereunder to be performed by Contractor shall be submitted to the PAC, the Owner and Financial Security Assured Guaranty for approval at least 10 Business Days prior to the proposed effective date. If the PAC, the Owner and Financial Security Assured Guaranty 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. Contracts for repairs or other improvements to the Project shall be addressed in accordance with sub-sections (b) and (e) below.

- (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 Assured Guaranty, 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. The procedure for contracting for said repairs shall be as set forth in Exhibit B, attached hereto and incorporated herein by reference.
- (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 and subject to the prior written approval of Owner. Copies of all proposed contracts shall be forwarded to Owner in advance and shall meet the requirements of Owner regarding insurance coverage and indemnification of Owner.

- (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 or Owner in an amount satisfactory to the PAC and Owner. 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 Assured Guaranty. The procedure for contracting for said additions, alterations, modifications and improvements shall be as set forth in Exhibit B, attached hereto and incorporated herein by reference. 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 Assured Guaranty 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 Assured Guaranty, as applicable, as consented to by the Owner or Financial Security Assured Guaranty, 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 31st day of June, 1998: December 2012.

On ~~January~~ 1, ~~1998~~2013 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 Assured Guaranty or Owner [with the consent of Assured Guaranty]),~~ the PAC gives written notice to each other party hereto and to the Trustee and ~~Final~~ ~~Security Assured Guaranty~~ 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 as set forth in this Section 4.

On ~~October-December~~ 1, 20102, and on October 1, ~~2025~~2017, 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 Assured Guaranty~~ 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 Owner and Assured Guaranty~~, 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 Owner, with the consent of -Assured Guaranty~~ 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 Owner and Assured Guaranty~~, such consent to be in ~~its~~the sole discretion of each. 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 Assured Guaranty, the PAC with the prior written consent of Owner and Assured Guaranty~~, or the Contractor may terminate this Agreement for any reason by giving ~~30-60~~ days' prior written notice to the other party hereto, ~~Financial Security Assured Guaranty~~, 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. A copy of said certificates shall be provided to Owner.
- (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 Assured Guaranty~~ 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. Contractor will submit copies of such records to Owner, without request, no less often than quarterly.
- (e) *Certificate of Compliance.* The Contractor will prepare and submit to the PAC, ~~Financial Security Assured Guaranty~~, 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). Contractor further may administrate a rental assistance program with funds other than project funds to provide temporary assistance to tenants in the Project on an as needed basis. The Contractor shall provide a summary (without identification of recipient) of the use of funds to PAC on an annual basis.

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 Owner and 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, with the consent of~~ Owner 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 Owner and 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 and Assessment Costs.

- (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 Assured Guaranty~~, 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 Assured Guaranty~~ 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 Assured Guaranty~~ 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: \$12,000,000 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 Owner and PAC. At the option of the Owner and/or PAC, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the Owner, PAC, ~~its~~and their respective officers, officials, employees and volunteers or the Contractor or subcontractor shall provide a financial guarantee satisfactory to the Owner and 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 Owner and 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 (vi) Owner and PAC with original certificates and amendatory endorsement effecting coverage required by this clause. The endorsement should be on forms provided by the PAC Owner or on other than the PAC's Owner's forms, provided those endorsements or policies conform to the requirements. All certificates and endorsements are to be received and approved by the Owner and PAC before work commences. The Owner and 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 (vii) endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

(viii) The Owner, PAC and Financial Security Assured Guaranty 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 Owner, Trustee and Financial Security Assured Guaranty 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.~~ Owner. 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~~ Copies of any such Employee Crime and Dishonesty Policy ~~shall be provided to Owner and upon request,~~ to the Trustee and to Financial Security Assured Guaranty.

