

Professional Management Agreement

Article I Preliminary Recitals

A. This Professional Management Agreement (hereinafter referred to as "Agreement") is entered into as of the last date set forth below and made effective pursuant to Section 11 herein below by and between **Toy Warehouse Lofts**, a nonprofit mutual benefit corporation ("Association") and Prime Association Services, Inc. ("Agent") with a principal location of 635 Camino de los Mares, Suite 100, San Clemente, CA. 92673. Association and Agent may be referred to individually as a "Party" and collectively as "the Parties."

B. DEFINITIONS

1. "Association" shall mean **Toy Warehouse Lofts**, a California nonprofit mutual benefit corporation comprised of **twenty-one (21) units**.
2. "Base Fee" shall mean the monthly fee as identified in Section 8 herein and covers Agent's basic contractual Services as defined in Article II herein, and usual and customary office expenses, exclusive of all extraordinary services which may occur by Board direction as identified in Section 9 and Exhibit A of this Agreement.
3. "Board" or "Board of Directors" shall mean the Board of Directors of the Association, elected or appointed as applicable pursuant to the Governing Documents.
4. "CC&Rs" shall mean the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements of the Association and any amendments thereto.
5. "Common Area" shall mean all the real property and improvements, **not including the units or commercial area within the Property, which are owned by the Association's owners as tenants-in-common for the common use and enjoyment of all the owners**. These areas are more fully defined by the CC&Rs for the Association.
6. "Governing Documents" shall mean the CC&Rs and other documents, including but not limited to the By-Laws and operating rules of the association, which govern the operation of the Association.
7. "Assessments". As used in this Agreement, the term "Assessments" shall mean those rates established and approved by the Board of Directors, which the Association's members are bound to pay as their share of the common expenses, as more fully described in the CC&Rs.
8. "Property" shall mean the common interest development governed by the Association and located in **Los Angeles**.

C. MISCELLANEOUS

In consideration of the mutual covenants herein, the Association as described in Section A and B above enters into this Agreement with the Agent to manage the Property for the compensation provided in Section 8 herein and for the term as set forth in Section 11 herein. These Recitals, the entirety of this Agreement and Exhibit "A" attached hereto shall all be deemed a part of the Agreement and are fully incorporated herein by this reference.

This written Agreement supersedes any and all prior representations, understandings and communications, and may be modified only by written agreement of the Parties. Any oral agreements or modifications are expressly invalid. This written Agreement is to remain confidential between the Association and Agent except as required by contract and law.

This Agreement will be construed in accordance with, and governed by, the laws of the State of California. If any term, provision, covenant or condition of this Agreement, including the Scope of Services set forth in Article II below, should

be found by a Court of competent jurisdiction to be invalid, all other provisions shall continue in full force and effect, and shall in no way be affected, impaired or invalidated.

If any legal proceeding is necessary to enforce or interpret the provisions of this Agreement, the prevailing Party shall be entitled to its reasonable attorney's fees and legal costs, in addition to any other relief to which such Party may be entitled. The Parties agree that this Agreement shall be effective as of the date set forth in Section 11. Because the Association is incorporated, it is understood and so assured by the signer that the person signing on behalf of Association is a duly elected officer thereof and has corporate authority to execute this Agreement.

ARTICLE II

Scope of Services

APPOINTMENT AND ACCEPTANCE

The Association hereby exclusively engages the Agent, and appoints the Agent to manage the Association under the sole direction of the Board of Directors upon the terms and conditions hereinafter set forth. The relationship between the Association and Agent is one of Principal and Agent.

The Agent will deliver services reasonably necessary to provide Association with management services (the "Services") on behalf of the Association's Board of Directors, and strictly within the scope of this Agreement.

1. AGENT'S SERVICES AND RESPONSIBILITIES

1.1 Agency. The Association hereby appoints the Agent and the Agent hereby accepts appointment, on the terms and conditions hereinafter provided, as the Agent for the Association.

1.2 Responsibilities. The Association retains the primary responsibility for enforcement of provisions of the Association's Governing Documents and contractual agreements and assumes liability for any and all acts and occurrences which relate to the actions of the Association and its actions concerning the real property covered by this contract.

1.3 Implementation. Agent will undertake reasonable efforts to implement the lawful decisions of the Board of Directors and in accordance with the Agreement, subject to the compensation schedule set forth herein. Agent will not be obligated to implement any decision which:

- a) is contrary to the terms of this Agreement, applicable laws or Governing Documents,
- b) would involve transactions or services outside the Agent's expertise, knowledge or licenses,
- c) would involve transactions or services which are not set forth in this Agreement as a part of the Services.

1.4 Duties. It will be the responsibility of Agent, during the term of this Agreement, to perform the Services as set forth in this Agreement, consistent with the plans and directives of the Association's Board of Directors, and to perform such other Services as are reasonably necessary to discharge Agent's responsibilities under this Agreement.

