

**HOMEOWNERS' ASSOCIATION
PROPERTY MANAGEMENT AGREEMENT**

This Homeowners' Association Property Management Agreement (the "**Agreement**") is made and entered in to this 1st day of May, 2005 by and between Cottonwood Homeowners Association, a Texas non-profit corporation (the "**Association**") and Principal Management Group of Houston (the "**Managing Agent**") with respect to that certain project known as Cottonwood (the "**Project**").

1. APPOINTMENT AS AGENT. The Association hereby appoints Managing Agent as its agent to perform the functions described in this Agreement on behalf of the Association during the term of this Agreement. Managing Agent hereby accepts such appointment and agrees to perform the duties specified in this Agreement in accordance with the Declaration, By-laws and Articles of Incorporation related to the Project (collectively, the "**Association Documents**") and this Agreement. Managing Agent understands that the scope of authority and duties conferred upon it hereunder are limited to those which can be delegated by the Association's Board of Directors (the "**Board**") under the Association Documents which the Board elects to delegate to Managing Agent as provided herein. Managing Agent agrees, notwithstanding the authority granted by this Agreement, to confer fully with the Board or its designated representative as provided herein in the performance of its duties as Managing Agent hereunder. The Association shall designate one or more individuals who shall be authorized to direct Managing Agent on any matter relating to the Managing Agent's duties under this Agreement. Unless and until otherwise designated by the Association, the President or the Secretary of the Association shall be so designated.

2. INDEPENDENT CONTRACTOR. Everything done by Managing Agent under the provisions of this Agreement shall be done as an independent contractor retained by the Association, whose sole duty shall be to perform the obligations contained herein.

3. TERM.

A. One Year Term / Renewal. Unless sooner terminated as hereinafter provided, this Agreement shall remain in full force and effect for a period of one year commencing on May 1, 2005. Unless either party gives written notice within 30 days of the anniversary date of its intent to terminate this Agreement, this Agreement shall automatically renew for an additional one year period on each anniversary date, subject to the terms in paragraph 3B below. Notwithstanding any provision herein, either party may terminate this Agreement at any time, with or without cause, upon giving at least 60 days' prior written notice to other party. Managing Agent shall be paid for the period prior to the date of termination as provided in paragraph 7 herein.

B. Termination After Transition to New Board of Directors (Homeowners). The Association acknowledges that the Managing Agent has agreed to the terms herein based on Managing Agent's relationship with the Board of Directors in office as of the date of the execution of this Agreement and that it is not Managing Agent's customary practice to agree to terms as set forth herein. Therefore, notwithstanding any provision herein, this Agreement shall terminate upon the date that is 60 days after the date that all of the Board of Directors are homeowners at the Project. If the new Board of Directors desires to enter into a management agreement with Managing Agent, then such terms are subject to negotiation between the parties and Managing Agent is not obligated to agree to the terms herein.

4. MANAGEMENT FEE AND EXPENSES.

A. Management Fee. The Association shall pay Managing Agent a monthly management fee for services rendered by it under this Agreement in the amount described on Exhibit "A" attached hereto (the "**Management Fee**"). The Management Fee shall be paid within 15 days after the first of the month. The Management Fee shall be the sole compensation payable to Managing Agent for

services under this Agreement except as otherwise specifically provided on Exhibit "A", but shall be in addition to any expenses for which the Association is obligated to reimburse Managing Agent pursuant to the terms of this Agreement.

B. Reimbursement of Expenses. Subject to the terms herein, the Association shall reimburse the Managing Agent for all costs reasonably incurred by the Managing Agent in performing its duties hereunder as may be provided on Exhibit "A" attached hereto. The Managing Agent shall be under no obligation to advance any of its funds for the operation of the Association, nor to incur any obligations on behalf of the Association unless the Association shall have first provided the Managing Agent with the funds necessary to discharge such obligations. If, however, the Managing Agent chooses to do so, it may make such advances after first notifying the Board and if the Board approves such expenditures. When funds have been so advanced, the Managing Agent shall be repaid within 30 days of request to the Association for repayment.

