

ALDERWOOD PROPERTY MANAGEMENT, INC.

♦ Serving Snohomish County Since 1992 ♦

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MANAGEMENT AGREEMENT

PARTIES

THIS AGREEMENT is made by and between WEATHERBY ESTATES HOMEOWNERS ASSOCIATION, hereinafter called "Association," and ALDERWOOD PROPERTY MANAGEMENT, INC., hereinafter called "Agent," upon the terms set forth hereinafter.

WITNESSETH:

1.0 APPOINTMENT

The Association hereby appoints Agent, and Agent hereby accepts the appointment, on the terms and conditions hereinafter provided, as exclusive Agent of the Association. Agent shall have the power, authority and duties to supervise the management and maintenance of the project known as:

WEATHERBY ESTATES HOMEOWNERS ASSOCIATION
20611 – 104th Street SE
Snohomish, WA 98290
(a 39 unit single-family homeowners' association)

and shall perform the duties and carry out the functions of the Association as provided and specified in the Declaration and Covenants, Conditions, Restrictions and Reservations for and Bylaws of the WEATHERBY ESTATES HOMEOWNERS ASSOCIATION (hereinafter called "Declaration"), copies of which are attached hereto, marked as Exhibit A, and by this reference incorporated herein as though the terms and provisions were set forth in full.

2.0 DUTIES OF AGENT

Agent shall render services and perform duties as Agent of the Association as follows:

2.1 General

- a. Maintain business-like relations with members and respond in systematic fashion to requests for services from the Board.
- b. Prepare special reports in accordance with requests by the Board of Directors, at a charge to be mutually agreed upon in writing.
- c. Oversee modernization, rehabilitation and major construction projects at a charge to be mutually agreed upon as documented in writing and per Section 6.0 and Addendum A to this Management Agreement.
- d. For any one item of repair or replacement, the expenses incurred shall not exceed the sum of \$1,500.00 unless specifically authorized by the President of the Association, or a Director of



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the Association thereafter; excepting, however, that emergency repairs involving manifest danger to life and property, or immediately necessary for the preservation and safety of the project, or for the safety of the occupants, or required to avoid the suspension of any necessary service to the project may be made by the Agent, irrespective of the cost limitation imposed by this paragraph.

- e. Notwithstanding the authority given for emergency repairs, it is understood and agreed that Agent will, if at all possible, confer immediately with the Board regarding every such expenditure. Even in the case of an emergency, Agent shall not incur liabilities (direct or contingent), which will at any time exceed the aggregate of \$5,000.00 or any liability maturing more than one year from the creation thereof, without first obtaining approval of the Association or by resolution of the Board.

2.2 Fiscal and Accounting

Fiscal and accounting services for the project will include, but not be limited to, the following:

- a. Preparation of an annual budget at least 60 days prior to the end of the fiscal accounting year, subject to final approval by the Board.
- b. Receipt and posting of individual Association member dues to individual account records.
- c. Collection of assessments as provided in the Declaration and follow up on all delinquencies to effectuate collection of all amounts owed.
- d. Preparation and mailing of delinquency notice(s) as directed by the Board.
- e. Timely preparation of payroll checks and accurate record keeping of payroll time sheets for Association personnel.
- f. Make payment on invoices, utility bills and other common expenses as approved by the Board and consistent with Section 2.1.
- g. Quarterly preparation and distribution of Statement of Cash Receipts and Disbursements as directed by the Board.
- h. Preparation and distribution of annual financial reports as directed by the Board.
- i. Preparation of correspondence and reports regarding finances as requested by the Board.
- j. Assist in performance of audits in cooperation with auditors appointed by the Association.

2.3 Protection of Property

Agent shall assist the Association in matters relating to protection of the property against risks, as follows:

- a. As directed by the Board of Directors, place appropriate insurance coverage for fire, extended coverage, general liability, fidelity bonds, statutory and other approved forms of insurance coverage as specified in Declaration.
- b. Assist in processing insurance claims as set forth herein and on Addendum A.

2.4 Meetings

Board of Directors Meetings, Annual Meetings of Association Members and Special Meetings:

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- a. Agent shall prepare and mail notices, proxies, ballots, minutes, agendas, special reports, etc. as directed by the Board and in accordance with the requirements and provisions of the Association's Bylaws. Duplication and mailing of such shall be at the expense of the Association. Agent is not to take minutes, but will prepare minutes in draft form for Board approval from text provided by Board Secretary or other Member.
- b. Agent will attend the Annual Meeting and up to three (3) Board of Directors' meetings as needed and asked for by the Board of Directors, along with any Special Meetings called.

