

MANAGEMENT AGREEMENT

Parties

The parties to this Agreement are: THE GOLDEN RAIN FOUNDATION OF LAGUNA WOODS, a California nonprofit mutual benefit corporation (hereinafter referred to as "GRF"), and Professional Community Management, Inc., a California corporation, (hereinafter referred to as "Agent").

Recitals

A. This Agreement relates to a cooperative and condominium housing community known as Leisure World Laguna Woods (hereinafter referred to as "Leisure World") located in the County of Orange, California.

B. The dwelling units in Leisure World are managed by nonprofit cooperative and condominium corporations (hereinafter referred to as the "Mutuals"). The "Mutuals" are corporation members of GRF and the members of the Mutuals are resident members of GRF as defined in the bylaws of GRF.

C. Certain land and improvements in Leisure World, including but not limited to certain clubhouses, golf courses, swimming pools, streets, walkways, warehouses and appurtenances, and grounds have been acquired or constructed by GRF with monies received from the Mutuals and are held by GRF pursuant to a Trust Agreement for the benefit of the Mutuals and their members, (which property together with all other property, both real and personal, now or hereafter owned or leased by GRF, is hereinafter referred to as the "Property").

D. Under its Articles of Incorporation and Bylaws, the Trust Agreement, an agreement among GRF, certain cooperative Mutuals and United California Bank, and a Regulatory Agreement between GRF and FHA, GRF is obligated to acquire, lease or construct and to operate and maintain the Property for the benefit of the Mutuals and their members.

E. GRF desires to contract with Agent for all services necessary in connection with the management, operation and maintenance of the Property, as provided below, and Agent is willing to provide such services.

Terms

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

ARTICLE 1. (a) GRF hereby appoints Agent and Agent hereby accepts appointment on the terms and conditions hereinafter provided, as the exclusive manager and operator of the Property.

(b) Agent, notwithstanding the authority given to Agent in this Agreement, shall confer fully and freely with GRF in the performance of its duties as set forth herein. Agent shall encourage wherever possible the principles of cooperative effort among the members of the

Mutuals consistent with such policy guidance as may be given by GRF, and shall attend membership and directors' meetings of GRF at any time or times requested by GRF.

ARTICLE 2. (a) Agent shall employ in its own name and at its own expense: a General Manager whose appointment shall be subject to prior written approval by GRF, who shall maintain an office at Leisure World, 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 Leisure World, and not be a member of GRF nor occupy a dwelling unit in Leisure World.

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

ARTICLE 3. Under the personal and direct supervision of a General Manager, Agent shall render services and perform duties as follows:

(a) On the basis of an annual operating budget and plan of operation as hereinafter described, Agent shall hire or retain in its own name (except as GRF and Agent otherwise may agree in writing from time to time) all employees and independent contractors necessary to render services and perform duties as set forth below. Salaries of said employees payable by Agent, and salary related expenses incurred by Agent in connection with employment of said employees, may be paid directly by Agent out of the bank accounts of GRF as provided in (k) below. Nothing contained in this Agreement shall create any employer-employee relationship between GRF and any employee of Agent. In addition to salary related expenses noted above and any other indemnification provisions herein, GRF agrees to indemnify Agent for all costs and obligations Agent incurs on behalf of Agent's employees at the Property, 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, workers compensation insurance, etc.

(b) Cause Agent and all persons or firms hired or retained under this Article 3 who handle money or other personal property of GRF to furnish a fidelity bond for the benefit of GRF as provided in Article 2 above.

(c) Administer all services and operate the Property in accordance with the purpose for which held, all pursuant to the then current budget and plan of operations. Agent shall cause an inventory of all property of GRF to be taken not less frequently than annually.

(d) Maintain a current list of members of GRF and make such record changes as are appropriate in connection with all transfers of resident memberships.

(e) Maintain cordial and businesslike relations with the members of the GRF whose requests and complaints with regard to services provided by Agent hereunder shall be courteously received, recorded and acted upon in a timely manner and the member and GRF notified as appropriate. Requests involving any material change in the nature and extent of services shall, after thorough investigation, be reported to GRF with appropriate recommendations.

(f) Request and collect (including the institution of such legal action as necessary with prior consent of GRF), receive and receipt for any and all money which at any

time may be or become due to GRF. As a standard practice, Agent shall furnish GRF with an itemized list of all delinquent accounts, together with information as to efforts to collect same, concurrently with monthly financial statements.

(g) Cause the Property to be maintained in a condition satisfactory to GRF consistent with the provisions of the then current operating budget and operating plan contained therein as approved by GRF. For any one item of repair or replacement, the expense incurred shall not exceed the sum of \$7,500, unless provision has been made for same in the then current budget, or unless specifically consented to by GRF; however, emergency repairs, involving manifest danger to life or Property, or immediately necessary for the preservation and safety of the Property, or for the safety of the members, or required to avoid the suspension of any necessary services to the GRF, 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 GRF regarding every such expenditure and in any event file with GRF a report regarding same. Unless included in the then current budget, Agent shall not incur liabilities (direct or contingent) which at any time shall exceed the aggregate of \$15,000, or which shall mature more than one year from the creation thereof, without first obtaining the consent of GRF. Repair and replacement does not include additions to the physical property.