2. FINANCIAL MANAGEMENT

2.1 Assessments. The Agent will provide for the collection and deposit of all of Association's Assessments, and establish, at Agent's sole discretion, a separate checking account or accounts, with any federally insured institution(s), as is customary with other associations managed by Agent for the deposit and protection of Association's operating funds.

2.2 Association Operating Funds. Agent will establish and maintain Association funds, in a bank of Agent's choice whose deposits are federally insured and in a manner to indicate the custodial nature thereof, a separate bank account as Agent of Association for the deposit of monies of Association, with authority to draw thereon for any payments to be

made by the Agent to discharge any liabilities or obligations incurred pursuant to this Agreement and for the payment of the Agent's Base Fee, all of which payments are subject to the limitations of this Agreement. From funds collected, Agent will cause to be paid the expenses, utilities, bills and other necessary expenditures for the operation of Association in accordance with the approved budget or as otherwise authorized by the Association's Board of Directors. Any service fees charged for banking services or account maintenance by the bank shall be the responsibility of the Association and shall be a charge against Association's operating and/or money market accounts.

2.3 Delinquent Accounts. Agent is authorized to take reasonable steps for collection of delinquent Assessments due to the Association. In the event such efforts fail, Agent will have authority to record a lien against the delinquent owner's unit in accordance with the Declarations and the approved collection policy. The Agent is authorized to assess the delinquent account a late charge and a delinquent processing charge, along with other charges for collection & lien fees, if applicable, reflective of the costs of collection, accounting, payment plan monitoring and legal proceedings. All such assessments are to be deposited into the account of the Association. Agent shall be paid 50% of any late charges charged to homeowners. Statutory interest may be charged commencing 30 days after any due date. Reasonable costs of collection, including attorney's fees, are authorized to be charged and collected per Exhibit A.

2.4 Disbursement Authorization. Agent is authorized and shall make all disbursements from Association funds for liabilities incurred on behalf of Association. Association acknowledges Agent's role as Paymaster, accordingly, such disbursements may be made via paper drafts or electronically at the discretion of Agent. Agent is authorized to utilize all fraud control systems and methods available to Agent for the protection of Association's funds. Agent is hereby granted authority to make any reasonable and necessary non-budget expenditures as provided in this section at its own discretion up to \$One Thousand and 00/100 Dollars (\$1,000.00) In addition, Agent shall have the authority to make normal and usual expenditures as prescribed by the Board of Directors and/or by the Association's approved operating budget. Agent will obtain approval for any extraordinary expenses of the Association as needed.

Emergency repairs involving imminent danger to life or property, or immediately necessary for the preservation and safety of the property, or for the safety of the Members, or required to avoid the suspension of any necessary service to the Property, may be made by the Agent irrespective of the cost limitation imposed by this section.

Agent will establish Association's reserve accounts at Association's direction. Agent makes no warranty or representations regarding the security or yield of any reserve investment. Except for the disbursements provided for above, all reserve account disbursements will be signed by two members of the Board of Directors.

2.5 Accounting and Financial Statements. Agent will maintain a set of accounting records in accordance with generally accepted industry standards.

a. Agent will distribute monthly to all members of the Board of Directors a financial statement for the previous month, including copies of the Balance Sheet, Statement of Income and Expenses, Schedules of Cash Investments, reserve allocations, and a check register of disbursements.

b. Agent shall reconcile all bank statements received by Agent and shall provide to the Board copies of both statements and reconciliations.

c. Agent will cooperate with auditors in their performance of audits and reviews of Association's records and their preparation of applicable tax returns in accordance with Exhibit A.

d. Agent will, upon direction from the Board of Directors, distribute to all members, at the Association's expense, copies of the Annual Budget Report and Annual Policy Statement in accordance with Civil Code Sections 5300 and 5310 respectively, and all other publications and reports required by the Board of Directors and applicable laws.

2.6 Budget Preparation. Agent will prepare and submit to the Board of Directors a proposed budget. Any budget draft will be subject to final approval by the Board of Directors and the Board shall retain full responsibility for the appropriateness of data contained in the budget. Any decision to adopt Agent's proposed budget, or to amend it for adoption will be reserved to and exercised solely by the Association's Board of Directors.

2.7 Reserve Studies. In the event Association elects to have an outside firm perform a reserve study, Agent agrees to cooperate with said outside firm and to furnish any and all necessary forms and documents in Agent's possession, upon request.

3. PHYSICAL MANAGEMENT

3.1 Maintenance. Agent will assist the Board of Directors in its responsibilities for the upkeep, maintenance and management of Common Area and related equipment, pursuant to the Association's Governing Documents and within the scope of this Agreement.

3.2 Requests. Agent will receive maintenance requests and/or complaints concerning the Association's Common Areas, and communicate same to appropriate Association contractors and vendors for correction, repairs and maintenance.

