

MANAGEMENT AGREEMENT

This Agreement is entered into by and between UNITED LAGUNA HILLS MUTUAL, a California Nonprofit Mutual Benefit Corporation (hereinafter referred to as "**Owner**"), and PROFESSIONAL COMMUNITY MANAGEMENT, INC., a California corporation (hereinafter referred to as "**Agent**"), with reference to the following recitals.

A. This Agreement relates to certain cooperative housing projects owned and operated by Owner located within the private community commonly known as Laguna Woods Village (hereinafter referred to as "**LWV**"), in the City of Laguna Woods, County of Orange, California.

B. The development of Owner was financed in part by mortgage loans made by United California Bank (and its successors) as originating Mortgagee (the mortgage and related documents collectively referred to as the "**Loan Documents**") which are now held by several institutions and which are insured by the Federal Housing Administration, now known as the Department of Housing and Urban Development or "**HUD**."

C. Owner desires to contract with Agent for all services necessary in connection with the management, operation and maintenance of its property under the sole direction of its Board of Directors in accordance with Owner's Articles of Incorporation and Bylaws, the Occupancy Agreements, and other matters of title affecting the Project, the Loan Documents, and the applicable rules and regulations of HUD (collectively, the "**Governing Documents**"), as provided below, and Agent desires to provide such services.

D. As used in this Agreement:

(a) The term "**Affiliate**" shall mean, with respect to Agent, any person or entity which controls, is controlled by, or is under common control with, Agent, or beneficially owns ten percent (10%) or more of Agent.

(b) The term "**Assessments**" shall mean those amounts which members are bound to pay to Owner pursuant to the terms of their respective Occupancy Agreements.

(c) The term "**Consenting Parties**" shall mean (1) the Mortgagee as herein defined, and (2) HUD acting through its Commissioner or his duly authorized representatives.

(d) The term "**GRF**" shall mean Golden Rain Foundation of Laguna Woods, the California nonprofit mutual benefit corporation which currently is Trustee under the Trust Agreement and is responsible for the maintenance and repair of community facilities or the provision of non-Trust related services requested by Owner.

(e) The term "**Gross Collections**" shall mean those amounts actually collected by Agent on behalf of Owner, either as Assessments or otherwise.

(f) The term "**Mortgagee**" shall mean a holder of a Mortgage.

(g) The term "**Mortgage**" shall mean any deed of trust by and between Owner, as trustor, and any Mortgagee, as beneficiary, which is insured by HUD pursuant to the authority

contained in Section 213 of the National Housing Act and the regulations promulgated thereunder and which relates to one or more of the HUD projects identified on Exhibit A.

(h) The term "**Professional Community Management of California, Inc.**" shall mean Agent's identity of interest company which provides the services of a General Manager.

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

(j) The terms "**Trust Agreement**" or "**Trust**" shall mean the Trust Agreement, as amended, and a related agreement, as amended, among GRF, the Mortgagees, and certain stock cooperative and condominium nonprofit mutual benefit corporations entered into for the benefit of said corporations and their members.

NOW THEREFORE, in consideration of the terms, conditions, and covenants hereinafter set forth, the parties hereto mutually agree to the foregoing and as follows:

ARTICLE 1. Appointment and Acceptance.

(a) Owner hereby appoints Agent and Agent hereby accepts appointment on the terms and conditions hereinafter provided, as the exclusive managing agent for the real property and personal property formerly owned by predecessor mutual housing corporations ("**Mutuals**") of Owner, located in the City of Laguna Woods, State of California. Attached as Exhibit A to this Agreement is a schedule of all HUD project numbers, former Mutuals and dwelling units covered by this Agreement (collectively, the "**Project**").

(b) Agent, notwithstanding the authority given to Agent in this Agreement, shall confer fully and freely with Owner in the performance of its duties as set forth herein. Agent shall encourage wherever possible the principles of cooperative effort among the members of Owner consistent with such policy guidance as may be given by Owner, and shall attend membership and directors' meetings of Owner at any time or times requested by Owner.

(c) In order to facilitate efficient operation, Owner shall inform Agent with regard to standards to be kept and furnish Agent a set of community rules. To the extent available, a complete set of plans and specifications of the Project as finally approved by HUD has previously been furnished to Agent. With the aid of such documents, the Governing Documents and inspections by competent personnel, Agent shall inform itself with respect to the layout, construction, location, character, plan and operation of the lighting, heating, plumbing, and ventilation systems, lifts, and other mechanical equipment in the Project for which Owner is responsible.

