

## **Management Service Agreement**

This Agreement, effective this 1st day of September, 2015, is by and between The Ridge at Rock Creek Homeowners Association, a Washington non-profit corporation (the "Association") and Impact Property Management, a Washington corporation, (hereinafter "Agent," of the Association).

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

### **1. APPOINTMENT AND FUNCTION OF AGENT**

1.1. Appointment of Agent. The Association hereby appoints the agent, and the Agent accepts appointment, on the terms and conditions hereinafter provided, as the exclusive managing agent of the Association, to manage the affairs of the Association in accordance with the terms and conditions of this Agreement, and the Declaration and Bylaws of the Association. Agent shall appoint a community association manager, as Project Manager, to manage the affairs of the Association. The Project Manager shall serve at the discretion of Agent as Agent's primary representative to the Association's Board of Directors (hereinafter referred to as the "Board"). However, the Board shall, upon written notice to the Agent be entitled to have the designated Project Manager changed upon dissatisfaction with the individual assigned.

#### 1.2. Duties and Services of Agent.

1.2.1. It shall be the duty of Agent during the period of this Agreement to provide counseling and advice to the Board, and its committees in accordance with generally accepted industry standards in the area of community association management. Agent shall undertake best efforts to implement the decisions of the Board, subject to the compensation schedule and the limitations contained in this Management Agreement. It shall be the duty of Agent, during the term of this Agreement, to operate and maintain the property in a manner consistent with all federal, state and local laws, ordinances and regulations, with prevailing community association industry standards, and with the overall plan of this Association, as reflected in the policies adopted by the Board. It is further understood and agreed that the authority and duties conferred upon the Agent under the terms of this Agreement are confined to the Common Areas and Facilities as defined in the Declaration of Covenants, Conditions and Restrictions ("Declaration") and the Bylaws of the Association (hereinafter sometimes collectively referred to as the "Governing Documents"). The authority and duties of Agent do not and shall not include supervision, management, or interior maintenance of individual units except as may be required by the Declaration or covered by separate agreement.

1.2.2. It is understood that Agent is not authorized to practice law. The Association understands that the Agent is not a law firm and does not provide legal services and that this Agreement does not include the rendering of legal services by Agent, or any attorney-at-law employed by Agent. If legal assistance is necessary, Agent will engage independent legal counsel approved by the Association and all legal fees, costs and expenses attendant to that engagement shall be an operating cost of the Association.

1.2.3. It is understood that Agent is not authorized to practice as a Certified Public Accountant and is not a Certified Public Accounting Firm. Any services of a Certified Public Accountant required by the Association shall be provided by an independent Certified Public Accountant engaged by the Association and all fees, costs and expenses attendant to that engagement shall be an operating cost of the Association.

#### 1.3. Independent Contractor Status.

1.3.1. It is expressly understood that Agent is to perform services as an independent contractor. In no event shall Agent be deemed the employee of the Association. It is further understood that the individual agents, employees, officers, directors, members, shareholders and all other personal representatives of Agent and the Association are not parties to this Agreement, except to the extent that any of them have a right of indemnification under the terms of this Agreement.

1.3.2. The Association understands that Agent is engaged in similar management duties under contract with other Associations and property owners; and therefore, it is not intended that the Agent or its designated representatives devote full-time to the business of the Association. Agent shall, however, devote all necessary time to the business of the Association to cause the orderly operation of Association and the Condominium, consistent with generally accepted industry standards in the area of community association management and with due consideration to compensation paid under the terms of this Agreement. The Association also understands that Agent is engaged to perform services in relation to matters arising only during the term of this Agreement, termed "current services" and that the base compensation under the terms of this Agreement does not cover services for matters which precede or follow the term of this Agreement, including any extension of that term.

## **2. EMPLOYEES OF AGENT**

Agent shall hire in its own name all Agents' management personnel for the effective discharge of the duties of Agent under the terms of this Agreement. Compensation for the services of all employees of Agent shall be the responsibility of Agent. Resident managers, on-site managers, project administrative and maintenance personnel who work on the business and affairs of the Association shall be employees of Agent, however the cost of any services performed by such persons on behalf of the Association shall at the Association's expense. Agent agrees to comply with all local, State and Federal laws in employing employees and agrees to hold harmless and defend the Association from any and all claims arising by reason of employment of any employee of Agent.

## **3. DUTIES OF AGENT**

### **3.1. General Management.**

3.1.1. Counseling. Agent shall utilize its experience, professional skills and knowledge to provide counseling and advice to the Board and its committees in accordance with generally accepted industry standards in the area of community association management. Agent shall inform the Board, on a continuing basis, concerning legislation, decisions, tax rulings, insurance and financial practices pertaining to condominiums which come to Agent's attention. In furtherance of this responsibility, Agent shall maintain standards for the education of its professional staff and cause that staff to take appropriate steps to remain informed concerning community association matters.

3.1.2. Development of Policy. Agent shall provide the Board with draft copies of recommended procedures for an Operating Procedures Manual containing standard specifications, policies, and procedures for procurement and operations and other items relating to the operation of the Association's affairs upon request.

3.1.3. Implementation of Policy. Agent shall undertake reasonable efforts to implement the decisions of the Board and the Association membership subject to the compensation schedule provided in this Agreement. However, Agent shall not be obligated to implement any decision which (a) is contrary to applicable law or the Governing Documents of the Association, (b) would involve transactions or services about which Agent has no expertise, knowledge, or requisite license, or (c) would involve transactions or services which are not expressed in this Agreement. If compelled to act pursuant to a directive of the Association which may be in conflict with this provision, Agent, at the expense of the Association, upon prior notice to the Association, may seek an independent opinion of legal counsel.

### **3.1.4. Compliance with Government Order.**

(a) Agent shall advise the Board, to the best of its ability and knowledge, with regard to the requirements for the compliance of the Association with any ordinance, laws, rules, or regulations of the City, County, State, or Federal Government, or any public authority or public official having jurisdiction over it as to which Agent has knowledge and shall notify the Board promptly of, and forward to the Board promptly, any complaints, warnings, notices, or summonses received by Agent relating to such matters. The

Association represents to the best of its knowledge that the Association complies with all such requirements, and authorizes the Agent to disclose the ownership of units in the Condominium to any public officials.

