

# **PARKSIDE AT WOODBRIDGE CONDOMINIUM ASSOCIATION**

## **08.**

### **MANAGEMENT CONTRACT**

**PREPARED BY:**



KAPPES MILLER MANAGEMENT, LLC  
Post Office Box 759  
Kirkland, WA 98083-0759

**CONDOMINIUM MANAGEMENT AGREEMENT  
(Full Management Service)**

The undersigned Condominium Association, duly incorporated and/or existing under the laws of the State of Washington, (hereinafter called "Association") in consideration of the covenants herein contained, KAPPES MILLER MANAGEMENT, LLC (hereinafter called "Agent"), agree as follows:

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**Section 1 APPOINTMENT OF MANAGING AGENT**

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**1.1 APPOINTMENT AND ACCEPTANCE**

Association hereby appoints Agent as sole and exclusive Agent of Association to operate and manage the ~~24-unit~~ condominium property described in paragraph \_\_\_\_ upon the terms and conditions provided herein. Agent accepts the appointment and agrees to furnish the services of its organization for the management of the Association as provided and specified in the Declaration for Parkside at Woodbridge Condominium Association hereinafter called the "Declaration."

**1.2 DESCRIPTION OF PREMISES**

The property to be managed by Agent under this Agreement is commonly known as the Parkside at Woodbridge Condominium. The term "property" as used hereinafter shall refer to the Association property, including the operations thereon, as the context shall indicate. The term's "party" or "parties" as used hereinafter shall refer to the Agent as one party and the Association as the other party, as the context shall indicate.

**1.3 TERM**

The term of this Agreement shall be for an initial period of one year(s) beginning on the 1<sup>st</sup> day of March, 2004, or to begin the month of the Association turnover from the declarants to the homeowners, which ever comes first, and thereafter for annual periods unless terminated as provided herein.

**1.4 UNIT FOR ON-SITE STAFF**

Association shall provide a suitable residential unit or condominium on the premises for the use of an on-site manager(s) and/or a resident janitor and their families if an on-site manager situation exists. The specific residential unit or condominium shall be the Association's choice and at Association's expense, if applicable.

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## Section 2 BANK ACCOUNTS

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### 2.1 OPERATING ACCOUNT

Agent shall establish and maintain, in the name of, on behalf of, and at the expense of the Association, in a bank or other financial institution of Agent's sole choice whose deposits are Federally insured, one business checking account, which shall be designated as 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 obligations incurred pursuant to this Agreement, including all of which payments shall be subject to the limitations outlined in this Agreement. Agent is authorized to pay or reimburse itself for all expenses and costs of operating the Association and for all other sums due Agent under this Agreement, including Agent's compensation outlined under Section 18. Funds deposited into the Operating Account, other than reserve funds of the Association, may be transferred by Agent from the Operating Account to other similar Federally insured accounts maintained by Agent for particular purposes. Any funds designated by the Association as reserves shall be deposited and handled as provided in Paragraph 2.2. Funds of the Association shall not be commingled with funds belonging to the Agent, to any other association, or to any party, for any reason whatsoever.

### 2.2 RESERVE ACCOUNT

Agent shall establish and maintain, in the name of, on behalf of, and at the expense of the Association, in a bank or other financial institution of Agent's sole 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 Association. The aforesaid account (hereinafter referred to as the "Reserve Account") shall be an interest-bearing money-market account and the interest earned on the Reserve Account shall be considered to be a 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 paragraph. Telephone transfers of funds from the Reserve Account shall be prohibited; provided, that this restriction shall not be construed to prohibit telephonic transfers of funds from the Association's Operating Account into the Reserve Account. Any check or other transaction involving disbursement of funds from the Reserve Account shall be signed by two (2) officers or directors of the Association who shall be designated by resolution as required by RCW 64.34.374. The persons authorized to execute Reserve Account disbursements may only be changed by resolution of the Association.

### 2.3 INSURANCE RESERVE ACCOUNT

In the event the Association's Declaration require a separate insurance reserve account, Agent shall establish and maintain, in the name of, on behalf of, and at the expense of the Association, in a bank or other financial institution of Agent's sole choice whose deposits are Federally insured, a separate account for the purpose of maintaining an insurance reserve. The aforesaid account (hereinafter referred to as the "Insurance Reserve Account") shall be an interest-bearing money-market account and the interest earned on the Insurance Reserve Account shall be considered to be a part of the insurance

thereon for any payments to be made by the Agent to discharge any insurance payments, billings or obligations incurred pursuant to this Agreement, all of which payments shall be subject to the limitations outlined in this Agreement.