ARTICLE 2. Duties and Services.

(a) General Manager. Professional Community Management of California, Inc., shall employ in its own name and at its own expense a General Manager whose appointment shall be made by Agent. The General Manager shall maintain an office at LWV and shall devote full time exclusively to performance of services hereunder and under management agreements

executed by other corporations which now or hereafter own or manage real property in LWV. The General Manager shall not be a member of Owner nor occupy a dwelling unit in LWV. Under the personal and direct supervision of the General Manager, Agent's employees shall render services and perform the duties as managing agent as set forth in this Article 2. Agent will cause to be employed whatever personnel are required to perform the services specified in this Agreement. Any and all expenses incurred by Agent under the Budget, hereinafter defined, or approved by Owner in writing are to be reimbursed by Owner.

(b) General Duties.

(i) Subject to the limitations set forth in paragraph (g) below, Agent shall provide or cause to be provided all services and personnel required to manage the Project at all times in the manner consistent with the terms and conditions of this Agreement and the provisions of the Governing Documents. Agent will use commercially reasonable efforts to manage the Project consistent with the Governing Documents and will consult with and keep Owner advised, through its Board of Directors (the "**Board**"), as to all major policy matters affecting the Project. Agent shall have all reasonable discretion, subject to the terms of this Agreement and the Budget then in effect, with respect to the direction, supervision and management of the Project.

(ii) Agent, the General Manager, and those of Agent's employees who handle or are responsible for handling Owner's money or other personal property shall furnish a fidelity bond, at the expense of Owner, in an amount and written by a company acceptable to Owner, the Mortgagees and HUD.

(c) Specific Duties. While the following enumeration of duties is not to be construed in any way as limiting the duties of Agent, Agent shall perform the following duties:

(i) Administrative Duties.

(1) Agent shall compile and maintain a current and accurate list of members of Owner (the "**Register**"), setting forth the name, mailing address and telephone number of each member, make such record changes as are appropriate in connection with all transfers of resident memberships, and make such Register available to Owner and any member in accordance with the Governing Documents and state laws.

(2) Agent shall maintain cordial and businesslike relations with the members of Owner, courteously receive, record and act in a timely manner upon requests and complaints with regard to services provided by Agent hereunder and notify the member and Owner as appropriate. Requests involving any material change in the nature and extent of services shall, after thorough investigation, be reported to Owner with appropriate recommendations for approval by Owner.

(ii) Fiscal Duties.

(1) Budget. Agent shall, not less than one hundred and fifty days (150) days before the beginning of each fiscal year of Owner, prepare and submit an operating budget and reserves expenditures and funding plan to the Board for its consideration and adoption for the forthcoming fiscal year in sufficient detail as determined by the Board (the

“**Budget**”) setting forth an itemized statement of the anticipated receipts (including a schedule of monthly charges to be collected) and disbursements for said fiscal year and taking into account the condition of the Project. Each such budget, containing a plan of operation and justifying the estimates made in every important particular, shall be approved by Owner by way of resolution in a timely manner that allows Agent to comply with this requirement. Unless approved by Owner, the plan of operation as submitted by Agent shall not include any material change in the type or extent of services to be rendered. Following such approval, copies of the Budget shall be furnished to Owner. The Budget shall serve as a supporting document for the schedule of monthly charges to be collected for the applicable fiscal year, shall constitute a major control under which Agent shall operate, and there shall be no substantial variance therefrom, except such as may be consented to by Owner. Notwithstanding any other provision of this paragraph, the plan of operation insofar as it relates to facilities and services to be provided by GRF shall be determined by GRF in accordance with that certain Trust Agreement entered into between Owner and GRF and in accordance with the Bylaws of GRF, and the Budget shall include Owner’s share thereof.

(2) Assessments.

(A) Recommendation. Agent shall make recommendations to the Board as to what the aggregate amount of the Assessments shall be for each forthcoming Fiscal Year, based upon the Budget it has submitted to the Board for such forthcoming Fiscal Year. Agent shall also make recommendations to the Board when it believes that it would be in the best interests of Owner for Owner to impose special assessments, specifying in connection therewith the purpose of the recommended Assessments and the amount of money which Owner would need to raise through any such Assessments.