(b) Agent shall take any necessary action to comply promptly with any and all orders or requirements affecting the premises placed thereon by any Federal, State, County or municipal authority having jurisdiction over the Association, subject to the limitations contained in this Agreement. The Agent, however, shall not take any action under this subparagraph so long as the Association is contesting, or has affirmed its intention to contest, any such order or requirements. The Agent shall promptly, and in no event later than seventy-two (72) hours from the time of their receipt, notify the Board of all such orders, notices or requirements.

3.1.5. Administration of Personnel. On the basis of an annual Operating Budget and Plan of Operation and subject to the policy making powers of the Board, Agent shall investigate, hire, pay, supervise, and discharge all personnel and independent contractors necessary in order to properly maintain and operate the Association, as follows:

(a) Should the Board determine that it is in the best interests of the Association for personnel to be employed exclusively for performance of services to the Association, then Agent shall, based upon the approved budget allocation, job description and all legal requirements, and subject to mutual agreement on a revision to the management fee, solicit, investigate, evaluate, and recommend qualified persons for all on-site employee positions to the Board. If the Board accepts the recommendation, Agent shall hire, in the name of Agent, these persons. Thereafter, it shall be the administrative responsibility of the Agent to instruct, train, supervise, and pay all such employees. Any action by employees in the course of the performance of their duties which do not adhere to the performance standards set forth in their job description, shall be brought to the attention of Agent. Agent may thereupon take such action as it deems fit. The power to hire and to dismiss any and all employees rests solely in Agent. Compensation of employees shall be considered an operating expense of the Association.

(b) With respect to any personnel that may be employed by Agent in connection with this Agreement, Agent shall prepare, execute and file all forms, reports, and returns required by law in connection with unemployment insurance, disability benefits, social security and other similar taxes now in effect or hereafter imposed, if any (but specifically excluding any income tax returns), and meet all other tax filing requirements relating to the employment of personnel. Any taxes paid exclusively in connection with services rendered to the Association shall be an expense of the Association.

3.1.6. Enforcement. Agent shall report to the Board on any actual and/or anticipated violations of the Governing Documents which come to Agent's attention, and take actions within its scope of authority to seek cures for such violations. Agent shall provide administrative support to the Board in connection with its activities and responsibilities to enforce the provisions of the Governing Documents.

3.1.7. Communications. Agent shall assist the Board in the development of good communications with the unit owners and a high level of owner participation in the affairs of the Association.

3.1.8. Membership in Community Associations Institute. Agent shall maintain a membership in the name of Agent in the Community Associations Institute Washington State Chapter ("CAI") and shall encourage its personnel to participate in the education programs regarding community associations which are sponsored by CAI.

## 3.2. Administrative Management.

### 3.2.1. Administrative Records.

(a) Agent agrees to keep comprehensive systems of corporate administrative records in conjunction with the operation of the Association, including for example, legal documents, filings with public agencies, corporate minutes, insurance policies, service contracts, correspondence, memoranda and maintenance or other service requests. All records kept by Agent as provided in this Agreement shall be the property of the Association, and the expense of all supplies and external services, if any, necessary to the

creation and maintenance of those records shall be that of the Association. Agent shall turn over to the Board or its designated representative on demand any or all of the records of the Association if so directed by resolution of the Board.

(b) Agent shall maintain a current list of Association members, their unit and mailing address, their phone numbers and make all other appropriate record changes in connection with all transfers of membership. Agent shall use reasonable efforts in keeping this list current by way of the reliable information supplied to it. Agent shall not be obligated to discover transfers of ownership that are not reported directly to Agent in writing, and, there is no obligation of Agent to search official county records for transfers of ownership of units in the Condominium. Unless at the commencement of the term of this Agreement the Association, or thereafter any owner, provides Agent, at Agent's place of business identified above, by first class mail or personal delivery, written notice to the contrary, there shall be a presumption that the address for the notice to any owner shall be their unit address within the Condominium.

(c) Upon termination of this Agreement, Agent agrees to return all records and correspondence kept under the terms of this Agreement to the Association, or to a person designated by the Board in writing, at Agent's place of business.

3.2.2. **Record Maintenance and Storage.** Agent agrees to maintain and store at its place of business all corporate, administrative and operational records associated with Agent's performance under this Agreement for the current year and up to two immediately preceding fiscal years.

3.2.3. **Inspection.** The records of the Association shall be open for inspection by the directors, officers, and members of the Association, and to any person authorized in writing by the Board or a member of the Association, during normal business hours, upon reasonable notice. This record availability shall be subject to Board or legal counsel approval where the records are deemed privileged. Agent shall be entitled to charge for clerical and administrative services at the rate of Fifty Dollars (\$50.00) per hour where such services are necessary for such inspection. Agent shall be entitled to charge and receive copying costs, at a rate of Fifteen Cents (\$.15) per copy from anyone requesting copies of documents and shall be entitled to reasonable prior notice for a request for copies.

3.2.4. **Solicitation of Proposal for Service.** Agent shall make recommendations to the Board concerning the propriety and desirability of engaging in contracts for goods and services based on community association industry standards. Agent shall assist the Association in acquiring such goods and services by participating in the development of bid specifications, solicitation of bids, qualification of vendors or contractors, and making recommendations to the Board. Agent shall not be obligated to solicit or interview more than three third parties for each kind of goods, materials and services to be supplied to the Association. All contracts for work for which the estimated cost exceeds One Thousand Dollars (\$1,000) shall, whenever possible, be let pursuant to competitive bids from three contractors based on written specifications approved by the Board.

