

ASSOCIATION MANAGEMENT AGREEMENT

This AGREEMENT (hereinafter "Agreement"),
which is established in accordance with the laws of the State of Nevada,
is made and entered into on this ____ day of _____, 2009, by and between

the Owners' Association known as
THE BEST HOMEOWNERS ASSOCIATION
A NEVADA NON-PROFIT CORPORATION
(hereinafter "Association")

and

The Best Management Company
(hereinafter "Manager")
having its offices at
2222 Jump Street, Las Vegas, NV.A 89101

for the property known as The Best Association
located in Pahrump, Nevada
(hereinafter "Property")

In consideration of the terms, conditions and covenants herein contained, the parties mutually agree as follows:

ARTICLE I

APPOINTMENT OF MANAGING AGENT

The Association hereby appoints The Best Management Company and The Best Management Company hereby accepts such appointment on the terms and conditions herein contained as the sole and exclusive Managing Agent of the Association to maintain, operate, manage, and supervise the PROJECT in accordance with the terms and provisions of this agreement and to otherwise perform the obligations as hereinafter set out.

ARTICLE II

TERM OF AGREEMENT

This agreement shall continue for a period of one year from the date it is executed by the Association and shall automatically expire sixty days from the end of the one year period unless renewed, in writing, for an additional one year term, by mutual consent of both parties.

ARTICLE III

STATUS OF MANAGER

Manager is an independent contractor with respect to those matters covered by this Agreement, except as that relationship may be changed to that of agent for a specific purpose pursuant to resolution of the ASSOCIATION'S Board of Directors (hereinafter "Board"). Unless Manager is specifically directed by Board written resolution to execute a contract, all written contracts entered into for and on behalf of the ASSOCIATION shall be executed by the President or other authorized Board Member.

ARTICLE IV

ROLE OF MANAGER

Manager shall assist the Board in the management, operation and administration of the ASSOCIATION. Manager shall perform its duties, responsibilities and obligations under this Agreement in accordance with the Declaration Establishing a Plan of Association Ownership of the Association, the Association's Articles of Incorporation, By-laws, Rules and Regulations and other policies and procedures established by the Board (hereinafter collectively referred to as the "Project Documents"). Manager and the Board shall be available at reasonable times to confer regarding the performance of the services set forth herein.

ARTICLE V

COMPENSATION OF MANAGER

The Association shall pay Manager a base monthly fee for routine services specifically designated in Schedule(s) "A" and "B". In addition, the Association shall pay Manager additional compensation in accordance with Schedule "C". All fees for Routine and Non-Routine services will be paid in accordance with the following:

- a. A startup fee as specified in Schedule "D" on new contracts.
- b. Base fee and Extra Services billed each month and payable within 30 days of invoice date.
- c. Applicable Schedules ...

"A" - Routine Services
"B" - Reimbursed Expenses
"C" - Non-Routine & Special Services
"D" - New Association Set-up

Management fees may be adjusted by mutual consent during the twelve (12) months following the commencement date.

At each anniversary of the commencement date, if not terminated, the prior year's base per unit fee may be increased, with Association approval, by a percentage not greater than the consumer price index increase for the past twelve (12) months or 5%, whichever is greater. Other fees and charges provided in Schedule "B" and "C" may be adjusted by Management only after providing at least ninety (90) days advance notice.

ARTICLE VI

SPENDING LIMITS

In discharging its responsibilities under this agreement, Manager shall not make any unbudgeted expenditures or incur any nonrecurring contractual obligation exceeding \$ 1,500 without the prior consent of the Board. Notwithstanding this limitation, the Manager may act on behalf of the Association, without prior consent of the Board, to expend amounts or incur contractual obligation required to deal with an emergency which threatens life, property or the safety of the ASSOCIATION, its members or occupants of homes, or threaten the suspension of necessary service to the Property. Other exceptions to this limitation shall be those expenditures authorized by contracts previously approved by an action of the Board of Directors.

