

FINANCIAL SERVICES AGREEMENT

CoastManagement.net

THIS AGREEMENT (Agreement) is entered into on this _____ day of _____ 20____ between

_____ (Association) and CoastManagement.net, a California Corporation (Agent). Association hereby appoints Agent, and Agent hereby accepts appointment, on the terms and conditions set forth in this Agreement.

1. ROLE OF AGENT

Agent shall assist the Board of Directors by providing financial services to the Association and those persons who are members of the Association as an independent contractor. The membership of the Association consists of _____ units or lots. All services shall be performed by Agent based upon standards prevailing in the industry.

2. RESPONSIBILITIES OF THE AGENT

A. Accounting services will include the following:

1. Assisting the Board of Directors in the preparation of an Annual Budget for the approval of the Directors at least 60 days prior to the end of the fiscal accounting year.
2. Preparation and distribution of a Balance Sheet, Statement of Cash Receipts and Disbursements, Check Register, Delinquency Report and Bank Reconciliation to all Directors each month.
3. Payment of all bills authorized to be paid by the Board of Directors.
4. Mailing monthly invoices for assessments including any late charges or special assessments.
5. Distributing to all members the Annual Financial Reports.
6. Preparing and mailing delinquency notices, in accordance with the Association's collection policy.
7. Recording liens in accordance with the Association's collection policy and working with legal counsel when necessary to assist in collections. Agent does not guarantee the collection of accounts receivable, but agrees to use its best efforts to do so. Agent is authorized to sign as agent all liens authorized by the Association.
8. Providing the Association's accountant with the data necessary to prepare tax returns, audits or reviews. Agent is authorized to sign as agent all tax returns to be filed by Association.

9. Funding reserve accounts each month as determined by the Annual Budget unless funds are not available. Agent shall have no authority to authorize withdrawals from the Association's reserve accounts and Association's Board of Directors shall make all investment decisions regarding reserve funds.

10. Preparing and filing Federal Forms #1099 as required by law.

Agent shall utilize generally accepted accounting practices including the double entry method of accounting.

After the Effective Date of this Agreement, Agent shall consolidate the most current balance sheet and income/expense statement provided to Agent for the current fiscal year with financial reports to be generated by Agent. Association agrees to provide Agent with copies of all guarantees and/or warranties pertinent to the construction and/or maintenance of the Property and Agent agrees to review them.

B. Meetings:

1. Preparing and mailing notices, nomination forms, ballots and agendas when requested by the Board of Directors.
2. Attending the annual meeting of homeowners on dates that are mutually acceptable. Attendance at meetings exceeding _____ hours each, shall require additional compensation. See additional charges.

C. Records and Correspondence:

1. Maintaining all financial records of the Association and its individual members. Unless otherwise instructed in writing by the Board of Directors, Agent shall destroy any records more than four (4) years old (other than warranties), except that all records shall be maintained for the first twelve (12) years after recordation of the original CC&Rs.
2. Recording changes of ownership upon receipt of advices from members and escrow companies when submitted with supporting documentation. Agent shall not be required to search the public records to determine changes in ownership.
3. Responding to inquires from escrow holders and/or mortgage lenders regarding the status of accounts and providing them with proof of insurance, copies of all Association documents, including, but not limited to, budgets, operating reports, reserve studies, minutes, and any required certifications forms.
4. Maintaining complete files of all correspondence and handling all correspondence for the Board of Directors pertaining to business matters and collections, not including violations of the CC&R's/Operating Rules.

D. General Responsibilities:

1. Mailing policy statements to all members annually, describing the Association's policies and practices concerning late fees, liens, collections, foreclosures and fines.

2. When authorized and directed by the Board of Directors in writing, Agent will request coverage from the insurance agent or broker as determined by the Board.
3. Assisting the Association in making insurance claims when requested by the Board of Directors.
4. Unless otherwise directed by the Board of Directors, Agent shall enforce the Association's Late Charge, Lien and Collection Policy in accordance with California law.

Agent shall not be responsible for acts, omissions or occurrences which took place prior to the Effective Date of this Agreement.

3. AGENCY RELATIONSHIP

Association hereby gives Agent the authority to perform all acts necessary to carry out Agent's responsibilities. All acts performed by Agent shall be done as Agent of the Association and any and all obligations, costs or expenses incurred by Agent in performance of its obligations under this Agreement shall be borne by Association and not by Agent. All payments made by Agent hereunder shall be made out of accounts held in the name of Association. Agent is not expected to use its own funds in payment of any expenses pertaining to the Property. Legal advice, the filing of tax returns, litigation management and construction management / supervision are not included in the services provided by Agent under this Agreement. Association agrees that city license or registration fees shall be paid current by Association, if any.

