

LAKWOOD SPRINGS HOMEOWNERS ASSOCIATION

PROPERTY MANAGEMENT AGREEMENT

THIS AGREEMENT entered into as of the _____ by and between the LAKEWOOD SPRINGS HOMEOWNERS ASSOCIATION, an Illinois not-for-profit corporation (hereinafter referred to as "Association"), and FOSTER / PREMIER INC., an Illinois corporation (hereinafter referred to as "Agent").

WHEREAS, the Association is formed to act on behalf of its members collectively as their governing body with respect to the administration, maintenance, repair and replacement of certain common areas of the Association known as LAKEWOOD SPRINGS HOMEOWNERS ASSOCIATION, Plano, Illinois.

WHEREAS, the Association desires to employ the Agent and the Agent desires to become employed by the Association to manage the Project on behalf of the Association pursuant to the terms hereinafter set forth:

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for the purposes set forth above, it is hereby agreed as follows:

1. (a) The Association employs the Agent as its Agent to manage the Common Elements and Limited Common Elements of the Project. Such Common Elements and Limited Common Elements (collectively called the "Property") shall include all items contained within the definition of these terms set forth in the Declaration of Ownership for LAKEWOOD SPRINGS HOMEOWNERS ASSOCIATION, as such Declaration may be amended from time to time.

(b) **The term of this Agreement shall commence on the first (1st) day of November 2008 and shall continue for one (1) year until the 31st of October with an annual, automatic extension of the agreement at a maximum fee increase of 3% per year.**

(c) Upon not less than ninety (90) days prior written notice, and without payment of any termination fee, either party may terminate this Agreement without cause, subject to the terms of paragraph 9(a), in which case this instrument shall terminate on the termination date set forth in such notice.

2. (a) In general, the Agent shall operate and maintain the Property in a "first class" manner according to the highest standards of association management, consistent with the overall policies and budget established by the Association.

(b) Agent shall be provided a complete set of plans by Association and shall review such plans and specifications of the improvements on the Property and those improvements otherwise constituting the Project and shall otherwise familiarize itself with the layout, equipment and facilities of such improvements in order to facilitate the efficient performance by Agent of its obligations hereunder.

3. (a) At least sixty (60) days before the beginning of each fiscal year of the Association, the Agent shall prepare and submit to the Association and, if necessary, revise at the written direction of the Association,

an estimated annual budget (the "Budget") in conformity with the By-Laws of the Association, setting forth with particularity by category, all anticipated expenses and cash requirements for the year, including sufficient reserves for contingencies and replacements. Copies of contracts and all other relevant materials justifying the amount of each category of expenditure set forth in such estimated Budget shall be submitted therewith. The Budget shall also set forth the proposed regular assessments to be paid by each unit owner and any other anticipated income of the Association.

(b) After adoption of the Budget for each fiscal year, the Agent shall be bound thereby and shall operate the Property in substantial accordance therewith. No amounts shall be expended for any items of expense in excess of the amounts allocated for such items except upon direction from the Association and except that, in the event of an emergency endangering life or property or threatening the suspension of vital services to the Project, the Agent may make necessary expenditures in excess of those provided for in the Budget so long as such emergency and such excess expenditures are brought to the attention of the Association as promptly as possible.

4. In the name of and on behalf of the Association, and under the personal and direct supervision of one of its principal officers, the Agent shall render services and perform all duties required to manage the Property in accordance with the standards set forth in paragraph 2, including, but not limited to, the following, but subject always to the limitations set forth in paragraph 3(b) hereof with respect to the expenditure of money;

(a) (i) Request, demand, collect, receive and receipt for all monthly unit assessments and other legal charges due to the Association from its members and also such sums as become due from unit owners for other services or facilities which the Association may provide, and take such subsequent action with respect thereto as the Association may authorize in writing. A website system will enable members of the Association to pay montly unit assessments as well as submit work orders or requests on-line. A Telephone Link to Homeowners System will be provided at no charge for a maximum of four (4) times annually. Any additional usage will be charged to the Association at the actual charge for usage.

