

COMMUNITY MANAGEMENT SERVICES

THIS AGREEMENT, made as of the _____ day of _____ 20____ between _____ Homeowners Association, a homeowners association consisting of ____ homes, organized and existing under the laws of the State of _____ having its principal location at _____ and _____ in the County of _____, City of _____, (“Association”) and _____ Management - _____, a community management company, having offices at _____ in the State of _____, County of _____, City of _____ (“Manager”).

WITNESSETH :

That the parties hereto mutually agree with each other as follows:

FIRST: The Association hereby appoints the Manager, and the Manager hereby accepts appointment, under the terms and conditions hereinafter provided, as the exclusive Manager of the Association. The relationship between the Association and Manager shall be that of an independent contractor and not that of Principal/Agent or Partner.

SECOND:

The Manager shall perform the following services:

(a) Cause to be hired, paid and supervised, all persons necessary to be employed in order to properly maintain and operate the Association’s Common Areas who, in each instance, shall be the Association’s and not the Manager’s employees, and cause to be discharged all persons unnecessary or undesirable, all subject to such union contracts or other agreements concluded on behalf of the Association with Association’s approval. Having used due care in the selection of such persons, the Manager shall not be under any responsibility whatsoever for any act or omission of any such person. The duties to so hire, pay, supervise and/or discharge, may be delegated by the Manager to one or more persons in the general employ of the Manager.

(b) Cause the Association’s Common Areas to be maintained in such condition as may be deemed advisable by the Association, subject only to the limitations contained in this Agreement. Ordinary repairs or alterations involving an expenditure in excess of the annual budget amount shall be made only with the prior approval of the Association, but emergency repairs, (i.e., those immediately necessary for the preservation or safety of the Common Areas or for the safety of occupants, or other persons, required to avoid the suspension of any necessary service in the Common Areas), may be made by the Manager acting in a reasonable business manner, irrespective of the cost thereof, without the prior approval of the Association. The Manager will inform the officers of the Association of any such action as soon as practical.

(c) Recommend and, with the approval of the Association, cause all such acts and work to be done in or about the Common Areas as shall be necessary or desirable to comply with any and all orders or violations affecting the Common Areas, placed thereon by any federal, state or municipal authority having jurisdiction thereover, and orders of the insurance underwriter of the Association or any governing body, except that if failure to promptly comply with any such

order or violation may expose the Association or the Manager to criminal liability, the Manager may cause such order or notice of violation to be complied with, irrespective of the cost thereof. The Manager will inform the officers of the Association of such action as soon as practical.

(d) Enter into contracts in the name of the Association for electricity, gas, air conditioning, water treatment, landscaping, telephone, rubbish removal, pest control, and/or improvements made or proposed to be made to the Common Areas, and other services or such of them as shall be advisable, but any such contract having a term longer than one (1) year or requiring annual payments in excess of Five Thousand Dollars (\$5,000) must be authorized by the Association.

(e) Purchase all supplies which shall be necessary to properly maintain and operate the Common Areas of the Association; enter into all such contracts and make all such purchases, as the Manager shall elect, in the Association's name for amounts not to exceed Five Thousand Dollars (\$5,000) per occurrence without Board approval, and credit to the Association any discounts or commissions obtained for purchases or otherwise.

(f) Notify the Association with respect to insurance coverage renewals for the Common Areas, the Association's directors and officers; if requested by the Association, cause to be effected and/or maintained (if obtainable) in such amounts and through such carriers as the Association shall designate or approve, fire, rent, water damage, liability, worker's compensation, employer's liability, disability and any other insurance the Association may elect to carry; and engage and cooperate with any insurance broker or consultant that the Association may designate or approve for the purpose of effecting insurance and protecting its interest with respect thereto.