(B) Levy, Collection and Enforcement. Agent shall request and cause to be collected and received receipts for any and all money which at any time may be or become due to Owner, including, without limitation, levying, collecting and enforcing payment of Assessments and the institution of such legal action as necessary with prior consent of Owner. As a standard practice, Agent shall furnish Owner with an itemized list of all delinquent accounts, together with information as to efforts to collect same, concurrently with monthly financial statements.

(3) Bank Accounts. Unless otherwise directed by Owner, Agent shall establish bank accounts for deposit of monies of Owner in a bank or banks whose deposits are insured by the Federal Deposit Insurance Corporation. All bank accounts shall be managed by Agent as agent of Owner and in a manner and form to indicate the custodial nature of said accounts satisfactory to Owner. Monies of Owner shall not be commingled with monies of Agent or any other party, including without limitation other corporations which own or manage real property in LWV. Agent shall keep accurate books and records reflecting the amount of moneys collected from each Member. Except as otherwise directed by Owner, Agent shall invest monies of Owner in securities which are a direct obligation of or guaranteed by the United States of America in accordance with an Investment Policy as adopted by Owner.

(4) Disbursements. Agent shall disburse from the bank accounts of Owner any and all amounts required for the payment of all Owner expenses, including without limitation, all sums due and payable by Owner, including costs and expenses authorized to be incurred by Agent under the terms of this Agreement, the payments required to be made

monthly to the Mortgagees, including the amounts due for HUD mortgage insurance premiums, taxes and assessment, fire and other hazard insurance premiums, interest on any mortgage, amortization of the principal of any Mortgage, Owner's share of the amounts payable by Agent for salaries of Agent's employees and salary related expenses incurred by Agent in connection with employment of its (PCM Inc.'s) employees as provided in this Agreement; and Agent's fees. After such disbursement in the order specified herein, any balance remaining in such accounts may be disbursed, transferred or invested from time to time in accordance with the Budget or otherwise as directed by Owner in writing. The parties hereto agree that all revenues collected accrue to the benefit of Owner and that from those revenues Agent is entitled to no amounts except for specific reimbursement of costs and expenses authorized to be incurred under the terms of this Agreement.

(5) Financial Statements. Agent shall cause to be prepared financial statements required by the Governing Documents and state laws and distribute copies to each Member in the manner and at the time provided for in the Governing Documents and state laws.

(6) Books and Records. Agent shall keep and maintain or cause to be kept and maintained comprehensive and adequate books and records in a manner satisfactory to Owner and to the Consenting Parties reflecting the results of administering and managing the Project. These books of accounts and other records relating to the Project shall be available to Owner and the Consenting Parties at all reasonable times for examination, audit, inspection and transcription. With the exception of January and February (for the months ending December 31st and January 31st) of each year, Agent shall prepare, no later than the twentieth day following the end of the month, interim preliminary financial statements including a balance sheet, operating statement, a monthly comparison of amounts of income and expenses to amounts of same projected in the Budget and such other information and in such forms as may be requested by Owner from time to time, as of the end of the preceding month. Agent shall cause an annual financial report to be prepared and certified by a certified public accountant approved by Owner, based upon examination of the books of account and records of Owner, which report shall be submitted to Owner together with such other reports and supplementary information as may be required by Owner.

(7) Insurance. Agent shall procure and keep in force in the name of Owner all insurance required by the provisions of the Governing Documents and state law and shall administer all such insurance and claims made under such insurance policies.

(8) Professionals. Agent may cause to be engaged on behalf of Owner such legal, accounting, and other professional services as are necessary or proper for the operation of the Project, the administration of Owner, and/or the enforcement of the Governing Documents, and, subject to the Budget, Owner shall be responsible for the fees and expenses related thereto.

(9) Liens and Encumbrances. Agent shall cause to be paid the amount necessary to discharge any lien or encumbrance against the Project, if deemed appropriate by the Board.

(iii) Physical Duties.

(1) Inspections. Agent shall make periodic inspections of the Project and render reports and make recommendations to the Board concerning the condition of this property as required.

(2) Repair and Maintenance of Project. Agent shall cause the Project to be repaired, maintained, furnished, and refurnished in accordance at all times with the highest standards achievable, consistent with the overall plan of Owner, its Budget, and the interests of the Consenting Parties. However, emergency repairs, involving manifest danger to life or property, or immediately necessary for the preservation and safety of the Project, or for the safety of the members, or required to avoid the suspension of any necessary services to Owner, may be made irrespective of the cost limitation imposed by this paragraph. Notwithstanding the foregoing authority, if at all possible, Agent shall confer immediately with Owner regarding every such expenditure and in any event file with Owner a written report regarding same.

