

Franciscan County Club Mobile Home Park Cooperation and Advisory Agreement

This Cooperation and Advisory Agreement (the "Agreement") is made between LINC Franciscan Limited Partnership, a California Limited Partnership, ("LINC Franciscan"), LINC Housing Corporation, a California Public Benefit Corporation, ("LINC") and the Franciscan Acquisition Committee, an Unincorporated Association, ("FAC") dated as of April 18, 2002.

Whereas, on April 18, 2002 LINC Franciscan purchased the existing leasehold interest in the Franciscan Country Club Mobile Home Park (the "Park") and the fee simple interest in a portion of the Park with the proceeds of certain bonds (the "Bonds") issued by the Daly City Housing Development Finance Agency (the "Agency"); and,

Whereas, the documents related to the Bonds, (collectively the "Financing Documents"), impose certain affordability requirements on the owner of the Park; and,

Whereas, the ability of LINC Franciscan to purchase its interest in the Park and subsequently transfer it to another organization which qualifies for tax-exempt financing with resident-homeowner representation is predicated on LINC's experience and financial stability; and,

Whereas, FAC represents the homeowner residents of the Park; and

Whereas, LINC, LINC Franciscan and FAC all desire to enable the residents of the Park to participate in the governance of the Park and the establishment of park policies, budgets, and community guidelines; and

Whereas, it is the intent of the parties to create, through this Agreement, a management structure for the Park to cover budget, capital improvements, community guidelines, and the selection of the Property Manager, that is first established upon LINC Franciscan's acquisition of the Park, and preserved upon transfer of the Park to a subsequent entity, where such management decisions are made with input from LINC, FAC representatives, and City representative(s) as set out below.

It is therefore agreed:

1. LINC, LINC Franciscan, and FAC will endeavor to form a 501(c)(3) non-profit corporation to be known as Franciscan Housing Corporation (FHC). In the event this name is not available, another similar name shall be chosen.
2. The FHC by-laws shall provide that FHC shall have seven (7) directors, three (3) of which shall be appointed by FAC, three (3) of which shall be appointed by LINC, and one (1) of which shall be appointed by the City of Daly City and shall be an elected, management or appointed official of the City. The term of office for directors and term-limits (if any) shall be described in the by-laws of FHC. To the extent required for IRS approval of the 501(c)(3) status of the FHC, the number of resident directors or their voting rights, or both, may be reduced subject to the approval as to any such restructure by the City of Daly City and the

FAC. FAC acknowledges that in order to qualify for 501(c)(3) status and thus assume ownership of the Park from LINC Franciscan, the ability of residents of the Park to serve as directors of FHC or otherwise participate in the management of the Park may be restricted or limited.

3. FAC agrees that it will continue to be an association of resident-owners with the purpose of promoting and protecting the general welfare of the residents and owners of mobile homes within the Park. Only those households that both own and occupy a home in the Park will be eligible for voting membership in FAC. FAC will hold Park-wide elections of its directors in a time and manner specified in its by-laws. Such elections shall be monitored by a qualified, neutral third-party entity. FAC will determine a process for selecting their appointments to the FHC Board of Directors and amend its by-laws to describe and require this process as well as owner-occupancy membership. FAC shall provide FHC and LINC Franciscan with a written certification of both the election and the appointments.
4. The director representative of the City of Daly City shall be that person as the Daly City City Manager so informs the FAC, LINC Franciscan and, if applicable, FHC. The City of Daly City representative director may change, unrestricted by term, and shall be as designated by the City Manager, subject to the limitation set forth in paragraph 2 above.
5. This agreement shall serve as LINC Franciscan's non-revocable commitment to transfer the Park to FHC upon receipt by FHC of Federal and State tax-exempt status, including without limitation receipt of a determination letter from the Internal Revenue Service that FHC qualifies as a 501(c)(3) corporation with the purpose of owning the Park. LINC Franciscan and LINC shall pursue formation and tax exemption with reasonable diligence. Transfer shall be subject to approvals by the City, the Agency and meeting each of the requirements for such transfer as detailed in the Financing Documents.
6. In the event that conditions prevent the establishment of FHC as a 501(c)(3) corporation meeting the necessary approvals and requirements as described in paragraph 5 above, LINC Franciscan and FAC each shall use its best efforts to affect the intent of this agreement through the entity that holds title to the Park.
7. FAC shall establish a Resident Advisory Committee (RAC) to review and advise LINC Franciscan on such issues as operating budgets, capital improvements, community guidelines, selection and performance of the Property Manager, and other items, as may be deemed appropriate. In addition, the City shall have the right to appoint an elected, management or appointed official of the City to participate with RAC (the "City Representative"). LINC Franciscan shall provide RAC and the City Representative with budget, program, financial information and such other information as may be reasonably requested by RAC and the City Representative. LINC Franciscan shall also meet with the RAC and the City