(g) Approve and pay only those bills with amounts included in the annual budget or signed contract for such services, work and supplies ordered in connection with maintaining and operating the Common Areas; pay or cause to be paid all such bills, water charges, gas charges, electricity charges, sewer rent, assessments, and other taxes assessed against the Association or its Common Areas as and when the same shall become due and payable. Unless otherwise directed by the Association, the Manager shall not disburse any funds or pay any Association's invoices unless Manager has verified the work and has received a copy of the contract for the work performed including all applicable warranties, or work is performed in accordance with the Association's approved budget.

(h) Prepare and submit annually to the Board of Directors of the Association (the Board) an operating budget setting forth the anticipated income and expenses for the Association for the ensuing year, a comparison of said budget to the income and expenses of the preceding and current years, and any required explanations with respect thereto.

(i) When requested, send notices to the Board members and home owners of the Association, prepare agendas for, and cause a representative of its organization to attend quarterly meetings of the Board and one (1) annual meeting of the home owners during any twelve month period. Manager's fee includes the Manager's attendance of Board meetings, for a period not to exceed two (2) hours in duration; afterward the Manager shall be entitled to an hourly fee of One

Hundred and Fifty Dollars (\$150), billable in fifteen (15) minute increments.

(j) Coordinate and implement procedures necessary to oversee Architectural design policies approved by the Association relating to structural changes and new construction applied for and/or approved by the Board.

(k) If information is requested by counsel for Association, the Manager shall consult with the outside accountants or general counsel for Association, it being understood that Association shall be responsible for paying any compensation due to these professionals consulted with respect to these proceedings. The Manager shall charge an hourly fee for this service of One Hundred and Fifty Dollars (\$150) per hour. Hourly rates are billed in 15-minute increments with a minimum of one hour billed.

(l) The Manager shall collect and account for all funds collected and all amounts received on behalf of the Association and shall deposit or direct such funds into the Association's bank accounts at an FDIC Insured bank ("Bank Accounts"). The accounts shall be in the Association's name only. All funds collected by Manager pursuant to this Agreement are collected for the account of the Association and shall be immediately deposited in the Bank Accounts. The Bank Accounts shall consist of an Operating Checking Account and a Reserve Savings or Money Market account. The Manager shall provide Association with a reconciled Bank Statement with each monthly financial package.

(m) Maintain a comprehensive system of office records, books, and accounts which will be in Manager's custody, but which shall be the property of the Association and subject to examination by those authorized by the Association during reasonable office hours. The Manager shall provide to the Association, by no later than the twentieth (20th) day of each month a financial package including a balance sheet, income and expense statement, open item list, and a list of delinquent members for each month as of the end of the immediately preceding month. Annually, as soon as practicable after the end of the Association's fiscal year and at the Association's expense, the Manager shall cause said records, books, and accounts to be summarized in the format of a financial accounting or audit prepared by a Certified Public Accountant. The resulting report will be submitted to the Association.

(n) At the Association's expense, Manager shall, in conjunction with a Certified Public Accountant, prepare for execution all federal and state tax forms and all forms, reports and returns required by law in connection with unemployment insurance, worker's compensation insurance, disability benefits, social security, and other similar taxes or regulations currently in effect or hereafter imposed. All such preparations shall relate to the Association's personnel or duties under this Agreement in which the Manager has been properly notified by Association to perform such duties, all at the expense of the Association.

(o) Consider and, when reasonable, attend to complaints of home owners submitted in writing. If the Manager shall deem any such complaint unreasonable, it shall advise the Association of the complaint and the reason for its opinion that the complaint is unreasonable.

(p) Force Majeure. Any delays in the performance of any obligation of Manager under this Agreement shall be excused

to the extent that such delays are caused by war, government declared states of emergency, natural disasters, strikes, labor disputes, utility failures, government regulations, riots, adverse weather, and other similar causes not within the control of the Manager, and any time periods required for performance shall be extended accordingly.