(h) Take such action as may be necessary to comply promptly with any and all orders or requirements affecting the Property issued or imposed by any federal, state, county, or municipal authority or other regulatory body having jurisdiction thereover, subject to the same limitation contained in Paragraph (g) of this Article in connection with repairs and replacements. Agent shall promptly notify GRF in writing of all such orders and notices of requirements not later than the next Board meeting of GRF from the time of their receipt. Agent, however, shall not take any action under this Paragraph so long as GRF is contesting, or has affirmed its intention to contest any such order or requirement, except at the direction of GRF.

(i) When the current operating plans or capital budget have been approved by GRF, and in furtherance of and accordance with said plans and budget make contracts, 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 Property 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. All property, real or personal, purchased at the expense of GRF shall be the property of GRF. 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 (i), Agent shall secure for and credit to GRF 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 GRF shall be disclosed to GRF prior to obligating GRF therefor. When and as directed by Owner, Agent shall provide construction management or supervision on behalf of Owner.

(j) Obtain and keep in force all forms of insurance, as recommended by an established insurance broker and/or insurance analyst, required to protect GRF 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 GRF. All insurance obtained for the benefit of GRF shall be placed with such companies, in such amounts, and with such beneficial interests appearing therein as shall be acceptable to GRF. Agent shall investigate promptly and make full written reports to GRF as to all accidents or claims for damage relating to the ownership, operation and maintenance of the Property, including any damage or destruction to the Property, and the estimated cost of repair, provided that no report shall be made if the estimated cost of repair is less than \$10,000, and shall cooperate and make any and all written reports required by any insurance company in connection therewith.

(k) From the monies collected and deposited in the separate bank accounts as provided in Article 5, cause to be disbursed regularly and punctually all sums due and payable by GRF, including costs and expenses authorized to be incurred by Agent under the terms of this Agreement, amounts payable by Agent for salaries of Agent's employees and salary related expenses incurred by Agent in connection with employment of its employees pursuant to Paragraph (a) above, and Agent's fees. After such disbursement, any balance remaining in such accounts may be disbursed, transferred or invested from time to time in accordance with the operating budget or otherwise as directed by GRF in writing. The parties hereto agree that all revenues collected accrue to the benefit of GRF 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.

(l) Prepare for execution and filing of all forms, reports, and returns required by law in connection with unemployment insurance, worker's compensation insurance, disability benefits, social security taxes and any other taxes now or hereafter in effect, and also comply with any requirements relating to the employment of personnel, all with respect to personnel of Agent employed pursuant to Paragraph (a) above.

(m) Maintain a comprehensive system of office records, books and accounts in a manner satisfactory to GRF. The records, books and accounts shall be subject to examination at all reasonable hours by persons authorized by GRF. With the exception of January or February of each year, Agent shall submit to GRF, not later than the twentieth day following the end of the accounting period, a balance sheet, operating statement, a monthly comparison of amounts of income and expenses to amounts of same projected in the budgets and such other information as may be requested by GRF from time to time, as of the end of the preceding accounting period as established by Agent. Agent shall cause an annual financial report to be prepared and certified by a certified public accountant approved by GRF, based upon examination of the books of account and records of GRF, which report shall be submitted to GRF together with such other reports and supplementary information as may be required by GRF.

(n) At least two and one-half months before the beginning of each fiscal year of GRF, submit an operating budget setting forth an itemized statement of the anticipated receipts (including a schedule of monthly charges to be collected from the Mutuals) and disbursements for said fiscal year and taking into account the condition of the Property. Each such budget, containing a plan of operation and justifying the estimates made in every important particular, shall be approved by GRF. Unless approved by GRF, the plan of operation as submitted by Agent shall not include any material change in the type or extent of services to be rendered. The operating budget containing the plan of operation shall conform to the provisions of the Trust Agreement. Following such approval, copies of the instrument of approval shall be

furnished to GRF. The operating budget shall serve as a supporting document for the schedule of monthly charges to be collected from the Mutuals 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 GRF. The operating budget is distinguished from the capital budget of GRF established pursuant to the Trust Agreement and other agreements referred to above. Capital expenditures shall be made pursuant to said capital budget, agreements, and GRF policies.

(o) At all times during the term of this Agreement, operate and maintain the Property and provide the services appurtenant thereto according to the highest standards achievable consistent with the overall plan of GRF.

(p) Secure full compliance with such rules and regulations as may be promulgated by GRF from time to time with respect to the use of the Property and the services provided in connection therewith and, to this end, see that all members and other affected persons are informed with respect thereto.

(q) Except as otherwise directed by GRF, invest monies of GRF in securities which are a direct obligation of, or guaranteed by, the United States of America.

(r) Carry out and perform all of the obligations on the part of GRF required to be carried out and performed under the Trust Agreement to the extent requested by GRF.

(s) At the discretion of GRF, arrange a meeting with all boards, all directors to explain the range of salaries and benefits for each group of employees to determine competitive position as a to hiring and retaining employees most beneficial to all Leisure World corporations. Individual salaries will not be discussed at this presentation.

