



Homeowners' Association Management Agreement

ASSOCIATION: Sample Homeowners Association

AGENT: Compass Property Management Corporation
110 W. El Portal
San Clemente, California 92672

For Property located at: 12345 Anywhere Street, AnyCity, California 91234

Beginning: 1st day of July, 2008

This agreement (the "Agreement") is made and entered into this 1st day of July, 2008, by and between the unit owners' association known as Sample Homeowners Association (the "Association"), which is established in accordance with the laws of the State of California for the property known as Sample Homeowners Association located at 12345 Anywhere Street, AnyCity, California 91234 (the "Property"), and Compass Property Management Corp. (the "Agent").

AUTHORITY OF THE AGREEMENT

The Board of Directors of the Association (the "Board"), on behalf of the Association, hereby appoints Agent to manage the Property, and Agent accepts appointment to manage the Property. The parties further agree as follows:

Section 1 TERM OF AGREEMENT

The Board appoints Agent exclusively to manage the Property for a period of 1 year(s), beginning July 1, 2008, and thereafter for periods of one year unless this Agreement is terminated as provided in this section or in sections 11 or 12. Either party may terminate this Agreement at the end of the initial term or at the end of any one-year renewal period provided that written notice is given to the other party on or before the sixtieth (60th) day prior to the expiration of the initial term or on or before the sixtieth (60th) day prior to the expiration of such one-year renewal period. This agreement will automatically renew, unless either party appropriately terminates it.

Section 2 SERVICES OF AGENT

Agent shall manage the Property to the extent, for the period, and upon the terms of this Agreement. Agent shall perform the following services in the name of and on behalf of the Association, and the Association hereby gives Agent the authority and powers required to perform these services.



2.1 COLLECTION OF ASSESSMENTS

Agent shall collect (and give receipts for, if necessary) all monthly and other assessments and other monies that are due the Association with respect to the Property and for all rental or other payments from concessionaires, if any. HOWEVER, Agent shall have no authority or responsibility to collect delinquent assessments or other charges except to send notices of delinquency.

2.2 RECORDS OF INCOME AND EXPENDITURES

Agent shall maintain records of all income and expenses relating to the Property, and shall submit to the Association on or before the [30th] day of the following month, a statement of receipts and disbursements for the preceding month, including a statement of the balance in the operating account for the Property.

2.3 REVIEW OF ANNUAL BUDGET

[30] days prior to the beginning of each fiscal year, which begins on [January 1], Agent shall review for the Board a recommended Annual Budget for the next year showing anticipated income and expenses for such year.

2.4 SUBMISSION OF ANNUAL REPORT

Within [60] days after the end of each fiscal year, Agent shall submit to the Association a summary of all receipts and disbursements relating to the Property for the preceding year. HOWEVER, submission of such annual report shall not be construed to require Agent to supply an audit. Any audit required by the Association shall be prepared at the Association's expense by an auditor(s) of its selection.

2.5 MAINTENANCE OF COMMON ELEMENTS

Subject to the direction of the Board, at the expense of the Association and in accordance with the Association's approved budget, Agent shall cause the common elements of the Property to be maintained according to appropriate standards of maintenance consistent with the character of the Property, including :

2.6 EMPLOYMENT OF PERSONNEL

Agent shall hire, pay, negotiate collective bargaining agreements with (if necessary), supervise, and discharge whatever personnel may be required to maintain and operate the Property on behalf of the Association and in accordance with the budget, job standards, and wage rates previously approved by the Association. All such personnel shall be employees of the Association and not of Agent, and all salaries, taxes, and other expenses payable to or on account of such employees shall be operating expenses of the Property.

2.7 PAYMENT OF EMPLOYMENT TAXES

Agent shall, on behalf of the Association, coordinate an outside service, paid for by the Association, to execute and file all tax and other returns and do and perform all acts



required of the Association as an employer under the Federal Insurance Contributions Act, the Federal Unemployment Tax Act, all applicable federal, state, and local income tax laws, and all other laws, regulations, and/or ordinances governing employment and payment of wages. Upon request, the Board shall promptly execute and deliver to Agent all necessary powers of attorney, notices of appointment, and the like. The Association shall supply all funds to pay any taxes.