ARTICLE VII

LIABILITY OF MANAGER

- a. **Liability of Manager:** The ASSOCIATION shall indemnify and hold Manager harmless from all claims, actions, liabilities and damages (including attorney's fees and litigation costs caused in whole or in part by the negligence or willful misconduct of the ASSOCIATION, any member of the ASSOCIATION or any other party, except to the extent same are caused by the willful negligence or willful misconduct of Manager, its employees or agents; and shall indemnify and hold Manager harmless from all claims, actions, liabilities and damages (including attorney's fees and litigations costs) asserted or threatened by or on behalf of any member of the ASSOCIATION or other party not under Manager's direct and exclusive control arising out of or related to any act committed by Manager in good faith while carrying out the policies and/or instructions of the ASSOCIATION.
- b. **Survivals of Indemnity:** Association agrees that the provisions of this paragraph shall apply to any complaint, demand, claim or cause of action arising out of or pertaining to any act or transaction of Manager taking place at any time during the term of this Agreement and that as to such acts or transactions these indemnities shall survive the termination of the Agreement.
- c. **Fidelity Bond:** Manager will be named as Association's Chief Operating Officer on the Association's Fidelity Bond. Manager understands that nothing in this Agreement is intended to hold Manager or its employees harmless for acts of gross negligence and/or dishonesty. For such acts, Manager or the employee will be responsible.

ARTICLE VIII

TERMINATION

- a. **Termination.** Notwithstanding the provisions of Article II hereof, this agreement may be terminated at any time as provided for in the Governing Documents of the Association or upon 45 days written notice given by either party to the other with or without cause or without notice in the event of gross negligence or fraud. Upon termination all obligations hereunder shall cease except liabilities or claims which accrued or arose prior to such termination.
- b. **Notice of Termination.** If terminated by the Association, written notice will be delivered via Certified US Mail to the offices of the Manager within the timeframe specified in Article VIII, paragraph (a) above. If Agreement is terminated by Manager, written notice will be delivered via certified US Mail to the current Association President within the timeframe specified in Article VIII, para (a) above.
- c. **Association Records.** Upon termination of this Agreement, the President or other duly authorized Board member shall review the Association's records at the offices of Manager and shall make an itemized claim for such records of the Association. Manager shall deliver to the President or other duly authorized Board member, all books, papers, records, documents, funds, passbooks, checks, and other property of the Association that are in the possession or under the control of Manager. A signed copy of the inventory of records maintained by the Manger will be exchanged with the Association with the Association accepting all documents previously held by the Manager. Each party shall sign the document transition document for protection of both parties.
- d. **Cooperation in Transition.** Manager and Association agree to cooperate fully with one another to transfer Association property, to execute whatever documents, and to take whatever other action may be necessary prior to termination to cause an orderly transition of Association management to a new

manager or from Developer to Association. Manager will endeavor to ensure that all documents belonging to the Association are transitioned in accordance with current Nevada law.

e. **Reimbursement of Costs.** Manager shall be entitled to reasonable compensation and reimbursement for costs and activities relating to the turnover of records, including cost of reproduction and labor at the rates provided in Schedule "B" in effect at the time the additional services are rendered.

f. **Liquidated Damages.** In the event the Association terminates this Agreement without good cause during the first year, the Association shall pay to Manager as liquidated damages one full month's fee for routine services.

ARTICLE IX

BOOKS, RECORDS, INSPECTIONS AND AUDIT

a. **Books & Records.** Manager shall maintain a comprehensive system of books and records in a manner in accordance with easy access.

b. **Inspection.** Except for materials designated as confidential by the Board, all books and records maintained either at the ASSOCIATION'S offices or in Manager's offices shall be made available for inspection by any and all unit owners or their authorized representative, upon reasonable written notice (48 hours), during normal business hours. Access to confidential materials shall be allowed only as authorized in writing by the Board. Manager will charge \$10.00 per hour for this access plus copy cost to the member for this service. Should this become extensive to the extent where the Manager needs to hire staff to accommodate an owner's request, management may contact the Board for authorization to charge the Association for the addition staffing costs.

c. **Audit/Review.** Manager shall cooperate fully with the independent certified public accountant in the conduct of the annual review and shall make all records, books and accounts available for their inspection and review.

d. **Inventory of Records.** Manager shall keep an inventory of all records and property until termination of contract. The inventory will be provided to any new management company upon written request.