Agent shall send such notices demanding payment per the written instructions of the Association. Agent shall turn over any past due account (more than 60 days) to the Association legal counsel per written instruction by the Association. Once any account has been turned over to legal counsel the Agent's obligations and responsibility for collection of such past due account will cease and become the obligation and responsibility of the Association's legal counsel.

(ii) The Association authorizes Agent to prepare and deliver to owners and/or purchasers of units forming part of the Association, letters, in form and substance approved by the Association, setting forth the status of assessments with respect to any such unit and deliver to any such unit owner or purchaser copies of such instruments as a purchaser of a unit may be entitled to receive under the Illinois General Not For Profit Corporation Act. Agent will collect from the unit owner and/or purchaser requesting such letter or documents and retain as an additional fee for services rendered, a fee of FIFTY and 00/100 (\$50.00) Dollars for the preparation of

such letter, a fee of Ten (\$.10) Cents for each page of documents delivered (or such greater amount as may be allowed to be charged from time to time by the Illinois General Not For Profit Corporation Act) and all postage charges incurred by Agent in delivering copies of such letters and documents.

(b) Maintain businesslike relations with members whose requests for service on the Property shall be received, considered and recorded in systematic fashion in order to show the action taken. In furtherance of this duty, the Agent shall provide a telephone number for use by the Association members for a minimum of eight (8) hours per day, Monday through Friday, and four (4) hours on Saturday, excluding national holidays, to report problems to the Agent. The Agent shall also provide a twenty-four (24) hour answering service to handle emergency situations. The Agent will investigate each reported problem and will endeavor to determine if the resolution of the problem is a responsibility of the owner or the Association under the Declaration, By-Laws of the Association, or by researching the specific rules and regulations prepared by the Association covering such responsibility, provided that if the Agent is uncertain whether the resolution of the problem is a responsibility of the Association or if there is a dispute with a unit owner regarding responsibility for the resolution of the problem, the Agent shall submit its recommendations for resolution of such dispute to the Board for a decision. After a determination has been made that the Association is responsible for resolution of a problem, the Agent will administer and supervise the resolution of the problem within the guidelines set forth by the Board.

(c) Cause to be maintained according to standards acceptable to the Association and *if provided by the Declaration*; the buildings, driveways, parking areas, sidewalks, appurtenances, grounds and all other portions of the Property and all off-site facilities which the Association or the unit owners of the Project are required to maintain by the terms of any agreement or any recorded document, such duties to include, but not be limited to; exterior cleaning, painting, and decorating, plumbing, steamfitting, carpentry, snow removal, landscaping and such other normal maintenance and repair work as may be necessary, subject to any limitations imposed by the Association in addition to those contained herein; and in the Association's name, supervise the performance of and keep the Association apprised of the status of all necessary common area maintenance contracts, including, but not limited to, contracts assuring the following:

- (i) the maintenance, repair and necessary replacement of elements in the exterior lighting system;
- (ii) the landscape maintenance of the Property, including the cul-de-sac islands in the streets;
- (iii) the plowing of snow;
- (iv) the cleaning, maintenance and necessary repair of all driveways, parking areas and sidewalks;
- (v) maintenance of the entranceways to the Project;

(vi) maintenance of the service connections for water and sanitary sewer lines and an easement area for emergency access to the Project; and

(vii) prior to dedication thereof, maintenance of all utility lines serving the Project and all streets within or abutting the Property. The Agent shall not be responsible for securing full performance by the members of the Association for all items of maintenance for which they are responsible.

(d) Purchase on behalf of the Association and in the Association's name such equipment, tools, appliances, materials and supplies as are necessary for the proper maintenance of the Property and maintain an inventory of the aforementioned equipment, tools, appliances, materials and supplies.

(e) Enter into agreements on behalf of the Association for water, electricity, gas, telephone, pest extermination, scavenger, and such other services as may be necessary or as the Association may determine advisable.