2.8 UTILITIES AND SERVICES CONTRACTS

Subject to the direction of the Board and on behalf of the Association, Agent shall negotiate contracts for water, electricity; gas, telephone, and such other services as may be necessary or advisable for the common elements of the Property. Agent shall also purchase on behalf of the Association such equipment, tools, appliances, materials, and supplies as are necessary for the proper operation and maintenance of the Property. All such contracts and purchases shall be executed in the name of the Association by its Board of Directors and at its expense.

2.9 PAYMENT OF EXPENSES

From the funds of the Association, Agent shall pay all expenses of the Property, including taxes, building and elevator inspection fees, water rates and other governmental charges, and all other charges or obligations incurred by the Association or by Agent on behalf of the Association with respect to the maintenance or operation of the Property or pursuant to the terms of this Agreement or pursuant to other authority granted by the Board on behalf of the Association.

2.10 RECORDS OF INSURANCE

Agent shall maintain appropriate records of all insurance coverage for the Property carried by the Association as specified in paragraph 10.2. Agent shall cooperate with the Board in investigating and reporting all accidents or claims for damage relating to the ownership, operation, and maintenance of the common elements of the Property, including any damage or destruction to them.

2.11 OTHER SPECIFIC SERVICES OF AGENT

Section 3 LIMITATION ON EXPENDITURES BY AGENT

In discharging its responsibilities under section 2 of this Agreement, Agent shall not make any unbudgeted expenditures or incur any nonrecurring contractual obligation exceeding \$[1000.00], without the prior consent of the Association through the Board. HOWEVER, no such consent shall be required to repay any advances made by Agent under the terms of section 5. Notwithstanding these limitations, Agent may, on behalf of the Association and without prior consent of the Board, expend any amount or incur a contractual obligation in any amount required to deal with emergency conditions which may involve a danger to life or property or which may threaten the safety of the Property



or the individual owners and occupants or which may threaten the suspension of any necessary service to the Property.

Section 4 AGENT NOT RESPONSIBLE FOR MAINTENANCE OF INDIVIDUAL UNITS

Agent shall have no authority or responsibility for maintenance or repairs to individual units in the Property. Such maintenance and repairs shall be the sole responsibility of the owners individually.

Section 5 DISPOSITION OF FUNDS

Agent shall, on behalf of the Association, deposit collections and pay expenses of the Property as stated below.

5.1 DEPOSIT OF COLLECTIONS

Agent shall deposit all monies collected on behalf of the Association in a bank or other financial institution whose deposits are insured by the federal government or such other depository as directed by the Association in writing. The funds of the Association shall at all times be maintained separate and apart from Agent's own funds and from the funds of any others. Agent's designees shall be the only parties authorized to draw upon such accounts. Agent shall not be held liable in the event of bankruptcy or failure of such depository. Such operating account shall not be required to bear interest.

5.2 PAYMENT OF EXPENSES

Agent shall pay all expenses of operation and management of the Property from the Association's funds held in account by Agent. Any amounts owed to Agent by the Association shall also be paid from such account at any time without prior notice to the Association.

5.3 AGENT NOT REQUIRED TO ADVANCE FUNDS

Agent shall have no obligation to advance funds to the Association for any purpose whatsoever. Any funds advanced to the Association by Agent shall be repaid to Agent immediately from the Association's funds. Any sums due Agent under any provision of this Agreement, and not paid within 30 days after such sums have become due, shall bear interest at the rate of [5]% per annum.

5.4 BONDING OF EMPLOYEES

All employees of Agent who handle or are responsible for the safekeeping of any monies of the Association shall be covered by a bond protecting the Association. Such bond shall be in an amount and with a company determined by Agent and may be a blanket or umbrella bond. Agent shall pay the expense of such bonding.



