

**Memorandum of Understanding Between
Somerset Homeowners Association and
Somerset Estates Homeowners Association
Regarding Financial Assets and Allocations
As of November 13, 2018**

Purpose

The purpose of this Memorandum of Understanding (“MOU”) is to formalize agreement between the Somerset Homeowners Association (“SHOA”) and the Somerset Estates Homeowners Association (“SEHOA”) regarding (1) the allocation of SHOA expenditures (“SHOA Expenses”) incurred on SEHOA’s behalf during the period between July 1, 2018 and December 31, 2018 (the “Term”); (2) the invoicing procedures for SEHOA’s portion of the SHOA Expenses during the Term; (3) allocation of net earnings (income and expenses) during the period between January 1, 2018 and June 30, 2018, and (4) the division of the shared financial assets currently held by SHOA.

This agreement is the product of a good-faith, collaborative effort of the 2+2 Committee. We utilized the guiding principles of reasonableness and pragmatism to reach this agreement, and our intent is to apply these guiding principles in the implementation of this agreement.

SHOA Expense Allocations

During the Term, the SHOA Expenses shall be allocated between the SHOA and the SEHOA in general as described in the following table, and specifically as laid out in Exhibit A of this MOU.

Administrative Expenses	If an SHOA administrative expense is clearly incurred for or at the direction of SHOA or SEHOA, then SHOA or SEHOA shall be allocated that portion of such administrative expense. Otherwise, SEHOA shall be allocated 53% of such administrative expense, and SHOA shall be allocated 47% of such administrative expense. Certain expenses specifically identified on Exhibit A shall be billed directly to SEHOA.
Capital Expenses	If an SHOA capital expense is clearly incurred for or on behalf of SHOA or SEHOA, then SHOA or SEHOA shall be allocated 100% of such capital expense. If an SHOA capital expense is incurred on behalf of both CICs, then the 2+2 Committee shall determine the appropriate allocation based on the proportion of benefit ascribed to each CIC. If a capital expense is less than \$1,000 in magnitude, and responsibility is not readily determinable, then SEHOA shall be allocated 53% of such capital expense, and SHOA shall be allocated 47% of such capital expense.
Seasonal Decorations	Any expense incurred for seasonal decorations shall be allocated to the HOA that authorized the incurrence of these seasonal decorations in its CIC.
Landscaping Maintenance	Allocated as per Exhibit A.
Other Maintenance	Allocated as per Exhibit A, except any expenditure or series of
Repairs	expenditures relating to a single maintenance/repair item or event (a)

	exceeding \$1,000 in magnitude, or (b) which are non-routine in nature, shall be separately evaluated, with the associated allocation being determined based on the proportion of benefit ascribed to each CIC.
Utilities	Allocated as per Exhibit A.
Water	Allocated as per Exhibit A.
Interest Income	Allocated as per Exhibit A, until the Financial Asset Transfer occurs.

Preparation of Expense Allocations; Invoicing

As soon as practicable following the completion of SHOA’s monthly accounting procedures, the Property Manager (Al Orendorff) shall provide to the 2+2 Committee an estimate of the Expense Allocations for that month (with such estimate being referred to as the “Initial Allocation Estimate”). The 2+2 Committee shall then review the Initial Allocation Estimate and either approve it or discuss and agree on any appropriate changes. Once modified and agreed, the Initial Allocation Estimate shall become the “Final Expense Allocation” for that particular month.

After a Final Expense Allocation has been completed, the SHOA shall prepare and present to SEHOA an invoice for SEHOA’s portion of the Final Expense Allocation. To the extent the Financial Asset Transfer (defined below) has occurred, then SEHOA shall render payment as soon as practical, and in any event within 14 days from the invoice date for the amount shown on the invoice. To the extent the Financial Asset Transfer has not occurred, then SEHOA shall not be obligated to remit payment for the invoice presented until the Financial Asset Transfer has been completed.

Allocation of SHOA Net Earnings (Income and Expenses) during January through June 2018

The parties have agreed that SHOA’s net earnings (income and expenditures) generated during the first half of 2018 shall be allocated as shown in Exhibit B.

Allocation and Transfer of Financial Assets

The parties hereby agree that a cash sum of \$79,101 is owed by SHOA to SEHOA (the “SEHOA Cash”). A calculation of the SEHOA Cash is included in Exhibit C of this MOU. SHOA agrees to transfer to SEHOA the SEHOA Cash no later than ten (10) calendar days from signing of this MOU. This transfer of funds shall be referred to herein as the “Financial Asset Transfer”.

Water Defense Fund

The parties hereby agree that the cash contained in the Water Defense Fund (totaling \$20,165 as of June 30, 2018) is not part of this agreement. SHOA and SEHOA will address this account at a date to be determined in the future.