(f) Enter into all such contracts and orders set forth in paragraphs 4(c), 4(d) and 4(e) hereof in the name of the Association. When taking bids or issuing purchase orders, the Agent shall act at all times under the direction of the Association, and shall be under a duty to obtain such contracts and orders at the lowest possible cost given that the quality, experience performance, reputation and ability of the contractor is also in the best interest of the Association and on the terms most advantageous to the Association and to secure for and credit to the latter any discounts, commissions, or rebates obtainable as a result of such purchases. In addition, the Agent shall solicit written cost estimates (i.e., bids) from at least three (3) contractors or suppliers for any work item which the Association estimates will cost One Thousand and 00/100 (\$1,000.00) Dollars or more and for any contract or ongoing supply or service arrangement which is estimated to exceed One Thousand and 00/100 (\$1,000.00) Dollars per year. The Agent agrees to accept the bid which represents the lowest price, taking into consideration the bidder's reputation for quality of workmanship or materials and timely performance, and the time frame within which the service or goods are needed. For any contract or ongoing supply or service arrangement obtainable from more than one source and estimated to cost less than One Thousand and 00/100 (\$1,000.00) Dollars, the Agent shall solicit verbal or written cost estimates, as necessary, to assure that the Association is obtaining services, supplies and purchases at the lowest possible cost given that the quality, experience performance, reputation and ability of the contractor is also in the best interest of the Association. The Agent must make a written record of any verbal estimate obtained. Copies of all required bids and documentation of all other written or verbal cost comparisons made by the Agent shall be made part of the Association's records and shall be retained for three (3) years from the date the work was completed. This documentation shall be subject to inspection by the Association and the Agent agrees to submit such documentation upon request.

(g) Take such action as may be necessary to promptly comply with any and all orders or requirements affecting the Property by any governmental agency having jurisdiction over the same, unless specifically instructed by the Association that it intends to contest such orders or requirements and that the Agent

shall not comply with the same. The Agent shall promptly notify the Association of any such orders or requirements, submitting copies to the Association upon receipt of the same. If the cost of compliance of such orders or requirements is not provided for by the Budget and provided that the Agent has notified the Association of such deficiency, the Agent shall not be responsible to comply until such time as sufficient funds are provided or authorized to be spent by the Association. The Association agrees to advise Agent in writing of such release of responsibility.

(h) Supervise, and, where authorized by the Association in writing, cause to be placed and kept in force, all insurance necessary to protect the Association, including, but not limited to; workmen's compensation insurance, public liability insurance, fire and extended coverage insurance and burglary and theft insurance on common elements, all with limits and with insurers approved by the Association. The Association shall advise Agent in writing of all limits and other specific terms of all insurance policies the Association wishes Agent to secure. Association acknowledges that Agent has no responsibility to act as a risk manager. The Agent shall promptly investigate and report to the Association with respect to all accidents on the Common Elements or claims for damage relating to the Common Elements, including any damage or destruction thereto, and shall cooperate with and make such reports as are required by the insurance company in connection therewith. Association agrees to pay Agent a fee of One Hundred and 00/100 (\$100.00) Dollars per hour for any supervision relating to the repairs or reconstruction of the units or common elements where Agent is requested by the Association in writing to supervise such repairs or reconstruction.

(i) From the funds of the Association, cause to be paid regularly and punctually:

(i) all taxes required to be paid by the Association;

(ii) building inspection fees, gas and other utilities fees, water rates and other governmental charges;

(iii) such sums as become due and payable for operating costs or other obligations incurred by the Agent on behalf of the Association in connection with the Property which have been authorized under the terms of this Agreement and the Budget; and

(iv) such other amounts or charges as may be authorized by the Association pursuant to the terms of the Budget.

(j) In conjunction with such accounting personnel as may be employed by the Association, prepare for execution and filing by the Association or the Agent, all forms, reports and returns to be filed by the Association or by the Agent and make all payments required by law to be made by the Association or by the Agent in connection with all unemployment insurance, workmen's compensation insurance, disability benefits, social security withholding taxes and other similar taxes now in effect or hereafter imposed, and such other requirements as may relate to the operation of the Property and the employment of personnel thereof.