3.3 Emergencies. Agent will provide a 24-hours per day, 7 days per week call center to assist or refer emergencies in the Common Areas of the Association. Serious matters will be reported to the Association's Board of Directors with appropriate recommendations for the purpose of receiving further instructions from the Board on how to proceed.

3.4 Inspection. Agent will perform monthly general reviews of the Association Common Areas and facilities, and will submit findings, action taken and recommendations to the Board of Directors, to assist in preserving the aesthetics and functionality of the Common Areas. Agent shall also make additional periodic inspections of the Common Area as it deems necessary to satisfy its Services under the terms of this Agreement. The Agent shall not be required to review the Common Areas during its reviews from any other perspective than from ground level. Agent is authorized to initiate routine repairs to the Common Areas and facilities, so long as such repairs and maintenance are in compliance with the Board's adopted management plan for the Association, or Section 2.4 herein.

3.5 Bids for Hiring, Supervising and Discharging Third Party Contractors.

a. Agent will, upon receipt of instructions from or upon resolution of the Board of Directors, request bids from insured vendors of Agent's and Board's selection, with a minimum of two (2) and a maximum of three (3) bids for the types of third party goods or services that Agent believes, in Agent's sole discretion, are likely to cost \$1,000.00 or more. Those items for which the Board requests bids that are in the Agent's sole discretion likely to less than \$1,000.00 will not be let out for bid, and Agent shall be under no duty to solicit bids for those items. Should the Board wish for Agent to solicit bids for an item costing less than \$1,000.00, Agent shall be entitled to an hourly fee in accordance with Section 9.1 of this Agreement. Specifications for all such items shall be included with the Board's request, and the Board shall be solely responsible for establishing the standards, specifications or criteria for work to be let out for bid. Agent will endeavor to make helpful suggestions; however, the Board shall have the final decision in establishing standards, specifications and criteria.

b. Agent will, upon receipt of the Board's instructions or resolution, discharge Association contractors that the Board decides are not performing up to the standards, specifications or criteria established by the Board of Directors. Agent, on the basis of an operation schedule, job standards and compensation rates approved by the Association shall investigate, secure and pay third party contractors in order to maintain and operate the Association. Any contract for such third party contractors will be a direct contract between the Association and the third party contractor, and Agent will act solely as the Agent of the Association in negotiations and maintenance of said contract, and not as a contracting party. Compensation for the services of all third party contractors shall be paid by the Association. Under no circumstance does Agent make any representations or warranties for the work performed by any third party contractor.

4. ADMINISTRATIVE MANAGEMENT AND CONSULTING

4.1 Records and Reports. Agent will organize the records and documents it receives from the Association or their prior manager or management company in accordance with Agent's normal procedures. Within sixty (60) days from receipt of complete records, Agent shall render financial statements in their usual form showing the financial status of Association, or, if the records are inadequate to prepare such financial statements, Agent shall submit a written recommendation to Association. If such recommendation suggests a review or audit by a third party, or additional investigation and organization of information that will permit the publication of financial statements, Agent will provide estimated cost of performing such services.

4.2 Correspondence. Agent will write or delegate letters and other correspondence and communicate as necessary with Association members, residents, contractors, etc. to assist the Board in carrying out its responsibilities.

Agent will receive correspondence from and write letters to homeowners and others concerning compliance with Association Governing Documents, homeowners' requests, architectural and maintenance matters, and other items within the scope of Association's Services.

4.3. Day to Day Operations. Agent will counsel and advise the Board of Directors and its committees in their day to day operations.

4.4 Rules and Regulations. Agent will assist in the compilation and adoption, as well as the interpretation, of the operating rules of the Association and suggest possible steps of enforcement based on written complaints in accordance with all applicable legal notice and hearing procedures, as applicable.

Agent will provide, at Association's sole cost and expense, material and expertise in the development of methods of communication to the homeowners (rules and regulations, etc.), as necessary.

4.5 Meeting Notices. At the request of the Board, and at the Association's sole cost and expense, Agent will send notices of Association Board and Membership meetings, prepare and distribute the notice and agenda for said meetings, circulate minutes of any such meetings as prepared by the Recording Secretary, and effect instructions as approved by the Board of Directors.

4.6 Meeting Attendance. Agent will attend up to **four (4)** Board meetings of the Board of Directors in any calendar year. Agent's time in excess of two (2) hours per meeting or fraction thereof that lasts after 9:00 p.m. shall be charged in accordance with the rate schedule in accordance with Section 9.1 of this Agreement.

4.7 Meeting Schedules. Agent will attend meetings scheduled Monday through Thursday, except federal holidays. Meetings held on days other than those identified herein, and which the Agent agrees to attend, will be charged in accordance with the rate on Section 9.1 of this Agreement.