THIRD:

The Manager shall, on behalf of the Association, establish and maintain the Bank Accounts described in SECOND above. The Bank Accounts shall have up to two representatives of the Manager as authorized signatories thereon. In addition, up to two Association Representatives (President and Treasurer) may also be signatories on the bank account. Manager is authorized to sign checks on behalf of the Association in an amount not to exceed Ten Thousand Dollars (\$10,000) for contracts pre-approved by the Association. Manager is authorized to sign checks on behalf of Association in an amount not to exceed Five Thousand Dollars (\$5,000) for individual items, provided that such request does not exceed the total amount available within the Association's annual budget. No funds shall be commingled with funds in any other account including any account of the Manager. The Manager shall be entitled to the cost of the banking expenses incurred which may include account maintenance, lockbox services, bank statements, and book transfers.

FOURTH:

(a) The Association authorizes the Manager to perform any act or do anything necessary or desirable in order to carry out the Manager's agreement contained herein. All purchases or commitments made by the Manager for the Association shall state that the Manager is acting as an independent contractor for the Association, and that the Manager shall not be liable or responsible with respect to any such commitment or obligation. If the Manager shall advance voluntarily for the Association's account any amount for the payment of any proper obligation or necessary expense connected with the maintenance or operation of the Common Areas, or otherwise, the Manager shall be reimbursed within Ten (10) days of the date that a receipt is submitted to the Association. In the event that the Association shall be liable to the Manager for any matter or item arising out of this Agreement or out of this property, the members of the Board shall have no personal liability.

(b) For the benefit of the community and to communicate to the members that the Association is managed by Manager, the Manager may, at the Manager's expense, erect a non-permanent sign on or near the Association marquee which signifies that the community is managed by the Manager.

(c) The Manager or its affiliates may provide Association Members with offers for products and services that Manager believes will benefit such Members. The Manager will use reasonable business judgment to ensure that offers are a direct benefit to the Association Members. These offers may be delivered in several different formats including but not limited to web advertising, e-mail, flyers, direct mail, or in the Association mailings so long as the Association does not pay any additional fees for the increased size or weight of any such mailing.

FIFTH:

The Manager shall be liable to the Association for any loss or damage caused by the Manager's own gross negligence or willful misconduct. Manager and its subcontractors', employees', representatives' and subsidiaries' liability for damages, regardless of the form of action, shall in any event be limited to the aggregate amount paid by Association to Manager for the services performed by Manager in respect of the relevant scope of work. No action, regardless of form, arising out of any services may be brought by either party more than Six (6) Months after the cause of action has occurred except that an action of nonpayment for services may be brought within One (1) Year after the date of the last payment or date of last services performed, whichever is later.

(a) To prevent the Association from theft, Manager shall be named on the Association's fidelity bond which shall be at least equivalent to three times the monthly assessment being collected or a minimum of Twenty Five Thousand Dollars (\$25,000). If necessary for the Manager to be covered under the Association's fidelity bond, the Board shall appoint the individual Manager who handles the Association funds as a non-voting Assistant Treasurer of the Association.

(b) The Association will indemnify the Manager against and hold the Manager harmless from:

(i) any liability, damages, costs and expenses (including reasonable attorneys' fees and disbursements) sustained or incurred for injury to any person or property in, about or in connection with the Common Areas, from any cause whatsoever, unless such injury shall be caused by the Manager's own gross negligence or willful misconduct;

(ii) any liability, damages, penalties, costs and expenses, statutory or otherwise, for all acts properly performed by the Manager pursuant to the instructions of the Association, provided, in each of the foregoing instances, that the Manager promptly advises the Association of its receipt of information concerning any such injury and the amount of any such liability, damages, penalties, costs, and expenses.

(iii) any liability, damages, penalties, costs and expenses, statutory or otherwise, from internet security breakdowns or a lack of security. Manager will use reasonable efforts to protect the security of the services; however, Manager does not warrant or guarantee the integrity or the security of the services or of the content, information or data transmitted through or contained within any portion of the services.