#### 2.4 SPECIAL ASSESSMENT ACCOUNT

In the event the Association initiates a special assessment, Agent shall establish and maintain, in the name of, on behalf of, and at the expense of the Association, in a bank or other financial institution of Agent's sole choice whose deposits are Federally insured, a separate account for the purpose of maintaining a special assessment account. The aforesaid account (hereinafter referred to as the "Special Assessment Account") shall be an interest-bearing money-market account and the interest earned on the Special Assessment Account shall be considered to be a part of the special assessment funds for the purpose designated on the account. Agent shall have exclusive authority to draw thereon for any payments to be made by the Agent to discharge any obligations incurred pursuant to the Association's special assessment, all of which payments shall be subject to the limitations outlined in this Agreement.

#### 2.5 SPECIAL PROJECT ACCOUNT

In the event the Association obtains project funding from a loan, Agent shall establish and maintain, in the name of, on behalf of, and at the expense of the Association, in a bank or other financial institution of Agent's sole choice whose deposits are Federally insured, a separate account for the purpose of maintaining a special project account. The aforesaid account (hereinafter referred to as the "Special Project Account") shall be an interest-bearing money-market account and the interest earned on the Special Project Account shall be considered to be a part of the special project funds for the purpose designated on the account. Agent shall have exclusive authority to draw thereon for any payments to be made by the Agent to discharge any obligations incurred pursuant to the Association's special project, all of which payments shall be subject to the limitations outlined in this Agreement.

#### 2.6 AGENT NOT MONEY MANAGER

The Association understands that the Agent is not a licensed securities broker and does not provide money management services outside the designated account referred to in Sections 2.1, 2.2, 2.3, 2.4 and 2.5 of this Agreement. Should the Association desire its reserve funds to be placed in an account other than the type aforesaid described, the Treasurer or other designated Association officer shall assume full responsibility for the selection and administration of such account, including but not limited to providing Agent with a monthly statement of interest and balances in time to be incorporated into the monthly financial statements produced by Agent.

#### 2.7 FIDELITY BOND

Agent shall maintain a fidelity bond in favor of the Association for acts of the Agent in handling Association funds in the amount required by FannieMae and FreddieMac, at Agent's expense. Any additional coverage in excess of FannieMae and FreddieMac required by the Association shall be secured at Association's expense. Agent shall cause all on-site personnel and employees of the Association who handle or are responsible for the safekeeping of any monies of Association to be covered by a fidelity bond. Such bond shall be secured at Association's expense.

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## Section 3 COLLECTIONS OF MONTHLY ASSESSMENTS AND OTHER RECEIPTS

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### 3.1 AGENT'S AUTHORITY

Agent shall collect for the Association all monthly assessments, charges, fees and other amounts receivable on Association's account in connection with the management and operation of the Association. Such receipts shall be deposited in the operating and reserve account(s) maintained by Agent for the Association. Agent may also collect from homeowners or residents additional charges or fees including but not limited to a move-in/move-out fee, an administrative charge for late payment of monthly and/or special assessments, a charge for returned or non-negotiable check, a transfer of ownership fee, and related fees associated with the collection of a delinquency.

### 3.2 COLLECTIONS

Agent shall use best efforts to collect all regular 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 that are obligated to and for the benefit of the Association. Agent's collection responsibility is limited to twelve regular monthly assessment collections per year. Additional collections required for any other assessments, special or otherwise, shall be charged in accordance to the provisions outlined in Attachment "A".

### 3.3 ENFORCEMENT OF COLLECTION

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 monthly assessments and/or special assessments. Agent shall have the authority to utilize legal counsel designated by Agent in pursuit of delinquent amounts due to the Association according to Agent's established procedures 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 legal counsel designated by Agent 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 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 Association.

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#### Section 4 AGENT NOT REQUIRED TO ADVANCE FUNDS

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In the event that the balance in the operating and reserve account(s) is at any time insufficient to pay disbursements due and payable under Section 2 herein, Association shall, immediately upon notice, remit to Agent sufficient funds to cover the deficiency. In no event shall Agent be required to use its own funds to pay such disbursements. Nor shall Agent be required to advance any monies to Association, to the operating, reserve, or resident deposit account(s).

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#### Section 5 FINANCIAL RECORDS AND OTHER REPORTS

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##### 5.1 FINANCIAL RECORDS

Agent agrees to keep a comprehensive system of financial records, books and accounts showing the financial condition and revenues and expenses of the Association on an accrual basis. All books and records maintained by Agent shall belong to the Association. Financial records shall be maintained in Agent's current standard report format that shall be adequate to allow the Association to comply with the requirements of RCW 64.34.372 and 64.34.425.