The Board of Directors of the Association shall make the final selection of all contractors who shall be required to carry workers' compensation insurance and comprehensive liability insurance of at least \$500,000.

4. FUNDS OF THE ASSOCIATION

All funds collected by Agent for the Association shall be deposited in a government insured account established in the name of the Association. This account shall be referred to as the "operating account". Agent hereby agrees not to commingle any of the revenues of the Association with its own funds or the funds of any other association.

State law prohibits Agent from having authorization to withdraw funds from Association's reserve account, and accordingly, Agent is not granted and will have no authority to sign on this account. Association shall request that all financial institutions holding reserve funds forward all statements to Agent so that Agent is able to report accurate balances on the monthly balance sheet.

Agent utilizes the services of one commercial bank for all of its commercial banking requirements including the establishment of operating accounts and reserve accounts for clients. In consideration of Agent providing one commercial bank with all of its business, the bank provides Agent with services such as daily courier service.

Should Agent receive a check payable to Association which represents funds owed to Association and Agent (such as an escrow check written contrary to instructions), Agent shall deposit said check into a client clearing account. Upon confirmation that the check has cleared (usually 3 days), Agent will disburse the funds to Association and Agent.

Association is to select one of the alternatives below:

Alternative I

Agent shall have authority to withdraw funds from the operating account in order to pay for services authorized by this Agreement and to transfer funds to Association's reserve account.

If approved, initial: _____ / _____ .

or

Alternative II

The withdrawal of funds from the operating account shall require the signature of one member of the Board of Directors of Association plus one signature by an authorized officer of Agent. There shall be an additional monthly fee charged to the Association if this alternative is selected in order to compensate Agent for the additional administrative costs. See "Agent's Compensation - Additional Costs".

If approved, initial _____ / _____ .

If Association does not initial or affirmatively select either Alternative I or Alternative II, Alternative I shall be considered the selection.

5. INSURANCE AND BOND OF AGENT

Agent is bonded and carries comprehensive liability insurance in the amount of two million (\$2,000,000.00) dollars and covers all of its employees under a workers' compensation policy.

6. AGENT'S COMPENSATION

Agent shall receive, in addition to those sums specified below, a base fee in the amount of \$_____ per month for services rendered under this Agreement. This amount shall be payable in advance each month. If Association requests Agent to perform additional services not included in this Agreement, Association shall make such requests and Agent shall promptly inform the Association of its charge for such additional services which the Association may either accept or reject.

Additional Charges:

- a. One time setup charge of \$_____ . Renewals of this Agreement shall not require an additional setup charge.
- b. Copies: \$.15 per page (single sided); envelopes and mailing charges for monthly billings at cost; postage at cost; registered / certified mail: \$10.00 + postage. Agent's service does not include processing bulk mail.
- c. Lien Warning Notice: \$75.00; Recording of Liens: \$300.00 plus \$30.00 notary fee plus \$35.00 for title information, recording fees at cost and certified mail; Lien Releases: \$100.00 plus \$30.00 notary fee plus \$35.00 for title information fee, recording fees at

cost and certified mail. These fees and costs shall be charged to the delinquent member upon being incurred. Fees shall be paid to Agent by the Association when the delinquent member's account is charged and will be reimbursable by the delinquent owner.

- d. Returned check charge: \$25.00 (to be paid by individual member).
 - e. Unit Transfer Fee: \$250.00 (normally paid by the buyer, not the seller or Association). Providing status reports/documents to escrows: \$200.00 (payable by member, not the Association). Providing standard documents (for lenders): \$100.00 (all payable by seller or seller's agent; not the Association).
 - f. Foreclosure/Litigation Coordination Fee: \$300.00 (may be recoverable from defaulting party.) This fee shall be considered earned when the matter is turned over to legal counsel.
 - g. Preparation and filing of Federal Forms #1099: \$25.00 each.
 - h. Translation of English to foreign language: At cost plus \$50.00.
 - i. During the term of this Agreement, should the Agent be requested by the Board of Directors to perform work not otherwise covered in this Agreement, resulting from an earthquake, fire, flood, windstorm or other acts of God, or from litigation or any other reason, Agent will charge the Association on an hourly basis as follows:
 - \$95.00 per hour - Accounting Department Manager
 - \$70.00 per hour - Property Supervisor
 - \$50.00 per hour - Accounting Staff
 - \$50.00 per hour - Clerical Staff
- Any amounts charged by Agent shall be submitted to the Association's insurance carrier for reimbursement if covered under the Policy.
- j. Monthly fee for two signatures required on operating account (Paragraph 4, Alternative II): \$50.00 up to and including 30 units; \$100.00 for 31 to 100 units and \$150.00 over 100 units.
 - k. All late charges actually collected from delinquent members are to be paid to Agent in order to compensate Agent for the additional time and cost involved in collecting delinquent assessments. Notwithstanding the foregoing, Association shall pay any accrued, but unpaid late charges or return check charges to Agent upon termination of this Agreement.
 - l. The cost of any payroll service shall be charged to Association at cost should Association hire employees rather than independent contractors.
 - m. Upon request, taking, typing and distributing minutes at meetings attended: \$125.00. Newsletters: \$75.00 plus postage and copies.
 - n. Association shall pay Agent a monthly fee of \$15.00 per month for bank service fees.