Representative at least quarterly (and more often, as may be reasonably requested by RAC) and give serious consideration to RAC recommendations. In providing and considering advice, RAC and LINC Franciscan shall be mindful of requirements to operate, maintain, and control the Park in accordance with the terms of the Financing Documents and in accordance with all applicable law. The RAC shall continue to provide advice to FHC after transfer of the Park to FHC, and in the event it is not possible to make such transfer, to LINC Franciscan throughout its ownership of the Park.

8. Upon the transfer of the Park to FHC, LINC shall be retained to provide asset management services under a separate agreement that shall run for the term of the Bonds. LINC shall receive compensation equal to 1.5% of the gross rental receipts of the Park as specified in the Financing Documents. Community Housing Management Services, a LINC affiliate, shall be the initial Property Manager.
9. Upon repayment of the Bonds and any other financing related to the Park, and upon request by a majority of the households in the Park, LINC irrevocably commits to relinquish its right to appoint its three (3) directors of FHC. Replacement directors shall be selected by the remaining four (4) directors.
10. Current rules and regulations shall remain in effect until changed. New community guidelines supplanting the existing rules and regulations will be established jointly with LINC Franciscan and FAC.
11. FAC will use its best efforts to obtain the cooperation of all residents of the Park in providing information required to document compliance with the Finance Documents. FAC will convene regular meetings of all residents to disseminate information and report on progress. Copies of documents shall be provided to the City of Daly City upon request and without cost to the City.
12. The operation of the Park will be consistent with a regulatory agreement and the Indenture, included as part of the Financing Documents specifying affordability and other obligations arising from the utilization of tax-exempt financing for the acquisition by LINC Franciscan of the Park.
13. Rents shall be increased in accordance with the contingent lease amendment for those residents of the Park who have signed the contingent lease amendment, and consistent with existing rental agreements or leases for those who have not signed the contingent lease agreement.
14. Approximately 363 homeowners have executed contingent lease amendments that become effective upon acquisition of the mobilehome park by LINC or its affiliate. These contingent lease amendments provide for a \$90 per month increase in rents, then a stabilized rent for a period of five years, then increases as necessary to maintain the park, pay the financing and maintain reserves. In

the event that homeowners wish to execute such leases after close of escrow for purchase of the park the monthly increase shall be \$100. The rent increase in the contingent lease amendment will commence in the first month after acquisition of the park. If a homeowner signs a contingent lease amendment after close of escrow for purchase of the park, that homeowner shall be required to pay a lease commencement fee equal to the difference between the rent already paid by such homeowner or his or her predecessor, and the increased rent under the lease amendment (using the \$100 per month starting increase). For instance, if three months have accrued, the homeowner would pay \$300 upon execution of the lease amendment to "catch up" to those executing prior to acquisition.

Rents under the existing, non-amended leases will increase over time. The "Buy-in" amount for homeowners signing the lease amendments will be measured from the actual rent paid to the rent that would have been paid under the lease amendment had it been signed. After July 1, 2002, any homeowner signing a lease amendment hereunder shall pay no less than \$500 at the time of signing the lease amendment, even if the cumulative rents under the "old lease" have exceed those under the lease amendment.