(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 Assured Guaranty, 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: prior to April 28 and the Contractor, in conjunction with the PAC shall hold an annual public meeting on the budget prior to the submission thereof to the Owner. 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 proposed Operating Budget including any proposed changes to Financial Security Assured Guaranty 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 Assured Guaranty and the Owner together with a certificate stating that Financial Security Assured Guaranty 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 Assured Guaranty~~ and the Owner, such Operating Budget shall be assumed to be approved by ~~Financial Security Assured Guaranty~~ and the Owner after 45 days unless (a) ~~Financial Security Assured Guaranty~~ or the Owner, as applicable, gives written notice otherwise to the PAC and the Contractor within 45 days after receipt by ~~Financial Security Assured Guaranty~~ 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 Owner and Assured Guaranty~~ and submit a revised Operating Budget to ~~Financial Security Owner and Assured Guaranty~~ for approval within five Business Days. Upon receipt of final approval by ~~Financial Security Owner and Assured Guaranty~~, 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, ~~2012~~1998, the PAC shall approve an Operating Budget, which has been approved by ~~Financial Security Assured Guaranty~~ and the Owner, for the next Fiscal Year. Notwithstanding the obligation to approve an Operating Budget which has been approved by Assured Guaranty and the Owner, the PAC may state its objections, concerns or comments to changes to the Operating Budget required by Assured Assured Guaranty or Owner. 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 Owner or Assured Guaranty~~ and submit such revised Operating Budget to ~~Financial Security Owner and Assured Guaranty~~ within five Business Days and shall adopt the budget as so revised.

- (b) Not later than ~~December January 25~~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 prior to submission to Owner. 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 and, if applicable, stated its objections, concerns or comments to, it or disapproved the mid-year budget report, the Contractor will submit the mid-year budget report to ~~Financial Security Owner and Assured Guaranty~~ for approval. Owner and Assured Guaranty shall approve or require changes, disapprove or require changes to the mid-year budget proposed by the mid-year budget report within 45 days of receipt of same. The Contractor will make any reasonable changes to the proposed mid-year budget Budget required by Owner or Assured Guaranty and submit a revised Operating Budget to Owner and Assured Guaranty for approval within five Business Days and Contractor shall implement the budget as so revised. The Contractor shall provide a copy of the revised Operating Budget to the PAC.

(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 Assured Guaranty~~ 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 Assured Guaranty~~ and provide information relating to such expense as the PAC Representative, the Owner or ~~Financial Security Assured Guaranty~~ 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 Assured Guaranty~~.

(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 Assured Guaranty 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 Assured Guaranty 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 Assured Guaranty 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.~~

~~(f) The Contractor shall not incur annual expenses which exceed expenses for any major category of the Operating Budget in excess of 10% of the related category in the approved Operating Budget without the prior written approval of the PAC, the Owner and Assured Guaranty. Annual expenses in any major category of the Operating Budget less than 10% shall require the approval of PAC and Owner's designated representative.~~

~~The Contractor shall not exceed the total annual approved Operating Budget without prior approval of the PAC, Owner and Assured Guaranty.~~

Section 10. Capital Plan; Capital Improvement Agreement.

(a) The Contractor shall on behalf of the Owner, on or before May 1, ~~2012~~1998 and on or before each May 1 during each Subsequent Term, submit to the PAC, to the Owner and to ~~Financial Security Assured Guaranty~~ for approval ~~by Financial Security's consulting engineer~~, a capital expenditure plan for the Project for the next ~~five~~ three Fiscal-Year

period (each, a "Capital Plan"). Assured Guaranty or Owner may, but are not obligated to, retain a consultant engineer to review the Capital Plan. The cost of said consulting engineer shall be paid for only with Project funds. 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 the Physical Needs Report prepared pursuant to subsection (e) hereof 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 Owner and Assured Guaranty with a notice that failure of Financial Security Owner and Assured Guaranty to respond within 3060 days constitutes approval of the plan by Financial Security Owner or Assured Guaranty as applicable. Owner or Assured Guaranty, as applicable, shall approve or require changes to such plan within 3060 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 Owner or Assured Guaranty'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 Assured Guaranty and/or Owner to approve or require changes to such plan within 3060 days of its submission shall be deemed to be approval of the Capital Plan.

(b) If Financial Security's the consulting engineer retained by Assured Guaranty and/or Owner disagrees as to the cost of a capital improvement detailed on the Capital Plan, Financial Security Assured Guaranty and/or Owner 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 Owner an/or Assured Guaranty 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 Contractor~~ will provide copies of such revised Capital Plan to the ~~Contractor and the Owner~~ and the PAC within two Business Days after receipt of approval from Financial Security Owner and Assured Guaranty.