(c) The Association shall carry liability insurance (with limits acceptable to the Manager in its reasonable judgment), worker's compensation and employer's liability insurance, shall include the Manager as additionally insured under the liability policy and shall deliver a copy of such liability policy to the Manager or a certificate evidencing the same. Anything herein before set forth to the contrary notwithstanding, the Association shall defend any action or proceeding arising out of claims of injury to person or property and/or acts performed by the Manager, as aforesaid, at its sole cost and expense, in the name of the Manager or in its own name, and to use attorneys and other experts of its own choosing. The Manager, promptly upon receipt of notice, shall cooperate fully with the Association and its attorney at all stages of such claims, actions or proceedings. The Manager shall promptly furnish to the Association and its attorneys all papers, documents and other evidence which, in the opinion of the Association or its attorneys, are pertinent to said claims or the defense of such actions or proceedings. The Manager agrees to produce, at the appropriate place or places, at

reasonable times, such witnesses under its control as shall be requested by the Association or its attorneys. In the event that the Association does not defend any such action or proceeding, or elects to defend in its own name, the Manager may defend the same at the Association's sole cost and expense. The Association shall also carry Director's and Officer's liability coverage at its own expense and it shall list the Manager as an additional insured under the policy and shall deliver a copy of such policy to the Manager or a certificate evidencing the same.

SIXTH:

The Association shall pay the Manager as compensation for its services hereunder:

(a) For management and accounting services a contract fee as follows: **Six Thousand Five Hundred** Dollars (**\$6,500**) during the initial annual term covering this agreement as defined in SEVENTH. The fees as above set forth shall be payable in equal monthly installments due within Ten (10) days of the date that such invoice is submitted to the Association. Delinquent payments shall bear an interest equal to Two Percent (2%) per month, accruing pro rata on a daily basis.

(b) For set up services of the Association, including reviewing the Association's governing documents, coordinating vendor communication, redirecting vendor invoices as necessary, creating Members' electronic records, and creating the Association's dedicated web page the Manager shall be entitled to a one-time fee of **Four Hundred and Ninety-Five** Dollars (**\$495**) due upon execution of this Agreement.

(c) The Manager will provide a non-voting secretary, if such services are requested by the Board, as a Board member to take the Board minutes at a charge of Fifty Dollars (\$50) per hour during Board Meeting. Hourly rates are billed in 15-minute increments with a minimum of one hour billed.

(d) The Manager will provide Directors' Binders, if such products are requested by the Board, which include relevant Association documents, contracts, policies, and records for a fee of One Hundred Dollars (\$100) per binder plus applicable office supply expenses (e.g., photocopying). These binders will become the property of the Association and can be readily transferred to new Board Members to facilitate smooth transitions for new Directors.

(e) For services in connection with the supervision of alterations or capital improvements to the Common Areas for total project cost in excess of Five Thousand Dollars (\$5,000), for anything over and above the items in article SECOND including acting as Project Manager and including the preparation and/or review of non-technical bid specifications, coordinating vendor proposals, production of an overall project plan, and creation of a project total cost spreadsheet the Manager shall be entitled to a fee of Ten Percent (10%) of the total project cost.

(f) A Compliance Coordinator shall inspect the community for violations of the CC&R's, Architectural Control Guidelines, and Rules and Regulations. Such Compliance Coordinator shall be supervised by Manager. The Manager shall charge the Association a monthly Compliance Coordinator fee of Fifty Cents (\$.50) per house or per closed lot,

whichever amount is greater.

(g) For disbursements, including but not limited to messenger service, postage, mailing labels, envelopes and photocopying, the Manager shall be entitled to the cost of these expenses.

(h) For services of transferring Association home owners, the Manager shall be entitled to a fee of One Hundred and Ninety-Five Dollars (\$195) payable by the escrow agent prior to or at close of escrow as deemed to occur when Manager completes Disclosure Process and One Hundred and Ninety-Five Dollars (\$195) payable when title to said lot or unit changes for any reason whatsoever. In the case that the Declarant controls the Board, the fee for the initial closing, from Developer to first home owner, shall be Seventy-Five Dollars (\$75). This fee shall include the preparation of the documents that are required by law to be furnished upon a transfer of a home, including CC&R, Bylaws, Articles of Incorporation, Rules and Regulations, the Association's Budget, notification of any outstanding CC&R violations by the selling home owner, the schedule of Board meetings, and the Association's newsletter, if any.