- o. After the termination of this Agreement, in the event that any employee of Agent is required _____ to testify in a deposition, mediation, arbitration or court proceeding where Agent is a non- _____ party witness, Agent shall be entitled to receive a fee of \$85.00 per hour including preparation and travel time. After termination of this Agreement, Agent shall be entitled to receive a fee of \$50.00 to cover the estimated cost of forwarding assessments, checks and mail.
- p. If Association borrows funds requiring Agent to invoice and collect special assessments and provide additional accounting services, Agent's additional compensation shall be \$1.00 per unit per month (not to exceed \$100.00 per month), plus a one-time set up fee of \$100.00. Special assessments not resulting from Association's borrowing shall require no additional fee.
- q. Attendance at additional meetings of the Board of Directors: \$250.00 per meeting (3 hour limit).
- r. Upon request, Agent will assist the Association in obtaining utility audits to include electricity, gas, telephone, trash service and water/sewer: One time fee \$500.00.

7. TERM OF AGREEMENT AND ASSOCIATION RESPONSIBILITIES

This Agreement shall commence on _____, 20____ (Effective Date) for a term of one year ending on _____, 20____ (the "Contract Period"). Upon the expiration of the Contract Period, or any extension of it, the term of this Agreement will automatically be extended for a period of one year unless terminated in accordance with the following:

A. Notwithstanding, either party to this Agreement may terminate it by giving the other party advance written notice by Certified and Regular Mail, of at least sixty days. Notwithstanding, any termination shall be effective on the last day of a month. Association agrees that Agent shall receive all fees payable as set forth in this Agreement whether or not Agent is permitted to provide its services during the notice period.

Termination shall require that more than 50% of the authorized number of Directors vote for termination at a legally noticed meeting of the Board of Directors. Any notice of termination pursuant to this Agreement must be given by the Association to Agent, accompanied by a letter signed by the Secretary and President of the Association certifying that the required vote of the Directors has been obtained to terminate this Agreement pursuant to this paragraph.

Upon termination, the contracting parties shall account to each other with respect to all matters outstanding as of the date of termination except that the final monthly operating report will be distributed within twenty days after the end of the last full calendar month of management along with a final check for any operating funds of the Association. Notwithstanding, Agent may hold funds required to cover any outstanding unpaid checks as reasonably required.

Association agrees not to employ, consult with, contract with, hire or otherwise engage any of Agent's employees, whether directly or indirectly, either during the term of their employment with

Agent or for a period of two (2) years after conclusion of their employment. Association has been advised and hereby acknowledges and confirms that Agent's employees have agreed to be bound and are bound by a covenant not to compete with Agent and Association agrees to respect and not interfere with said covenant.

Association agrees that Agent shall be entitled as a matter of right to preliminary and permanent injunctive or other equitable relief to prevent or enjoin any breach or violation of any of this provision.

Agent and Association agree that unless the parties agree otherwise in writing, the following fees will increase _____ percent per annum (rounded off to the nearest whole dollar) over the prior year's base fee in order to compensate Agent for increases in costs: Base Fee, Lien Warning Notice Fee, Lien Fee, Unit Transfer Fee and Foreclosure/Litigation Coordination Fee. Other fees shall not be increased except upon the mutual agreement of the parties in writing.

8. SEVERABILITY

Invalidation of any portion of this Agreement or any of its provisions shall in no way affect any other provision or the remainder of this Agreement which shall remain in full force and effect.

9. HEADINGS

All headings and subheadings used in this Agreement have been inserted for convenience and ease of reference and are not be considered in the construction or interpretation of any provision of this Agreement.

10. RESERVE STUDIES

Association acknowledges and understands that the California Civil Code requires associations to obtain a reserve study every three years and to update the study each year between reserve studies.

Associations may utilize the services of CoastManagement.net to prepare the required reserve studies (at an additional cost) or may utilize another firm.

11. DISPUTES

In the event that any suit is instituted concerning or arising out of this Agreement, each party shall pay all of its costs, including, without limitation, the court costs and reasonable attorney's fees incurred in each and every such action, suit or proceeding, including any and all appeals or petitions therefrom. Any suit filed shall be in the Superior Court of Los Angeles County. Venue shall be the court closest to Agent's corporate office. Agent and Association agree that it shall be a condition precedent to the filing of any suit that it be filed within 60 days of termination of this Agreement. Neither party to this Agreement shall have any liability for consequential damages.