(c)
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~~(e)~~ ~~(d)~~ 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 Owner and Assured Guaranty. Upon completion of any capital expenditure detailed on a Capital Plan, the Contractor will submit to the Trustee, with a copy to Financial Security Assured Guaranty, Owner 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; (b)

the required repairs were performed in a satisfactory manner; and (c) any contract for works of improvement pursuant to the Capital Plan was completed in compliance with the requirements for contracting set forth in Exhibit B. 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 Owner and~~ Assured Guaranty 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).

(d)

~~(d)~~(e) During the last fiscal quarter of ~~2007 and 2017~~2020, the ~~Controlling Party's~~ consulting engineer retained by Owner with the approval of Assured Guaranty, 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~~Assured Guaranty, 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 as approved by Owner and Assured Guaranty.

~~(e)~~(f) 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~~Assured Guaranty, such evidence as ~~Financial Security~~Assured Guaranty 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.

~~(f)~~ 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.

(g)

The Contractor shall not incur Capital Plan expenses which exceed expenses for any major category of the Capital Plan in excess of 10% of the related category in the approved Capital Plan without the prior written approval of the PAC, the Owner and Assured Guaranty. Annual expenses in any major category of the Capital Plan less than 10% shall require the approval of PAC and Owner's designated representative. Expenses which exceed the identified specific capital project budget in the Capital Plan shall require the approval of PAC and Owner's

designated representative. The Contractor shall not exceed the total annual approved Capital Plan budget without prior approval of the PAC, Owner and Assured Guaranty.

(g)(h)

Section 11. Compensation.

(a) As compensation for the performance of its services hereunder, the Contractor shall be paid a current management fee equal to \$4,167-\$4,417 per month and to be increased to -\$5,000 per month effective July 1, 2012 -and \$5,790 per month effective July 1, 2013, 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~~ Assured Guaranty. Said reasonable expenses shall include the salaries of on site employees of Contractor in an amount included in the Operating Budget and approved by the PAC, Owner and Assured Guaranty. In addition to the salaries of on site employees of Contractor, Owner may, but is not obligated to, permit Contractor to rent to Contractor's on site employees any Owner owned mobile homes, existing on the Project site. The rent and utilities, if any, to be paid by said employees, shall be agreed upon in advance by Owner and Contractor and may upon agreement between Owner and Contractor be included as a portion of benefits or compensation to be provided to said on-site employees of Contractor.

(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~~ Assured Guaranty 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~~ Assured Guaranty, 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 PACProject. Contractor shall maintain an inventory of Owner Personal Property which shall identify all of the personal property of Owner in the possession and control of Property Manager or PAC and which are present at the Project.

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 PACOwner and approved by Financial Security Assured Guaranty, who shall transmit a copy of his report of said audit to the Owner and 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.

(e) The Contractor shall keep a current inventory of all personal property of Owner which is in the possession of PAC or the Contractor and shall provide a certified copy of same to Owner along with the annual financial statements submitted to Owner in accordance with paragraph 8.03 of the Delegation Agreement. The Contractor shall not sell, transfer, gift, hypothecate, lend, or otherwise dispose of any of the personal property of Owner without the express written consent of Owner and in accordance with the surplus property disposition policies of Owner. To the extent that Project funds are at any time used to purchase or otherwise acquire or maintain any personal property to be used at the Project, said acquisition shall be made in accordance with the purchasing policy of Owner as set forth in Exhibit B hereto and such personal property shall become the property of Owner and shall be added to the personal property inventory upon acquisition. In addition, the inventory of personal property shall include an inventory of the personal property of all other persons or organizations which is stored at or on the Project other than Personal Property of residents stored on their individual spaces.

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 and Owner, if requested, 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 Assured Guaranty, 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 Assured Guaranty of corrective action it proposes to take, which corrective action is agreed in writing by the PAC, the Owner and Financial Security Assured Guaranty (in the event Financial Security Assured Guaranty, the Owner and the PAC do not agree, the decision of Financial Security Assured Guaranty 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 Assured Guaranty and the Owner, unless such variance has been previously approved by the PAC, the Owner and Financial Security Assured Guaranty (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 Assured Guaranty pertaining to any Monthly Reports required pursuant to the Management Plan or any request for information pertaining to the Project from the PAC, the Owner or Assured Guaranty;