5. DUTIES OF MANAGING AGENT. In consideration of the Management Fee, the Managing Agent shall perform and provide, or cause to be performed or provided, in an efficient, professional manner and consistent with this Agreement and the Association Documents, the duties and services set forth herein. Managing Agent shall act in a fiduciary capacity with respect to the performance of its duties hereunder and the proper protection of and accounting for the Association's assets. In this capacity, Managing Agent shall deal at arm's length with all third parties and shall serve the Association's interests at all times.

A. Personnel – Employment Limitation. Managing Agent shall, at its sole cost and expense, employ such personnel as necessary to timely perform Managing Agent's duties as provided herein. Additionally, Managing Agent shall designate one person as the manager for the Project, who may be managing more than one project for Managing Agent. At any time during the term of this Agreement or within the period of 1 year immediately following the termination of this Agreement, the Association shall not employ or hire as a consultant or independent contractor solely as a property manager, any person that is or was an employee of Manager at any time within 90 days prior to the date of termination (the "**Employment Limitation**"). In the event the Association breaches the Employment Limitation, the Association agrees to pay Managing Agent, as liquidated damages and not as a penalty, an amount equivalent to 1 year's Management Fee (based upon the base monthly Manager fee set forth herein multiplied by twelve). After receipt of payment, Manager shall have no further claims against Association for such breach. This payment of liquidated damages shall be in addition to any fees, costs or other sums due to Managing Agent pursuant to this Agreement, but not any Management Fee that is due after the date of termination.

B. Contractors. The Managing Agent shall use commercially reasonable efforts in accordance with the custom and practice in the industry to investigate the qualifications and reputation of all contractors retained on behalf of the Association and obtain documentation confirming that they are fully licensed and carry appropriate insurance (which has been approved by the Association), including workers' compensation insurance if contractor's employees are working on Association property. Managing Agent shall obtain certificates of such insurance coverage for the Association and monitor contractors' insurance policy expiration dates to ensure that all appropriate insurance remains in full force and effect throughout the term of their respective contracts. Managing Agent shall furnish Federal 1099 forms to all vendors and contractors as required by Federal tax laws. Should the Association choose to contract with a person or entity who does not meet Managing Agent's reasonable requirements for licensing and insurance coverage, the Association agrees to release Managing Agent from any liability associated with such contractor's performance or work on Association property. Managing Agent shall not retain any affiliate of Managing Agent or any entity in which Managing Agent or its principals, officers or directors have any interest, financial or otherwise, to provide goods or perform services on behalf of the Association except upon full disclosure of the nature of the relationship to the Board and prior approval by the Board.

C. Fiscal Management. The Managing Agent shall perform the following services with regard to the fiscal management of the Association:

(1) Bank Accounts. Managing Agent shall establish and maintain in a state or national bank whose deposits are insured by the Federal Deposit Insurance Corporation, and in a manner to indicate the custodial nature thereof, a bank account for the deposit of the monies of the Association. Managing Agent shall promptly cause the deposit of all funds collected or received on behalf of the Association into such Association accounts. Managing Agent shall have the authority to draw thereon for any payments to be made by Managing Agent to discharge any liabilities or obligations incurred pursuant to this Agreement, for the payment of Managing Agent's fee, and for any other disbursements authorized herein properly incurred on the Association's behalf, all of which payments shall be subject to the limitations of this Agreement. Managing Agent shall ensure that all funds collected on behalf of the Association are maintained separately from, and not commingled with, funds of Managing Agent or funds collected on behalf of its other clients. Additionally, Managing Agent shall keep the Association's reserve funds in a separate account from all other Association funds.

(2) Collection of Assessments. The Managing Agent shall have printed and distribute assessment notices and payment envelopes to all Association members (the "**Members**") at the address provided by the Member for billing purposes or, if no address has been provided, at the street address of the Member's lot or unit (a "**Unit**"), for all assessments levied by the Association. Managing Agent shall maintain accurate and up-to-date account records for each Unit on which are posted all debits and credits, including monthly computations of interest and late charges on delinquent accounts. Managing Agent shall take such actions as may reasonably be required to collect all Association assessments and other charges made by the Association against Units in accordance with policies established from time to time by the Board, including sending late and delinquency notices. However, Managing Agent shall not be responsible to institute filing a legal action in a court of law for the collection of any assessments. Rather, upon direction by the Board, Managing Agent shall forward necessary documentation to the Association's attorney to institute or file a legal action in a court of law. The Association shall pay Managing Agent an administrative fee for collection of a delinquent assessment as set forth on Exhibit "A" attached hereto. Additionally, Managing Agent shall be entitled to an administrative fee in the amount set forth on Exhibit "A" for all checks processed by Managing Agent that are returned and not paid due to insufficient funds.