3.2.5. **Contracting.** Subject to approval by the Association, Agent shall arrange for the Association to enter into contracts for water, electricity, gas, fuel, garbage collection, telephone, pest control, maintenance, landscaping and grounds care, and maintenance and general repair of other common areas and facilities, including electrical and mechanical systems, security, laundry equipment, and other necessary services, or such of them as the Association shall deem advisable. Agent shall place purchase orders for any equipment, tools, appliances, materials, and supplies necessary to properly maintain the property for which the Association is responsible. All such contracts and orders will be subject to the limitations set forth in subparagraph 3.3.8.(b) of this Article. When taking bids or issuing purchase orders, Agent shall attempt to secure for the benefit of the Association any discounts, commissions or rebates reasonably obtainable as a result of such purchases. Agent shall not incur any liability maturing more than one (1) year from the commencement of the contract or obligation without first obtaining the approval of the Board. All contracts on the behalf of the Association shall be in writing, executed by an Officer of the Association. Agent shall use reasonable diligence to assure that contracts and agreements between the Association and suppliers or service providers are performed in accordance with their terms, and to inform to Board in the event that performance is considered by Agent to be inadequate or contrary to the agreed terms.

### 3.2.6. Insurance Placement and Claims.

(a) On direction and approval of the Board, and in conjunction with and reliance upon qualified insurance professionals, Agent shall cause to be placed and kept in force all forms of insurance needed to adequately protect the Association (or as required by the Association's governing documents or by law), including, where appropriate, workman's compensation, public liability, boiler and machinery, fire and extended coverage, burglary and theft, directors and officers errors and omissions, and fidelity bonds. All of the various insurance shall be placed, at Association expense, with such companies, in such amounts, and with such beneficial interests appearing therein as shall be acceptable to the Association, in accordance with the provisions of the Declaration.

(b) Agent shall promptly investigate and make full written reports as to all accidents and claims for damage relating to personal injury in the common elements or the management, operation, maintenance, and welfare of Association property, and shall cooperate and promptly make any and all reports required by an insurance company in connection therewith.

(c) On direction and approval of the Board, and in conjunction with and reliance upon qualified insurance claims adjusters, Agent shall oversee, supervise, and provide administrative services in support of insurance claims, including but not limited to, emergency response, damage control, claim processing, repair administration and participation in subsequent subrogation actions. Where Agent is required and directed by the Board to be involved with the preparation of bid packages, solicitation of bids, qualification or selection of contractors, course-of-performance observation, funds control management and similar functions in relation to reconstruction in connection with an insured loss to the Association and the time expended by Agent exceeds one (1) hour per claim, the Association shall pay Agent an administrative fee in the amount of (eighty five) \$85 dollars per hour. Such charges by Agent under this provision shall be considered a normal expense in filing a claim and administering the application of insurance proceeds and shall accordingly be submitted to the insurer as part of the claim.

3.2.7. Attendance at Meetings. Agent shall attend 1 (one) meeting of the Association's choosing during the time of this contract. All such meetings shall be held at mutually agreeable times, shall not run later than 9pm, shall not exceed two hours in duration, and shall not be held on weekends or national holidays. Other meetings or meetings exceeding this time limit or held on weekends or holidays, if mutually agreed to, shall be charged at the rate of Eighty Five Dollars (\$85) per hour.

3.2.8. Meeting Administration. Upon request of the Association, Agent shall prepare an agenda for each regularly scheduled meeting of the Board and the Annual Meeting of the General Membership and shall give notice of all Board and membership meetings as required by the Governing Documents. Duplication costs and postage for such notices shall be the expense of the Association. The Association shall provide for recording the minutes of such meetings. Meeting minutes may be typed up for an additional fee (see Addendum A). Agent shall duplicate and distribute the minutes in final form at the expense of the Association as directed by the Board.

### 3.3. Financial Management.

3.3.1. Financial Records. Agent agrees to keep a comprehensive system of financial records, books and accounts in accordance with generally accepted accounting principles, standards and procedures showing the financial condition and revenues and expenditures of the Association on a cash basis. All books and records maintained by Agent shall belong to the Association, and the expense of all supplies connected therewith shall be that of the Association. Financial records shall be maintained in Agent's current standard report format which shall be adequate to allow the Association to comply with the requirements of RCW 64.34.372 and 64.34.425, as they may be amended or supplemented by further enactments regarding the financial and other records of the Association; however, Agent will provide variations in its standard format or additional reports, as mutually agreed upon, at additional charge to Association appropriate to the changes or additions as mutually agreed upon. Agent shall turn over to the Board or its designated representative on demand any or all of the records of the Association if so directed by resolution of the Board.

### 3.3.2. Bank Accounts.

(a) **Operating Accounts.** Agent shall establish and maintain, in the name of, on the behalf of, and at the expense of the Association, in a bank or other financial institution of Agent's choice whose deposits are federally insured, one checking account, which shall be designated the Association's Operating Account. All funds received on behalf of the Association shall be deposited into the Operating Account and Agent shall have exclusive authority to draw thereon for any payments to be made by the Agent to discharge any liabilities or obligations incurred pursuant to this Agreement, all of which payments shall be subject to the limitations in this Agreement. Any funds designated by the Association as reserves for any purpose shall be deposited and handled as provided in Subparagraph 3.3.4.(b). Funds of the Association will not be commingled with funds belonging to the Agent, to any other association, or to any other party. Agent shall turn over to the Board on demand any or all of the funds of the Association if so directed by resolution of the Board.

(b) **Reserve Accounts.** The Agent shall establish and maintain, in the name of, on the behalf of, and at the expense of the Association, in a bank or other financial institution of Agent's choice whose deposits are federally insured, a separate account for the purpose of maintaining a capital reserve for repairs and replacement of those common and limited common areas and facilities which can be expected to wear out during the useful life of the Condominium and for which the Association is responsible.. The aforesaid accounts (hereinafter referred to as the "Reserve Accounts") shall be interest-bearing accounts and the interest earned on each Reserve Account shall be considered to be part of the reserve funds for the purpose designated on the account. Any transaction involving funds in a Reserve Account shall only be made pursuant to a check or other written instrument signed as provided in this Subparagraph. Telephone transfers of funds from the Reserve Accounts shall be prohibited; provided, that this shall not be construed to prohibit telephonic transfers of funds from the Association's Operating Account into a Reserve Account. Any check or other transaction involving funds in a Reserve Account shall be signed by two (2) officers or directors of the Association who shall be designated by resolution of the Board. In addition to the two (2) officer or director signatures required by RCW 64.34.372, any check or other transaction involving funds in a Reserve Account shall be signed by an officer or employee of the Agent, designated by the Agent. All checks for any Reserve Account of the Association shall be pre-printed with the name of the account, three signature lines and a legend stating "THIS CHECK REQUIRES THREE (3) SIGNATURES." The persons authorized to execute Reserve Account transactions may only be changed by resolution of the Board of Directors of the Association.