ARTICLE X

INSURANCE

a. **Maintenance of Insurance by Association.** The ASSOCIATION agrees to purchase and maintain a policy of comprehensive general liability insurance with a limit of no less than \$1,000,000 per occurrence in coverage for bodily injury (including death), property damage and contractual liability, which shall name Manager as an additional insured for all loss liability and expenses, including costs of defense, arising out of or in any way connected with the maintenance, repair or condition of the managed premises. Such insurance shall be primary and non-contributory to any insurance maintained by Manager and shall include a cross-liability endorsement. The ASSOCIATION shall deliver to Manager a certificate of insurance evidencing such policy with ten (10) days of execution of the Agreement, and such certificate shall provide that Manager be given thirty (30) days notice of cancellation or diminution in coverage.

b. **Maintenance of Insurance by Manager.** Regardless of the provisions of indemnification set forth herein, Manager shall maintain in force, during the term of this Agreement, comprehensive general liability insurance, a fidelity bond covering those individuals with check signing authority and such other forms of insurance and in such amounts as may be reasonably required in writing by the ASSOCIATION. Manager shall deliver to the ASSOCIATION a certificate of insurance evidencing such policy within ten (10) days of execution of this Agreement, and such certificate shall provide that the ASSOCIATION be given thirty (30) days notice of cancellation or diminution in coverage.

c. The Association's Fidelity Coverage, which includes the Manager and Manager Company employees will be provided as stated in Article 7 c.

ARTICLE XI

MISCELLANEOUS

a. **Modification and Status.** This writing is intended by the parties as a full expression of their Agreement, and all negotiations and representations between the parties having been incorporated herein. No variation, modification, or changes of the Agreement shall be binding unless it is made in writing and executed by both parties.

b. **Special Conditions.** Any Special Conditions shall be prepared in writing and become an addendum to this Agreement and shall be approved by both parties in writing prior to any of the provisions contained therein becoming effective.

c. **Applicable Law.** This Agreement shall be construed in accordance with the laws of the State of Nevada and the Members of the Board are hereby advised by the Manager that they are required by NRS 116, NRS 116A and NAC 116 (and any changes after the execution of this contract) to advise the Association of their duty to comply with all State, Federal and Local Laws.

c1. **Registrations.** The Association shall at all times register with the Ombudsman's Office within the Real Estate Division and with the Nevada Secretary of State's Office as required by current Nevada laws and file all papers as required by law. This section will be considered notice of the requirements set forth in NAC 116.300 under Community Manager Responsibilities.

d. **Payments.** All payments are due within thirty (30) days of invoice date.

e. **Conflict of Interest.** Manager shall not accept from any party providing goods and services to the ASSOCIATION, including vendors and independent contractors, any remuneration or consideration in any manner or form, as consideration for or inducement to Manager for using the party's goods or retaining their services on behalf of the ASSOCIATION, all such benefits shall be the property of the ASSOCIATION.

f. **Affiliated Interest.** Manager shall not enter into any agreement to provide goods or services to the ASSOCIATION with any party, partnership, corporation, or other entity related to or affiliated with Manager, its directors, officers, and employees without prior written approval of the Board.

g. **Bankruptcy/Insolvency.** This Agreement may be terminated at the option of the ASSOCIATION: if the Manager shall be adjudicated as bankrupt or insolvent and such adjudication is not vacated within thirty (30) days; or if a receiver or trustee shall be appointed and it shall not be vacated within (30) days; or if a corporate reorganization of Manager or any arrangements by statute shall be filed; or if Manager shall make an assignment for the benefit of creditors.

h. **Attorney's Fees.** If any legal action is necessary to enforce the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees in addition to any other relief to which he or it may be entitled.

i. **Arbitration.** Any dispute or controversy among the parties hereto or arising out of this Agreement shall be determined by arbitration conducted by one arbitrator appointed by the American Arbitration Association and held pursuant to the Rules of Commercial Arbitration of the American Arbitration Association, unless one party gives written notice of refusal to arbitrate within twenty (20) days after a demand for arbitration has been made pursuant to this paragraph. Judgment may be entered upon an arbitration award in any court of competent jurisdiction and such award shall be final and non-appealable. The prevailing party in any arbitration or litigation arising hereunder shall be entitled to an award of costs and expenses, including reasonable attorney's fees.

j. **Access.** In order to perform the duties hereunder, Manager shall have access to ASSOCIATION property and to other properties to the extent afforded the ASSOCIATION pursuant to the Project Documents.

k. **Notices.** All notices to the ASSOCIATION shall be in writing and mailed postage prepaid to the designated address of the ASSOCIATION President. All notices to Manager shall be in writing and mailed postage prepaid to the current or last known business address of Manager.

l. **Point of Contact:** The association shall appoint a single point of contact to act as liaison between the association and the management company. Except for those other instances where the board may appoint other temporary contacts for other purposes, this person shall be the sole individual from which the management company will take direction on behalf of the board of directors.