4.8 Special Meetings. Agent will not be obligated to attend special meetings of the membership or of the Board of Directors or the Association's committees. However, if Agent is requested to attend and accepts, Association will pay Agent at the rate schedule in accordance with Section 9.1 of this Agreement, per hour for each hour or fraction thereof that such meeting last, plus mileage at IRS rate per mile as applicable

4.9 Annual Meeting. At the Association's sole cost and expense, Agent will assist in preparation for Association Annual Membership Meeting, including notices, proxies and agenda, and will attend and participate in conducting the meeting if so requested by the Board of Directors.

4.10 Minutes. Agent will be responsible to record and/or type minutes of regular meetings of the Board of Directors or the Annual Meeting of the Association at no cost to the Association.

4.11 Owner Review of Records. Agent will make allowable Association records available for review to Association members in accordance with applicable laws governing same. Association agrees that Agent may charge a fee to Association members in accordance with Section 9.1 for records research and for the scheduling and monitoring of such a review.

4.12 Special Mailings and Newsletters. Special Mailings and newsletters requested by the Board as prepared by the Association, shall be duplicated and mailed by Agent at the expense of the Association. All requests for duplication of additional copies of project documents, correspondence, reports, etc., will be at the expense of the Association.

5. TERMINATION OF AGREEMENT

5.1 Termination. Either party may terminate this Agreement by providing sixty (60) days written notice to the other after the first year of the Agreement. The Agreement may not be terminated within the first year unless the Association agrees to pay Agent the remaining portion of the monthly contractual price that Agent would have received during the course of the first year. This termination provision may be invoked with or without cause. Following such notice of termination, both parties agree that this Agreement shall remain in full force and effect for the entire sixty (60) days thereafter.

5.2 Dispute Resolution. This paragraph concerns the resolution of any claim, cause of action, action, dispute or controversy between the Association and Agent (Collectively, "Claim"), including but not limited to any Claim alleged in or subject to a lawsuit between the Association and Agent, which arises out of or is related to: (a) this Agreement; (b) any document, instrument, agreement or procedure related to or delivered in connection with this Agreement, whether previously, concurrently or hereafter (collectively, together with any renewals, extensions, modifications, substitutions or replacements, the "Subject Documents"); (c) any negotiations, correspondence or communications relating to any of the Subject Documents, whether or not incorporated into the Subject Documents; (d) the administration or management of the Subject Documents; (e) any alleged agreements, promises, representations or transactions in connection with the Subject Documents; (f) any violation of the Subject Documents; or (g) any claims for damages resulting from any business conducted between the Association and Agent, and related to the Subject Documents, including claims for injury to persons, property or business interests, or breach of legal duty.

At the request of the Association or Agent, any such Claim will be settled by judicial reference conducted pursuant to this Agreement in accordance with the laws of the state of California. C.C.P. Section 1283.05 shall apply to permit discovery in such proceedings. The Association and Agent shall select a single neutral referee, who shall be a retired state or federal court judge with at least five years of judicial experience in civil matters. In the event that the Association and Agent cannot agree upon a referee, the referee shall be appointed by the court. The referee shall determine all issues relating to the applicability, interpretation, legality and enforceability of this Agreement.

In the event that multiple claims are asserted, some of which are found not subject to the dispute resolution paragraph, the Association and Agent agree to stay the proceedings of the claims not subject to this paragraph until all other claims are resolved in accordance with this paragraph.

In the event that punitive damages are permitted under applicable California law, the amount thereof shall not exceed a sum equal to three times the amount of actual damages as determined by the referee.

The fees and expenses of the judicial reference shall be borne equally by the Association and Agent, unless the referee otherwise provides in the statement of decision.

The dispute resolution paragraph does not limit the right of the Association or Agent to: (a) exercise self-help remedies such as setoff; or (b) obtain or oppose provisional or ancillary remedies from a court of competent jurisdiction before, during or after the pendency of the judicial reference. The pursuit of, or opposition to, any such remedy does not waive the right of the Association or Agent to judicial reference pursuant to this Agreement.

5.3 Attorney Fees and Costs. If any legal proceeding is necessary to enforce or interpret the provisions of this Agreement, the prevailing Party shall be entitled to its reasonable attorney's fees and legal costs, in addition to any other relief to which such Party may be entitled. The Parties agree that this Agreement shall be effective as of the date set forth in Section 11. Because the Association is incorporated, it is understood and so assured by the signer that the person signing on behalf of Association is a duly elected officer thereof and has corporate authority to execute this Agreement.

5.4 Condemnation. Notwithstanding the termination provisions of Section 5 hereinabove, upon a taking of the entire or a substantial portion of the Property through lawful condemnation proceedings by any governmental party, either Party may terminate this Agreement by serving thirty (30) days prior written notice by certified mail to the other Party.