### 3.3.3. Investments.

Agent shall assist and/or advise the Board in all matters relating to investment of the funds of the Association including but not limited to the following: (a) Develop and monitor an investment program as approved by the Board to optimize returns on revenues; and (b) Invest all reserves in interest-bearing accounts, as directed by the Board, in the same manner and in the same institutions as set forth in Subparagraph 3.3.4.(b), or as otherwise directed by the Board.

3.3.4. **Collections.** Agent shall collect all regular and special monthly assessments and other charges as they become due and payable each month from all Association members and all other monies which are due from other sources which are obligated to and for the benefit of the Association. Agent shall maintain an accounting of each Association member's account. As a standard practice, the Agent shall furnish the Association with an itemized list of all delinquent accounts, indicating action recommended, pending or taken, upon request. A delinquency report showing all delinquent account balances will be sent out with the monthly financials.

3.3.5. **Delinquency Enforcement.** The Association hereby authorizes and directs the Agent to request, demand, collect, receive and receipt for any and all charges which may at any time be or become due to the Association and to take such action in the name of the Association by way of legal process or otherwise as may be required for the collection of delinquent assessments, provided, however, that an action at law against a member of the Association to collect such assessments, or to enforce a lien, shall not be commenced except pursuant to a resolution of the Board. Agent shall have the authority to utilize attorneys designated by the Board in the pursuit of delinquent amounts due to the Association according to established procedures that have been approved by the Board and is authorized to pay from the Association's funds for all

costs, attorney fees and trustee's fees incurred or to be incurred in the collection of the Association's receivables. Agent is specifically authorized to turn delinquent accounts over to the attorney designated by the Board to initiate lien foreclosure or other collection activities on behalf of the Association in accordance with the Association's Governing Documents and collection policy resolution. Notices of claim of liens and subsequent foreclosure documents may be executed by a designated representative or officer of Agent on behalf of the Association. The Association agrees to hold Agent free and harmless from any and all costs, expenses and attorney's fees incurred by it in the collection of delinquent accounts and further agrees to indemnify and pay Agent for the same where the Agent's collection efforts result in costs, expenses and attorney fees as a result of incorrect information supplied to Agent by the Association. 1<sup>st</sup> collection letters sent to an Owner are \$5 each and include the cost of paper, postage, and stationary. Any subsequent collection letters sent to an Owner will be billed to the Association at \$10 each and will be mailed delivery confirmation. Lien placement or removal will be billed to the Association at \$150 each. A 15% collection administrative fee will be added to any owner's account that is sent to collections via law firm or any other type of collection agency. This fee will be payable to Impact Property Management once the account has been paid in full.

### 3.3.6. Disbursements.

(a) From funds collected and deposited in the checking account(s) authorized by subparagraph 3.3.4.(a), Agent shall cause to be paid regularly and punctually: (1) all salaries and any other compensation and attendant payroll taxes or charges due and payable to employees or due as a result of their employment; (2) service contract fees of all independent contractors hired pursuant to the terms of this Agreement, including Agent's fees under this Agreement; (3) reserves and premiums for fire, liability, and other insurance, including bonds; (4) any taxes payable; (5) the amounts specified for allocation to any Reserve fund for replacements and repairs or any other Reserve accounts; and (6) sums otherwise due and payable as operating expenses authorized to be incurred under the terms of this Agreement, the Association budget or otherwise.

(b) With the exception of payments required under secured and unsecured loans of the Association, taxes, insurance, utilities and Association approved contractual obligations, no disbursement shall be made or liability incurred in excess of Five Hundred Dollars (\$500.00) unless included in the operating budget, or unless specifically authorized by the Board, except, however, that emergency repairs, involving manifest danger to life or property, or which are immediately necessary for the preservation and safety of the members and occupants, or required to avoid the suspension of any necessary service, may be made or ordered by the Agent irrespective of the cost limitation imposed by this subparagraph. Notwithstanding this authority as to emergency repairs, it is understood and agreed that Agent, if at all possible, shall confer immediately with the Association through the designated Board liaison as defined in Paragraph 4.5 regarding every such expenditure and its effect on the budget.

(c) Notwithstanding the foregoing Sub-paragraphs 3.3.8.(a) and 3.3.8.(b), The Agent shall have no responsibility to pay any obligations of the Association for which the Association does not have adequate funds on deposit in the bank accounts maintained by the Agent pursuant to this Agreement. In the event that the funds on deposit in such accounts are not sufficient to pay the outstanding obligations of the Association, the Agent shall immediately communicate that fact to the Board in writing, and the Board shall take all necessary and appropriate steps to cause the Association to provide sufficient funds to meet said obligations.

3.3.7. Financial Statements & Management Report. As a standard procedure, Agent shall render to the Board by the 15<sup>th</sup> of each month a Balance Sheet and Profit and Loss statement for the previous month and year to date prepared on the cash basis, a schedule showing disbursements made on behalf of the Association during the preceding month and outstanding accounts payable of the Association, and a schedule showing the status of all accounts receivable of the Association. The monthly Management Report will include the current status of the physical plant of the Association, the status of any contracts and contract negotiations, a status report on any action items previously assigned to the Agent and not subsequently reported to the Board as complete, any significant violations of the Governing Documents, any actions or occurrences involving security, vandalism, insurance claims, and such other items that the Agent from time to time feels appropriate and informative to the Board that have not yet been reported.