15. New leases will be available to all residents who signed up for the contingent lease amendment and will be for a term of up to 34 years if they so desire, or if on the Podesta property, for the balance of the Podesta lease term, but not in excess of 34 years if the Podesta lease term is extended beyond that period.
16. Leases will require owner occupancy except in certain hardship cases and will provide for the minimum income certification required for ensuring:
 - a. Compliance with the Financing Documents;
 - b. Property tax exemption for the Park;
 - c. Compliance with the Park Rules and Regulations.
17. No sub-leases will be permitted except in the case of hardship. Hardship will be defined as:
 - a. Illness or unemployment of a family/household member with a loss of income that makes it impossible to pay housing costs existing prior to such illness or unemployment; or
 - b. A transfer of employment more than 100 miles from the Park.
18. Hardship subleases shall be for a maximum of one year, but may be reviewed and renewed for one additional year.
19. New long-term leases will remain in effect upon any sale or transfer of the Park and, upon transfer of a home, will be fully assumable by a qualified buyer of that home in the Park. Long-term leases shall also be assumable by heirs of the Homeowner-Lessee, provided they meet all regular requirements for owner-

occupancy. Should an heir not choose to live in the Park, the long-term lease shall remain in effect upon the sale of the home to a qualified buyer.

20. No legal resident of the Park shall be displaced because of their income level absent some other breach of lease or rules such as a failure to pay rent when due or falsifying income certification information.
21. Park Management Staff are employees of the Property Manager. As such, they will not expect to receive direction or supervision from resident directors of FHC or FAC and they will not follow such direction or supervision if it is given.
22. The primary point of contact between residents and the Park Management is to be the resident manager. In the event a resident is dissatisfied with the resident manager's actions, an appeal should be directed to the resident manager's supervisor by telephone or in person. Further appeals shall be in writing and directed first to the local or regional manager of the Property Manager, then to the President of LINC. If, following this procedure, the resident is still dissatisfied, a written appeal may be directed to the Chairman of the Board of FHC who will convene a grievance committee of Directors to consider the matter.
23. This Agreement may be amended from time to time by unanimous mutual agreement of all parties. Although not a party to this Agreement, no amendment, modification or cancellation of any portion or all of this Agreement, or other change to this Agreement can be made without the prior written consent of the City of Daly City to the extent such amendment, modification or change affects the City of Daly City or any of its rights herein, as expressed through a communication from the Daly City City Manager, which consent shall not be unreasonably withheld and shall be deemed to have been given if not received within 10 days of receipt by the City of such proposed amendment, modification or change.
24. LINC and LINC Franciscan shall each be bound by the actions of the other in all matters related to management of the Park.
25. As long as homes in the park meet the requisite standards under state and city codes, they can continue to be sold in place. New homes proposed to be installed in the Park shall be subject to Park standards as established from time to time.
26. Reference to "the City" or "City of Daly City" within this Agreement does not establish the City of Daly City as an owner of any interest in the Park, or in any component part, facility, or unit of the Park. Neither does such reference reflect the City's participation in routine policies, daily management decisions, or practices of the parties to this Agreement, the Park Manager, or any employees or representatives of the Park, LINC, LINC Franciscan, the FAC, the proposed FHC, or any other such entity. The parties to this Agreement, jointly and

severally, agree to indemnify and defend the City of Daly City, its officers and employees, from and against all claims and legal actions, costs, penalties and fines, damages and liabilities arising from operating, management and injury relating to any activity concerning the Park. Such duty to indemnify and defend extends to claims for civil rights violations, actual or threatened release or discharge of hazardous materials, claims of negligence or willful misconduct.

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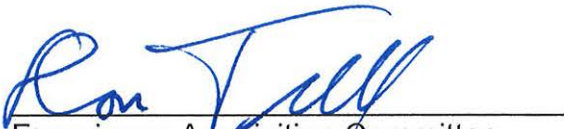
Agreed



LINC Franciscan Limited Partnership
By LINC Housing Corporation,
Its General Partner
By Hunter L. Johnson
Its President,



LINC Housing Corporation
By Hunter L. Johnson
Its President



Franciscan Acquisition Committee
By Don Tull
Its President