2.5 Records and Correspondence

Agent shall do the following to assist the Association with its records and correspondence:

- a. Maintain all financial records of the Association and its members.
- b. Maintain complete files for all major repairs and expenditures made to common areas.
- c. Maintain complete files for all correspondence and all minutes of Board meetings as provided by the Secretary of the Board of Directors.
- d. Prepare, duplicate and mail special bulk mailings requested by the Board of Directors at the expense of the Association.
- e. Maintain current owners list as provided by supporting information.
- f. Regularly mail to all owners those items requested by the Board of Directors such as billings, newsletters, minutes, etc.
- g. Research and maintain all data pertaining to transfers of ownership, including transfers of voting rights.
- h. Process all requests for duplication of project documents, correspondence, reports, etc. at a charge to the Association as set forth in Addendum A.

3.0 UNDISCLOSED FEES

Agent agrees not to collect for Agent's own account or benefit any undisclosed fees, rebates or discounts. Any such undisclosed fees, rebates or discounts shall be credited to the Association. Agent shall charge a reasonable transfer of ownership fee for processing requests from mortgage companies, escrow agencies, sales agents or others for the purposes of effecting a conveyance and a fee for preparation of resale certificates. These fees are charged directly to the party requesting information and are not charged to the Association.

4.0 BANK ACCOUNTS

Agent shall maintain a checking account in a bank whose deposits are insured by the Federal Deposit Insurance Corporation, in a manner to indicate the custodial nature thereof, for the deposit of the monies of the Association. Savings and reserve accounts may also be maintained as directed by the Board and as authorized by the Declaration.

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5.0 TERMS

The terms of this Agreement shall be for a minimum of one (1) year, beginning the first day of June 2009 and ending the 31st day of May 2010. Upon expiration of the original term and each subsequent term, this agreement shall be automatically extended for an additional year unless re-negotiated or terminated in writing a minimum of thirty (30) days prior to the expiration of each term.

If Association should fail to keep, observe or perform any term of provision of this Agreement, and such failure shall continue for a period of ten (10) days after notice thereof by Agent, Agent shall be entitled to terminate this Agreement and, upon such termination, Agent shall have the right to pursue any remedy it may have at law or in equity, provided that the fees payable under Section 6.0 and Addendum A to this Management Agreement shall continue to be paid until the current term of this Agreement expires.

At any time during the contract period, and with at least a 30-day written notice, the Association reserves the right to terminate this Agreement.

6.0 AGENT'S FEE

Agent shall be entitled to receive for services performed under this Agreement a fee of Five Hundred and no/100 Dollars (\$500.00) per month.

Agent reserves the right to increase said fee if deemed appropriate at any time after the end of the first term of this Agreement, but upon no less than thirty (30) days' written notice to the Association's Board of Directors.

In the event that subject property is extensively repaired, restored, reconstructed or upgraded, including but not limited to re-roofing, painting or insurance loss, and the Association requests that Agent coordinate and supervise such projects, or in the event Agent is required to perform services for said property that are not included in this Agreement, Agent shall receive additional compensation in such amount and upon such terms as are agreed upon between Agent and a majority of the Board of Directors in writing prior to performing or arranging such services. For the purposes of this paragraph, projects exceeding a total cost of \$10,000 are to be considered "extensive."

Compensation as hereinabove provided is to be net to the Agent over and above operating expenses of the Association and exclusive of all other amounts payable by Association hereunder.

7.0 AGREEMENT TO BE CHANGED IN WRITING ONLY

This Agreement shall constitute the entire Agreement between the contracting parties, and no variance or modification thereof shall be valid and enforceable, except by an agreement in writing.

8.0 RESPONSIBILITY

Agent shall be responsible for willful misconduct or gross negligence, but shall not be held responsible for any matters relating to error of judgment, or for any mistakes of fact or law, or for anything it may refrain from doing that does not include any willful misconduct or gross negligence.

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Agent shall not be responsible for the acts or omissions of independent contractors engaged by Agent on behalf of the Association.

9.0 NOTICE

Any notice of either party to the other shall be in writing and shall be given, and shall be deemed to have been duly given, if either delivered personally to a party or mailed in a certified, postage paid envelope addressed to the party to whom notice is to be given.

10.0 SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of, and constitute a binding obligation upon, the Association and the Agent and their respective heirs, administrators, successors or assigns.

11.0 HOLD HARMLESS AND PUBLIC LIABILITY INSURANCE

Except for Agent's willful misconduct or gross negligence, Association shall indemnify and save the Agent harmless from any and all costs, expenses, attorneys' fees, suits, liabilities, damages from or connected with the management of the property by Agent or the performance or exercise of any of the duties, obligations, powers or authorities herein or hereafter granted to Agent, including but not limited to any claims by or in connection with employees of Association hired by Agent pursuant to this Agreement.