3.3.8. Budget Preparation. Agent shall provide, in consultation with the Treasurer of the Association and the Budget & Finance Committee of the Association, if any, the coming year's annual Operating Budget based upon a Plan of Operation approved by the Board. This budget shall set forth an itemized statement of the anticipated receipts and disbursements for the new fiscal year based upon a projected schedule of monthly common area assessments, and taking into account the general condition of the Condominium and the Association's objectives for the ensuing year. The budget shall be submitted to the Board in final draft at least sixty (60) days prior to the commencement of the fiscal year in conformance with the provisions of the Association's Governing Documents and applicable statutes. The approved Operating Budget shall serve as a supporting document for the schedule of monthly assessments and special assessments, if any, proposed for the new fiscal year. It shall also constitute a major control under which the Agent shall operate, and any substantial variances therefrom shall be expressly approved by the Board.

3.3.9. Independent Audit. An audit of the books and records of the Association shall be made no less than annually and at such other times as the Association may direct, at the Association's expense, by a firm of independent Certified Public Accountants selected and approved by the Association, which firm will furnish the Association with an annual certified statement of the financial condition and revenues and expenditures of the Association. The Agent will cooperate with said independent Certified Public Accountants in the performance of their audit.

3.3.10. Tax Filing. Agent shall, working in conjunction with a tax accountant if necessary, at Association expense, if any, prepare for execution and filing by the Association all forms, reports and returns required by law in connection with any taxes required to be paid by the Association.

#### 3.4. Property Management.

3.4.1. Supervision. It shall be the duty of Agent during the term of this Agreement to provide general supervision over operation and maintenance of the Association's common areas to cause buildings, appurtenances and grounds of the Association to be maintained in acceptable repair and condition according to statute and industry standards and consistent with the provisions of the Association's service contracts with independent contractors and the Plan of Operation and Budget of the Association as approved by its Board. The provision of adequate funds to attain and maintain an acceptable standard shall be the responsibility of the Association.

3.4.2. Preventative Maintenance. Agent shall advise and assist the Board to establish and shall thereafter implement a preventative maintenance program for all real and personal property for which the Association is responsible, as approved by the Board. This is commonly done through a Reserve Study of the Association. This preventative maintenance program shall be developed and maintained on a regular basis reflecting useful life cycles of common element components and/or equipment.

3.4.3. Inspection. Agent shall provide inspection of common areas, facilities and homes every 21 days to ascertain whether proper performance and maintenance and care are being provided per Association and industry standards. Agent shall report such findings to the Board concerning the maintenance of Common areas and facilities in regards to contractor services being performed and homes and associated lots in regard to the standards being maintained by homeowners.

3.4.4. Work Request Administration. Agent shall receive requests from owners for services concerning those portions of the condominium which the Association is responsible to maintain in a business-like fashion. Maintenance requests and/or complaints concerning common areas received by Agent will be forwarded to employees of the Association or to contractors for correction in accordance with the policies of the Association or referred to the Board for consideration. Agent shall supervise the operations of all contractors who perform work for the Association, including but not limited to investigation as to bonding, insurance, materials, workmanship, and warranties and shall review the work of Association personnel and contractors and ensure compliance with the condition of all contracts under the supervision of Agent.

3.4.5. Emergency Service. Emergency Services to prevent imminent danger to life, health or



property may be required. The Association conveys authority to Agent to take appropriate steps to implement repairs. Emergencies shall not include any of the following: Criminal offenses, vandalism, parking violations, towing of vehicles, loud parties or unruly behavior in dwellings or common areas. Agent is not expected to respond to calls from Owners or Board Members during non-business hours (emergency or non-emergency). If Agent chooses to respond, it shall do so at its own expenses.

#### **4. DUTIES OF ASSOCIATION**

##### **4.1. Provision and Accuracy of Records.**

The Association shall promptly furnish Agent with all documents and records required for the management of the Association, including but not limited to a current and correct list of Association members with Unit numbers and mailing addresses; all contracts in effect, amendments thereto and correspondence related thereto; all warranties in effect pertinent to the common elements, the status of owner account payments; accounts payable information and payment instructions; and all applicable insurance policies. It is understood that the accuracy of ownership and financial information supplied to the Agent is the sole responsibility of the Association. Agent shall not be held responsible for the production of inaccurate financial statements, owner records or billings, or any other financial reports if the financial data submitted by the Association or by prior management is inaccurate. In addition, the Association agrees to be responsible for any costs, expenses, accounting or attorney's fees incurred in an independent financial review for the purposes of correcting financial data.

##### **4.2. Provision of Funds.**

Everything done by the Agent under the provisions of Article 3 shall be done as Agent of the Association, and all obligations or expenses incurred under the terms of this Agreement shall be for the account, on behalf of and at the expense of the Association. Any payments to be made by the Agent under the terms of this Agreement shall be made out of such sums as are available in the account(s) of the Association, or as may be provided by the Association. Association shall at all times maintain sufficient funds in the account(s) to enable Agent to pay all such obligations of the Association in a timely manner. Agent shall not be obliged to make any advances to or for the account of the Association, nor shall the Agent be obliged to incur any liability or obligation for the account of the Association without assurance that the necessary funds for the discharge of that liability or obligation will be provided. Should Agent make a payment for Association's account and should a deficit occur therein, upon notification by Agent, Association shall immediately remit to Agent sufficient funds to remove the deficit.

##### **4.3. Provision of Plans.**

In order to facilitate efficient operation of the physical plant, Association shall furnish Agent with all reasonably available plans including, any available site plans, as-built construction plans, landscape plans, irrigation plans, mechanical plans and plans for all safety installations such as fire protection and security systems.

##### **4.4. Designation of Association Principal Place of Business.**

The principal place of business of the Association shall be designated by resolution as the office of the Agent unless required to be located on Association premises by the terms of the Association's Governing Documents.