(k) Maintain on the Property or at Agent's principal place of business, a system of accounts consistent with sound accounting practices, which records shall be subject to examination, audit and transcription by

the officers, directors, agents and representatives of the Association during reasonable business hours. The Agent shall submit to the Association, no later than the first business day after the fifteenth (15th) day of each succeeding month, a statement of receipts and disbursements with respect to the Property incurred during the prior month, a monthly comparison of such income and expenses to the Budget, a monthly reconciled bank statement as of the last day of the previous month, The Agent shall cause the system of accounts to be audited annually, according to such procedures and by such persons as the Association approves. The cost of such audit shall be borne by the Association.

(l) On the basis of the Budget, job standards and wage rates previously approved by the Association **and upon written authorization from the Board of Directors**; investigate, hire, pay, supervise and where necessary, discharge the personnel necessary to be employed in order to properly maintain and operate the Property in accordance with the standards of this Agreement.

(m) With the Association's approval, deposit the funds of the Association in such a manner as to indicate the trust or custodial nature thereof, either in an operating account or a capital account (at the direction of the Association) which shall be established and maintained by the Agent, in a bank whose deposits are insured by the Federal Deposit Insurance Corporation, and which is satisfactory to the Association. Funds from the operating account shall be drawn upon or disbursed by the Agent to discharge any liabilities or obligations incurred pursuant to this Agreement, all of which payments shall be subject to the following limitations:

(i) unless otherwise authorized in writing by the Association, all disbursements of such funds shall be in accordance with the Budget; and

(ii) all disbursements over One Thousand and 00/100 (\$1000.00) Dollars **must be authorized by the Board of Directors and can be authorized via email.**

All costs and charges paid pursuant to this Agreement shall be paid by the Agent only out of the operating account. Withdrawals from the capital account shall be made only at the direction of the Association. Agent shall obtain and prepare for signature and approval by the Association, all documentation necessary to establish the operating and capital accounts with the limitations set forth in this Agreement. Nothing in this Agreement shall limit the power of the Association to withdraw funds from either account without the Agent's consent, provided the Association shall notify agent of any withdrawal made by the Association.

(n) Attend each annual meeting of the Association, each regularly scheduled meeting of the Board of Directors of the Association and any special meetings of Association or Board pursuant to paragraph 8(b)(vi). The Board of Directors shall give Agent at least forty-eight (48) hours' notice of any special meeting at which Agent is to be present. In the event of an emergency meeting, the Board of Directors shall give the Agent as much notice as reasonably possible.

(o) Prepare or cause to be prepared all documents, including minutes of meetings of the Association and of the Board and all notices required to be prepared by the Board or the president of the Association

under the Declaration, the By-Laws or Illinois Law, and as requested by the president of the Association or the Board, other than documents customarily prepared by accountants or attorneys. Association is to provide at its sole expense a recording secretary to take minutes of all meetings.

(p) Promulgate, distribute and endeavor to secure compliance by the members or other occupants of units with the By-Laws and such rules or regulations as may be established by the Association from time to time.

5. The Board shall designate one person who shall be the Association's authorized liaison with the Agent. In the absence of any such designation, the President of the Association shall have this authority.

6. (a) The Association shall indemnify and hold the Agent harmless of and from all court costs, attorney's fees, penalties or damages of any kind whatsoever incurred in connection with the management of the Property, except for any such costs which are incurred or result from the willful acts, gross negligence, misfeasance or willful omission of the Agent. Anything in this paragraph 6(a) to the contrary notwithstanding, the Association's obligations to indemnify Agent under this paragraph 6(a) shall be subject to the following conditions:

(i) the Agent shall promptly notify the Association of the institution of any such proceedings against Agent, shall afford the Association the opportunity to defend the Agent against any such proceeding which is not based on the willful acts, gross negligence, misfeasance or willful omission of the Agent and, in the event the Association elects to so defend Agent, shall cooperate with the Association and its attorney in connection with such defense, and

(ii) that Agent shall not, without the Association's prior written consent, settle any such legal proceedings instituted against Agent which are not based on the willful acts, gross negligence, misfeasance or omission of the Agent.