##### 5.2 REPORTS

Agent shall furnish Association with financial statements on a monthly basis. The statements shall be mailed to the Association's Board of Directors in accordance to provisions outlined in Attachment "A".

These statements shall include a statement of cash activity, a balance sheet, an income statement, a check register, an open accounts payable listing and an account receivable aging report, from the operation of the Association during the previous month. In addition, Agent shall, on a mutually acceptable schedule, prepare and submit to Association such other reports as are agreed on by both parties.

##### 5.3 AUDITS

Periodic audits permitted or required by law or the Declaration shall be at Association's expense. Agent shall make the Association's records available and cooperate in the conduct of the audit.

##### 5.4 TAX FILING

Agent is authorized to make, or cause to be made, through contracted services at Association's expense, the preparation of the annual Association federal income tax return.

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#### Section 6 RESALE CERTIFICATES AND OTHER DISCLOSURE DOCUMENTS

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In accordance with the requirement of RCW 64.34.425 (Section 4-107 of the Washington Condominium Act), Agent shall furnish a resale certificate, within ten (10) days after written request by

Condominium Act), Agent shall furnish a resale certificate, within ten (10) days after written request by a unit homeowner or their agent, in connection with the proposed sale of a unit contained in the Premises. Agent is authorized to charge a preparation fee for such certificate; however, the amount shall not exceed the allowable charge per the RCW. Agent is also authorized to charge a fee for the preparation or submission of other disclosure information related to the sale or refinance of a homeowners unit or lot/home. This fee shall be charged to, and become the responsibility of, the business or person(s) requesting the information. This is to include but not be limited to requests for disclosure information from mortgage companies, lenders, escrow companies, and real estate agents. Agent is further authorized to charge an added fee for the expedited preparation of a resale certificate or other disclosure documents.

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## **Section 7 BUDGETING**

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### **7.1 ANNUAL BUDGET**

Agent shall coordinate activities to develop a proposed annual budget for review by the budget committee and approval by the Board of Directors and/or Association sixty (60) days prior to the end of the fiscal accounting year.

#### **7.1(a) CAPITAL ASSET REPLACEMENT RESERVE STUDY**

Agent shall assist in the preparation of a capital asset replacement reserve study to be identified in the annual operating budget. Agent recommends that a reserve study be performed by an outside independent agency specializing in reserve studies for associations.

### **7.2 MONTHLY AND SPECIAL ASSESSMENTS**

Agent is authorized to establish and change or revise all monthly assessments, fees or deposits, and any other special charges chargeable with respect to the Premises, subject to Board approval.

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## **Section 8 MEETINGS**

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Agent shall attend up to one (1) annual general membership meeting per year and up to six (6) Board of Directors meetings per year. Meetings shall be held at mutually agreeable times and not be held on weekends or national holidays or to exceed two hours duration. Other meetings or meeting exceeding two hours in length or held on weekends or holidays, if agreeable to Agent, shall be charged in accordance with the provisions outlined on Attachment "A".

### **8.1 NOTICES AND AGENDAS**

Agent shall prepare and mail notices, proxies, ballots, and agendas under the established requirements of the Association's By-laws and as directed by the governing Board of Directors. Duplication and mailing costs shall be at the expense of the Association.

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## **Section 9 RULES ENFORCEMENT**

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Agent shall, based on Association policy, or at the direction of the Board of Directors, issue formal notices of violations of legal documents.

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## Section 10.EMPLOYEES

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### 10.1 AGENT'S AUTHORITY TO HIRE

Agent is authorized to hire, supervise, discharge, and pay all employees, contractors, or other personnel necessary to be employed in the management, maintenance, and operation of the property subject to Board of Directors' direction. All employees shall be deemed employees of the Association and Association shall be responsible for all costs associated with payroll administration and processing, including payroll checks data processing and year-end W-2 and/or 1099 processing.

### 10.2 ASSOCIATION PAYS EMPLOYEE EXPENSES

All wages and fringe benefits payable to such employees hired per paragraph 10.1 herein, and all local, state, and federal taxes and assessments (including but not limited to social security taxes, unemployment insurance, and workers' compensation insurance) incident to the employment of such personnel, shall be paid by Agent out of the operating account and shall be treated as Association operating expenses. Agent shall not be liable to such employees for their wages or compensation.