m. **Use of Experts:** The Association shall comply with Nevada law and obtain the advice from an expert relating to matters that are beyond the Manager's expertise and will obtain 3 bids from all services providers when practicable. The Board will define in their rules and resolutions what practicable means to the Association.

n. **Federally Insured Institutions:** The Association understand that the funds of the Association will be deposited in Federally Insured Institutions authorized to do business in the State of Nevada.

o. **Collection Policies:** The Association will work with management to establish a Collection Policy and enforce it equally among all members. The Members of the Board understand that this includes their accounts as well and will not ask the Manager to make exceptions for themselves.

n. **Capital Improvement Bids:** The Manager, in accordance with the Governing Documents, will obtain 3 bids, where practicable, for all Capital Improvement Projects. A Capital Improvement in this case is defined as anything new that is under consideration by the Board and does not cost more than \$500., unless the documents dictate otherwise.

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

By _____ By _____
President of The Best Homeowners Association The Best Management Company

By _____
Secretary of The Best Homeowners Association

Date _____

This authorization was approved at the _____, 2009, Board of Directors meeting after being placed on the Agenda as required by Nevada law.

SCHEDULE "A"

ROUTINE SERVICES

1. GENERAL ADMINISTRATION.

Manager shall perform the following routine general administration services:

a. **Attend Board Meetings.** Attend twelve (12) regular Board meetings per year. Manager has no obligation to attend regular Board meetings on weekends or holidays. The Board shall give Manager reasonable advance notice of all such meetings and make reasonable efforts to accommodate any conflict in Manager's schedule. Any Board Meeting extending past 2 hours in length may be charged at the normal hourly rate for excess time. Manager will notify the person in charge of each meeting when the 2 hour limit is approaching.

b. **Attend Annual Meetings.** Attend one (1) regular annual meeting per year. Manager has no obligation to attend Annual meetings on weekends or holidays. The Board shall give Manager reasonable advance notice of all such meetings and make reasonable efforts to accommodate any conflict in Manager's schedule. Any Annual Meeting extending past 3 hours in length may be charged at the normal hourly rate for excess time.

c. **Minutes.** Take, transcribe and obtain approval of the minutes of all regular and special meetings of the Board, and general membership, and maintain chronological files of all minutes as duly adopted by that body. The Executive Session minutes will be kept in a separate location from the regular Board meetings. The Secretary of the Association shall be ultimately responsible for the maintenance of the Association's records and will work with Manager to assure compliance with applicable laws. The Secretary shall sign all minutes in blue ink to make them the official records of the Association.

d. **Meetings Notices, agendas and coordination.** Notice and coordinate the convening of all Board, and general membership meetings, and prepare necessary materials such as notices, agenda, ballots, proxies and similar items.

e. **Owner Roster.** Maintain, or cause to be maintained, a current roster of the names, addresses and telephone numbers of all unit owners.

f. **Correspondence.** Prepare and maintain records of all routine correspondence as directed by the Board.

g. **Record and File Maintenance.** Maintain current, accurate and orderly files of all correspondence and other documentation related to the operation and management of the ASSOCIATION. The Manager will keep an inventory of records as required by the Nevada Real Estate Division Manager current regulations.

h. **Conditions of Sale.** Upon Board direction, Manger shall file with the title company a report on any architectural conditions that exist on the property which are in conflict with current Board or Association Document requirements. This report will notify future or potential owners that the Association reserves the rights of the Association to have the property brought into compliance at the owner's expense.