(3) Project Services. On behalf of Owner, Agent shall place orders for and purchase water, electricity, gas, fuel, telephone, and vermin extermination services, equipment, tools, appliances, materials and supplies and such other goods and services as may be necessary to operate, maintain and improve the Project properly and to provide all services appurtenant thereto. When and as directed by Owner, Agent shall conduct negotiations on behalf of Owner for acquisition or disposition of real property and make contracts for improvements of real property now or hereafter owned by Owner, subject to the review and approval of Owner, and shall regularly report to Owner the status of these negotiations. All property, real or personal, purchased at the expense of Owner shall be the property of Owner. All such contracts, orders and purchases shall be subject to the limitations set forth in paragraph (g) of this Article. In exercising the authority set forth in this paragraph, Agent shall secure for and credit to Owner any discounts, commissions, or rebates obtainable. Any interest of Agent or of any of its officers, directors or employees in any contract, order or purchase proposed to be made on behalf of Owner shall be disclosed to Owner prior to obligating Owner therefor. When and as directed by Owner, Agent shall provide construction management or supervision on behalf of Owner.

(4) Insurance. Agent shall obtain and keep in force all forms of insurance, as recommended by an established insurance broker and/or insurance analyst, required to protect Owner adequately, including but not limited to worker's compensation insurance, insurance against liability arising out of death, personal injury, property damage, acts and omissions of officers and directors, operation of motor vehicles, boiler insurance, fire insurance with extended coverage, insurance against loss arising out of burglary and theft, and such other insurance as may be authorized by Owner. All insurance obtained for the benefit of Owner shall be placed with such companies, in such amounts, and with such beneficial interests appearing therein as shall be acceptable to Owner. Agent shall provide evidence annually reflecting that Owner is named as an Insured on all policies. Agent shall investigate promptly and file claims on behalf of Owner in a timely manner.

(5) Other Entry Rights. Pursuant to the Governing Documents and state laws, Agent or its agents shall enter into any dwelling unit at any time in the event of any emergency involving illness or potential danger to life or property, if, in Agent's discretion, Agent or its agents could assist in alleviating such emergency. Any such right of entry shall be exercised

in such a manner as to avoid any unreasonable or unnecessary interference with the possession, use and/or enjoyment of the Member or his or her invitees of the dwelling unit in question.

(6) Inventory. Agent shall maintain records of all property of Owner and provide reports of same to Owner upon request.

(d) Enforcement Duties. Agent shall enforce the provisions of the Governing Documents and make every attempt to secure full compliance with such rules and regulations as may be promulgated by Owner from time to time with respect to the use of the Project and the services provided in connection therewith and, to this end, see that all members and other affected persons are informed with respect thereto.

(e) Member Relations. Agent shall maintain a customer service quality check program to insure that services are being delivered to the members in accordance with the terms and spirit of this Agreement and shall periodically brief Owner, or upon request by the Board, on the results of this program.

(f) Other Duties. Except as limited by Paragraph (g) below, Agent shall do all other things or acts, within the scope of its authority as manager of the Project, as it deems necessary, desirable, helpful and/or proper in connection with the administration and management of the Project and take such action as may be necessary to comply promptly with any and all orders or requirements affecting the Project issued or imposed by any federal, state, county, or municipal authority or other regulatory body having jurisdiction thereover. Agent shall promptly notify Owner in writing of all such orders and notices of requirements not later than the next Board meeting of Owner from the time of their receipt. Agent, however, shall not take any action under this Paragraph so long as Owner has affirmed in writing its intention to contest any such order or requirement, except at the direction of Owner. Nothing herein shall require Agent to make any additional improvements to the Project not authorized in the Budget or an amendment thereto.

(g) Limitation on Powers of Agent. Notwithstanding the powers and duties of Agent as set forth in Article 2, Agent shall not enter into any contract on behalf of Owner:

(i) with a third party whereby such third party will furnish goods or services to the Project or Owner for a term longer than one (1) year, unless the contract is terminable by any party thereto at the end of any one (1) year period, or unless such a contract has been authorized by the affirmative vote or written consent of the Board;

(ii) except in the case of emergencies, in the name of Owner for goods or services not contemplated by the Budget or for amounts in excess of those specified in the Budget, unless the Board shall consent thereto in writing; or

(iii) with any Affiliate of Agent, unless such a contract has been authorized by the affirmative vote or written consent of the Board.