6. RECORDS RETENTION

6.1 Association Records. The Association's current records shall be kept at the Agent's office. Such records shall be available for inspection and copying during Agent's normal business hours in accordance with California state laws and Association document provisions. Agent's normal business office hours shall be Monday through Friday, except federal holidays from 9 a.m. to 5 p.m. daily. Agent shall be entitled to charge and receive copying and document research costs, as set forth in Exhibit A, from anyone requesting copies of records or documents, before making such copies. Agent shall be entitled to notice, as prescribed by law, prior to such inspection or copying of records.

6.2 Homeowners Lists. Agent shall maintain a current list of homeowners in the Association in accordance with the information supplied to Agent by the Association and/or other third parties. Reasonable efforts will be made by Agent to keep this list accurate, but it shall be the responsibility of the Association to advise Agent of address or ownership changes. Agent shall not be obligated to search official records for such transfers of ownership unless specifically requested to do so by the Board at hourly rates set forth in this Agreement. Notwithstanding the foregoing, when Agent is or should reasonably be made aware of ownership or transfer changes by way of escrow or an owner, Agent shall be responsible for recording in the Association's records such changes provided the necessary documentation is provided by escrow or an owner.

6.3 Correspondence. Agent will maintain documents and complete files for all current correspondence relating to Association, including without limitation incoming unit owner correspondence, violation and architectural control letters, contracts, purchase orders, filings with public agencies, insurance policies and information and other related documents required to be maintained by law or customary in the industry.

6.4 Ownership of Records. All records and correspondence regarding Association are and will remain the sole property of Association. Agent agrees to return any and all such records and correspondence to the Association, or to an entity or person designated by the Board of Directors upon termination of this Agreement. Such records will be available for pick up at Agent's office or such other designated location as may be agreed upon. Electronic storage media, such as computer tape, discs, and general electronically stored data bases, but not the information contained therein, are the sole property of the Agent and any duplication or transference of information shall be at no cost to the Association. Upon termination, the Parties shall account to each other with respect to all matters outstanding as of the date of termination, and Association shall furnish Agent security, satisfactory to Agent, against any outstanding obligations or liabilities which Agent may have incurred hereunder. Agent shall make available for Association all Association records within seven (7) days of termination of this Agreement. Agent shall continue to perform all duties and responsibilities under this Agreement after notice of termination until the termination date. Agent and Association agree to cooperate fully with one another to transfer Association property, to execute whatever documents, and to take whatever other action may be necessary prior to termination to cause an orderly transition from the Agent to a new agent. Agent shall make available to the Association all financial records maintained by the Agent on behalf of the Association within seven (7) days after termination of this Agreement, which includes an accounting ledger, accounts receivable and accounts payable on computer and hard copy, through the month of termination.

6.5 Storage. Agent agrees to maintain storage of Association records and correspondence at Association sole cost and expense per Exhibit A.

7. INSURANCE AND INDEMNIFICATION

7.1 Agent's Insurance. Agent will, throughout the term of this Agreement, and at Agent's expense, maintain the following insurance coverage:

a. Fidelity Bond with coverage for all Agent's employees, when applicable, to protect Association funds, if any, in the amount of One Million and 00/100 Dollars (\$1,000,000).

b. Agent's liability insurance and comprehensive general liability coverage, including automobile liability, completed operations, blanket contractual and personal injury coverage, with combined single limits of One Million and 00/100 Dollars (\$1,000,000) property damage and liability.

c. Workers Compensation Insurance equal to or greater than the statutory amount, covering any of Agent's employees.

d. Errors and Omissions coverage with limits of One Million and 00/100 Dollars (\$1,000,000). This policy must include coverage of all funds held in trust for the benefit of the Association.

7.2 Association Insurance. Association will maintain at its sole expense a policy of comprehensive general liability, Directors and Officers, worker's compensation and property insurance (as necessary) in accordance with the Association's Governing Documents and applicable California State codes.

7.3 Additional Insured. Association shall name Agent as an additional named insured on the Association's policies of comprehensive general liability and directors and officers insurance and said insurance policies will cover Agent for any and all claims and losses indemnified by Association pursuant to Section 7.5. Agent will be provided with insurance certificates identifying Agent as additional named insured showing the amount of coverage to be furnished to the Agent.

7.4 Fidelity Insurance. In the mutual interest of Association and Agent, both Parties agree that fidelity insurance coverage protecting Association funds shall be placed with the Agent's Master Fidelity Program, so long as such coverage is available. The limits of the Master Fidelity shall be no less than three (3) months total assessment income. Agent discloses the Master Fidelity Program is brokered by Sax Insurance Agency. Sax Insurance Agency is solely owned by Demetrios Xanthos, who is the husband of the sole owner of Agent. Prime Association Services does not receive any compensation or other monetary benefit from the Master Fidelity Program.