### 10.3 AGENT'S AUTHORITY TO FILE RETURNS

Agent shall do and perform all acts required of an employer with respect to the Association and shall execute and file all tax and other returns required under the applicable federal, state, and local laws, regulations and/or ordinances governing employment, and all other statements and reports pertaining to labor employed in connection with the Association and under any similar federal or state law now or hereafter in force. In connection with such filings, Association shall upon request promptly execute and deliver to Agent all necessary powers of attorney, notices of appointment, and the like. Association shall be responsible for all amounts required to be paid under the foregoing laws, and the same shall be paid from the operating account.

### 10.4 WORKERS' COMPENSATION INSURANCE

Agent shall, at Association's expense, maintain workers' compensation insurance covering all liability of the employer under the established workers' compensation insurance laws.

### 10.5 HOLD HARMLESS, LABOR LAWS

Agent shall be responsible for compliance with all applicable state or federal labor laws. Association shall indemnify, defend, and save Agent harmless from all claims, investigations, and suits, or from Association's actions or failures to act, with respect to alleged or actual violation of state or federal labor laws.

### 10.6 NOT TO HIRE

Association agrees that in the event of termination of this Agreement, Association shall not hire or be connected in any manner with the employment of an employee of Agent for a period of two (2) years from the date of termination of this agreement. The parties recognize that it is extremely difficult to ascertain or estimate the entire or exact cost, damage, or injury, which Agent may sustain by reason of breach of paragraph 10.6 herein. Accordingly, in the event Association violates the provisions of paragraph 10.6, Association agrees to pay Agent an amount equal to the total income from



management fees, including extraordinary charges listed on Attachment "A", received by Agent in the two (2) calendar years immediately preceding the date of termination of this agreement, it being agreed that such damages constitute a reasonable forecast of the damage to be caused Agent for violation of the provision of paragraph 10.6, and that such damages constitute liquidated damages, and not a penalty.

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## Section 11 MAINTENANCE AND REPAIR

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Agent is authorized to make or cause to be made, through contracted services or otherwise, all ordinary repairs and replacements reasonably necessary to preserve the property in present condition and for the operating efficiency of the property, and all alterations required to comply with Declaration requirements, governmental regulations, or insurance requirements. Agent is also authorized to decorate the property and to purchase or rent, on Association's behalf, all equipment, tools, appliances, materials, supplies, uniforms, and other items necessary for the management, maintenance, or operation of the property. Such maintenance, repair, and decorating expenses shall be paid out of the operating account. This section applies except where maintenance, repair and/or decorating are at residents' expense as stipulated in the Declaration.

### 11.1 APPROVAL OF EXCEPTIONAL MAINTENANCE EXPENSES

The expense to be incurred for any one item of maintenance, alteration, refurbishing, or repair shall not exceed the sum of \$1,000.00, unless such expense is authorized by the approved annual budget or such expense is specifically authorized by Association, or is incurred under such circumstances as Agent shall reasonably deem to be an emergency. In an emergency where repairs are immediately necessary for the preservation and safety of the Premises, or to avoid the suspension of any essential service to the Premises, or to avoid danger to life or property, or to comply with federal, state, or local law, such emergency repairs shall be made by Agent at Association's expense without prior approval.

### 11.2 BIDS FOR MAINTENANCE EXPENSES

Agent shall, when requested by Board of Directors, obtain at least three (3) bids for any project or expenditure anticipated to cost at least \$2,000.00. Association reserves the right to designate one or more contractors, suppliers, or vendors to receive a request for bid.

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## Section 12 CONTRACTS, UTILITIES AND SERVICES

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Agent is authorized to negotiate contracts for nonrecurring items of expense, not to exceed \$2000.00, unless approved by Association, and to enter into agreements in Association's name for all necessary repairs, maintenance, minor alterations, and utility services. Agent shall, in Association's name and at Association's expense, make contracts on Association's behalf for electricity, gas, telephone, fuel, water, sewer, garbage, and such other services, as Agent shall deem necessary or prudent for the operation of the Premises. All utility deposits shall be the Association's responsibility, except that Agent may pay it from the operating account at Association's request.