##### **4.5. Designation of Corporate Contact.**

Association shall designate a single individual who shall be authorized to deal with the Agent on any matter relating to management of the Association, hereinafter called the "Board liaison". The Agent is directed not to accept directions or instructions with regard to the management of the Association from anyone else except in the form of a resolution adopted at a duly called meeting or by unanimous written consent of the Board. In the absence of any other designation by Association, the President of the Board shall have the authority to act as Board liaison. The Board shall also appoint an alternate Board liaison to act in the place of

the President should the President be unavailable.

#### 4.6. Enforcement.

The Association retains the primary responsibility of enforcing the provisions of its Covenants, Conditions and Restrictions, Articles of Incorporation, Bylaws, Rules and Regulations, and contracts; however, Agent will provide administrative support in these matters.

### 5. **COMPENSATION**

#### 5.1. Management Fee.

The Association shall pay Agent a management fee of Eight Hundred and Sixteen Dollars (\$816) per month. The management fee shall be paid monthly in advance by the 1<sup>st</sup> of every month. No further charge shall be made by Agent for Agent's services and other services of Agent's professional staff, except as otherwise expressly provided in this Agreement. Any clerical services performed for the Association, such as the preparation and circulation of notices and newsletters and general correspondence of the Association, shall be at the Association's expense, including postage and other expenses as described in Addendum A.

##### 5.1.1 Setup Fee

The Association shall pay the Agent a onetime setup/transition fee of \$400.00 (four hundred dollars). This fee includes the initial setup of bank account(s), review of any documentation pertaining to the Association, transferring information into our accounting software, and the administrative time it takes to prepare and send out the initial mailing containing the welcome letter, owner contact form, and ACH form. Any other agreed items must be in writing and will become an addendum to this agreement. Any additional administrative expenses, such as costs of supplies and postage, will be additional.

#### 5.2. Resale Certificates, Broker and Lender Requests.

Agent may process Resale Certificates required under the Washington Condominium Act, RCW 64.34.425, as well as certain financial forms and questionnaires necessary to complete loan packages for prospective purchasers. Resale Certificates and Lender Questionnaires shall be billed at a fee of Two Hundred Fifty Dollars (\$250.00) and Escrow Questionnaires shall be billed at the rate of Fifty dollars (\$50.00) to the loan broker, Escrow or the individual owner when the Resale Certificate or Questionnaire is ordered. If the questionnaire requires more information than what is provided by standard practice, additional charges may be applied at Agent's discretion.

### 6. **REIMBURSABLE EXPENSES**

#### 6.1. Administrative Expenses.

In the administration of the Association, Agent may advance certain costs or provide supplies from inventory which are costs of the Association. These costs include, but are not limited to, postage, printing, photocopying, mass mailings, bank charges, long distance telephone charges, fax charges, messenger service, and consumable supplies for record maintenance. Association shall either pay these costs directly or, where such expenses are advanced by Agent, Association specifically authorizes Agent to reimburse itself for such expenses at cost or based upon the Agent's then prevailing rates, which are intended to approximate cost. See Addendum A for rates.

#### 6.2. Travel Expense.

Except for travel to and from the Association to attend Board Meetings as detailed in subparagraph 3.2.7 and to conduct property inspections as detailed in subparagraph 3.4.3, travel expense is reimbursable at cost. Vehicle mileage shall be reimbursable at the maximum rate defined in IRS Regulations.

#### 6.3. Maintenance Services.

Expenses of manual and skilled maintenance labor performed by Agent's employees for the benefit of Association shall be an expense of the Association at the then published hourly rate for such services; however, use of Agent's maintenance personnel and incurring of such expense is solely at the discretion of Board.

6.4. Professional Services.

Fees for professional services including but not limited to Legal, Accounting, Architectural and Engineering services and attendant expenses for the direct benefit of the Association shall be an expenses of the Association.

**7. TERM OF AGREEMENT AND TERMINATION**

7.1. Term.

7.1.1. The term of this Agreement shall commence on September 1, 2015, and unless sooner canceled pursuant to the terms of subparagraph 7.2 or 7.3, will continue for one full year, and shall automatically be renewed at the end of the original term for successive one-year terms.

7.1.2. Upon expiration of the twelve month initial term, and upon not being otherwise extended by separate written agreement, the terms of this Agreement shall continue on an annual basis.

7.2. Termination.

7.2.1. Either party may terminate this Agreement at any time in writing with or without cause with at least sixty (60) days notice; provided however, if the Association elects to terminate this Agreement without cause during the initial one year term, Agent shall be entitled to be paid a closing fee equivalent to one current monthly base fee ("Closing Fee") to defray costs in the orderly turnover of all books and records. If this agreement is terminated by the Association prior to the sixty day notice period without cause, the Association is responsible for payment to the Agent in the amount of the Closing Fee plus two months of the then current monthly base fee.

7.2.2. Upon termination Agent's duties shall be performed thorough 5:00 p.m. on the termination date.

7.3. Material Breach.

In the event either party seeks to terminate this Agreement for material breach of performance, the aggrieved party shall deliver an Allegation of Default containing a specific list of the item(s) constituting the agreed breach to the violating party. Thereafter, the violating party shall have thirty (30) days from the date of delivery of the Allegation of Default to cure the alleged breach or to respond to the Allegation of Default. In the event the violating party does cure the alleged breach within the appropriate time period, this Agreement shall continue as though no default has occurred. No forbearance under this Agreement shall be deemed a waiver of that or any subsequent breach.

7.4. Bankruptcy.

In the event a petition in bankruptcy is filed by or against either Association or Agent, or in the event that either shall make an assignment for the benefit of creditors or take advantage of any insolvency act, subject to Federal Bankruptcy Law, either party hereto may immediately terminate this Agreement by written notice to other.

7.5. Notice.

Notice to be given under the terms of this Agreement shall be written and shall be delivered by certified mail addressed to the Association at the last known address of the then President of the Board and to

Agent at the address set forth above, or such subsequent address for Agent's principal place of business of which Association has been notified.