7.5 Insurance Responsibilities. Agent will maintain reasonable communication with Association's insurance agent and will assist the Board in reviewing and renewing insurance coverage, including solicitation of bids for such coverage. The Board of Directors is solely responsible for maintaining insurance coverage for the Association, and for ensuring the adequacy of coverage.

7.6 Indemnification by Association. Association shall indemnify, defend at its sole cost, and hold harmless Agent and its employees, agents, officers and directors from and against any and all claims, demands, losses, costs, expenses, obligations, liabilities, judgments, orders and damages, including interest, penalties and attorney's fees, that Agent shall incur or suffer which arise, result from, or relate to the performance by Agent of its duties under this Agreement, except for the willful misconduct or negligence of Agent. This provision shall survive any termination of this Agreement.

7.7 Indemnification by Agent. Agent will be responsible only for any willful misconduct, gross negligence where such liability is due to the sole conduct of Agent and/or its employees in the performance of its duties/Services under this Agreement.

8. COMPENSATION

8.1 Scope of Fee. In consideration of Agent's acceptance of its appointment hereunder and the performance of Services as set forth herein, the compensation to which the Agent will be entitled will consist of fees for basic Services (the "Base Fee") which are considered due upon the Commencement Date of this Agreement, but are paid monthly, along with those fees and costs for special or extraordinary services as set forth in Exhibit A.

A. Agent shall be paid in advance on the first day of each month without prior Association approval. Agent's monthly Base Fee is **One Thousand Dollars (\$1,000.00)**.

B. The Base Fee, as defined, shall be net to Agent and is exclusive of the Association's operating expenses and costs. The Base Fee shall be superseded by the adoption of a new annual association budget indicating an adjusted Base Fee for management Services. Adoption of the annual budget by the Association's Board of Directors shall constitute an approval of a Base Fee change under this Agreement, but in no event shall the Base Fee for any year be less than the amount stated in A of this section.

8.2 Agent's Fees and Costs. Any Base Fees and costs due the Agent by Association pursuant to the terms of this Agreement will be paid promptly each month on the first of each month unless such Base Fee or other cost is contested in writing by the Association. Any uncontested monies due and billed and not paid to Agent by the fifteenth (15th) of each month will carry a one percent (1%) per month late fee which will be added to the balance due and will be subject to further late charges until paid. Interest at five percent (5%) to be charged thirty (30) days after any amounts are delinquent.

8.3 Reimbursable Administrative Operating Expenses. The Association shall be responsible to reimburse Agent for all postage, copies, fax and other usual office expenses incurred by Agent on Association's behalf and for other reasonable expenses incurred on behalf of the Association including, but not limited to, those expenses listed in Exhibit A attached hereto as utilized in special projects (special mailings, newsletters, etc.), as may be amended from time to time, and included herein. Said costs will be reimbursed on a monthly basis as incurred, invoiced and billed.

8.3 Deduction of Agent's Compensation. Association will be obligated to pay, and Agent shall receive as compensation for its Services under this Agreement the Base Fee provided for in this section at the times herein set forth. Agent is entitled to deduct such Base Fee when due from the funds then in its possession. Agent's compensation includes (without limitation) normal and usual administration expenses of Agent related to actions of the Board of Directors including costs of travel, as authorized by the Board of Directors.

9. SPECIAL OR EXTRAORDINARY SERVICES

9.1 Association shall pay Agent compensation as follows:

Principals One Hundred Fifty and 00/100 Dollars (\$150.00) per hour, Community Manager Seventy-Five and 00/100 Dollars (\$75.00) per hour, Clerical Personnel Thirty-Five and 00/100 Dollars (\$35.00) per hour, or any specific rate as set forth below or agreed to in writing between the Parties, for services performed on behalf of Association outside the Services set forth in this Agreement.

9.2 Association may from time to time request special or extraordinary services. Agent may be required to perform additional services beyond the scope of these Services, for which the above fees, or the current rates that are then applicable, will be charged for the work performed. Examples of such services include, but are not limited to, the following:

a. Codes, Laws, and Regulations. Assistance in adhering to requirements of laws and regulations which may be passed during the term of the Agreement, that require Agent's extraordinary participation.

b. Ancillary Charges. Agent will be paid per hour, portal to portal, for work performed by Agent on behalf of Association, including but not limited to, appearance at court, at hearings, depositions, claims negotiations and processing of insurance losses or reconstruction, performing committee functions, such as monitoring, reporting and updating of any architectural progress and violations within the Common Areas, development status reports, bank loans, investments, construction defect matters, financial reconstruction, unique matters arising from the Association's acts prior to the original commencement date of this Agreement.

10. ASSOCIATION SET-UP FEE

10.1 Agent shall be paid a one-time, non-refundable fee of **Five Hundred and 00/100 Dollars (\$500.00)** (the "Setup Fee") at the commencement of this Agreement to off-set the costs of setting up the Association's records. the Setup Fee shall not include any bank charges or independent accountant's fee which may also be incurred; provided that any independent accountant necessary during setup may not be engaged without the prior written approval of the Board.