(3) Disbursements. The Managing Agent agrees that all disbursements shall be made as provided in the operating budget and as directed by the Board. Subject to the terms herein, Managing Agent shall have the power and authority to make disbursements necessary to carry out the duties conferred and imposed upon it by the Association and this Agreement. However, Managing Agent shall not make any expenditures in excess of the operating budget (yearly or quarterly basis) without the prior approval of the Board, except in the case of an emergency where the expenditure is less than \$500.00. In the event of an emergency, Managing Agent shall use its best efforts to immediately contact the Board or its designated representative. Notwithstanding any provision herein, provided Managing Agent used its best efforts to immediately contact the Board or its designated representative, Managing Agent shall not be liable to the Association for damages to the extent such damage is due to the Board's or the designated representative's failure to timely approve an emergency expenditure. Managing Agent shall review all invoices and charges to the Association by vendors and contractors to ensure accuracy and shall review compliance under all contracts for goods and services and procure back-up documentation as necessary to support all charges prior to making any disbursements. Managing Agent shall code all charges by account to the Association's general ledger and remit timely payment of all authorized and valid charges. Notwithstanding any provision herein, Managing Agent is not responsible to make a disbursement required herein if no funds are available to make such disbursement payment.

(4) Taxes. The Managing Agent shall pay, prior to delinquency, in the name and for the account of the Association, in such installments as permitted by law, all real estate taxes, personal property taxes and assessments levied or assessed on or against the Association's property for

any fiscal period of any taxing authority, all or any part of which period is included in the term of this Agreement. Upon prior written notice to, and unless directed otherwise by, the Association, the Managing Agent may in good faith at any time contest the validity of the amount of any such tax or assessment in the name of the Association. Any costs reasonably incurred in connection with such contest shall be expenses of the Association.

(5) Budgets. The Managing Agent shall prepare a preliminary operating budget and a preliminary capital reserve budget for the Association for review and consideration by the Board, and assist the Board in preparing final budgets for adoption as provided in the Association Documents.

(6) Records and Books of Account. To the extent the Association discloses the information to Managing Agent or the information is otherwise known by Managing Agent, Managing Agent shall maintain, in accordance with generally accepted accounting principles, an accurate and complete set of accounting records, including records of receipts and disbursements of the Association arising from operation of its facilities.

(7) Financial Statements. The Managing Agent shall prepare quarterly financial statements for the Association, to be delivered to the Board no later than the 20th of the following month, utilizing the accrual method of accounting and general accounting principles. Such financial statements shall include: (i) an income statement reflecting all income and expense activity for the preceding month; (ii) a statement reflecting all cash receipts and disbursements for the preceding month; (iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format; (iv) a balance sheet as of the last day of the preceding month; (v) a delinquency report listing all Members who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent; and (vi) any other statements required by the Board from time to time as necessary to assess the financial affairs of the Association.

(8) Annual Reports; Certification. At the end of each fiscal year, the Managing Agent shall, at the Association's cost, cause to be prepared and, upon approval of the Board, make available to all Members an annual report consisting of the following: (i) a balance sheet; (ii) an operating (income) statement; and (3) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited basis by an independent public accountant approved by the Board and the time for delivery of the report shall be approved by the Board.

(9) Tax Returns. With approval of the Board or its representative, Managing Agent shall engage the services of an independent accounting firm to prepare and file all required federal income and other tax returns on behalf of the Association. Managing Agent shall assist in such process by providing all applicable financial and other documentation to the independent accounting firm. The cost of the independent accounting firm tax preparation services shall be an Association expense.