- i. **Sale/Resale Information.** Upon written request of a member owner (or selling agent) who has contracted to sell his home, Manager shall, within 10 days of the mailing or delivery of the request, provide such owner (or selling agent) with a copy of: (1) the governing documents, (2) a statement that any restriction in these governing documents limiting the occupancy, residence or use on the basis of age is only enforceable to the extent permitted by law , (3) a copy of the most recent financial statement, and (4) a written statement as to the amount of any assessments levied upon such owner's interest which are unpaid on the date of the statement, and a written statement of any late charges, interest and cost of collection which are or may be made a lien upon the owner's interest. Manager shall charge a document preparation & transfer fee (see Schedule "B") for this service, which will be billable to the Association. The Association will be reimbursed by the owner or through escrow.
- j. **Resident Information Pamphlet.** Distribute a resident information pamphlet containing the policies and practices of the ASSOCIATION Manager as may be directed by the Board.
- k. **Special Meetings.** Prepare and distribute special meeting notices as may be directed by the Board. Fees will be charged in accordance with Schedule "B" and "C" for Special/Extra Meetings.
- l. **Special Photocopying.** Handle special photocopying as may be directed by the Board at ASSOCIATION cost.
- m. **Specification/Bid Preparation for Routine Maintenance.** Prepare and coordinate bid specifications as may be directed by the Board.
- n. **Contract Documents.** Facilitate the preparation and execution of final contract documentation for Routine Maintenance.
- o. **Annual Management Plan.** Assist the Board in developing an annual management plan.
- p. **Review of Standard Operating Procedures.** Review, evaluate and revise ASSOCIATION standard operating procedures as may be directed by the Board.
- q. **Legal Liaison.** Provide routine liaison services with legal counsel as may be directed by the Board. Litigation issues are not considered routine and are billable in accordance with Schedules "B" and "C".
- r. **Governmental Liaison.** Provide liaison services with local governmental authorities as may be directed by the Board in support of routine maintenance of Property.
- s. **Emergency Services.** Provide for after-hour emergency assistant services as may be directed by the Board. Time and materials will be billable in accordance with Schedules "B" and "C".
- t. **Rule enforcement.** Manager shall make two drive-through inspections of the project each month: one to check for CC&R infractions and one to check on property conditions and maintenance. Manager will assist the Board in the enforcement of all rules and regulations set forth in the Project Documents.
- u. **Insurance Liaison.** Facilitate the development of an insurance program for Board approval, and provide liaison series with insurance brokers and/or agents in obtaining insurance for the

ASSOCIATION, Board and Officers. Help schedule annual insurance reviews as required by the documents.

v. **Office Hours.** Maintain normal Office hours for communications related to ASSOCIATION business. (9:00am - 5:00pm ... Monday through Friday with the exception of New Years Day, President's Day, Memorial Day, Independence Day, Labor Day, Nevada Day, Thanksgiving Day and Friday After, Christmas Eve and Christmas Day)

2. PHYSICAL MANAGEMENT

Manager shall assist and/or advise the Board and/or employees and contractors of the ASSOCIATION in all matters related to the routine maintenance of the Project and act as a professional resource for all related routine maintenance requirements. Manager shall direct and order to be done, those things which are necessary to preserve and protect the PROJECT and maintain the property in accordance with the provisions of the operating budget as approved by the Board. Where applicable, Manager shall perform the following routine property management services:

a. **Property Inventory.** Maintain an inventory of all ASSOCIATION property with complete records regarding the acquisition and disposition of such property.

b. **Work Order Processing.** Prepare, process and maintain work orders related to maintenance and operation of the ASSOCIATION and report monthly to the Board on the status of non-routine or extraordinary work in progress.

c. **Janitorial Service and Trash Collection.** Manager shall work with the Board to set policy for and procedures for janitorial service and trash collection in the Project if applicable.

d. **Pool and Spa Equipment.** Manager shall work with contractors & committees to see that proper maintenance of the pool and other related equipment is carried out on a periodic or as needed basis.

e. **Painting.** Manager will be responsible for advising Board when proper maintenance of painted surfaces is needed based upon inspection by a professional or as guided by the reserve analysis.

f. **Minor Repairs/Maintenance.** Manager shall be responsible for, and have the authority to carry out minor repairs and/or maintenance of the common area (within the limitations of Article 6 "Spending Limits" of the General Conditions).

g. **Site/Facilities Inspection.** Manager shall make a minimum of one(1) physical site inspection of the common areas per month.

h. **Inspection Report.** Manager shall provide monthly building and amenities inspection reports noting any deficiencies (physical, safety or security) or required maintenance.

i. **Landscaping.** Manager shall be responsible to work with landscape contractors and Committee Members for proper maintenance of the landscaping.

j. **Streets/Walkways.** Manager shall be responsible for ensuring proper maintenance of streets & walkways in the development is carried out on a periodic basis or as guided by the reserve study.

k. **Selection & Administration of Contractors.** The manner of selecting contractors for routine maintenance of the project shall be specified by the Board. Manager shall submit recommendations to the Board with its evaluation of the bid's adherence to the specification, and such other information as Manager deems may be helpful to the Board. After selection but before retention, Manager shall insure that the ASSOCIATION has all necessary contracts, bonds, insurance certificates, warranties and similar documentation on file. The conditions of this paragraph shall also apply to the Administration of Contractors for Non-Routine maintenance with appropriate charges as specified in Schedules "B" & "C". Work related to the management of work orders, routine maintenance, and reserve fund projects done by other than the Association's Manager, are not "Routine Services."

l. **Complaint/Service Request Procedures.** Manager shall develop and maintain a program to respond to all reasonable complaints and all reasonable requests for maintenance in accordance with the procedures and guidelines adopted by the Board. Manager shall report monthly to the Board as requested on all such complaints and requests.