11. TERM OF CONTRACT

This Agreement shall commence upon **June 1, 2016** or upon the month following the first close of escrow in a new development (the "Commencement Date") and shall continue in full force and effect for twelve months, and thereafter from year to year subject to either Party's right to terminate as set forth in Section 5 herein above. This Agreement shall automatically renew for a like term at each anniversary of the Commencement Date, subject to the termination provisions contained in Section 5 of this Agreement.

12. AGENT AND ASSOCIATION PROTECTION

12.1 Trade Secrets. Association will have access to and be dealing with trade secrets of Agent, such as: confidential information pertaining to client lists; procedures, processes and documentation relating to management of Agent's client Association; and programs, software, procedures and techniques relating to data processing and financial reporting. Association agrees to hold any such trade secrets or confidential information, attained during the course of this Agreement, in the strictest confidence unless required to be disclosed by law or court order, and shall retain a total confidentiality to the extent possible under applicable homeowner disclosure statutes, giving value to protecting them from Agent's competitors. This provision shall survive the termination of this Agreement.

12.2 Confidential Nature. All materials of a confidential nature, prepared and utilized in Agent's performance of its duties under this Agreement, shall remain the exclusive property of Agent, and shall be retained in Agent's possession.

12.3 Agent Employees. Agent spends significant amounts of time and money to hire and train employees for the operation of this Association and other associations. Association derives and benefits from Agent's experience in managing, hiring and training procedures. Association agrees it will not hire, retain, or contract with any past or present employees of Agent whatsoever, even through another management firm, for a period of twelve (12) months following the termination of this Agreement or any extension thereof. Association agrees to pay Agent the sum of ten thousand dollars (\$10,000.00) or three (3) months management fees, whichever is greater as liquidated damages if it breaches this provision of the Agreement. Both Parties agree that this is a reasonable sum due to the extensive training and trade secrets that Agent provides, as well as expectation of continued income and allotment of resources, and further with respect to the difficulty in establishing actual damages.

13. MISCELLANEOUS

13.1 Advances and Charges. Agent will not be required to perform any act or duty hereunder involving the expenditure of money unless Agent shall have available and in its possession sufficient funds of the Association. If at any time the funds in the possession of Agent are not sufficient to pay the charges incident to this Agreement, Agent, shall not be responsible to advance its own funds for any reason, and the Association agrees, in such cases, that upon notice thereof by Agent, the Association shall make immediate arrangements to make funds available to cover the insufficiency. Agent shall as soon as possible notify Association of any deficiency in an account necessary to pay the charges incident to this Agreement.

13.2 Conflicts between Directors. Agent shall receive communications and directions from any Association director, and shall act with the assumption that said director is acting on behalf of the entire Board; provided, however that a Board Liaison shall be designated and, except in the event of an emergency to life or property, all communications shall be reasonably made through the Board Liaison. The Board Liaison shall, unless the Parties agree otherwise after the execution of the Agreement, be the Board President. Should a conflict arise between directors, Agent shall consider the President of the Board as the representative of the Association with authority to act on behalf of Association. Should the President of the Board be unavailable to resolve such a conflict or be involved in said conflict, then the Vice President shall serve in this capacity.

The Association Board of Directors understands its fiduciary duties, and agrees to govern the Association in a business like manner, acting in good faith and in the best interest of the Association and in accordance with the adopted community management plan, if any, the Association's Governing Documents and applicable state and federal laws.

13.3 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Association. This Agency Agreement shall be binding on the parties hereto, their heirs, executors, administrators, successors and assignees, and constitutes the full agreement except that subsequent changes or additional provisions must be in writing and executed by both parties.

Notwithstanding the preceding sentence, the Agent shall not assign its interest under this Agreement except in connection with the sale of all or substantially all of the assets of its management business. In the event of such a sale, Agent shall be released from all liability by the Association.

13.4 Acknowledgements and Agreements. Association and Agent acknowledge that they have carefully read and reviewed this Agreement and each term and provision contained herein and by execution of this Agreement show their informed and voluntary consent thereto. The parties hereby agree that, at the time this Agreement is executed, the terms of this Agreement are commercially reasonable and effectuate the intent and purposes of the Association and Agent.

13.5 Severability. If any provision of this Agreement should be held to be void or unenforceable, in whole or in part, such provision or part thereof shall be treated as severable, leaving valid the remainder of this Agreement.

13.6 No Prior Agreement. This written Agreement is the entire Agreement of the parties and supersedes any and all prior representations, understandings and communications, and may be modified only by written agreement of the Parties. Any oral agreements or modifications are expressly invalid.