A failure of Agent to fulfill any of such conditions shall release the Association from its obligations under this paragraph 6(a). Nothing contained herein shall obligate the Association to assume the defense of the Agent.

(b) The Agent shall indemnify and hold the Association harmless against any liability, damage, loss, claim, cost or expense (including, but not limited to, attorney's fees and expenses and any penalties or fines imposed or assessed against the Association by reason of the Agent's failure to perform its obligations hereunder) incurred by reason of the Agent's breach of any of its obligations hereunder. Anything in this paragraph 6(b) to the contrary notwithstanding, Agent shall not be obligated to indemnify and hold the Association harmless from any liability, damage, loss, claim, cost or expense which does not arise

(i) from the willful acts, gross negligence, misfeasance or omission of the Agent in performing its obligations hereunder or

(ii) by reason of a breach of the Agent's obligations hereunder.

(c) By way of elaboration of this paragraph 6 and not in limitation of any paragraph thereof, the parties agree that if legal proceedings are initiated against Agent by any party other than the Association arising from an alleged willful act, gross negligence, misfeasance or omission of the Agent in performing its obligations hereunder and the final result of such proceedings (after all rights to appeal have expired or have been exhausted) is a determination that Agent is not found liable, the Association shall reimburse the Agent for Agent's reasonable attorney's fees and court costs incurred by Agent in defending such legal proceedings, including any cost of prosecuting a successful appeal from an adverse judgment against Agent.

(d) For the purpose of this paragraph 6, the term "negligence" shall mean that Agent owed a legal duty in the performance of its obligations under this Agreement to conform to a standard of a reasonable, prudent management agent of a multi-family projects substantially similar to the Project and that Agent failed to conform to such standard so as to create a reasonably proximate casual connection between such failure and resulting loss or damage to the interest of another.

7. (a) The Agent shall carry, at the Association's cost, all necessary fidelity insurance sufficient in the Association's judgment, to protect the interests of the Association under paragraph 6. The Association shall be named as an additional insured. Certificates evidencing such insurance shall be forthwith delivered to the Association and shall be replaced with renewal certificates within thirty (30) days before the liability insurance then in effect expires. The insurance certificates delivered to the Association cannot be cancelled without ten (10) days' prior written notice to the president of the Association.

(b) The Agent may be named on the fidelity insurance policy of the Association in lieu of the requirements set forth in paragraph 7(a) hereof.

8. (a) The Association shall pay the Agent, as its compensation for services to be performed hereunder a minimum fee **NINE THOUSAND TWO HUNDRED NINETY and 00/100 (\$9,290.00) Dollars per month.**

(b) In addition to the fee payable pursuant to paragraph 8(a) hereof, the Agent shall be entitled to receive the following:

(i) the Association shall pay to the Agent, monthly, all costs and charges paid to the Association pursuant to paragraph 4(a)(ii) for delivery of assessment letters and copies of documents during the previous month;

(ii) the Agent will provide, at no additional cost to the Association, a full time Dedicated Community Association Manager (DCAM) that will work for and maintain all Association records and be the single point of contact for all day to day operations. If the Association requests the Agent to cause Agent's personnel to be present at the Project site after 5:00 p.m. and before 9:00 a.m. on a Monday through Friday, or on Saturday or Sunday, ~~outside of the agreed to four (4) hours on one (1) weekday night per week while the pool is closed,~~ the Agent may charge an additional fee, not to exceed Fifty and 00/100 (\$50.00) Dollars per hour, for each hour Agent is required to have personnel at the Project site **beyond the agreed upon 40 hours per week;**

(iii) the Agent may charge the Association for all out-of-pocket expenses incurred by the Agent in connection with the preparation of any special reports required by the Association and all out-of-pocket costs incurred for printing and mailing all notices sent pursuant to paragraph 4(o) hereof;

~~(iv) the Agent may charge the Association a fee of Ten and 00/100 (\$10.00) Dollars for the preparation of any series of notices which the Association requests the Agent to prepare pursuant to paragraph 4(e) hereof;~~