SHOA Documentation Package

The parties hereby agree that the potential outstanding liability of up to \$24,250 between GTL25, LLC (“GTL”) and SHOA (the “SHOA Documentation Agreement”) for a SHOA Documentation Package will be shared on a 47% (SHOA) / 53% (SEHOA) split. Such payment may be made as required under the

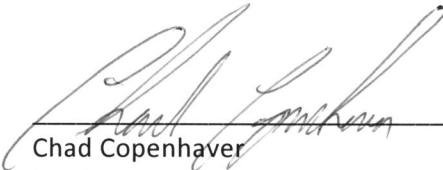
existing terms of the SHOA Documentation Agreement, and both SHOA and SEHOA must agree, with such agreement not to be unreasonably withheld, that the contractual conditions for payment have been met in order for any payment to be remitted to GTL. The referenced contract was accepted and signed on February 16, 2016, by Mr. Kiran Chopra, President SHOA. Both parties share equally in any documentation generated from the SHOA Documentation Package. To the extent that either SHOA or SEHOA wishes to expand the scope of the SHOA Documentation Agreement with GTL, then either SHOA or SHEOA, as applicable, will be solely responsible for any resulting, additional payments due to GTL.

Miscellaneous

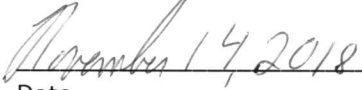
This document is the result of a compromise between the two parties. This MOU is non-binding and will not be used in any mediation, arbitration, or litigation.

The undersigned signatures and date indicate agreement with this MOU.

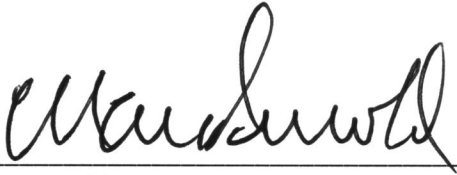
This agreement is invalid and of no effect if not executed by both parties by November 18, 2018.



Chad Copenhaver
President, Somerset Homeowners Association



Date



Marc Arnold
President, Somerset Estates Homeowners Association



Date

Exhibit A: Expense Allocation Details

	% SHOA Expense Allocated to		SEHOA Direct Bill thru		Comment
	SHOA	SEHOA	12/31/18?		
Administrative Expenses					
Accounting Fees	100%	0%	Yes		SEHOA pays own Accounting Fees directly
Bank Charges and Fees	100%	0%	Yes		SEHOA pays own Bank Charges and Fees directly
Business Filing Fees	100%	0%	Yes		SEHOA pays own Business Filing Fees directly
Insurance	100%	0%	Yes		SEHOA pays own Insurance directly
Legal Fees	100%	0%	Yes		SEHOA pays own Legal Fees directly
Meeting Expenses	100%	0%	Yes		SEHOA pays own Meeting Expenses directly
Misc. Admin. (1)	47%	53%	No		
Misc. Office Expenses & Supplies (1)	47%	53%	No		
NSF Bank Charges	100%	0%	Yes		SEHOA pays own NSF Bank Charges directly
Office Supplies (1)	47%	53%	No		
Postage and Delivery	Allocation based on		No		Allocation based on HOA that directed incurrence of Postage and Delivery expenditures
Printing and Reproduction	which HOA benefits		No		Allocation based on HOA that directed incurrence of Printing and Reproduction expenditures
Professional Fees	from expenses		No		Allocation based on HOA that directed incurrence of Professional Fees expenditures
Property Management Fee (1)	47%	53%	No		
Property Transfer Fee**	100%	0%	No		The HOA that receives transfer fee income owes the transfer fee expense
Storage (1)	47%	53%	No		
Web Site Design & Management	100%	0%	Yes		SEHOA pays own Web Site Design & Management directly
Web Site Hosting & Domain	100%	0%	Yes		SEHOA pays own Web Site Hosting & Domain directly
Capital Expenses					
Drainage Repairs	100%	0%	No		
Drainage Undercover Repairs	100%	0%	No		
Irrigation Improvements	Allocated based on		No		
Pump Repair or Replacement	location of capex		No		
Any other capital expense	spend				
Seasonal Decorations					
Seasonal Decorations	Based on spend location		No		SEHOA pays own Seasonal Decorations directly
Landscaping Maintenance					
Snow Shoveling (2)	25%	75%	No		
All other landscaping maintenance (3)	55%	45%	No		

Exhibit A: Expense Allocation Details (Cont'd)