D. Property Management. Managing Agent shall be responsible for management, operation, and maintenance of property owned by the Association (the "**Common Areas**") and any areas that the Association is responsible for or has elected to maintain pursuant to the Association Documents (collectively, the "**Area of Common Responsibility**"). In this regard, the Managing Agent shall perform the following services on behalf of the Association:

(1) Contracting for Services. In addition to supervising employees of Managing Agent in the performance of their duties, Managing Agent is authorized to retain on behalf of the Association and shall be responsible for supervising any independent contractors that may be required for the proper maintenance and operation of the Area of Common Responsibility, subject to the prior approval by the Board except Renewals (as hereinafter defined) do not require the Board's approval. Unless approved by the Board, no contract shall have a term greater than one year, but contracts may include provisions for renewal provided the Association may at least terminate such contract at the

expiration of each one year period at no cost to the Association. Except for Renewals, Managing Agent shall obtain competitive bids for all contracted services that exceed \$1,000 per year. The term "**Renewals**" include the renewal of any contract authorized herein, unless the Board has directed Managing Agent not to renew the contract or to re-bid the contract. Managing Agent shall secure for and credit to the Association any discounts, commissions, or rebates obtainable as a result of any contracts or purchases, if any. Unless otherwise directed by the Board, with respect to all contracts (including Renewals) that do not require a competitive bid, Managing Agent shall be entitled to select the such contractor. Managing Agent shall consider the contractors pricing, reputation, past performance, capacity and capability in making its selection determination. The Board shall select all contractors that require competitive bid, unless the Board delegates such selection authority to Managing Agent.

(2) Maintenance and Repairs. Subject to the terms herein, the Managing Agent shall arrange for personnel to maintain and shall supervise the maintenance and repair of all facilities and other improvements within the Area of Common Responsibility and all personal property and equipment of the Association. All such property and facilities shall be maintained, repaired and replaced consistent with the standards established by the Board at the time of the repair. Managing Agent shall not make any structural changes or major alterations or additions to facilities or improvements, except as approved by the Board. If the amount set forth in a contract to perform capital improvement repairs exceeds \$10,000.00, then Managing Agent shall be entitled to a fee as provided on Exhibit "A" attached hereto for supervising and coordinating the repair process.

(3) Inspection of Property. The Managing Agent shall make one inspection each month of the Association property and report to the Board at least quarterly, but more often if the Board or the Managing Agent determine necessary, as to its condition, including recommendations for repair, replacement, and maintenance.

E. Administrative Management. The Managing Agent shall render the following services for the benefit of the Board and the Members:

(1) Legal Matters. Managing Agent shall not be responsible to serve as the registered agent for the Association. However, Managing Agent shall promptly forward a copy of all legal documents to the Board or to the attorney designated by the Board as the Association's attorney. Managing Agent shall act as a liaison between the Association's attorney and the Association in handling of any legal matters involving the Association and shall promptly provide to such attorney any information or documentation necessary to assist the attorney in handling such matters. Should the Association be involved in litigation or potential litigation requiring Managing Agent to conduct research or document preparation, participate in depositions, or testify in court, Managing Agent may charge the Association a fee in the amount described on Exhibit "A", provided such litigation or potential litigation does not involve any conflict or dispute between the Association and the Managing Agent or any affiliate of the Managing Agent.

(2) Changes in Ownership. Upon receipt of notice of a pending sale of a Unit, Managing Agent shall prepare and provide to the requesting Member, purchaser or closing agent, within the time frame required by law and the Association Documents a Resale Certificate. Upon the change of ownership Managing Agent is authorized to charge a fee as provided on Exhibit "A" attached hereto for the issuance of a Resale Certificate and a fee as provided on Exhibit "A" attached hereto for updating the ownership and records of the Association. Such fees shall be paid by the person requesting or causing the change. Upon receipt of notice of the transfer of title to a Unit, the Managing Agent shall promptly update the Association's records to reflect the new Member information and prepare and provide to the new Member an information package containing such information as the Board may direct. Managing Agent shall notify the Board on a monthly basis of any changes in ownership of Units.