(v) if the Association or Board requests the Agent to act as recording secretary at a meeting of the Association or the Board, the Agent may charge a fee not to exceed Twenty-five and 00/100 (\$25.00) Dollars per hour, for performing such services at the meeting in question;

(vi) if the Association or Board requests the Agent to attend meetings other than (A) four (4) Board meetings per annum, (B) one (1) meeting per annum with respect to the Budget, and (C) the annual meeting of the unit owners; then the Agent may, in its discretion, charge a fee not to exceed Fifty and 00/100 (\$50.00) Dollars per hour for attending such other meetings; and

(vii) if the Association or Board requests the Agent to remain at any meeting (other than a meeting for which the Agent receives compensation under clause (vi) preceding) for more than 2 ½ hours, the Agent may charge a fee not to exceed Fifty and 00/100 (\$50.00) Dollars per hour for each hour in excess of 2 ½ hours during which the Agent's attendance is required.

9. (a) Anything in paragraph 1(c) hereof to the contrary notwithstanding:

(i) in the event a petition in bankruptcy is filed by or against Agent, or in the event that Agent shall make an assignment for the benefit of creditors or take advantage of any insolvency act, the Association may terminate this Agreement upon three (3) days' notice to Agent; and

(ii) if Agent fails to perform any of the terms, covenants, or undertakings imposed upon it hereunder, and if such defaults remain uncured for a period of thirty (30) days after written notification thereof has been sent to Agent, the Association may terminate this Agreement;

(iii) if such default shall be of such a nature that the same cannot practicably be cured within said thirty (30) day period and Agent shall not within said thirty (30) day period commence with due diligence and dispatch the curing and performance of such defaulted term, covenant, condition or Agreement; or shall thereafter fail or neglect to prosecute and complete with due diligence and dispatch the curing and performance of such defaulted term, covenant, condition or agreement.

(b) Upon any termination of this Agreement, the Agent shall **provide an accounting within five (5) business days of said termination. Furthermore, the Agent shall not withdraw any Association funds for itself as payment for services until the accounting is provided.**

(c) A termination of this Agreement by the Association pursuant to the provisions of paragraph 9(a) hereof shall not be deemed a waiver by the Association of any amount due and payable to the

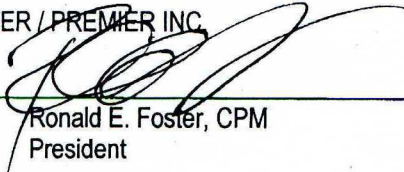
Association under this Agreement prior to the date of termination or any damages the Association might incur by reason of default in the performance of Agent prior to the date of termination. In addition, all indemnification agreements contained in this Agreement shall survive the termination of this Agreement insofar as any claim indemnified against arises from causes occurring prior to the date of termination.

10. All notices desired or required to be sent pursuant to the provisions of this Agreement shall be in writing and shall be deemed properly served if delivered by hand to the party to whose attention the notice is directed or when received, if mailed, postage prepaid by the United States Certified Mail, Return Receipt Requested, addressed to LAKEWOOD SPRINGS HOMEOWNERS ASSOCIATION, Attn: Board President, 501 Mitchell Drive, Plano, Illinois 60545.

11. All obligations hereunder shall be binding upon, and all rights hereunder shall inure to the benefit of the parties hereto and their successors and assigns provided, however, that this Agreement may not be assigned by the Agent, except with written consent of the Association.

12. This Agreement represents the total Agreement of the parties and all previous agreements, both written and oral, are hereby superseded and terminated.

FOSTER / PREMIER INC.



By: Ronald E. Foster, CPM
President

Date: 10-21-08

LAKEWOOD SPRINGS HOMEOWNERS ASSOCIATION



By: _____
Its: _____

Date: 10/22/08

LAKEWOOD SPRINGS HOMEOWNERS ASSOCIATION



By: _____
Its: _____

Date: 10-22-08

LAKEWOOD SPRINGS HOMEOWNERS ASSOCIATION

By: _____
Its: _____

Date: _____