	% SHOA Expense Allocated to		SEHOA	12/31/18?	Direct Bill thru Comment
	SHOA	SEHOA			
Other Maintenance					
Ditch Maintenance	100%	0%	No		
Drainage Clean-out	100%	0%	No		
Fence Maintenance (1)	47%	53%	No		Allocations for items over \$1k of spend to be specifically evaluated
Lighting Maintenance (1)	47%	53%	No		Allocations for items over \$1k of spend to be specifically evaluated
Misc. Maintenance (1)	47%	53%	No		Allocations for items over \$1k of spend to be specifically evaluated
Path/Sidewalk Maintenance (1)	47%	53%	No		Allocations for items over \$1k of spend to be specifically evaluated
Pond Maintenance (1)	47%	53%	No		Allocations for items over \$1k of spend to be specifically evaluated
Utility Locating (1)	47%	53%	No		Allocations for items over \$1k of spend to be specifically evaluated
Repairs					
Electrical Repair (1)	47%	53%	No		Allocations for items over \$1k of spend to be specifically evaluated
Irrigation Repair (1)	47%	53%	No		Allocations for items over \$1k of spend to be specifically evaluated
Lighting Repair (1)	47%	53%	No		Allocations for items over \$1k of spend to be specifically evaluated
Misc. Repair (1)	47%	53%	No		Allocations for items over \$1k of spend to be specifically evaluated
Path & Sidewalk Repair (1)	47%	53%	No		Allocations for items over \$1k of spend to be specifically evaluated
Pond Repair (1)	47%	53%	No		Allocations for items over \$1k of spend to be specifically evaluated
Pump Repair (1)	47%	53%	No		Allocations for items over \$1k of spend to be specifically evaluated
Utilities					
Electric (4)	25%	75%	No		
Water					
Water - Left Hand (5)	100%	0%	No		
Water - Other (6)	20%	80%	No		
Water - Leased Water (6)	20%	80%	No		
Interest Income					
Interest Income	47%	53%	N/A		Allocated 47/53 until the the Financial Asset Transfer occurs.

(1) 47/53 allocation is based on 79 homes in Cottonwood Hills and 89 homes in Somerset Estates.
 (2) Snow shoveling allocation is based on length of sidewalks requiring snow removal in each CIC, per Google Maps.
 (3) Based on percentage of irrigated greenways in Cottonwood Hills and Somerset Estates.
 (4) Based on analysis of electricity use between Cottonwood Hills and Somerset Estates.
 (5) Based on use of Left Hand water in Cottonwood Hills versus Somerset Estates.
 (6) Based on analysis of ditch water usage between Cottonwood Hills and Somerset Estates.

Exhibit B: Allocation of SHOA Net Earnings during 1H 2018

	1H 2018				
	\$			% of Total	
	SHOA	SEHOA	Total	SHOA	SEHOA
Assessments	\$49,312	\$55,554	\$104,866	47.0%	53.0%
Other Income	1,015	2,144	3,159	32.1%	67.9%
Interest Income	29	32	61	47.0%	53.0%
Total Income	\$50,356	\$57,730	\$108,086	46.6%	53.4%
Administrative Expenses	\$27,813	\$11,159	\$38,972	71.4%	28.6%
Capital Expenses	791	8,457	9,247	8.6%	91.4%
Seasonal Decorations	901	1,015	1,917	47.0%	53.0%
Landscape Maintenance	13,128	12,025	25,153	52.2%	47.8%
Other Maintenance	1,598	831	2,429	65.8%	34.2%
Repairs	2,444	2,753	5,197	47.0%	53.0%
Electricity	659	1,978	2,637	25.0%	75.0%
Water	725	1,603	2,328	31.1%	68.9%
Total Expenses	\$48,060	\$39,820	\$87,880	54.7%	45.3%
Operating Income	\$2,296	\$17,910	\$20,206	11.4%	88.6%

Exhibit C: Calculation of SEHOA Cash

	SHOA	SEHOA Share	
	Total	%	\$
SEHOA Share of SHOA Operating Surplus (Jan 1, 2018 through June 30, 2018)	\$20,206	88.6%	\$17,910
Plus: Unreconciled Increase in SHOA Cash Between Jan 1, 2018 and June 30, 2018	631	88.6%	559
Plus: SEHOA Assessment Prepayments made to SHOA on or before June 30, 2018	9,325	75.1%	7,000
Plus: SHOA Operating Cash as of December 31, 2017	107,620	53.0%	57,013
Subtotal - SEHOA Share of SHOA Operating Cash as of June 30, 2018	\$137,782	59.9%	\$82,482
Less: SEHOA Expenses Paid by SHOA - July 2018			(7,234)
Less: SEHOA Expenses Paid by SHOA - August 2018			(22,223)
Less: SEHOA Expenses Paid by SHOA - September 2018			(12,302)
Total - SEHOA Share of SHOA Operating Cash as of September 30, 2018			40,722
SEHOA Share of SHOA Reserve Cash as of December 31, 2017	\$72,445	53.0%	\$38,379
TOTAL SEHOA CASH (1)			\$79,101

(1) Excludes cash held in SHOA Defense Fund.