12. INDEMNIFICATION AND HOLD HARMLESS - INSURANCE

Association agrees to indemnify, defend and hold Agent (including its officers, directors, shareholders, employees and representatives) completely harmless from any and all costs, expenses, attorney's fees, suits, liabilities, damages or claim for damages, including but not limited to those arising out of any injury or death to any person or persons or damage to any

property of any kind whatsoever and to whomsoever belonging, including Association, in any way relating to the management of the Association and Property by Agent or the performance or exercise of any of the duties, obligations, powers or authorities herein or hereafter granted to Agent. Any allegation alleging that the execution of this Agreement and the negotiations leading thereto, constitutes an interference with a business relationship or similar claim shall be included. Agent shall not be liable for any error of judgment or for any mistake of fact or law, or for anything which it may do or refrain from doing, except in cases where a court has determined that Agent is liable for willful misconduct or gross negligence. Association shall carry comprehensive public liability insurance, in an amount satisfactory to Agent (but not less than \$2,000,000 for associations of 100 units/lots or fewer, and \$3,000,000 for associations of more than 100 units/lots), which policies shall include Agent as coinsured. Association also agrees that any contractor hired by it shall be required to carry comprehensive liability insurance of at least \$500,000. Said policies shall require that Agent be given at least 30 days written notice before cancellation.

Agent shall hire, pay, direct and discharge all Association employees deemed by Agent necessary for the operation and maintenance of the Property. All such employees shall be and are deemed to be for all purposes, the employees of the Association and not employees of Agent and Agent shall not be responsible for any of their acts, defaults or negligence or for any error of judgment or mistake of law, or of fact in connection with their employment, conduct or discharge.

Agent shall not be responsible for the compliance of any Association Property 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 wastes and toxic or hazardous substances) of any governmental agency. However, Agent shall notify the Association of any warnings, notices, or summonses received by Agent relating to such matters. The Association represents that to the best of its knowledge the Association properly complies with all such requirements. Association agrees to indemnify, defend and hold Agent harmless from any and all costs, expenses, attorney's fees, suits, liabilities, damages or claim for damages, including but not limited to those arising out of any injury or death to any person or persons or damage to any property of any kind whatsoever and to whomsoever belonging, including Association which may be imposed on them by reason of any present or future violation or alleged violation of such laws, ordinances, rules, or regulations.

The indemnification / hold harmless is a material part of the consideration of this Agreement and shall survive the termination or assignment of this Agreement.

13. DISCLOSURE

Agent is a California Corporation:

CoastManagement.net
30343 Canwood Street, Suite 203
Agoura Hills, California 91301

Owner:

The shareholders are:

Michael T. Chulak and Tina Chulak

30343 Canwood Street, Suite 203
Agoura Hills, CA 91301

Michael Chulak is a licensed attorney in California with Michael T. Chulak & Association, a Law Corporation (State Bar #194744 issued 4-98) and has held the designation of Certified Property Manager® (CPM®) since 5-79. Michael Chulak has been a licensed Real Estate Broker (#00397628) since 1971.

14. ASSOCIATION DIRECTOR DESIGNEE

Association hereby designates the President of the Board of Directors as its representative to whom all notices to the Association may be submitted. Association reserves the right to change its designated representative at any time by giving written notice to the Agent.

15. MODIFICATIONS

This Agreement supersedes any other agreements, either oral or in writing, between the parties. Any modifications of this Agreement will be effective only if it is in writing and signed by the President of Agent.

16. INSPECTION OF RECORDS

Any member of the Association may inspect Association's records as permitted by law upon reasonable notice. Such inspections require the constant monitoring by a staff member of Agent and consequently, Agent will charge Association a fee of \$40.00 per hour for such monitoring. No cost shall apply to inspections by Board Members.

17. NOTICES

Any notices (other than for termination - see "Term of Agreement"), requests, demands, instructions or other communications to be given to either party hereunder shall be in writing and delivered by either personal delivery or by mail, addressed as follows:

TO AGENT: CoastManagement.net
 30343 Canwood Street, Suite 203
 Agoura Hills, California 91301
 Attention: Michael Chulak

TO ASSOCIATION: President-Board of Directors

THE UNDERSIGNED HAVE READ THE ENTIRE AGREEMENT

Agreed:

Agreed:

CoastManagement.net

Board of Directors

Michael Chulak
President
Certified Property Manager®
Attorney at Law

Director

Director

Director

CoastManagement.net

a California Corporation
30343 Canwood Street, Suite 203
Agoura Hills, California 91301
(818) 991-1500 (800) 540-9920
fax (818) 991-5077

www.CoastManagement.net

www.HOAQandA.com

www.LegalSeminars.net
www.HOACareers.com