3. FINANCIAL MANAGEMENT

Manager shall perform the following routine financial services:

a. **Assessment Collection.** Manager shall prepare or cause to be prepared and mailed to the membership monthly assessment billing statements or coupon booklets if directed by the Board. Manager shall collect or caused to be collected as necessary, receipt for all assessments, or other income received by the ASSOCIATION.

b. **Delinquency Follow-up.** Manager shall be responsible for reasonable actions in collecting delinquent assessments and other routine charges in accordance with the procedures established by the ASSOCIATION. Manager shall maintain delinquent assessment records, and shall submit to the BOARD on a monthly basis an aged monthly delinquency list.

c. **Lien Enforcement Policy and Practices.** Management participation in Legal Actions or any activities in support of Association Legal Actions is considered Non-Routine Services (See Schedule "C" - Non-Routine Services). Manager shall have the authority to sign liens, if applicable, for recording with the County. The Board shall ensure that this direction is in the minutes of a properly noticed Board meeting.

d. **Foreclosure Proceedings.** Management participation in Legal Actions or any activities in support of Association Legal Actions is considered Non-Routine Services (See Schedule "C" - Non-Routine Services).

e. **Invoice Approval.** Manager shall review and approve all invoices for budgeted items and Board-approved expenditures, and report to the Board all apparent discrepancies or irregularities. Manager shall submit all bills for unbudgeted items to the Board for review and approval prior to payment.

f. **Financial and Report Preparation.** Manager shall maintain or cause to be maintained complete and accurate books and records of the ASSOCIATION'S financial affairs in accordance with generally accepted accounting practices, including a balance sheet, a general ledger and subsidiary journals, separate and apart from the records of any other entity, and showing all income and expenses compared to budget. Manager shall cause to be prepared and submit to the Board on a monthly basis such reports as may be reasonably requested by the Board, including, but not limited to, account statements, bank

reconciliation, income and expense statements, balance sheets, cash disbursement journal and similar reports.

g. Tax Return, Review or Audit Preparation. Manager shall cooperate with and assist the ASSOCIATION'S treasurer, bookkeeper and/or certified public accountant in preparation of tax returns, audits and reviews of the financial statements. Manager will cooperate with the ASSOCIATION'S CPA to conduct the audits as required by current Nevada laws based on current annual budgets.

h. Year-end Financial Statement. Manager shall assist in preparation of a year-end financial statement for the ASSOCIATION in accordance with the documents.

i. Budget Preparation. Manager shall assist the treasurer in the preparation of a pro-forma operating budget based on prior operating expenditures, estimated future expenses, and required capital reserves to Board of Directors for their decision and approval at a properly noticed meeting of the Board. Manager shall distribute to members of the ASSOCIATION copies of such operating budget, as approved by the Board, and schedule the membership ratification meeting as required by Nevada law.

j. Reserve Analysis. Manager shall cooperate and assist the ASSOCIATION in preparation of reserve analysis through the use of knowledgeable experts.

k. Liability For Use of Financial Statements. The ASSOCIATION shall have exclusive responsibility for the content and use of all approved financial statements, budgets and other financial documents prepared for the ASSOCIATION.. The Association hereby agrees to indemnify and hold Manager harmless from all liability arising out of the content or use of all such documents. All draft financial statements, proposed budgets and/or other financial documents prepared by Manager shall be clearly marked "Draft" until approved by the Board.

l. Deposits. All monies collected by the Manager on behalf of the ASSOCIATION shall be deposited in such ASSOCIATION account(s) as may be directed by the Board, separate and apart from the funds of any other entity. Manager shall establish a system of controls to insure monies received shall be handled and deposited without loss or undue delay. Manager shall have no authority to sign checks or authorize withdrawals from ASSOCIATION operating or reserve accounts.