Association agrees that at all times during the continuance of this Agreement, all bodily injury, property damage and personal injury, property insurance and any other coverage carried by Association on the property shall, by the appropriate endorsement of all policies evidencing such insurance, and without cost to Agent, be extended to insure and indemnify Agent, as well as Association, as follows: ALDERWOOD PROPERTY MANAGEMENT, INC. is hereby named as an additional insured and insurance company agrees this policy shall be primary in respect to any coverage carried by ALDERWOOD PROPERTY MANAGEMENT, INC.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

WEATHERBY ESTATES HOMEOWNERS ASSOCIATION

ALDERWOOD PROPERTY MANAGEMENT, INC.

Stephen F. Bower June 13, 2009
Board President Date

Anne Marie Bauer 6/16/09
Anne Marie Bauer, President Date

Brian J. [Signature] 6/13/09
Board Secretary Date

**ADDENDUM A
MANAGEMENT AGREEMENT
WEATHERBY ESTATES**

DISCLOSURE OF ADDITIONAL CHARGES FOR SERVICES

Agent may provide the following services at a cost in addition to Agent's base management fee:

The following may be provided at an additional charge of Eighty-five dollars (\$85.00) per hour:

1. Board Meeting Attendance:
 - if in excess of Agent's obligation as set forth in the current Management Agreement
 - if an evening meeting runs later than 9:00 p.m. or in excess of two hours, all time attended by Agent thereafter becomes billable in quarter-hour increments
 - if Agent's attendance is required on a Saturday, Sunday or Holiday, Agent may have the option of doing so, but shall bill for time expended at time and a half (\$125.00 per hour).
2. Extensive and non-routine insurance claim administration if time expended on claim preparation, coordination, logistics and research is in excess of two (2) hours. This may be billed as an addition to the total claim and paid by the insurance carrier as allowed by carrier.
3. Assistance to outside vendor(s) in preparation of a comprehensive capital expenditure and replacement reserve study or loan negotiation for planning purposes. Agent is limited to estimating reserve allocations for budgeting purposes only without guarantee. Agent recommends that an engineer or consultant be hired to make professional, qualified estimates determining the life of your roofs, all exterior surfaces, mechanical systems and structural entities to ensure proper funding for future improvements or replacements.
4. Coordination of major projects, including preparation of specifications, acquisition of competitive bids, scheduling of work to be performed and participation in the final inspection and approval of work performed. For purposes of this contract, "major project" shall mean any project with a gross value in excess of \$10,000.
5. Appearance in court, small claims or other, attendance at depositions and preparation for legal matters relating to management of said Association.
6. Unscheduled site visits, including, but not limited to, emergency response and vendor assistance.

The following administrative fee shall be paid to Agent monthly in addition to the management fee, as follows:

1. Forty percent (40%) of all late fees collected on delinquent homeowners' accounts in an effort to cover Agent's administrative costs to process late notices, field calls from delinquent homeowners and assign or update collection accounts sent to Association's attorney for collections. Late fees will be assessed to homeowners' accounts only when their balances exceed \$_____.

The following out-of-pocket expenses shall be reimbursed to Agent by said Association, at the rates detailed as follows:

1. Photocopies made in-house are billed at \$.10 per copy for all copy projects over 10 copies, excluding the financial statement. If copies made are to be mailed, an additional charge of \$.15 per copy (for a total of \$.25 per addressee) is charged to cover the envelope, production of address labels and mailing labor. If manila catalog envelopes are used for mass mailings, they are billed at an additional \$.50 per envelope. If standard sized, pre-addressed return envelopes are provided, they are billed at \$.10 per envelope.
2. Postage for the mailing of Association-related correspondence and accounts payable documents will be billed at actual cost of postage at current rates as dictated by the U.S. Postmaster.
3. Courier charges billed back at actual cost billed by courier.
4. Bank service charges and check and deposit book charges are charged back to Association based upon charges assessed by the selected financial institution at their current rates.
5. A storage fee of \$18 per file storage box per year for storage of records maintained at our records management facility that contain records over seven (7) years old or that contain files created prior to our management that we would not otherwise be required to store.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

WEATHERBY ESTATES HOMEOWNERS' ASSOCIATION

ALDERWOOD PROPERTY MANAGEMENT, INC.

Stephen F. Bauer June 13, 2009
 Board President Date

Anne Marie Bauer 6/13/09
 Anne Marie Bauer, President Date

Brian J. Mc 6/13/09
 Board Secretary Date