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#### Section 13 RELATIONSHIP OF AGENT TO ASSOCIATION

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The relationship of the parties to this Agreement shall be that of Principal and Agent, and all duties to be performed by Agent under this Agreement shall be for and on behalf of Association, in Association's name, and for Association's account. In taking any action under this Agreement, Agent shall be acting only as Agent for Association, and nothing in this Agreement shall be construed as creating a partnership or any other relationship between the parties to this Agreement except that of Principal and Agent, or as requiring Agent to bear any portion of losses arising out of or connected with the ownership or operation of the property. Nor shall Agent at any time during the period of this Agreement be considered a direct employee of Association. Neither party shall have the power to bind or obligate the other except as expressly set forth in this Agreement, except that Agent is authorized to act with such additional authority and power as may be necessary to carry out the spirit and intent of this Agreement.

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#### Section 14 SAVE HARMLESS

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Association shall indemnify, defend, and save Agent harmless from all loss, damage, cost, expense (including attorneys' fees), liability, claims for personal injury or property damage, error of judgment, or for any mistake of fact or law incurred or occurring in, on, or about the property except in the case of willful misconduct or gross negligence.

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#### Section 15 LIABILITY INSURANCE

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Association shall obtain and keep in force adequate insurance against physical damage and against liability for loss, damage, or injury to property or persons, which might arise out of the occupancy, management, operation, or maintenance of the property. The amounts and types of insurance shall be acceptable to both Association and Agent, and any deductible required under such insurance policies shall be Association's expense. Agent shall be covered as an additional insured on all liability insurance maintained with respect to the property. Liability insurance shall be adequate to protect the interests of both Association and Agent and in form, substance, and amounts reasonably satisfactory to Agent.

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#### Section 16 AGENT ASSUMES NO LIABILITY

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Agent assumes no liability whatsoever for any acts or omissions of Association, or any previous owners of the property, or any previous management or other agent of either. Agent assumes no liability for any failure of or default by any resident in the payment of any monthly assessment or other charges due Association or in the performance of any obligations owed by any resident to Association. Nor does the Agent assume any liability for previously unknown violations of environmental or other regulations which may become known during the period this Agreement is in effect. Any such regulatory violations or hazards discovered by Agent shall be brought to the attention of Association in writing, and Association shall promptly cure them.

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## Section 17 ASSOCIATION RESPONSIBLE FOR ALL EXPENSES OF LITIGATION

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Association shall pay all expenses incurred by Agent, including but not limited to, reasonable attorney's fees and Agent's cost and time, and any liability, fines, penalties or the like, in connection with any claim, proceeding, or suit involving an alleged violation by Agent or Association, or both, of any law pertaining to fair employment, environmental protection, taxes, or fair housing, including but not limited to, any law prohibiting or making illegal discrimination, provided, however, that Association shall not be responsible to Agent for such expenses in the event Agent is finally adjudged to have personally, and not in a representative capacity, violated any such law. Nothing contained in this Agreement shall obligate Agent to employ legal counsel to represent Association in any such proceeding or suit.

### 17.1 FEES FOR LEGAL ADVICE

Association shall pay reasonable expenses incurred by Agent in obtaining legal advice regarding compliance with any law affecting the property or activities related to Association.

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## Section 18 MANAGING AGENT'S COMPENSATION AND EXPENSES

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As compensation for the services provided by Agent under this Agreement (exclusive of reimbursement of expenses to which Agent is entitled hereunder), Association agrees to pay Agent as follows:

### 18.1 FOR MANAGEMENT SERVICES

Managing Agent shall be entitled to receive for services performed under this Agreement a fee of \$930 per month. Payments due Agent for periods of less than a calendar month shall be prorated over the number of days for which compensation is due.

#### 18.1(a) ANNUAL ADJUSTMENT

On each anniversary of this Agreement, Agent's base compensation stated in paragraph 18.1 shall be adjusted upward to the amount indicated on the approved annual budget for the Association in force at the time of each anniversary, or, on the basis of the fluctuation in the All-Urban Consumer Price Index for Seattle (1967 = 100, hereinafter called "Index"), whichever is greater. The semi-annual period immediately proceeding each anniversary date of this Agreement shall be used in arriving at the percentage increase of the level of the Index for the next succeeding periods of this Agreement.

### 18.2 FOR COPY DUPLICATION, POSTAGE AND ENVELOPES

To be charged in accordance with the provisions outlined in Attachment "A".

### 18.3 FOR COLLECTION OF ADDITIONAL ASSESSMENTS

To be charged in accordance with the provisions outlined in Attachment "A".

### 18.4 FOR OCCASIONAL AND EXTRAORDINARY CHARGES

To be charged in accordance with the provisions outlined in Attachment "A".