(iv) Agent has identity of interest companies. Agent will maintain a professional and "arms length" relationship with its identity of interest companies whenever Agent is conducting business on the behalf of Owner. Agent shall comply at all times with its fiduciary duties as agent of Owner when dealing with its Affiliates or other identity of interest companies.

(h) Employees. On the basis of the Budget and plan of operation as hereinafter described, Agent shall hire or retain in its own name (except as Owner and Agent otherwise may agree in writing from time to time) all employees necessary to render services and perform duties as provided in this Agreement. Owner's share of salaries of said employees payable by Agent, and Owner's share of reasonable salary related expenses incurred by Agent in connection with employment of said employees, may be paid directly by Agent in accordance with the Budget out of the bank accounts of Owner as provided in this Agreement. Nothing contained in this Agreement shall create any employer-employee relationship between Owner and any employee of Agent. In addition to salary related expenses noted above and any other indemnification provisions herein, Owner agrees to reimburse Agent for all reasonable costs and pay all reasonable obligations Agent incurs on behalf of Agent's employees at the Project, including but not limited to, such benefits as health/life insurance, contributions to 401(k) and other retirement plans, benefits negotiated under collective bargaining agreements, pension plans, incentive plans, workers compensation insurance, etc., as provided in the Budget in accordance with the terms of this Agreement. Agent shall cause any and all persons or firms hired or retained to provide services under this Agreement who handle money or other personal property of Owner to furnish a fidelity bond for the benefit of Owner as provided in paragraph (b)(ii) above.

(i) Independent Contractor. It is expressly agreed that Agent is acting as an independent contractor in performing its duties pursuant to this Agreement. Accordingly, Agent and Owner agree and recognize that each of the following shall define and govern their relationship for the Term of this Agreement, notwithstanding any separate obligation of Owner to reimburse or pay the cost of expenses provided in this Agreement:

(1) Agent's Methods. Agent will determine the method, details, and means of performing the duties. Nothing in this Agreement shall be construed to interfere with or otherwise affect the rendering of duties by the Agent in accordance with its independent and professional judgment. Agent shall perform its duties in accordance with all requirements of applicable law and substantially in accordance with generally accepted practices and principles of its trade. Owner and Agent agree to adopt and enforce reasonable rules to prevent any Member, Qualifying Resident, Co-Occupant or guest (as defined in the Bylaws) and directors of Owner from unreasonably interfering with work of Agent conducted pursuant to and in accordance with this Agreement. Neither Owner nor its members will perform the work of Agent.

(2) Licenses. Agent and its employees will maintain all licenses required by law for the performances of any services it may perform under this Agreement.

(ii) Salary Expense Controls. At the discretion of Owner, Agent shall arrange a meeting with all LWV corporations' boards of directors, including the Board, to explain the range of salaries and benefits for each group of employees, Agent's competitive position as to hiring and retaining employees most beneficial to Agent's performance of its duties hereunder. Individual salaries will not be discussed.

(i) Except as set forth in Article 4 below, all services performed by Agent under the provisions of this Article 2 shall be at the expense of Owner.

(j) Agent shall not be required to make any advance to or for the account of Owner or to pay any sum, except out of monies held or provided pursuant to this Agreement, nor

shall Agent be obliged to incur any liability or obligation under this Agreement without assurance that the necessary monies for the discharge thereof will be provided.

(k) A performance evaluation of Agent and review of the Management Agreement may be conducted in September of each year by the Presidents of the four LWV corporations and shall be based on goals and objectives set forth by Owner.

ARTICLE 3. Harassment Policy: Agent shall maintain adequate policies and training to prevent unlawful discrimination and harassment of and by its employees and agents.

ARTICLE 4. Overhead. The overhead expenses of Professional Community Management of California, Inc., shall be paid by Agent without right of reimbursement. Said expenses shall include:

(a) Salary and salary-related expenses of the General Manager.

(b) Salaries, salary-related expenses, office expenses and other expenses of officers and employees of Agent who are not employed exclusively in work for Owner and the other LWV corporations.