- (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 Assured Guaranty~~ may, or the PAC or the Owner may, with the consent of ~~Financial Security Assured Guaranty~~, and shall, at the direction of ~~Financial Security Assured Guaranty~~, (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 Assured Guaranty~~ 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 Assured Guaranty~~ 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 Assured Guaranty~~ 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 Assured Guaranty~~ 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 Assured Guaranty~~ 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 Assured Guaranty~~, 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, Owner and Financial Security Assured Guaranty 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~~8340 Auburn Blvd.,
Suite ~~390~~Roseville100
Citrus Heights, CA 956610
Telephone: (916) ~~773~~772-8110 Telecopy: (916)
781-2557772-8111

~~Financial Security: Financial Security Assurance Inc.~~
~~350 Park Avenue~~
Assured Guaranty: Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, NY 1002219
~~Attention: Surveillance Department.~~
Attn: Risk Management Department
Telephone: (212) 826-0100
Fax: (212) 445-8705

Owner: City of Novato
75 Rowland Way
Suite 200
Novato, CA 94945
Telephone: (212) ~~826-0100~~415
899-8900
~~Telecopy Nos.: (212) 339-3518 (212) 339-3529~~

~~FAX: (415)~~
~~Attention: Assistant City Manager~~

(in each case in which notice or other communication to ~~Financial Security Assured Guaranty~~ refers to an Event of Default, or with respect to which failure on the part of ~~Financial Security Assured Guaranty~~ 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 Structured Finance~~ Group and shall be marked to indicate "URGENT MATERIAL ENCLOSED.")

Trustee: ~~First Trust of California, National~~
~~Association U.S. Bank~~
~~-Suite 1000-400~~
One California Street
San Francisco, CA 94111
Telephone: (415) ~~273-4555~~ 677-3600

~~FAX: (415) 273-4590~~
Attention: Corporate Trust Department

~~Owner: Novato Financing Authority~~
~~e/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 Assured Guaranty~~ 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 Assured Guaranty's~~ prior written consent. No successor Contractor may be appointed without the approval of ~~Financial Security Assured Guaranty and Owner~~.

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 or as required by state or federal law, and then only as required or 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 Assured Guaranty~~ constitute or be construed to be a waiver by the PAC, the Owner or ~~Financial Security Assured Guaranty~~ 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 Assured Guaranty~~ with respect to such breach or defaults. In no event shall payment to the Contractor by the PAC, the Owner or ~~Financial Security Assured Guaranty~~ in any way constitute a waiver by the PAC, the Owner or ~~Financial Security Assured Guaranty~~ 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 Assured Guaranty~~, 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 Assured Guaranty~~ and the Owner, or by ~~Financial Security Assured Guaranty~~, 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 Assured Guaranty~~ 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~~ Assured Guaranty, 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~~ Assured Guaranty, 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 ; 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 Assured Guaranty under the Indenture or the Insurance Agreement or (yii) 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 _____, 2012.

PARK ACQUISITION CORPORATION OF
MARIN VALLEY MOBILE COUNTRY CLUB

By: _____
Michael Holland, President

FREI REAL ESTATE SERVICES, INC.

By: _____
Al Frei, 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, and subsequently transferred the Project to the City of Novato ("Owner"). 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 Assured Guaranty~~. 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 Assured Guaranty~~.

(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 Assured Guaranty~~) 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 Assured Guaranty~~, 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 Assured Guaranty~~, 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 Assured Guaranty~~, 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 Assured Guaranty~~ 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 Assured Guaranty~~, 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 Assured Guaranty~~ 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 Assured Guaranty~~ 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.~~ Assured Guaranty.

Exhibit B – Management Agreement

Purchasing Parameters for MVMCC

As a publicly owned Park, MVMCC needs to follow the purchasing requirements that are legally required by state law, municipal ordinance and City administrative policy in terms of its purchasing of goods, services, or capital improvement projects. This Attachment summarizes the requirements and outline how they will be translated to MVMCC, the PAC and the Property Manager.

GOODS

“Goods” includes the purchase of supplies, material or equipment.

<i>Amount</i>	<i>Authority</i>	<i>Process</i>
> \$30,000	City Council	Formal bid or Request for Proposal required.
\$10,000-\$30,000	Property Manager with City Manager’s Approval	Informal bid from at least 3 competitive sources. Property Manager may solicit and gain City Manager approval for purchase.
\$5,000-\$10,000	Property Manager	Quotes from 3 competitive sources. Provide to lowest quote.
< \$5,000	Property Manager	Bids or quotes not required unless it totals more than 5,000/year as a recurring purchase.