(3) Correspondence and Complaints. The Managing Agent shall receive and distribute, as appropriate, all correspondence and communications directed to the Association. Managing

Agent shall produce and distribute all correspondence, announcements, newsletters and other information which the Board directs to be produced and delivered to the Members or others. Managing Agent shall consider and, when reasonable, attempt to remedy complaints of Members regarding maintenance and operation of the Area of Common Responsibility, within the constraints of this Agreement, the budget and policies established from time to time by the Board. The Managing Agent shall refer any unresolved complaints to the Board.

(4) Meetings. The Managing Agent shall assist with organizing and conducting meetings of the Association and its Board. For such meetings, the Managing Agent shall arrange for suitable meeting places, prepare agendas, send out notices of the meetings, and shall cause to be prepared written ballots as required by the Association Documents and Texas law. Managing Agent shall have, at Managing Agent's expense, a representative attend all meetings of the Association and the Board; provided, however, if any meeting exceeds more than 1 yearly meeting of the Members of the Association (3 hours) or one quarterly meeting of the Board (2 hours), then Managing Agent shall be compensated on an hourly basis as provided in Exhibit "A" attached hereto. Additionally, Managing Agent shall also provide the administrative persons that are necessary to attend and assist with the meeting. If the Board requests more administrative persons than as determined necessary by Managing Agent, then the Association shall pay for such additional administrative persons on an hourly basis as provided on Exhibit "A" attached hereto.

(5) Records. Managing Agent shall prepare and maintain in a complete and organized manner all records of the affairs and proceedings of the Association and of the Board, including but not limited to a roster of all Members and their mailing addresses, correspondence files, insurance policies, contracts, minutes of meetings and resolutions, and copies of all Association Documents and amendments thereto. However, Managing Agent shall not be required to maintain any records that Managing Agent was unable to obtain after exercising commercially reasonable efforts to obtain those documents. Managing Agent shall provide a repository, if necessary, for the Association's official records for such time as may be required by law and shall provide access thereto for such persons as entitled to have access in accordance with the Association's By-laws.

(6) Fidelity Bonds. The Managing Agent shall procure and maintain throughout the term of this Agreement a fidelity bond or similar insurance coverage with a company approved by the Board. The coverage shall protect the Association and the Board from and against any loss of money or of the personal property belonging to the Association or for which the Association is legally liable, occasioned by any dishonest or fraudulent acts committed on or after the date hereof by the Managing Agent or any of its officers, directors, agents or employees handling the Association funds or property.

(7) Insurance. At the direction of the Board, Managing Agent shall contract in the name of the Association the insurance coverage required by the Association Documents and by the Board. Managing Agent shall notify the Board of the policy's expiration no sooner than 120 days prior to the date of the expiration and no later than 60 days prior to the date of expiration and promptly (no later than two business days) upon obtaining knowledge of any cancellation prior to the expiration date. Managing Agent shall also be responsible for filing and processing claims; reviewing the status and scope of coverage; making recommendations, from time to time, as to the adequacy of coverage; adjusting all claims arising under the Association insurance policies subject to the provisions of the Association Documents; and receiving on behalf of the Association all insurance proceeds, subject to the provisions of the Association Documents. The cost of all insurance obtained hereunder shall be an expense of the Association. If the Board requests that Managing Agent be responsible for the processing of an insurance claim as directed by the Board, then Managing Agent shall be paid an insurance claim processing fee as provided on Exhibit "A" attached hereto.

(8) Licenses, Permits and Governmental Compliance. Managing Agent shall coordinate with the consultant designated by the Board the filing of such reports and other documents

and the payment of such fees as are required to maintain the Association's corporate status in good standing. Managing Agent shall arrange for and renew, at the Association's expense, as necessary all permits and licenses required by law for the operation of the Common Areas. Managing Agent shall promptly, and in no event later than 72 hours from the time of receipt, notify the Board in writing of all correspondence, orders, notices and requirements affecting the Association issued or promulgated by any federal, state, county, or municipal authority having jurisdiction.

(9) Liaison. Upon request of the Board, Managing Agent shall act as a liaison between the Association and third parties, such as governmental agencies and real estate brokers.