ARTICLE 5. Fee. Agent shall be paid, as its sole compensation for all services performed hereunder, a fee payable in advance on the first day of each month in an amount, exclusive of all surcharges, determined on the basis of the total number of dwelling units in Owner under management by Agent as of the last day of the preceding month as follows:

(a) Said fee shall consist of a monthly charge in the amount of \$1.80 per dwelling unit.

(b) Said fee shall be adjusted annually for each succeeding year by the same percentage as the All Urban Consumer Price Index (CPI) of the United States Bureau of Labor Statistics for the Los Angeles-Riverside-Orange County Metropolitan Area. Such annual re-computation shall be based on the July to June CPI increase or decrease, but not to exceed eight percent (8%). Should the variation in the CPI exceed eight percent (8%), the fee set herein shall be reopened automatically and subject to re-negotiations. Such fee adjustments shall be budgeted and become effective as of January 1 of the succeeding year.

ARTICLE 6. Term. The term of this Agreement shall commence on January 1, 2007, and remain in effect until December 31, 2011, unless sooner terminated pursuant to this Article. The term of this Agreement shall be automatically extended until December 31, 2012, upon the same terms and subject to the same conditions, unless either party elects not to renew by delivering written notice of such election to the other party no later than June 30, 2011.

(a) Any party not in default under this Agreement may elect to terminate this Agreement, without cause, upon not less than one hundred eighty (180) days prior written notice to the other party with a copy of such notice to each of the Consenting Parties. Such termination shall become effective as of 11:59 p.m. on the date specified in the written notice or, if no such date is specified, on the last day of the month in which the expiration of the one hundred eighty (180) days occurs.

(b) Upon the occurrence of any of the following events, either party may elect to terminate this Agreement, upon written notice to the other party, effective as of the date on which such election is made:

(i) Either Owner or Agent admits its inability to pay its debts as they mature, or makes an assignment for the benefit of its creditors, or applies for or consents to the appointment of any receiver, trustee or similar officer for itself or for all or a substantial part of its property.

(ii) Either Owner or Agent files a petition in bankruptcy or for an arrangement or for reorganization pursuant to the Federal Bankruptcy Act or any similar law, federal or state, or the adjudication of Owner or Agent as a bankrupt or insolvent by a decree of a court of competent jurisdiction.

(iii) The creditors of Owner or Agent file a petition in bankruptcy against Owner or Agent or for the reorganization of Owner or Agent pursuant to the Federal Bankruptcy Act or any similar law and the same is not discharged within sixty (60) days after the date of filing.

(iv) Either Owner or Agent is in breach of this Agreement and the breaching party fails to cure said breach within a ten (10) day period of notice to do so.

(c) This Agreement may be terminated, with or without cause, by HUD or any Mortgagee, upon written notice to Owner and Agent. Such termination shall become effective at 11:59 p.m. on the date specified in the written notice from HUD, which date shall be at least thirty (30) days after the date on which such notice is given. No liability shall be incurred by HUD in the event of such termination.

(d) Upon any termination under this Article, Owner and Agent shall account to each other with respect to all matters outstanding as of the date of termination, and an audit of the books of account and records of Owner shall be conducted, at the expense of Owner, by a certified public accountant who shall furnish a financial report to Owner and such other reports and supplementary information as may be required by Owner. On the effective date of any termination hereunder, or sooner if Owner so directs, Agent shall deliver to Owner all property (including, without limitation, automobiles and office furnishings and equipment and all property acquired pursuant to this Agreement), books and records in Agent's possession or under its control relating to the management and operation of the property.

ARTICLE 7. Miscellaneous.

(a) Subordination. This Agreement is made subject and subordinate to all rights of HUD as insurer of the Mortgages, shall inure to the benefit of and constitute a binding obligation upon the contracting parties, their respective successors and assigns; and to the extent that it confers rights, privileges, and benefits upon the Consenting Parties, the same shall be deemed to inure to their benefit, but without a liability to either, in same manner and with the same force and effect as though the Mortgagees and HUD were signatories to this Agreement.

(b) Merger/Amendment. This Agreement shall constitute the entire agreement between the contracting parties and supersedes all prior agreements between the parties hereto

respecting such matters, and no variance or modification thereof shall be valid and enforceable, except by supplemental agreement in writing, executed and approved in the same manner as this Agreement.

(c) Indemnification.