#### 7.6. Termination Procedure.

7.6.1. Turn-over of Records. Within three (3) weeks of any notice of termination of this Agreement, representatives of the Board (or its designated agent) shall have the full right and authority to enter the premises of Agent to review the Association's records and make an itemized claim for delivery (no later than the last day of the contract period) of such records as the Board's representatives determine. If any of the Association's records are maintained upon computer, floppy disc, tape, etc. the Association shall be entitled to receive upon request hard copies of all such records and/or copies of such tapes, disc or other media and a specification of the computer program utilized in the production of such. Agent shall not be entitled to any compensation or reimbursement of costs for activities relating to turn-over of records providing the Association pays the cost of reproducing any records Agent deems necessary to its continuing interests in the period following the termination date of the contract. This latter provision is not intended to cover total duplication of records, but to afford Agent the opportunity to retain copies of such documentation as may be material in any future claim regarding Agent's performance during the contract period under its responsibility.

#### 7.6.2. Termination Accounting.

(a) Within four (4) weeks of any notice of termination of this Agreement, Agent shall furnish to the Association an itemized statement of the estimated amounts due from the Association to the Agent as of the last day of the term of the Agreement and an itemized statement of the estimated amounts due suppliers of services and goods which have been ordered by Agent in the name of the Association. To the extent these amounts have not been paid by the last day of the term of the Agreement, an escrow account equal to such amounts in these regards as are outstanding shall be established to secure their payment. The escrow account shall be jointly controlled by Agent and the Board. As to any invoices in dispute by the Board, the Association agrees to retain ultimate responsibility to the provider of such goods or services represented by an invoice in contention. Also, the Association shall bear the costs of any legal action between itself and the vendor should such occur. Upon discharge of all obligations as herein cited, any remainder in the escrow account shall be the property of the Association.

(b) Within two (2) weeks of the date of termination of this Agreement, Agent shall provide to the Association a final set of financial statements and management report, in the form specified in Sub-paragraph 3.3.9, above.

(c) At the Association's expense, an independent audit by a certified public accountant may be commenced within two (2) weeks following the delivery by Agent of the final financial statements and management report required by Sub-paragraph 7.6.2.(b), above. Agent agrees to provide such assistance to the audit at no additional expense to the Association provided that the audit is concluded within forty five (45) days following the last day of the term of this Agreement. Thereafter, Agent shall be entitled to reasonable compensation for such time as the auditor requires of Agent, except if such failure to complete the audit within the time period provided is, in the opinion of the auditor, due to the action or omissions of Agent.

#### 7.7. Expenses Incurred After Termination.

At the request of the Board, Agent is willing and able to provide post agreement services such as, but not limited to, forwarding of mail and telephone contact, historical information on accounting and administrative matters, etc., on the basis of reimbursement of actual expenses, such as postage, long distance charges and supplies and compensation for service time at the published rate in effect at the time such services are performed. Where the Association shall not agree to such compensation or reimbursement of actual expenses, the Agent is specifically released from any obligation to provide any post-agreement services.

### 8. **LIABILITY AND INDEMNIFICATION**

#### 8.1. Agent's Liability.

Agent shall be liable to Association for any 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 of law, or for anything which it may do or refrain from doing, which does not include any willful misconduct or gross negligence. The foregoing shall not, however, apply to Agent's provision of services as a contractor, e.g., cleaning, lawn care or maintenance, for which Agent shall be held to a standard of ordinary due care.

## 8.2. Agent's Insurance.

8.2.1. Regardless of the provisions of indemnification set forth in this Agreement, Agent shall, throughout the term of this Agreement, subject to market availability and at Agent's expense, maintain insurance for general comprehensive liability, errors and omissions and property damage covering Agent and its employees with a combined single limit of One Million Dollars (\$1,000,000).

## 8.3. Association's Insurance.

8.3.1. The Association shall maintain, at Association's expense, a policy of comprehensive general public liability insurance, including bodily injury, property damage, personal injury and non-owned automobile in an amount not less than Two Million Dollars (\$2,000,000) per occurrence unless otherwise stated in the Governing Documents.

8.3.2. The Association shall carry property damage insurance in accordance with the terms of Association's Governing Documents for fire and extended coverage, burglary and theft, boiler coverage, flood and earthquake as appropriate.

8.3.3. The Association shall maintain a bond or insurance policy for directors and officers' errors and omissions coverage in a minimum face amount of One Million Dollars (\$1,000,000) unless another limit is specified in the Governing Documents.

8.3.4. The Association shall maintain State Labor and Industries coverage covering all employees of Association, if appropriate.

8.3.5. The Association expressly agrees that Agent shall be covered by name as an additional co-insured under the policies of Comprehensive General Liability Insurance. The Association further agrees to furnish Agent with certified copies of these policies or certificates of insurance. The provisions of this subparagraph shall survive the termination of this Agreement.

## 8.4. Placement of Association's Insurance.

All of the various types of insurance coverage required for the benefit of the Association shall be placed, at Association expense, with such companies, in such amounts, and with such beneficial interests appearing therein as shall be acceptable to the Association, in accordance with the provisions of the Governing Documents. Agent shall assist Association in procuring proposals for such coverages, but the decision and authority as to type, scope and source of coverage shall be solely that of the Board.

## 8.5. Indemnification.

The Association shall indemnify and save Agent and its employees, officers, directors and shareholders harmless from any and all claims, costs, expenses, demands, attorney's fees, suits, liabilities, judgments and damages arising out of this Agreement or in connection with the operation of the Association by Agent or the performance or exercise of any of the duties, obligations, powers or authorities granted to Agent to the extent such claims do not arise as a result of Agent's, or Agent's management personnel's gross negligence or intentional act or omission, including any intentional failure to comply with the provisions of this Agreement. The Association's obligation under this paragraph shall include the payment of all settlements, judgments, damages, liquidated damages, penalties, forfeitures, back pay awards, court costs, litigation expense, attorney's fees and such other awards as the court may grant. The provisions of this paragraph shall survive the termination of this Agreement.

## **9. GENERAL PROVISIONS**

### **9.1. Conflict of Interest.**

Agent 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 Agent for using the party's goods or retaining their services on behalf of the Association, all such benefits being rightly due the Association.