(i) Upon the request from a Title company, lender, or a member of Association for a certificate or statement of a Member's account for the purpose of a resale or refinance of a Member's unit, Manager shall charge the homeowner through their Association account a Fifty Dollar (\$50) statement fee. Any requested statement will reflect the current balance due on the Member's account.

(j) Manager shall prepare and record liens against the property of any Member that is delinquent in the payment of assessments in accordance with the lien filing procedures established by the Association's governing documents. Manager will charge the Association a One Hundred Ninety-Five Dollar (\$195) lien fee, which includes lien processing, recordation and eventual release of lien. The lien processing, recording and release fee shall be charged to the individual Member's account on behalf of the Association.

(k) The Manager may collect from Association on any and all checks returned unpaid by any bank a non-negotiable check fee in the amount of Thirty-Five Dollars (\$35) for each occurrence. This fee will be charged to the Member's account that wrote the non-negotiable check on behalf of the Association.

(l) In the event Association calls any additional meetings that require the Manager's attendance outside of the Manager's office or after normal business hours, Manager shall charge, in addition to the monthly compensation provided in this Agreement, One Hundred and Fifty Dollars (\$150) per hour for said attendance. Hourly rates are billed in 15-minute increments with a minimum of one hour billed.

(m) Should Manager be required to appear in legal proceedings on behalf of the Association, the Manager shall charge an Administrative Fee of Two Hundred and Ninety-Five Dollars (\$295) per hour. Hourly rates are billed in 15-minute increments with a minimum of one hour billed. The Administrative fee shall be charged to the account of the member for whom the legal proceedings appearance was required on behalf of Association.

(n) Association shall notify Manager in writing of any change in the amount of assessment or other fees or additional charges currently being collected or to be collected by Association.

(o) Association shall receive a direct deposit account for individual members of Association to utilize for the payment of assessments. The Manager shall charge Association a one-time set up fee of Twenty Dollars (\$20), a Ten Dollar (\$10) transmission charge each time a batch transmission is performed by Manager (usually once a month), and a Fifteen Cent (\$.15) per item transfer fee.

(p) Should the Manager be required to facilitate the implementation of a Special Assessment established by the Association, including producing invoices and collecting assessments from homeowners, the Manager will be entitled to a collection and service fee of Ten Percent (10%) of the Special Assessment, plus postage for invoices sent to each member.

(q) All paper, envelopes, stamps, photocopy, files, incoming faxes, coupons books, invoices or other material used exclusively for the Association's purposes shall be charged to the Association by Manager. Manager shall provide supporting documentation to Association for such charges. The cost for storing all physical and/or electronic Association files and financial records shall be charged to the Association by Manager. Should the Manager be required to administer a Mass Mailer on behalf of the Association, the Manager will be entitled to a service fee of Fifty Dollars (\$50) per hour. Mass Mailers may include newsletters, annual meeting notices, and notice of community events.

(r) Association agrees to pay Manager Fifteen Dollars (\$15) for each late notice mailed to Members that are delinquent in the payment of assessments or other charges. Such late notice fee may be charged to the delinquent Member's account at the discretion of the Board of the Association in accordance with applicable State Statutes.

(s) In the event Manager sends a Demand letter by certified mail to a Member of the Association, Association shall pay a fee of Thirty-Five Dollars (\$35) per Demand letter. Such late notice fee may be charged to the delinquent Member's account at the discretion of the Board of the Association in accordance with applicable State Statutes.

(t) Should the Association request consulting services pertaining to specific items or projects not contained in the services of this agreement, association shall pay Manager a fee of One Hundred and Fifty Dollars (\$150) per hour, including travel time. Hourly rates are billed in 15-minute increments with a minimum of one hour billed.

(u) In the event of transition of Association control from Declarant to the Homeowners, the Manager shall be entitled to a transition fee of Nine Hundred and Ninety-Five Dollars (\$995). This shall include preparation of the documents and notices that are required to coordinate the transition of the Association, including all records, files, and books of the Association.