13.7 Entire Agreement. It is the express intent of the parties to this Agreement that this Agreement embody the entire agreement of the parties with respect to the subject matter addressed herein. The terms of this Agreement may only be amended or modified (including subsequent changes or additional provisions) by a writing executed by both Parties. All exhibits, appendices and attachments to this Agreement including, without limitation Exhibit A and the Recitals above, are incorporated herein by this reference and are made a part hereof.

14. DISCLAIMER

No representation or recommendation is made by the Agent or its employees as to the legal sufficiency, legal effect, or other consequences of this Agreement. The Parties shall rely solely upon the advice of their own legal counsel as to the legal and other consequences of this Agreement.

By affixing signatures below, both Association and Agent agree to the terms, conditions and provisions specified by this Professional Management Agreement.

ASSOCIATION:
Toy Warehouse Lofts

BY: _____

TITLE: _____

DATE: _____

AGENT:
Prime Association Services

By: _____

TITLE: President

DATE: _____

13.6 No Prior Agreement. This written Agreement is the entire Agreement of the parties and supersedes any and all prior representations, understandings and communications, and may be modified only be written agreement of the Parties. Any oral agreements or modifications are expressly invalid.

13.7 Entire Agreement. It is the express intent of the parties to this Agreement that this Agreement embody the entire agreement of the parties with respect the subject matter addressed herein. The terms of this Agreement may only be amended or modified (including subsequent changes or additional provisions) by a writing executed by both Parties. All exhibits, appendices and attachments to this Agreement including, without limitation Exhibit A and the Recitals above, are incorporated herein by this reference and are made a part hereof.

14. DISCLAIMER

No representation or recommendation is made by the Agent or its employees as to the legal sufficiency, legal effect, or other consequences of this Agreement. The Parties shall rely solely upon the advice of their own legal counsel as to the legal and other consequences of this Agreement.

By affixing signatures below, both Association and Agent agree to the terms, conditions and provisions specified by this Professional Management Agreement.

ASSOCIATION: Toy Warehouse Lofts

BY:



TITLE: president, HOA Toy Warehouse Lofts

DATE: April 25, 2016

AGENT: Ann Wallace

Prime Association Services

By:

TITLE: President

DATE: Professional Management Agreement **Toy Warehouse Lofts** and Prime Management Services, Inc. Page 12 of 12

EXHIBIT "A"

A. These charges are billed directly to individual homeowners:

Escrow Transactions

1. Escrow Processing Fee	\$ 175.00
2. Refinance Fee	\$ 50.00
3. Association Documents	\$ 325.00
4. Homeowner Certifications	\$ 150.00

Architectural Review Fees

1. Processing of Architectural Requests	\$ 50.00
2. Updating Logs	No Charge

B. These charges are billed to the Association for Homeowner Reimbursement:

Collection Charges

1. Intent to Lien Letter & Tracking Fee	\$175.00
2. Preparation & Recording of Lien	\$364.00, plus all legal costs
3. Late Charges and Interest	50% of amount charged to homeowner
4. Payment Plan Administration	\$ 25.00 per unit per month
5. Processing Returned Checks	\$ 25.00 per check + bank charges

C. These charges are reimbursable Association Administration costs to Agent:

The following charges are reimbursable Administrative Operating Costs and Expenses incurred on behalf of the Association. An invoice to substantiate each charge at the time of payment will be provided.

1. Postage	Actual Cost
2. Certified/UPS/Fed Ex	\$5.00 plus actual charges
3. Membership Lists	\$15.00
4. Fax Charges (incoming & outgoing)	\$1.00 per page
5. Distribution Stickers/Keys/Openers	\$2.00 each plus costs
6. Photocopies/Scans	\$.15 per page (color paper \$.20 p/p; Color Copy \$.60 p/p)
7. Folders	\$.25 each
8. Labels/Address Sheets	\$1.10 each
9. Mailing Charges	\$.15 each (special mailings only)
10. Fold/Staple/Hand Collate	\$.10 each (special mailings only)
11. Envelopes – Standard	\$.15 each
12. Envelopes- Large	\$.50 each
13. Special Assessments	\$10.00 per unit for initial set up
14. Document Storage	\$2.00 per box per month
15. Online Document Storage	\$95 - \$395 per year based on units
16. EDD/Vendor Filing Fee	\$ 100.00 per vendor
17. Off-Site Document Retrieval	Actual Cost
18. New Homeowner Welcome Packages	\$10 each, plus copying
19. Creation of Community Handbook	\$600.00
20. Production of Community Handbook	\$15.00 each
21. Board Packets	\$5.00 each

Agent is authorized to purchase supplies for Association including, but not limited to, check stock, data disks, copier use, and telephone toll calls made for Association business. Note: The foregoing list is intended to identify the major areas of service which are extraordinary expenses. There may be additional charges for which the Association will be charged. The above fees may be subject to change without notice.