(10) Enforcement of Restrictions. Managing Agent shall assist the Association in enforcing the Association Documents by providing the Board with a quarterly report of any violations which come to the attention of Managing Agent, promptly notifying the applicable Member of violations, preparing and mailing any notices required pursuant to the enforcement procedures set forth in the Association's By-laws, and, upon direction of the Board, referring enforcement matters for handling by the Association's attorney.

(11) Architectural Modifications and Approvals. Managing Agent shall receive all requests for architectural modifications, approvals and variances. Managing Agent shall maintain files for such requests and coordinate and document the approval or disapproval process.

F. Legal Compliance. Managing Agent shall comply with all laws, statutes, ordinances, regulations and rules related to Managing Agent's services provided in this Agreement, including, without limitation, the Federal Fair Debt Collections Practices Act.

G. Force Majeure. Provided that Managing Agent has used commercially reasonable efforts and due diligence, Managing Agent shall not be liable for any delay or failure to perform its duties set forth herein if Managing Agent is unable to timely perform its duties due to causes that are beyond its reasonable control, including, without limitation, lack of cooperation or assistance by the members of the Association, unavailability of labor, fire, accident, act of the public enemy, war, public disturbances, sabotage, terrorists attacks or threats, transportation delay, unavailability of raw material, energy or machinery, or act of God, actions by the government or the judiciary or telecommunications systems disruption or computer malfunctions.

6. DEFAULT AND REMEDIES.

A. Default. If either party hereto fails to comply with any of its obligations under this Agreement, the non-defaulting party may give written notice to the other party of such failure to comply. Thirty days after having given such notice, if such noncompliance remains uncured, the non-defaulting party may declare the other party in default and the non-defaulting party shall be entitled to any or all of the following remedies in the following paragraph 6B below.

B. Remedies. In the event a non-defaulting party is entitled to seek remedies as provided in paragraph 6A above, the remedies shall include, without limitation:

(1) To seek specific performance of the terms herein and injunctive relief, as applicable, under the laws of Texas;

(2) To demand payment of all amounts due under the terms of this Agreement and all costs, damages, expenses and reasonable attorneys' fees incurred by the non-defaulting party due to other party's default, but excluding any portion of a Management Fee not actually yet due and payable as of the date of termination of this Agreement; and

(3) Terminate this Agreement by written notice to the defaulting party, in which event the Managing Agent shall immediately surrender possession of Association property and all books and records relating thereto to the Association, except original payroll records of Managing Agent's employees, and transfer all contracts, licenses, unearned accounts receivable, furniture, fixtures and equipment of the Association in possession of Managing Agent to the Association and assist in an orderly transfer of the operation to another management entity or the Association.

(4) With respect to a breach by Managing Agent, the Association shall be entitled to remedy any default of Managing Agent, and in connection with such remedy, pay all expenses and employ counsel, and all sums so expended or obligations incurred by the Association in connection therewith shall be reimbursed by Managing Agent to the Association, upon demand by the Association. On failure of such reimbursement, the Association may, at the Association's option, deduct all costs and expenses incurred in connection with remedying a default of Managing Agent from the next sums subsequently becoming due to Managing Agent from the Association under the terms of this Agreement, which right shall be in addition to and not in limitation of any other rights and remedies which the Association may have under this Agreement or otherwise.

(5) To the extent either party hereto is entitled to payment that has not been paid when due or a party has paid sums to cure a default by the other party, then the non-defaulting party shall be entitled to all reasonable collection costs (including attorney's fees as provided below) and to interest on such amount from the date due or paid (depending upon which is applicable) at the rate of fifteen percent per annum limited to the highest rate permitted under law.

C. Remedies Cumulative and Non-Exclusive. No remedy granted herein is intended to be exclusive of any other remedy herein or by law provided, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law, in equity or by statute. No delay or omission of the Association to exercise any right or power accruing upon any default shall impair the Association's exercise of any right or power or shall be construed to be a waiver of any default or acquiescence therein.

D. Attorneys' Fees. In the event any party brings an action to enforce any provision of this Agreement, the prevailing party shall be entitled to an award of all costs and reasonable attorneys' fees.