SEVENTH:

(a) This Agreement shall become effective **December 1, 2007** for operational responsibilities and management responsibilities and shall continue in full force and effect until **November 30, 2009**. Henceforth, it shall continue in full force and effect unless either party hereto shall serve written notice of cancellation by registered mail sent to the address first hereinabove set forth, in which event this Agreement shall terminate at the conclusion of the calendar month following sixty (60) days after the service of such notice with a majority vote of the Board to cancel. The Manager shall be entitled to an annual price increase of the greater of Five Percent (5%) or the increase in the Consumer Price Index for all Urban Consumers US City Average per US Department of Labor, Bureau of Statistics. If this Agreement has been entered into by the Declarant of the Association, then the Association, with a unanimous vote of the Board, may cancel this Agreement at the conclusion of the calendar month following sixty (60) days after the service of such notice to the Manager. If the Board demands that the Manager acts inconsistent with the CC&R's or any other statute, regulation, ordinance, or illegal action, the Manager may convey a seven (7) day termination notice.

(b) Upon termination, the parties shall account to each other with respect to all uncompleted business, and the Manager shall make available to the Association all files, books and records and other instruments relating to the Common Areas and the Association that are in the possession of the Manager. The Association shall furnish the Manager with reasonable security against any outstanding obligations or liabilities which the Manager may have incurred hereunder. Prior to the transfer of any records or funds to the Association, the Association shall furnish the Manager an Agreement of Indemnity satisfactory to the Manager (which approval shall not be unreasonably withheld) against any outstanding obligations or liabilities which the Manager may have properly incurred hereunder. The Agreement of Indemnity will also indemnify all of the Manager's employees, officers, directors, shareholders, agents, and subcontractors.

EIGHTH:

Manager hereby has the authority to make payments of any shortages or invoice payments for Association that cannot be paid out of the Operating Account of the Association due to the lack of funds in such Operating Account, from the Association's Reserve Account, Working Capital Fund Account or Special Assessment Account. Manager shall promptly notify Association of such shortage and of Manager's payment on behalf of Association of said outstanding invoices or obligations of the Association.

NINTH:

At all times herein, time is of the essence.

TENTH:

This Agreement and every provision hereof, shall bind, apply to and run in favor of the Association and the Manager and their respective successors in interest. Neither of the parties may change, waive, nor terminate this Agreement without the written consent of the other. Neither of the parties may assign this Agreement without the written consent of the other, except that Manager may assign this Agreement to a subsidiary or affiliate.

ELEVENTH:

Whenever possible, each provision of this Agreement will be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any such other provision, and this Agreement will be reformed, construed and enforced as if such invalid, illegal or unenforceable provision had never been contained herein. This Agreement shall be governed by and construed in accordance with the laws of the State of without giving effect to principles relating to conflicts of law.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

Association:

(HOA Name) Homeowners Association

Signed By: _____

Printed Name: _____

Title: _____

Date: _____

Manager:

_____ **Management**

Signed By: _____

Printed Name: _____

Title: _____

Date: _____

Schedule A –Discretionary Costs

Association Charges –

- Set-Up \$ [redacted] one time
- Compliance Service \$.50 monthly per home or closed lot, whichever is greater
- Transition Cost \$995 one time
- Office Supplies Cost recovery
- Consulting \$150 per hour

Homeowner Charges –

- Transfer Fee \$195 paid for by buyer/seller
- Disclosure Fee \$195 paid for by buyer/seller
- Fine Letter Administrative Cost \$15 per certified letter paid for by homeowner
- Non-negotiable Check Fee \$35 per occurrence paid for by homeowner
- Legal Proceedings \$295 per hour paid for by Association or homeowner
- Late Notice \$15 per notice
- Demand Letter by Certified Mail \$35 per letter
- Lien Fee \$195 paid for by homeowner (includes lien processing, recordation and eventual release of lien)