#### 18.5 MAJOR MAINTENANCE, RECONSTRUCTION AND RENOVATION

All 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 major maintenance, reconstruction or renovation outside the normal operating budget for the Association shall be administered by Kappes Miller Consulting and Construction Management, L.L.C. Association shall meet with Kappes Miller Consulting and Construction Management and agree upon KMC&CM's level of involvement and administration fee for KMC&CM's involvement prior to commencement. The amount of additional fee for KMC&CM's involvement shall be no less than five (5%) percent of the total of all contracts, services and materials related to such a project, and shall not exceed ten (10%) percent of the total of all contracts, services and materials related to such a project.

#### 18.6 INTEREST ON UNPAID SUMS

Any sums due Agent under any provision of this Agreement, and not paid within thirty (30) days after such sums have become due, shall bear interest at the rate of twelve (12%) percent per annum.

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#### Section 19 REPRESENTATIONS

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Association represents and warrants: That Association has full power and authority to enter this Agreement; that there are no written or oral agreements affecting the property other than those which have been furnished to Agent; that there are no recorded easements, restrictions, reservations, or rights of way which adversely affect the use of the property for the purposes intended under this Agreement; that to the best of Association's knowledge, that all permits for the operation of the property have been secured and are current; that the building(s) and its construction and operation do not violate any applicable statutes, laws, ordinances, rules, regulations, orders, or the like; that the building does not contain any asbestos, urea, formaldehyde, radon, or other toxic or hazardous substance; and that no unsafe condition exists.

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#### Section 20 STRUCTURAL CHANGES

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Association expressly withholds from Agent any power or authority to make any structural changes in any building, or to make any other major alterations or additions in or to any such building or to any equipment in any such building, or to incur any expense chargeable to Association other than expenses related to the express powers vested in Agent through this agreement, without the written consent of Association.

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#### Section 21 BUILDING COMPLIANCE

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Agent does not assume and is given no responsibility for compliance of the property or any building thereon or any equipment therein with the requirements of any building codes or with any statute, ordinance, law or regulation of any governmental body or of any public authority or official thereof having jurisdiction, except to notify Association promptly or forward to Association promptly any complaints, warnings, notices, or summonses received by Agent relating to such matters. Association

represents that to the best of Association's knowledge the property and all such equipment comply with all such requirements, and Association authorizes Agent to disclose the ownership of the property to any such officials and agrees to indemnify and hold Agent, its representatives, employees, harmless of and from all loss, cost, expense, and liability whatsoever which may be imposed by reason of any present or future violation or alleged violation.

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## Section 22 TERMINATION

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### 22.1 TERMINATION BY EITHER PARTY

This Agreement may be terminated by either Association or Agent, with or without cause, at the end of the initial term or of any following term year upon giving of written notice of such termination at least sixty (60) days prior to the end of said initial term or following term year.

#### 22.1(a) SURRENDER OF MATERIALS IN THE EVENT OF TERMINATION

Agent shall deliver to Association, within ten (10) days after the end of the month in which this Agreement is terminated, any balance of monies due Association or of resident deposits, or both, which were held by Agent with respect to the Association, and shall deliver to Association, within thirty (30) days after the end of the month in which this Agreement is terminated, a final accounting reflecting the balance of income and expenses with respect to the Association as of the date of termination or withdrawal, and all records, contracts, and other papers or documents which pertain to the Association.

### 22.2 TERMINATION FOR CAUSE

Notwithstanding the foregoing, this Agreement shall terminate in any event, and all obligations of the parties hereunder shall cease (except as to liabilities or obligations which have accrued or arisen prior to such termination, or which accrue pursuant to paragraphs 22.3 as a result of such termination, and obligations to insure and indemnify), upon the occurrence of any of the following events:

(a) **BREACH OF AGREEMENT** - Thirty (30) days after receipt of notice by either party to the other specifying in detail a material breach of this Agreement, if such breach is of a nature that it cannot be cured within said thirty (30) day period; or if such breach is of a nature that it cannot be cured within said thirty (30) day period but can be cured within a reasonable time thereafter, if efforts to cure such breach have not commenced or/and such efforts are not proceeding and being continued diligently both during and after such thirty (30) day period prior to the breach being cured. **HOWEVER**, the breach of any obligation of either party hereunder to pay any monies to the other party under the terms of this Agreement shall be deemed to be curable within thirty (30) days.

(b) **FAILURE TO ACT, ETC.** - In the event that any insurance required of Association is not maintained without any lapse, or it is alleged or charged that the property, or any portion thereof, or any act or failure to act by Association, its agent and employees with respect to the property, fails to comply with any law or regulation, or any order or ruling of any public authority, and Agent, in its sole discretion, considers that the action or position of Association or its representatives with respect

thereto may result in damage or liability to Agent, or disciplinary proceeding with respect to Agent's license, Agent shall have the right to terminate this Agreement at any time by written notice to Association of its election to do so, which termination shall not release the indemnities of Association set forth herein.