SCHEDULE "B"

REIMBURSED EXPENSES

Unless otherwise specifically agreed to in writing, Manager shall be compensated under this Agreement exclusively as provided in this Schedule.

a. **Routine Services.** The ASSOCIATION shall pay Manager a base fee per month for routine services specifically designated in Article 5 of the General Conditions and Schedules "A" & "B". In addition, the ASSOCIATION shall pay Manager additional compensation in accordance with the following:

- (1) Base fee per owner unit - \$15.00 (total of \$2610.00/mo)
- (2) Preparation of Letter referring Delinquent member to Attorney - \$25.00 (*)
- (3) Mailing of Registered or Certified Letter - \$25.00 (*)
- (4) Resale Certificate - \$160.00 (*) – Emergency fee of an additional \$125.00 if demanded within 3 days vs. 10 days allowed by law.
- (5) Project Documents - \$.25 per page (*)
- (6) Lender Document Processing fee - \$25.00 (*) There is no charge if the lender will accept *our* document prepared for disclosure by fax.
- (7) Processing Returned Checks - \$25.00 (*)
- (8) Association Mailings (All those over 1 per month) - \$40.00/hr (plus photocopying, stationary and postage)
- (9) Mailing Labels - \$.08 Ea.
- (10) Photocopying - \$.25 per one side page unless copies of the minutes where the first 10 pages will be copied at \$.25 per page and \$.10 per page for any additional copies.
- (11) Responding to governmental request or filings (Secretary of State, etc.) - \$25.00
- (12) Word Processing for documents over two pages - \$40.00 per hour.
- (13) Long distance or conference telephone calls - At cost
- (14) Fax of telecopy transmissions & Receipts - \$1.00 per Page
- (15) Record Storage - \$2.00 per standard letter size storage box per month & a one time \$2.00 cost for each storage box..

b. **Other Materials, Supplies, etc.** Will be charged at the vendor's Invoice. Additional charges for the procurement, stocking and delivery will be charged at the hourly rate of the employee.

c. **Professional Rates.** \$100 per hour - Manager routine support
\$150 per hour - Litigation, lawsuit or administrative proceedings (see Schedule "C.1")

Note: Leased or contract employees are employees of the Association. Management may provide payroll services for employees of the Association but does not warrant their services or assume responsibility for the performance of these employees.

Non-Management Services (ie; janitorial, landscaping, contracting, etc) provided after normal hours (8:00am to 5:00pm., Monday through Friday excepting holidays) will be compensated at the rate of 1.5 times their normal rate. Also, time in excess of 8 hours on a regular day will be at the rate of 1.5 time the regular rate. Any time required of the employee that is in excess of twelve (12) hours in any one day will be compensated at the rate of two (2) times the regular rate. All emergency calls (including management) requiring employees to travel to the site will be billed in such a way as to provide for portal to portal with a minimum of 2 hours.

SCHEDULE "C"

SPECIAL & NON-ROUTINE SERVICES

Non-Routine Services. Manager shall, at the request of the Board, perform certain non-routine services for additional compensation at the rate as specified in Schedule "B" or at such other rate of compensation as may be agreed upon in writing by Manager and ASSOCIATION. Professional management overtime will be billed portal to portal at straight hourly rate unless otherwise specified in writing and agreed to by both parties.

Documentation of Non - Routine Services All compensation for non-routine services shall be supported by a statement itemizing the time and activity on a daily basis.

When Compensation is Due. The ASSOCIATION shall pay Manager for non-routine services within 30 days of invoice date. Charges for these services will be included on the normal monthly billing.

Non-routine services shall include any services not specifically designated herein as routine services, including, but not limited to, the following:

(1) **Participating in any type of lawsuit or administrative proceeding**, including without limitation lawsuits or proceedings involving the ASSOCIATION or any of its members, officers, directors, employees, agents or contractors, or in any way related to ASSOCIATION business, ASSOCIATION property, collection of delinquent assessments following the filing of liens, initiating foreclosure proceedings and/or enforcement of the Project Documents.

(2) **Warranty or Workmanship Claims.** Providing assistance in the investigation, evaluation and presentation of claims arising from defective workmanship, defective materials, and/or substandard services in the development or construction of the Project.

(3) **Processing insurance claims** involving bodily injury and/or property damage beyond preparation and submission of the original claim. Any such charges by Manager shall be submitted to the insurance company as part of the claim.

(4) **Receivables Collections.** Pursuing and prosecuting claims for delinquent receivables.

(5) **Extra Meetings.** Attending more meetings of the Board, Committees or general membership than required under Schedule "A" - Routine Services.

(6) **Projects.** Preparing or causing to be prepared architectural or landscape specifications, schematics, construction estimates, construction drawings and contracts for major renovation or repair of the common area(s).