7. TERMINATION. Upon the expiration or termination of this Agreement, the parties shall account to each other with respect to all matters outstanding as of the date of such expiration or termination and Managing Agent shall immediately surrender possession of Association property and all books and records relating thereto to the Association, except original payroll records of Managing Agent's employees (although copies shall be provided to the Association), and transfer all contracts, licenses, unearned accounts receivable, furniture, fixtures and equipment of the Association in possession of Managing Agent to the Association and assist in an orderly transfer of the operation to another management entity or the Association. All funds held by Managing Agent for the benefit of the Association shall be held by Managing Agent as agent and custodian of such funds and the Association shall at all times have a lien upon such funds. In the event this Agreement is terminated by the Association pursuant to this Paragraph, the Board shall have the right and power to do all things necessary for the enforcement and foreclosure of said lien. To the extent the Association requests Managing Agent's assistance related to the transfer after termination, the Association shall pay to Managing Agent the lesser of (i) a prorated Management Fee for the transfer period, or (ii) Managing Agent's hourly rate set forth on Exhibit "A" attached hereto.

8. INDEMNIFICATION.

A. Indemnification by the Managing Agent. The Managing Agent shall indemnify, protect, defend and hold harmless the Association, its officers, directors and its Members from and

against any and all claims, demands, losses, costs, expenses, settlements, obligations, liabilities, damages, recoveries, and deficiencies, including, but not limited to, interest, penalties, and attorney's fees and disbursements (even if incident to any appeals) ("**Claims**"), arising out of or caused by the negligence, willful misconduct, or bad faith of the Managing Agent, its agents, employees or subcontractors, in the performance or omission of Managing Agent's duties hereunder or by a breach by Managing Agent of the terms or conditions contained herein.

B. Indemnification by the Association. The Association shall indemnify, defend, and hold harmless Managing Agent and its successors and assigns, and their partners, affiliates, officers, stockholders, directors, employees and agents from and against any and all Claims (as defined above) in which it may become involved by reason of being or having been Managing Agent hereunder; provided, such indemnification shall not extend to any action, suit, or other proceeding arising directly or indirectly in connection with any negligence, willful misconduct, or bad faith of Managing Agent or its employees, agents or subcontractors or by a breach by the Association of the terms or conditions contained herein.

9. MISCELLANEOUS PROVISIONS.

A. Notices. Except as may be otherwise provided herein, any notice, demand, request, consent, approval or communication under this Agreement shall be in writing and shall be deemed duly given or made: (i) three days after being deposited, postage prepaid, in the U.S. mail, certified or registered mail with a return receipt requested, addressed to the party at the address shown below; (ii) when delivered personally or by facsimile to the party at the address specified below; or (iii) when delivered by a reliable overnight courier service, fee prepaid, with receipt of confirmation requested, addressed to the party as specified below. Notices shall be given at the following addresses:

To the Association
c/o Board: 10370 Richmond Avenue
Suite 1200
Houston, TX 77042

with a copy to the attorney designated by the Association from time to time by written notice to Managing Agent.

To the Managing Agent: Principal Management Group of Houston
11000 Corporate Centre Drive, Suite 150
Houston, TX 77041

B. Severability. If any term or provision of this Agreement shall be declared invalid by a court of competent jurisdiction, such invalidity shall not affect the remainder of the Agreement.

C. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto, and neither has been induced by the other by representations, promises or understandings not expressed herein, and there are no collateral agreements, stipulations, promises or understandings whatsoever, in any way touching the subject matter of this instrument, or the instruments referred to herein that are not expressly contained herein or in the Association Documents.

D. Modification. No modification, release, discharge or waiver of any provision hereof shall be of any force or effect unless in writing and signed by the parties to this Agreement.

E. Governing Law; Waiver of Jury Trial; Venue of Actions. This Agreement shall be governed by, and shall be construed in accordance with, the laws of the State of Texas.

F. Waiver. No waiver shall be effective unless it is in writing and signed by the party who has been asserted to have waived its rights. No waiver of a breach of any of the covenants

contained in this Agreement shall be construed to be a waiver of any succeeding breach of the same or any other covenant.

G. Time of the Essence. Except as otherwise specifically set forth herein, time is of the essence for all terms of this Agreement.