(t) Prior to Agent's initial budget preparation, assemble officers of all Leisure World corporations to establish goals and objectives for the budget and operational plan.

(u) Maintain a customer service quality check program and periodically brief all Leisure World boards on the results of this program.

(v) Prepare a quarterly variance from the budget report and brief the Finance Committee of GRF on the results.

(w) When planning organizational changes at the executive or manager level, the General Manager shall inform the Human Resources Committee composed of the presidents of the four Leisure World corporations.

(x) Perform such other acts and deeds as are reasonable, necessary and proper in the discharge of Agent's duties under this Agreement.

ARTICLE 4. (a) The overhead expenses of Agent shall be paid by Agent without right of reimbursement. Said expenses shall include:

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

(ii) Salaries, salary related expenses, office expenses and other expenses of officers and employees of Agent who are not employed exclusively in work for Leisure World.

(b) Everything done by Agent under the provisions of Article 3 shall be done at the expense of GRF.

(c) Agent shall not be required to make any advance to or for the account of GRF 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.

ARTICLE 5. Agent shall establish and maintain 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 GRF and in a manner and form to indicate the custodial nature of said accounts satisfactory to GRF. Monies of GRF shall not be commingled with monies of Agent. Monies of GRF may be commingled with monies of other corporations which own or manage real property in Leisure World. Agent shall draw on said accounts for any payments required to be made by Agent to discharge any liabilities or obligations incurred pursuant to this Agreement, and for the payment of Agent's fees, all of which payments shall be subject to the limitations of this Agreement.

ARTICLE 6. (a) 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 Leisure World under management by Agent as of the last day of the preceding month as follows:

(b) Said fee shall consist of a monthly charge in the amount of \$1.06 per dwelling unit.

(c) 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-Long Beach-Anaheim 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 renegotiations, and in this event the fee shall be increased no less than eight percent (8). Such fee adjustments shall be budgeted and become effective as of January 1 of the succeeding year.

ARTICLE 7. (a) The term of this Agreement shall commence on January 1, 2002, and remain in effect until December 31, 2006, unless sooner terminated pursuant to Paragraph (b) or (c) of this Article. The term of this Agreement shall be automatically renewed upon the same terms and subject to the same conditions for additional and successive one-year terms unless either party elects not to renew by delivering written notice of such election to the other party at least one hundred eighty (180) days prior to the expiration of the then current term.

(b) 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.

(c) 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 GRF 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 GRF 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 GRF or Agent as a bankrupt or insolvent by a decree of a court of competent jurisdiction.

(iii) The creditors of GRF or Agent file a petition in bankruptcy against GRF or Agent or for the reorganization of GRF 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.

(d) Upon any termination under this Article, GRF 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 GRF shall be conducted, at the expense of GRF, by a certified public accountant who shall furnish a financial report to GRF and such other reports and supplementary information as may be required by GRF. On the effective date of any termination hereunder, or sooner if GRF so directs, Agent shall deliver to GRF all property (including, without limitation, automobiles and office furnishings and equipment and all property acquired as listed in Article 3(i)), books and records in Agent's possession or under its control relating to the management and operation of the property.

ARTICLE 8. (a) This Agreement shall constitute the entire agreement between the contracting parties, and no variance or modification thereof shall be valid and enforceable, except by supplemental agreement in writing, executed and approved in the same manner as this Agreement.

(b) Neither party shall be liable for any breach of this Agreement caused by fire flood, war, riot, strike or other events or acts beyond the control of the party or parties affected thereby. GRF and Agent agree to adopt and enforce reasonable rules to prevent members and Directors of GRF from interfering with work of Agent. GRF agrees to provide policy direction only to Agent.


(c) GRF hereby agrees to defend, indemnify and hold harmless Agent and its employees, agents, officers and directors against any and all claims, suits, damages including attorneys' fees arising out of the performance of this Agreement with respect to Agent's management of property for those acts performed within the scope of its authority. This indemnification shall survive expiration or termination of this Agreement. GRF shall not be liable to Agent for reimbursement for actions involving willful misconduct or gross negligence.

(d) 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 reasonable attorneys' fees incurred therein.

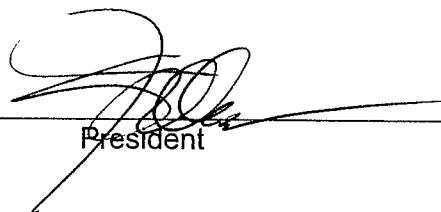
(e) If any part, clause or phrase hereof is ruled invalid or unenforceable by any court having competent jurisdiction hereover, then the balance of this Agreement shall remain in full force and effect in all its remaining provisions without being impaired or invalidated in any way. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Dated: _____

GOLDEN RAIN FOUNDATION OF LAGUNA WOODS

By  _____
President

PROFESSIONAL COMMUNITY MANAGEMENT, INC.

By  _____
President

Approved as to Form:

ATTEST

Golden Rain Foundation of Laguna Woods

 _____
Treasurer