### **9.2. Affiliated Interest.**

Agent 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 Agent, its directors, officers, and employees without prior written approval of the Board.

### **9.3. Modification of Agreement.**

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

### **9.4. Use of Counterparts.**

For the convenience of the parties, this Agreement has been executed in several counterparts, which are in all respects similar and each of which shall be deemed to be in itself so that any one may be introduced in evidence or used for any other purpose without the production of the other counterparts.

### **9.5. Legal Fees and Costs.**

If any legal proceedings are necessary to enforce or interpret the provisions of the Agreement, the prevailing party shall be entitled to reasonable attorney's fees and any legal costs in addition to any other relief to which it may be entitled.

### **9.6. Jurisdiction.**

This Agreement shall be governed by the laws of the State of Washington.

### **9.7. Void or Unenforceable Terms.**

Should any part of this Agreement be held to be invalid, void or unenforceable, the other provisions of the Agreement which can be given effect without the invalid, void, or unenforceable provision shall be valid and enforceable and shall remain in full force and effect as though the void or unenforceable provision were not contained therein.

### **9.8. Precedence and Scope of Agreement.**

This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the subject matter hereof and contains all of the covenants and agreements between the parties with respect to said matter, and each party to this Agreement acknowledges that no representations, inducements, promises or agreements, orally or otherwise, have been made by any party or anyone acting on behalf of any party which are not embodied herein, and that no other agreement, statement or promise not contained in this Agreement shall be valid or binding. It is further understood and agreed that this Agreement extends only to "current services" for matters specifically described in the Agreement and taking place during the term of the Agreement.

**9.9. Assignment**

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Agent. Notwithstanding the preceding sentence, the Agent shall not assign its interest under this Agreement except in connection with the sale of all or substantially all of its assets; in the event of such sale, Agent shall be released from all liability thereunder only upon the express assumption of such liability by its assignee. If Agent does assign its interest to such assignee, Association may, in its sole discretion, immediately terminate this agreement without penalty.

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

Stephanie Anderson  
Managing Agent

Association  
Agent - Title Acct Mgr

Ridge at Rock Creek  
Association

RLM  
President  
Robert L. Moya

## **Addendum A**

### **DISCLOSURE OF ADDITIONAL CHARGES FOR SERVICES AND OFFICE SUPPLIES**

- A. The following may be provided by Agent at a charge of Eighty-five (\$85.00) per hour of services provided (billed cumulative)**
1. **Board Meeting Attendance:**
    - a. If in excess of Agent's obligation as set forth in the current Management Agreement.
    - b. If an evening meeting runs later than 9:00PM, all time attended by Agent thereafter becomes billable in quarter hour increments.
    - c. If Agents attendance is required on a Saturday, Sunday or Holiday, Agent shall bill for time expended at \$150 per hour.
  2. **Extensive and non-routine insurance claim administration if the time expended on claim preparation, coordination, logistics and research is in excess of (1) hour. (This may be billed as an additional to the total claim and paid by the insurance carrier.) This also includes fire and insured property loss restorations.**
  3. **Assistance with the preparation of a comprehensive capital expenditure and replacement reserve study for planning purposes. (An estimated reserve allocation can be determined at no charge without guarantee. However, we recommend that an engineer or consultant be hired to make qualified estimates determining the life of your roof, all exterior surfaces and structural entities to ensure proper funding.)**
  4. **Any and all work relating to Construction Defect work.**
  5. **Coordination of major construction project, modernization or rehabilitation including preparation of specifications, acquisitions of competitive bids, scheduling of work to be performed, overseeing of the work involved and participation in the final inspections and approval of work performed that exceeds one hour.**
  6. **Preparation of legal matters relating to management or accounting services of said Association.**
  7. **Preparation and mailing of newsletter and other miscellaneous mailings for the Association including time to prepare and write letters.**
    - a. **Preparation of 10 violation letters per month will be provided at no cost (minus paper, stationary, and envelope costs)**
    - b. **Preparation of two mass mailings to the Association are included at no cost, one of which is the annual assessment invoices. The mailings may not exceed 2 sheets (front and back, 4 sides total). Mailing supplies are not included.**
  8. **Preparation of meeting minutes.**
  9. **Emergency Services to prevent imminent danger to life, health or property may be required the Association conveys authority to Agent to take appropriate steps to implement repairs. Emergencies shall not include any of the following: Criminal offenses, vandalism, parking violations, towing of vehicles, loud parties or unruly behavior in dwellings or common areas. If Agent is called by an owner or Board Member during non-business hours (emergency or non-emergency), an \$85.00 per call charge will be assessed to the Association.**



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

**Office supplies:**

|                              |                                           |
|------------------------------|-------------------------------------------|
| Record Storage Fee           | \$15 flat rate per month (first box free) |
| Copies black and white       | .15 per page                              |
| Copies Color                 | .35 per page                              |
| Letter Head                  | Actual Cost                               |
| Envelopes (# 9or10)          | .08                                       |
| Envelopes (Window)           | .16                                       |
| Envelopes (manila)           | .35                                       |
| Remittance Envelopes/coupons | Actual Cost                               |
| Postage                      | Actual Cost                               |
| Payment Coupon Books         | Actual Cost                               |

**Administrative Costs:**

|                    |                                                                                                                                                      |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Returned Checks    | At cost (charged to Homeowner)                                                                                                                       |
| Courier Charges    | At Cost                                                                                                                                              |
| Bank Charges       | At Cost                                                                                                                                              |
| Collection Letters | \$5.00/each Friendly Reminder Notice<br>\$10.00/each 2 <sup>nd</sup> Outstanding Dues Notice and all subsequent notices (sent delivery confirmation) |

**C. The following charges will be paid up front by the Association and also billed to the Homeowner's account to reimburse the Association when funds are collected:**

1. Intent to Lien letter to Homeowner- \$10.00
2. Filing a Lien or Releasing a Lien on a home - \$150.00 per lien
3. Preparation of files to send to collections – 15% of the total amount sent to collections
4. Appearance in any court regarding HOA matters - \$85.00 per hour

Int. \_\_\_\_\_