Section 6 ATTENDANCE AT BOARD MEETINGS

Agent, or a designated employee or other representative of Agent, shall attend [**All**] regular meeting(s) of the Board each month and the annual meeting of the Association. Upon not less than [**72**] hours notice, Agent or its designated representative shall attend meetings of the Board or of the Association as requested, provided that the Association shall pay Agent \$[25.00] per hour for that individual's attendance at each meeting. Agent or its representative shall be custodian of the official records of the Board and the Association. HOWEVER, neither Agent nor its representative shall be required to record the minutes of such meetings.

Section 7 ONE BOARD MEMBER TO DEAL WITH AGENT

The Board shall designate one of its members who shall be authorized to deal with Agent on any matter relating to the management of the Property. Agent shall not accept directions or instructions with regard to the management of the Property from anyone else. In the absence of any other designation by the Board, the President of the Board shall be deemed to have this authority. Board appoints [Secretary/Treasurer] as alternate should the President be unavailable. Agent may, but is not required to, submit any matter, direction, instruction or the like to the Board and shall then follow the direction of the Board.

Section 8 LIMITATION OF AGENT'S AUTHORITY AND RESPONSIBILITY

Agent's authority to act and responsibility for the Property shall be subject to the limitations set forth below.

8.1 STRUCTURAL CHANGES

Agent shall have no authority to make any structural changes in the Property or to make any other major alterations or additions in or to any building or equipment therein, except such emergency repairs as may be required because of danger to life or property or which are immediately necessary for the preservation and safety of the Property or for the safety of the individual owners and occupants or which are required to avoid the suspension of any necessary service to the Property.

8.2 BUILDING COMPLIANCE

Agent shall not be responsible for the compliance of the Property or any of its equipment with the requirements of any building codes or with any statutes, ordinances, laws, rules, or regulations (including those relating to the existence and disposal of solid, liquid, and gaseous wastes, and toxic or hazardous substances) of any city, county, state, or federal governments or agencies, or any public authority or official thereof having jurisdiction over it. HOWEVER, Agent shall notify the Association promptly or forward to the Association promptly any complaints, warnings, notices, or summonses received by Agent relating to such matters. The Association represents that to the best of its collective knowledge the Property complies with all such requirements, and the Association



authorizes Agent to disclose the ownership of the Property to any such officials and agrees to indemnify, defend, and hold Agent, its representatives, servants, and employees, harmless of and from all loss, cost, expense, and liability whatsoever which may be imposed on them by reason of any present or future violation or alleged violation of such laws, ordinances, rules, or regulations.

8.3 AGENT ASSUMES NO LIABILITY

Agent assumes no liability whatsoever for any acts or omissions of the Board or the Association, or any previous boards or current or 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 individual unit owner in the payment of any assessment or other charges due the Association or in the performance of any obligations owed by any individual unit owner to the Association, pursuant to any lease or otherwise. Agent likewise assumes no liability for any failure of or default by concessionaires in any rental or other payments to the Association. Nor does 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 the Association in writing, and the Association shall promptly cure them.

Section 9 AGENT'S COMPENSATION

Agent shall be compensated for specific services as stated below.

9.1 FOR MANAGEMENT SERVICES

The Association shall pay Agent a management fee of \$ 20 per door per month. The management fee shall be paid monthly in advance. Otherwise, the management fee shall be adjusted annually upon approval by the Board of the Annual Budget, which adjustment shall be incorporated into this Agreement by reference. 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 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. This will be billed separately.

9.2 FOR CONSTRUCTION, REMODELING, OR OTHER CONTRACTING SERVICES

9.3 FOR OTHER SERVICES

Section 10 OBLIGATIONS OF THE ASSOCIATION

The Association shall insure the Property, Agent, and itself against liability and bear the expense of any and all litigation against the Property, Agent, and the Association as



stated below. In addition, the Association shall provide for an initial deposit and contingency reserve and, through its Board, approve an Annual Budget for the Property.

10.1 SAVE AGENT HARMLESS FROM LIABILITY SUITS

The Association shall indemnify, defend, and save Agent harmless from all suits or other claims including, but not limited to, those alleging any negligence of Agent or its employees in connection with the Property or the management thereof and from liability for damage to property and injuries to or death of any employee or other person. The Association shall pay all expenses incurred by Agent including, but not limited to, all attorneys' fees, costs, and expenses incurred to represent Agent in regard to any claim, proceeding, or suit involving alleged negligence of Agent or its employees in connection with or arising out of the management of the Property.