(c) **EXCESSIVE DAMAGE** - In the case of substantial damage or destruction of the property by any cause, or the taking of all or a substantial portion of the property by eminent domain, in either case making it impossible or impracticable to continue operation of the property.

(d) **INADEQUATE INSURANCE** - If Agent deems that the liability insurance obtained by Association per Section 15 is not reasonably satisfactory to protect its interest under this Agreement, and if Association and Agent cannot agree as to adequate insurance, Agent shall have the right to cancel this Agreement upon the service of notice to Association.

### **22.3 TERMINATION COMPENSATION**

If Association terminates this Agreement before the end of the initial term or any subsequent term year as provided in paragraph 22.1 above for any reason other than for a breach by Agent under paragraph 22.2(a) above, or if Agent terminates this Agreement for a breach by Association under paragraph 22.2(a) above, or pursuant to the provisions of paragraph 22.2(b) or 22.2(d) above, then in any such event, Association shall be obligated to pay Agent as liquidated damages an amount equal to the management fee earned by Agent, as determined under paragraph 18.1 herein, for the calendar month immediately preceding the month in which the notice of termination is given to Agent or to Association, multiplied by the number of months and/or portions thereof remaining from the termination date (date that the termination is effective) until the next annual renewal date. Such damages, plus any amounts accruing to Agent prior to such termination, shall be due and payable upon termination of this Agreement. To the extent that funds are available, such sums shall be payable from the operating and reserve account(s). Any amount due in excess of the funds available from the operating and reserve account(s) shall be paid by Association to Agent upon demand.

In the event Association or Agent terminates this Agreement, with proper notice, at the end of the initial term or any subsequent term year as provided in paragraph 22.1, Agent shall be entitled to be paid a closing fee equivalent to one current monthly base fee to defray costs in the orderly turnover of all accounting information and records.

### **22.4 ASSOCIATION RESPONSIBLE FOR PAYMENTS**

Upon termination of or withdrawal from this Agreement, Association shall assume the obligations of any contract or outstanding bill executed by Agent under this Agreement for and on behalf of Association and responsibility for payment of all unpaid bills. In addition, Agent shall retain appropriate operating funds, in an amount satisfactory to Agent, to be used to retire any obligations or liabilities, which Agent may have properly incurred, on Association's behalf under this Agreement. Said retained operating funds shall not to be held for more than ninety (90) days, at which time any amounts remaining shall be returned to Association along with a detailed accounting for amounts disbursed.

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**Section 23 INDEMNIFICATION SURVIVES TERMINATION**

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All representations and warranties of the parties contained herein shall survive the termination of this Agreement. All provisions of this Agreement that require the Association to have insured or defend, reimburse, or indemnify Agent shall survive any termination; and if Agent is or becomes involved in any proceeding or litigation by reason of having been Association's Agent, such provisions shall apply as if this Agreement were still in effect.

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**Section 24 FORCE MAJEURE**

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Any delays in the performance of any obligation of Agent under this Agreement shall be excused to the extent that such delays are caused by wars, national emergencies, natural disasters, strikes, labor disputes, utility failures, governmental regulations, riots, adverse weather, and other similar causes not within the controls of Agent, and any time periods required for performance shall be extended accordingly.

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**Section 25 COMPLETE AGREEMENT**

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This Agreement, including any specified attachments, constitutes the entire agreement between Association and Agent with respect to the management and operation of the property and supersedes and replaces any and all previous management agreements entered into or/and negotiated between Association and Agent relating to the property covered by this Agreement. No change to this Agreement shall be valid unless made by a supplemental written agreement executed and approved by Association and Agent. Except as otherwise provided herein, any and all amendments, additions, or deletions to this Agreement shall be null and void unless approved by Association and Agent in writing. Agent and Association as parties to this Agreement hereby acknowledge and agree that the other party has made no warranties, representations, covenants, or agreements, express or implied, to such party, other than those expressly set forth herein, and that each party, in entering into and executing this Agreement, has relied upon no warranties, representations, covenants, or agreements, express or implied, to such party, other than those expressly set forth herein.