(i) Owner shall indemnify, defend at its sole cost, and hold harmless Agent and its employees, agents, officers and directors from and against any and all claims, demands, losses, costs, expenses, obligations, liabilities, judgments, orders and damages, including interest, penalties and attorney's fees, that Agent shall incur or suffer which arise, result from, or relate to the performance by Agent of its duties under this Agreement, except for the willful misconduct or gross negligence of Agent. This indemnification shall survive expiration or termination of this Agreement.

(ii) Agent will be responsible only for any willful misconduct and gross negligence where such liability is due to the conduct of Agent and/or its employees, independent of policies set by Owner, in the performance of its duties under this Agreement.

(d) Arbitration. Any dispute, controversy or claim arising out of or relating to this Agreement, or any breach thereof, including without limitation, any claim that this Agreement, or any part hereof, is invalid, illegal or otherwise voidable or void, shall at the request of either party be submitted to binding arbitration by a JAMS arbitrator, or such other arbitrator as may be agreed upon by the parties. Hearings on such arbitration shall be conducted in Laguna Woods, California. Any such controversy shall be arbitrated by a single arbitrator. The arbitrator shall hear and determine the controversy in accordance with applicable law and the intention of the parties as expressed in this Agreement, upon the evidence produced at an arbitration hearing scheduled at the request of either party. Such pre-arbitration discovery shall be permitted as is authorized under California law applicable to arbitration proceedings, including without limitation the provision of Title 9 of Part 3 of the California *Code of Civil Procedure*, including Section 1283.05, and successor statutes, permitting expanded discovery proceedings. The award shall be made within ninety (90) days from the date the arbitration proceedings are initiated, and shall include attorneys' fees and costs to the prevailing party, unless the arbitrator for good cause determines otherwise. Costs and fees of the arbitrator shall be borne by the nonprevailing party, unless the arbitrator for good cause determines otherwise. Judgment on the award of the arbitrator may be entered in any court having jurisdiction thereof.

(e) Section Headings. The section headings herein contained are for the purposes of identification only and shall not be considered in construing this Agreement

(f) Attorney Fees and Expenses. Should legal action or arbitration be necessary to enforce or interpret any of the provisions of this Agreement, the prevailing party in such action or arbitration shall be entitled to all costs and expenses, including without limitation, expert witness fees and reasonable attorneys' fees incurred therein.

(g) Singular and Plural. The singular number includes the plural whenever the context so requires.

(h) Severability. If any part, clause or phrase hereof is ruled invalid or unenforceable by any court having competent jurisdiction hereover, then the balance of this

Agreement shall remain in full force and effect in all its remaining provisions without being impaired or invalidated in any way. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

(i) Force Majeure. Neither party shall be liable for any delay or other inability to perform this Agreement attributable to and during a Force Majeure Event. The parties acknowledge that the effects of a Force Majeure Event may exist and continue for a period of time that exceeds the precipitating Force Majeure Event. "***Force Majeure Event***" shall mean any act occasioned by a cause beyond the reasonable control of Agent or Owner, including (but not limited to) acts of God, fire, explosion, casualties, war, insurrection, strikes, lockouts, riot, mob violence, sabotage, inability to procure labor, equipment, facilities, materials or supplies in the open market, civil unrest and governmental actions, travel advisories issued by governmental authorities, revolution, insurgency, terrorism, sabotage, hurricanes, earthquakes or other natural catastrophes and any other causes, whether similar or dissimilar to the foregoing, that threaten public safety generally.

(j) Governing Law. This Agreement shall be governed by the laws of the State of California.

(k) Third Party Beneficiaries. The provisions of this Agreement are solely for the benefit of the parties hereto and nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies under or by reason of this Agreement.

(l) Assignment. Neither party may sell, transfer or assign any of its interest in this Agreement without the prior written consent of the other party. Subject to the foregoing, this Agreement will inure to the benefit of, and be binding upon, any permitted successors and assigns of the parties.

(m) No Partnership. This Agreement does not and shall not be construed to create a partnership, joint venture or any other relationship between the parties hereto except the relationship of providing management services specifically established hereby.

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

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

m.f. 2/20/07
07 2/20/07

Dated: FEBRUARY 20, 2007

UNITED LAGUNA HILLS MUTUAL

UNITED LAGUNA HILLS MUTUAL

By: *[Signature]*

By: *[Signature]*

Print name: ELIZABETH M. O'BRIEN
Its: President

Print name: BEVAN STROM
Its: Secretary

UNITED LAGUNA HILLS MUTUAL

By: *[Signature]*

Print name: JAMES E. McNULTY
Its: Treasurer

PROFESSIONAL COMMUNITY MANAGEMENT
~~OF CALIFORNIA~~, INC.