10.2 ESTABLISH AND MAINTAIN LIABILITY INSURANCE

The Association shall carry at its own expense public liability, boiler, fire and extended coverage, elevator liability (if elevators are part of the equipment of the Property), and workers' compensation insurance, and such other insurance as may be necessary or appropriate. Such insurance policies shall name both the Association and Agent as insured, and their coverage shall be adequate to protect the interests of both parties and in form, substance, and amounts reasonably satisfactory to Agent. The Association shall provide Agent with certificates evidencing such insurance or with duplicate copies of such policies within [14] days from the date of execution of this Agreement; or Agent may, but shall not be obligated to, place said insurance and charge the cost thereof to the account of the Association. Said policies shall provide that notice of default or cancellation shall be sent to Agent as well as to the Association and shall require a minimum of [14] days' written notice to Agent before any cancellation of or changes to said policies.

10.3 PAY ALL EXPENSES OF ANY LITIGATION

The Association shall pay all expenses incurred by Agent including, but not limited to, Agent's costs and time, any liability, fines, penalties or the like, settlement amounts, and attorneys' fees for counsel employed to represent Agent or the Association in any proceeding or suit involving any alleged or actual violation by Agent or the Association or the Board, or any combination of all of them, of any law or regulation of any governmental body pertaining to environmental protection, fair housing, or fair employment, including, but not limited to, any law prohibiting or making illegal discrimination on the basis of race, sex, creed, color, religion, national origin, family status, or mental or physical handicap. HOWEVER, the Association shall not be responsible to Agent for any 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 the Board or the Association in any such proceeding or suit.

10.4 SAVE AGENT HARMLESS FROM LABOR LAW VIOLATIONS

The Association shall indemnify, defend, and save Agent harmless from all claims, investigations, and suits, or from the Association's or the Board's actions or failures to act, with respect to any alleged or actual violation of state or federal labor laws. The Association's obligation with respect to such violation(s) shall include payment of all settlements, judgments, damages, liquidated damages, penalties, forfeitures, back pay awards, court costs, litigation expense, and attorneys' fees.

10.5 PROVIDE FOR INITIAL DEPOSIT AND CONTINGENCY RESERVE

Immediately on commencement of this Agreement, the Association shall remit to Agent the sum of \$[] to be deposited in the account(s) established for the Association pursuant to paragraph 5.1, such amount representing the estimated disbursements to be made in the first month, plus an additional sum of \$[] as a contingency reserve. The Association agrees to maintain this contingency reserve amount at all times and shall agree in writing to a new contingency reserve when such is required. The contingency reserve thus established is to enable Agent to pay obligations of the Association as they become due and is an amount separate from the reserve funds which accrue from assessments of individual unit owners.

10.6 APPROVE ANNUAL BUDGET

Within thirty (30) days of receipt of the recommended Annual Budget reviewed by Agent, the Board shall approve the budget. Upon approval, Agent shall be authorized to operate and manage the Property in accordance with the Annual Budget.

Section 11 TERMINATION BY AGENT FOR CAUSE

Agent shall have the right to cancel this Agreement at any time in the event that any insurance required of the Association is not maintained without any lapse. Agent shall also have the right to cancel this Agreement at any time in the event it is alleged or charged that the Property or any equipment therein or any act or failure to act by the Board or the Association with respect to the Property or the sale, rental, or other disposition thereof or with respect to the hiring of employees to manage it fails to comply with or is in violation of any requirement of any constitutional provision, statute, ordinance, law, or regulation of any governmental body or any order or ruling of any public authority or official thereof having or claiming to have jurisdiction over it, and Agent in its sole and absolute discretion considers that the action or position of the Association or the Board with respect thereto may result in damage or liability to Agent, or disciplinary proceeding with respect to Agent's license. Agent shall provide written notice to the Association of its election to terminate this Agreement, in which case termination shall be effective upon the service of such notice.