PROFESSIONAL SERVICES

Professional services includes the use of consultants, engineers, architects, or other professions where the work provided is analysis and recommendations based on an individual technical expertise. The “product” provided is often a report, analysis or recommendations on which future decisions are based. The City has two Consultant Services Agreements – a long form and a short form – based on the work being provided.

<u>Service Value:</u>	<u>Award Authority:</u>	<u>Lead and Process</u>
<\$30,000	Property Manager or City Staff Dependent Upon the Specific Consultant Services Being Undertaken	<i>Property Manager Lead or City Staff Lead</i> Must obtain 3 informal bids or proposals. If an RFP done, then needs to be posted on the City’s E-Bid. Prior to initiation of consultant selection, PAC, Property Manager and City staff will consult to determine who shall take lead. City retains right to make final decision regarding the process.
>\$30,000	City as Lead with approval by City Council required	<i>City Staff Lead</i> Formal Request for Proposal for consultant services required. Formal City Council review and approval required.

Notes -- All contract documents created by the Property Manager must include language regarding indemnification and insurance endorsements protecting the City, Assured Guarantee and the PAC. All contract documents must be reviewed and approved by the City Attorney.

CAPITAL PROJECTS (NEW AND MAINTENANCE)

Capital Projects, called “public projects”, as defined by the California Public Contract Code (Section 20160-20175.2) are subject to specialized purchasing procedures. The goal is to ensure that public work is done by contract after competitive bidding. Public projects include, but are not limited to:

- Project for the erection, improvement, painting, or repair of public buildings and works;
- Work in or about streams, bays, waterfronts, embankments or other work for protection against overflow;
- Street or sewer work, except maintenance or repair, and
- Furnishing supplies or materials for any such projects, including maintenance or repair of streets or sewers.

Tier #1 – INFORMAL PRICING Below \$5,000 (Property Manager Lead)

- No bid or notice required. Obtain 3 informal quotes and choose lowest acceptable bidder. Park contracts directly with vendor via Frei Real Estate. Frei contract must contain indemnification for PAC, Assured Guarantee and City. Insurance parameters must also follow City standards. Subject to prevailing wage if over \$1,000.

Tier #2 – VARIOUS OPTIONS \$5,000-45,000 (Property Manager Lead)

(This level allows two options which are described below.)

- Negotiated Contract – Obtain minimum of three competitive bids; work provided to lowest acceptable bidder. Park contracts directly with vendor via Frei Real Estate. Frei contract must contain indemnification for PAC, Assured Guarantee and City. Insurance parameters must also follow City standards. Subject to prevailing wage.
City Employees– Utilize city employees to perform work on behalf of the Park.

Tier #3 – INFORMAL BID; From \$45,000-\$175,000 (City Lead)

- Requires compliance with informal bid rules to give 10 day notice to “City Vendor Database”. (Includes: description of project and requirements of vendor; must email to all active businesses in the City’s Vendor Database fitting the requirements of proposed work; review submitted bids and select.)
 - Bidding opportunity will be marketed by posting on the City’s e-bid site and notice published in newspaper as additional outreach.
 - Must award to lowest “responsible and responsive” bidder; no negotiations. No formal bid opening.
 - Must use City contract.