(7) **Emergency Service.** Providing assistance in emergency situation or responding to resident complaints at times other than normal working hours. Non-routine services outside of those hours will be charged at 1.5 times the rate with a minimum of 2 hours charge per site visit.

(8) **Association Document Revisions.** Revision of the project declaration, articles and by-laws, but excluding revision of rules, regulations and policies of the ASSOCIATION which shall be included in routine services.

(9) **Common Area Acceptance.** Organizing, participating in and documenting common area acceptance and/or the release of bonds or other financial assurances which guarantee completion of the common area.

(10) **Non-Owner Residents. (Tenants)** Researching and maintaining any type of roster or other information on non-owner residents when not provided by the non-resident owners.

(11) **Payroll Accounting.** Maintaining or causing to be maintained all payroll accounting for any ASSOCIATION employees.

(12) **Contract Management and Supervision of Major Projects.** Projects in this context are defined as those activities that by their nature are significant in nature and not ongoing. A project has a beginning and end date. A project usually includes a specific activity; although, it may be made up of a series of tasks, skills and related activities. Typical projects are: replacing roofs, repainting (not touch up painting), sealing of asphalt paths or roads, replacing pool equipment, re-plastering pools, resurfacing tennis courts, etc.

(13) **Architectural Applications.** Association or applicant (if Board so rules) shall pay Manager an in-office "Plan Check Fee" to reimburse Manager. This fee will be based upon the current hourly rate or portion thereof.

(14) **Architectural Changes and Inspections.** The owner of the property that requires an inspection of the property will reimburse Manager on an hourly basis as provided for in Schedule "B".

(15) **Disclosure/Documentation Services.** The Association will pay to Manager a fee as defined in Schedule "B" for each set of documents provided to lenders, title companies, appraisers, members and others requesting said governing documents as provided in California Civil Code 1351. The Association will be reimbursed by the members who are the beneficiaries of this service. The member's account will be billed either through the assessment process or through escrow.

(16) **Change of Ownership/Lender Questionnaire.** The Association will pay to Manager a fee as specified in Schedule "B" for each change of ownership/lender questionnaire. Manager will change the records of the previous owner to show a transfer of interest to a new owner. If possible, Manager will obtain a copy of the grant deed for the new owner and settle outstanding assessments owed by the seller at time of sale. Manager will follow up with the Title Company if necessary. In the case the Association provides the master fire policy, Manager will notify the insurer of the new owner's interest. If an assessment collection service is utilized, Manager will notify Service Company of the name(s) of the new owner, and billing address. Manager will prepare a welcome letter. The Association will be reimbursed by the member who is the beneficiary of this service. The member's account will be billed either through the assessment process or through escrow. Lender questionnaires will be charged at the current hourly rate or portion thereof.

SCHEDULE "D"

NEW ASSOCIATION STARTUP SERVICES

New Association startup includes the following and is an additional charge of \$500.00.

a. Records

1. Database for the project will be created.
2. All documents received will be inventoried.
3. All documents will be read, studied and recommendations made for updating - if necessary

b. Financials

1. All areas of expense will be reviewed for possible savings.
2. The budget and current spending trends will be reviewed with the Board.
3. Review reserve funding.
4. Board will be advised of necessary or desired changes.
5. Review of security aspects.

c. Insurance

1. Insurance policies will be reviewed with insurance agent. Both sufficient levels of insurance will be evaluated, by the agent or broker, as well as proper coverage. Board will be advised of required changes.
2. Contractor insurance will be verified for existence and adequacy to the extent able to verify. Manager will check annually for this verification, but is not required to review the coverage monthly to ensure that contractor payments to the insurance company have been made. If cancellation notice is received, the cancellation notice will be sent to the President of the Association and a phone call will be made the same day to the President.

d. Documents

1. All Association documents will be reviewed for completeness and whether they appear to meet current requirements. Board will be advised of the need for legal review and any other recommended changes.

e. Enforcement

1. Enforcement policies will be reviewed or drafted and recommendations made for review by legal counsel.
2. Current enforcement system will be reviewed and recommendations made for review by legal counsel.

f. Contractors

1. All outside contracts with contractors will be reviewed for dates and if not previously reviewed by legal counsel, forwarded for review.

g. Grounds

1. Maintenance and housekeeping programs will be reviewed, analyzed and necessary changes recommended.

2. All maintenance equipment and systems will be inspected for current or anticipated problems. Corrective maintenance will be implemented by the Association, if required.

The Board will be kept regularly informed during the transition phase.