6/6/07 *[Signature]*

By: *[Signature]*

Print name: Russell L. Disbro
Its: CEO

Approved as to Form:

ATTEST

UNITED LAGUNA HILLS MUTUAL

By: *[Signature]*
Richard Aprahamian, Esq.

Print name: RICHARD J. Aprahamian

**RESOLUTION OF THE BOARD OF DIRECTORS
OF UNITED LAGUNA HILLS MUTUAL
A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION**

The undersigned, being all of the directors of United Laguna Hills Mutual, a California nonprofit mutual benefit corporation, hereby exercise the powers residing by law in the directors of said corporation as follows:

1. Section 12 of Article VI of the duly adopted bylaws of the corporation, which states:

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all Members of the Board, individually or collectively, consent in writing to that action either before or after the action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

2. And pursuant to Section 7211 (b) of the California Corporation Code, which states:

Any action required or permitted to be taken by the board may be taken without a meeting, if all members of the board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the board. Such action by written consent shall have the same force and effect as a unanimous vote of such directors. For the purposes of this section only, "all members of the board" shall not include any "interested director" as defined in Section 5233, insofar as it is made applicable pursuant to Section 7238.


3. **RESOLUTION 01-07-44**

WHEREAS, the Management Agreement between United Laguna Hills Mutual and Professional Community Management, Inc. (PCM) executed on February 20, 2007 contains one errata where the signature line on the last page of the Agreement is executed by "PCM of California, Inc." and should be executed instead and correctly as "PCM, Inc.;"


WHEREAS, upon the advise of corporate counsel, this errata may be corrected by "lining out" the words "of California" on the originally executed document and authorizing the correction by way of signature and date; and,

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of this Corporation hereby authorizes its President and Secretary to execute the signature page as described and as depicted on the attached example, with only this change made to the signature page and there shall be no other changes made to the Agreement other than the aforementioned change, and also directs staff to attach this resolution to the Management Agreement and to retain with the Management Agreement as part of the Corporation's records.


3. The Secretary of this Corporation is hereby directed to accept this writing signed by all the Directors of this Corporation and to place same in the Book of Minutes of the meetings of the Board of Directors of this Corporation as evidence of the action taken herein by the unanimous written consent of the Board of Directors of the Corporation.


Elizabeth M. O'Brien, Pres.


4/24/07
Date


Burns Nugent, Director

4/24/07
Date


Jan McLaughlin, 1st VP

4/27/07
Date


Mary Stone, Director


4/24/07
Date


Ken Hammer, 2nd VP

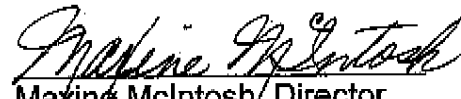
4/24
Date


John Dalis, Director


4/24/07
Date


Bevan Strom, Secretary

4/24/07
Date


Maxine McIntosh, Director

4-24-07
Date


Jim McNulty, Treasurer

4/27/07
Date


Marty Rubin, Director

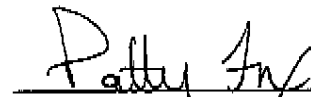
4/26/07
Date


Linda Wilson, Director

4/24
Date

Dated: 4/27/07

Certified by:


Patty Fox, Assistant Secretary

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

M.P. 2/20/07
2/20/07

Dated: FEBRUARY 20, 2007

UNITED LAGUNA HILLS MUTUAL

UNITED LAGUNA HILLS MUTUAL

By: *E. M. O'Brien*

By: *Bevan Stroh*

Print name: ELIZABETH M. O'BRIEN
Its: President

Print name: BEVAN STROH
Its: Secretary

UNITED LAGUNA HILLS MUTUAL

By: *J. E. McNulty*

Print name: JAMES E. McNULTY
Its: Treasurer

(INITIALS)
(INITIALS)

PROFESSIONAL COMMUNITY MANAGEMENT
OF CALIFORNIA, INC.

By: *R. L. Disbro*

Print name: Russell L. Disbro
Its: CEO

Approved as to Form:

ATTEST

UNITED LAGUNA HILLS MUTUAL

By: *Richard J. Aprahamian*
Richard Aprahamian, Esq.

Print name: RICHARD J. Aprahamian