Section 12 TERMINATION BY THE ASSOCIATION; CANCELLATION FEE

The Association may cancel this Agreement at any time on not less than 60 days prior notice to Agent, provided that such notice is accompanied by payment to Agent of a cancellation fee in an amount equal to the total management fee for a period of 1 months. For this purpose, the monthly management fee shall be presumed to be the same as that of the last month prior to service of the notice of cancellation.

Section 13 ASSOCIATION RESPONSIBLE FOR PAYMENTS

Upon termination of or withdrawal from this Agreement by either party, the Association shall assume the obligations of any contract or outstanding bill executed by Agent under this Agreement for and on behalf of the Association and responsibility for payment of all unpaid bills. In addition, the Association shall furnish Agent security, in an amount satisfactory to Agent, against any obligations or liabilities, which Agent may have properly incurred on the Association's behalf under this Agreement.

Agent may withhold funds for ninety (90) days after the end of the month in which this Agreement is terminated, in order to pay bills previously incurred but not yet invoiced and to close accounts. Agent shall deliver to the Association, within ninety (90) days after the end of the month in which this Agreement is terminated, any balance of monies due the Association which were held by Agent with respect to the Property, as well as a final accounting reflecting the balance of income and expenses with respect to the Property as of the date of termination or withdrawal, and all records, contracts, leases, receipts for deposits, and other papers or documents which pertain to the Property.

Section 14 RELATIONSHIP OF AGENT TO THE ASSOCIATION

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, in the name of and for the account of the Association. In taking any action under this Agreement, Agent shall be acting only as Agent for the Association, and nothing in this Agreement shall be construed as creating a partnership, joint venture, 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 the 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.

Section 15 INDEMNIFICATION SURVIVES TERMINATION

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 to 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 the Association's Agent, such provisions shall apply as if this Agreement were still in effect.

Section 16 HEADINGS

All headings and subheadings employed within this Agreement are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

Section 17 FORCE MAJEURE

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, government regulations, riots, adverse weather, and other similar causes not within the control of Agent, and any time periods required for performance shall be extended accordingly.

Section 18 COMPLETE AGREEMENT

This Agreement, including any specified attachments, constitutes the entire agreement between the 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 the Association and Agent relating to the Property covered by this Agreement. No change to this Agreement shall be valid unless made by supplemental written agreement executed and approved by the 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 the Association and Agent in writing. Each party to this Agreement hereby acknowledges and agrees 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.

Section 19 RIGHTS CUMULATIVE; NO WAIVER

No right or remedy herein conferred upon or reserved to either of the 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 either party 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.

Section 20 APPLICABLE LAW AND PARTIAL INVALIDITY

The execution, interpretation, and performance of this Agreement shall in all respects be controlled and governed by the laws of the State of [**California**]. If any part of this Agreement shall be declared invalid or unenforceable, Agent shall have the option to terminate this Agreement by notice to the Association.

Section 21 NOTICES

Any notice required or provided for in this Agreement shall be in writing and shall be addressed as indicated below or to such other address as Agent or the Association may specify hereafter in writing.

21.1 TO AGENT

Compass Property Management
110 W. El Portal
San Clemente, California 92672

21.2 TO THE ASSOCIATION

Sample Homeowners Association
12345 Anywhere Street
AnyCity, California 91234

21.3 DELIVERY OF NOTICES

Notices or other communications between the parties to this Agreement 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 regularly maintained by the post office. Such notices 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.

Section 22 AGREEMENT BINDING ON SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Agent and the heirs, administrators, successors, and assigns of the Association. Notwithstanding the preceding sentence, Agent shall not assign its interest under this Agreement except in connection with the sale of all or substantially all of the assets of its business. In the event of such sale, Agent shall be released from all liability under this Agreement upon the express assumption of such liability by its assignee.



COMPASS

PROPERTY MANAGEMENT
CORPORATION

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have affixed or caused to be affixed their respective signatures this **July 1, 2008.**

Witnesses: _____

Board: _____

Agent: _____

By: _____