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**Section 26 RIGHTS CUMULATIVE; NO WAIVER**

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No right or remedy herein conferred upon or reserved to Agent or Association as parties to this Agreement is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given under this Agreement or now or hereafter legally existing upon the occurrence of an event of default under this Agreement. The failure of Agent or Association as parties to this Agreement to insist at any time upon the strict observance or performance of any of the provisions of this Agreement, or to exercise any right or remedy as provided in this Agreement, shall not impair any such right or remedy or be construed as a waiver or relinquishment of such right or remedy with respect to subsequent defaults. Every right and remedy given by this Agreement to the parties to it may be exercised from time to time and as often as may be deemed expedient by those parties.

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#### Section 27 APPLICABLE LAW

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The execution, interpretation, and performance of this Agreement shall in all respects be controlled and governed by the laws of the State of Washington.

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#### Section 28 NOTICES

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Any notices, demands, consents, and reports necessary or provided for under this Agreement shall be in writing and shall be addressed as follows, or at such other address as Association and Agent individually may specify hereafter in writing:

Agent: Kappes Miller Management, LLC  
Post Office Box 759  
Kirkland, Washington 98083-0759

Association: Parkside at Woodbridge Condominium  
Attn: Gary Upper  
846 108<sup>th</sup> Avenue NE, Suite 200  
Bellevue, WA 98004

\* Such notice or other communication may be mailed by United States registered or certified mail, return receipt requested, postage prepaid, and may be deposited in a United States Post Office or a depository for the receipt of mail regularly maintained by the post office. Such notices, demands, consents, and reports may also be delivered by hand or by any other receipted method or means permitted by law. For purposes of this Agreement, notices shall be deemed to have been "given" or "delivered" upon personal delivery thereof or forty-eight (48) hours after having been deposited in the United States mails as provided herein.

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#### Section 29 AGREEMENT BINDING UPON SUCCESSORS AND ASSIGNS

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This Agreement shall be binding upon the parties hereto and their respective personal representatives, heirs, administrators, executors, successors, and assigns.

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#### Section 30 OTHER TERMS AND CONDITIONS

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None

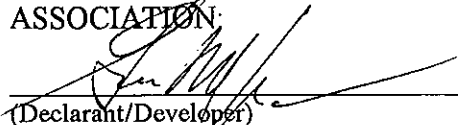


Section 31. SIGNATURES

IN WITNESS WHEREOF, the parties hereto have affixed or caused to be affixed their respective signatures this FEB 6 day of February, 2004.

PROPERTY NAME WOODBRIDGE PARKSIDE TOWNHOMES, A CONDOMINIUM

PROPERTY FEDERAL TAX ID 33-060302  
ASSOCIATION:

  
(Declarant/Developer)

CONNER HOMES COMPANY  
(Corporation)

846 108<sup>th</sup> Ave. NE  
(Address)

Bellevue, WA. 98004  
(City/State/Zip)

AGENT:  
KAPPES MILLER MANAGEMENT, LLC

By

  
Mark E. Holmes, CEO and/or Member

**ATTACHMENT "A"**  
**KAPPES MILLER MANAGEMENT, LLC**  
**REIMBURSEMENTS, OCCASIONAL AND EXTRAORDINARY CHARGES**  
**(Effective January 1, 2004)**

1. Duplication and mailing costs:

copies	\$ .17/copy
envelope (letter size)	\$ .17/envelope
envelope (9 X 12 manila or equivalent)	\$ .20/envelope
postage	At cost plus \$11 per month
  2. Facsimile: \$ .30/outgoing transmission
  3. Community Mailings:  
Standard duplication and mailing cost (above) plus labor at \$27.00/hour
  4. Special Assessment Charge:  
In the event Association directs Agent to bill/collect additional monthly assessments or to bill/collect a special assessment as described in paragraph 3.2, Association shall pay Agent a monthly accounting fee to be mutually agreed upon and not to exceed an amount per month calculated by multiplying \$3.37 by the number of units in the complex. This added fee would apply only during the months that billing and collection work is done for the Association. KMM will produce a separate financial statement for special assessments for the same period of time.
  5. Off-site Record Storage: \$ 5.25 per bankers  
box/month
  6. Certified Letters: \$ 17.50/letter\*
  7. Delinquency:      Notification & Follow Up      \$ 13.50/letter\*  
   Turn Over to Collection      \$ 55.00\*
  8. NSF and Returned Checks: \$ 27.50/check\*
- \*Note:** These ( 6, 7, 8 above) collection fees are charged to the applicable homeowner.
9. Other administrative expenses including but not limited to bank charges, coupon booklets, messenger service, and payroll service are charged at direct reimbursement cost.