H. Successors and Assigns. This Agreement is for the personal services of the Managing Agent, and the Managing Agent shall not transfer, assign or delegate any of its rights, interests, or obligations under this Agreement without the prior written consent of the Association. Any change in ownership, beneficial or otherwise, of more than 50% of the ownership interest in the Managing Agent shall be deemed a transfer or assignment within the meaning of the foregoing sentence. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the parties and their respective successors and assigns.

I. Survival. Notwithstanding anything to the contrary herein, the provisions herein that contemplate or require performance after the expiration or termination of this Agreement shall survive the expiration or termination of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the date and year set forth above.

ASSOCIATION:

a Texas non-profit corporation
By: [Signature]
Print Name: Bryan S. Smith
Title: Vice-President

MANAGING AGENT:

a _____
By: [Signature]
Print Name: Vicki Ward
Title: President

EXHIBIT "A"

SCHEDULE OF FEES

Monthly Management Fee: \$500.00 per month closed lots from 1-275 thereafter \$2.55 per closed lot.

Meetings and Litigation Preparation Fee: (Hourly Fee): \$75.00

Resale Certificates: \$150.00

Transfer Fee: \$75.00

Collection of Delinquent Assessment Fee: Collection Program

Monthly Collection Fee: \$15.00 per month to any lot owner whose account is past due.

Credit Bureau Filing: \$55.00 + applicable sales tax. (Includes demand letters before/after filing).

Lien Filing: \$110.00 + applicable sales tax. (Includes filing fees).

Small Claim Court: \$125.00 (Excludes court filing fees).

Title Search: \$35.00 + applicable sales tax

Bad Check Processing Fee: \$25.00 to homeowner

Capital Improvement Supervision Fee: 15% supervision fee

Insurance Claims Processing Fee: 10% supervision fee

Reimbursable Expenses:

Copies: \$0.15

Faxes: \$1.00

Transfer fee: (Hourly Rate): N/C

Newsletter: 35.00 per page

Court Time: \$50.00 per hour

Website: Within a reasonable period after the execution of this amendment, the Agent will cause an interactive website (the "Website") to be made available to the Association that will contain information specifically related to the Association. Access to most areas of the Website will be password protected,

for the free and exclusive use of Association residents who register for this service through the Website. The Website will be operated and maintained by the Agent or its service providers and available by hyperlink from the Agent's website. It will provide various communication tools, which may include directories, calendars, surveys and forums and other products and services. All data submitted to the Website by Association residents and all content contributed by the Association shall be the property of the Association and are hereby licensed to the Agent for use in operating and maintaining the Website and related services. The Website and all computer programs and code used in the operation of the Website, as well as all intellectual property rights therein, and all revenue generated through the Website, shall be the sole and exclusive property of the Agent. In the event of the termination of this Agreement, the Agent will cause the Website to be shut down and will transfer all related resident data and Association content, in electronic format, to the party specified by the Association's Board of Directors. In the absence of instructions, the data will be transferred to the Association president. Upon completion of the transfer, the Agent will delete from its databases all personally-identifiable data about Association residents collected through the Website. The Agent's charge to the Association for the Website is a one-time set up charge of \$50.00 and a monthly fee of \$60.00.

The Website may contain links to other websites. Use of these websites is at the user's own risk. The Agent is not responsible for and does not endorse the content, products or services of any third-party websites and does not make any representations regarding their quality, content or accuracy. The Agent does not assume any liability for the materials, information and opinions provided on, or available through, the Website (the "Site Content"). Reliance on the Site Content is solely at the user's own risk. The Agent disclaims any liability for injury or damages resulting from the use of any Site Content. The Website, the Site Content and the products and services provided on or available through the Website are provided on an "AS IS" and "AS AVAILABLE" basis. The Agent makes no warranty or representation with respect to the quality, accuracy or availability of the Website and disclaims all warranties of any kind, express or implied, including any warranties of merchantability, fitness for a particular purpose or non-infringement. In no event will the Agent or its licensors or contractors be liable for any damages of any kind, under any legal theory, arising out of or in connection with the use of, or anyone's inability to use, the Website, the Site Content, any services provided on or through the Website or any linked site, including any direct, indirect, incidental, special, consequential or punitive damages.

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