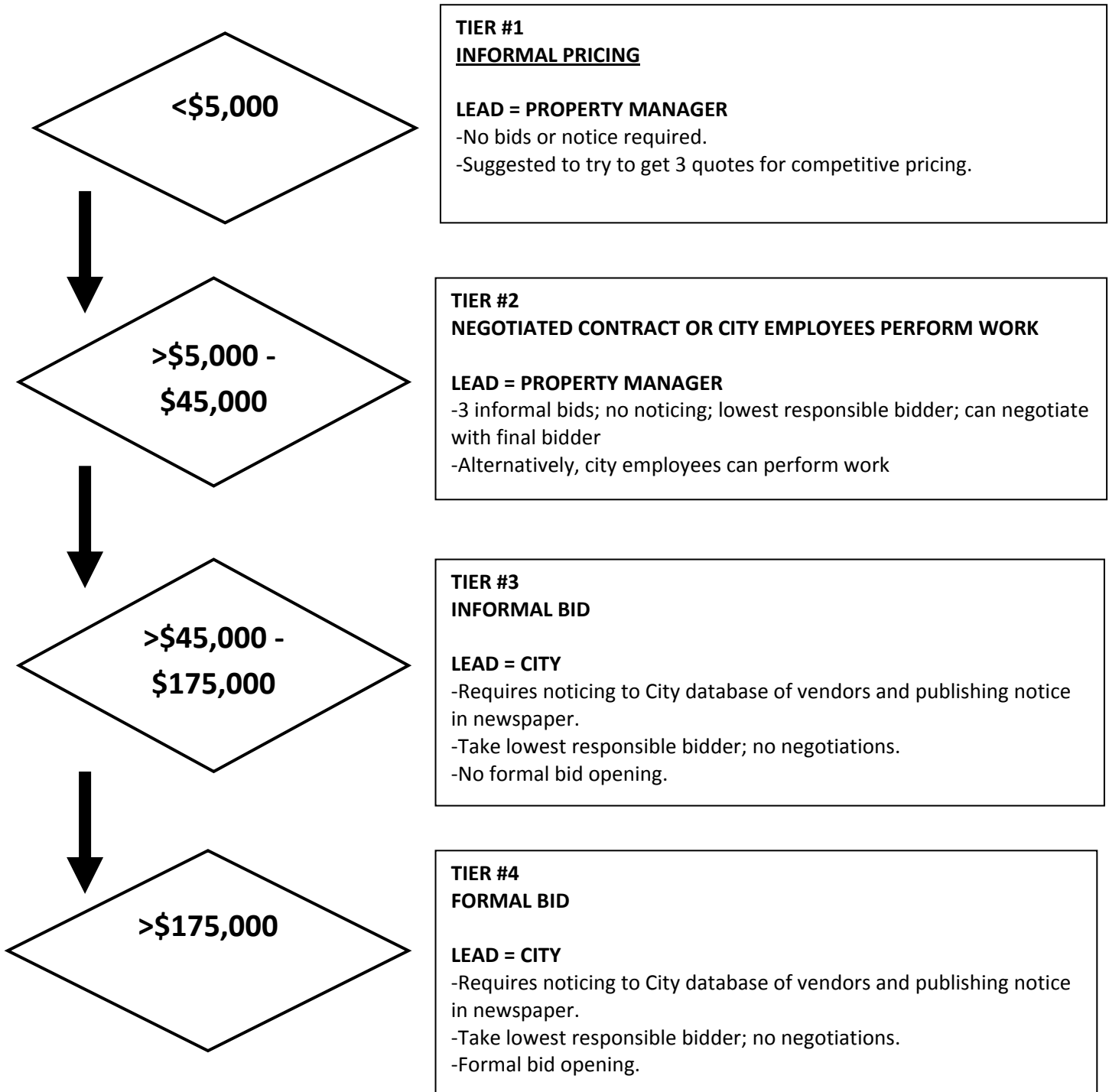
Tier #4 FORMAL BID; > \$175,000 (City Lead)

- Must use the formal contract bidding procedure. City staff takes the lead on purchasing, bidding and management of this tier.
 - Bidding opportunity will be marketed by posting on the City’s e-bid site and notice published in newspaper as additional outreach.
 - Must award to lowest “responsible and responsive” bidder; no negotiations. No formal bid opening
 - Must use City contract.

Notes –

1. All contract documents created by the Property Manager must include language regarding indemnification and insurance endorsements protecting the City, Assured Guarantee and the PAC. All contract documents must be reviewed and approved by the City Attorney.
2. Call capital projects are subject to prevailing wage if over \$1,000.

CAPITAL PROJECTS - CONTRACT VALUES AND TIERS



Key Parameters

- All public projects over \$1,000 are subject to prevailing wage law.
- Public projects cannot be split or separated into smaller work orders or projects for the purposes of evading the Public Contracting Code.
- In a rare exception, a decision may be made to sole source a scope of work within Tier #1 or #2. If the MVMCC Park Manager believes there is a need to sole source work, both PAC and City staff must be consulted and approve.
- If a capital project is highly technical, i.e. slope stability study, City engineering staff may be involved in the review of the analysis or inspection if the City believes this should be helpful. This can be determined up front during the budget process.