

Attachment 1

**FIRST OWNERS ASSOCIATION
OF FORTY SIX HUNDRED
CONDOMINIUM, INC.**

SERVICE AGREEMENT

This service agreement is dated and made effective as of January 23, 2013, and is between the FIRST OWNERS' ASSOCIATION OF FORTY SIX HUNDRED CONDOMINIUM, a Virginia corporation (the "Association"), and CONDOMINIUM SERVICES, INC., a Virginia corporation ("CSI").

The Association is the unit owners' association of a condominium known as Forty Six Hundred Condominium (the "Condominium"), which was created in accordance with the Virginia Condominium Act by the recordation of condominium instruments in the land records of the City of Alexandria, Virginia, in deed book 811 at page 315. The Board of Directors is the executive organ of the Association.

CSI is engaged in the business of providing various services to unit owners' associations.

The Association wishes to engage CSI to provide the services set forth in this agreement, and CSI wishes to provide those services to the Association.

The parties therefore agree as follows.

1. Appointment.

(a) The Association hereby appoints CSI as its agent to provide services in accordance with the terms of this agreement and authorizes CSI to take any action that is reasonably necessary or incidental to provide those services.

(b) CSI hereby accepts the appointment and delegation of authority.

2. Board Liaisons. The Board of Directors shall designate no more than two of its members to be liaisons to CSI. In the absence of any other designation, the president and treasurer of the Association will be deemed to be the designated liaisons. Each designated liaison or liaisons may direct CSI on behalf of the Association and the Board of Directors on any matter arising out of this agreement. CSI may rely on any instructions, representations, or approvals communicated verbally or in writing by a liaison as if those instructions, representations or approvals had been effected by a resolution of the Association's Board of Directors.

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3. **Administrative Services.** CSI shall provide the following administrative services.

(a) Books and Records. CSI shall keep the books and records of the Association and shall make them available for examination and copying during reasonable business hours as required by law and as directed by the Board of Directors. Those books and records will include those generated during the term of this agreement and before CSI's tenure. CSI makes no representation as to the accuracy or completeness of such books and records, which remain the responsibility of the Association. CSI shall maintain all current books and records in a safe and secure environment on the premises of the Condominium. Archival records may be transferred to a storage facility and retained there at a charge to the Association. CSI shall exercise reasonable precaution in storage and backup of all electronic records belonging to the Association.

(b) Meeting Organization. CSI shall prepare and distribute any notice required by law or by the condominium instruments of any meeting of the Board of Directors or of the Association, and shall, at the request of the Board of Directors, make arrangements for meeting facilities and audiovisual or technical support for such meetings.

(c) Meeting Attendance. CSI shall, unless excused by the Board of Directors, cause a representative to attend up to eleven meetings of the Board of Directors, one annual budget meeting, and one meeting of the Association per year. CSI shall also cause a representative to attend committee meetings upon request at an additional charge to the Association.

(d) Insurance Contracts. CSI shall, at the request and direction of the Board of Directors, prepare bid specifications and bid requests for contracts for general liability insurance, property insurance, and directors' and officers' liability insurance on behalf of the Association and shall solicit and evaluate up to three bids. Alternatively, at the discretion of the Board of Directors, CSI shall prepare bid specifications and bid requests for insurance brokerage services on behalf of the Association and shall solicit and evaluate up to three bids.

(e) Insurance Claims. CSI shall promptly investigate any insurance claim, or any event or fact which may give rise to an insurance claim, arising out of the capital components of the Condominium. CSI shall prepare insurance claim forms on behalf of the Association when necessary and shall assist the Association with the settlement of any resulting insurance claims.

(f) Governance Inspections. CSI shall conduct bi-annual inspections of the Condominium for any violations of the condominium instruments, or of the rules or regulations promulgated thereunder (such condominium instruments, rules and regulations, collectively, the "Governing Documents"), that are visible from the common elements of the Condominium or from nearby streets, sidewalks or public right-of-ways. Following each such inspection, CSI shall prepare violation notices, as appropriate, in accordance with the Association's enforcement policies and procedures and the Virginia Condominium Act. Additional inspections are available for an additional charge.

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(g) Statutory Certificates and Statements. CSI shall, upon the written request of any person and payment by the person of any applicable fee or charge, furnish the person with any certificate or statement that the Virginia Condominium Act requires the Association to provide.

(h) Correspondence. CSI shall receive and prepare routine business correspondence on behalf of the Association.

(i) Building Manager. CSI shall, in consultation with the Board, provide an employee to serve as an on-site, full-time building manager for the Association. The Board shall have the right to approve the building manager's salary, benefits, and job description, and the Board may request that the building manager be replaced at any time.

(j) Governance Complaints. CSI shall during normal business hours receive complaints from unit owners and residents of the Condominium regarding violations of the governing documents. CSI shall investigate such complaints and shall prepare violation notices, as appropriate, in accordance with the Association's enforcement policies and procedures and the Virginia Condominium Act.

4. **Fiscal Services.** CSI shall provide the following fiscal services.

(a) Receipts. CSI shall receive regular assessments and miscellaneous income on behalf of the Association and shall deposit any such receipts into a separate and FDIC-insured operating account. CSI shall maintain the operating account in the name of the Association at a bank or other financial institution of CSI's choice with the approval of the Association which will not be unreasonably withheld. The operating account is to be subject to withdrawal by electronic transfer authorized by CSI or by checks signed only by persons authorized by CSI or the Association. CSI shall not, under any circumstances, commingle any funds of the Association with any other funds under CSI's control.

(b) Disbursements. CSI shall make semi-monthly disbursements for the operating expenses of the Association out of the operating account of the Association. Any disbursement for a capital expense, or for an unbudgeted operating expense in excess of \$2,000.00, requires the approval of the Board of Directors unless the disbursement is reasonably necessary to prevent damage to persons or to property, to comply with governmental requirements or orders of the National Board of Fire Underwriters or similar bodies, or to avoid the suspension of necessary services to the Condominium or the Association. Any disbursement from the operating account of the Association will be deemed to have been approved unless the Association notifies CSI of a dispute within 30 days after the delivery of any financial statement or report containing the disputed disbursement.

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(c) Transfers. CSI shall, at the request and direction of the Board of Directors, transfer funds to or from any of the Association's accounts that are under CSI's control. CSI shall likewise assist the Board of Directors in transferring funds to or from any of the Association's accounts that are not under CSI's control.

(d) Reconciliations. CSI shall reconcile each periodic statement of the Association's depository accounts with the Association's books and records.

(e) Monitoring Accounts. CSI shall monitor the Association's depository accounts for compliance with the Association's investment policies.

(f) Interim Financial Statements. CSI shall prepare monthly interim financial statements using the modified cash basis accounting method and shall, unless excused by the Board of Directors, send such statements by electronic mail to the Association's Board by the 20th day of each month, and will make printed copies available to any Board member upon request at the Association's expense. CSI shall include the following in each interim financial statement: (1) a balance sheet; (2) an operating statement; (3) a year-to-date summary of income and expenses with budget comparisons; (4) a check register report; (5) a general ledger report; (6) a copy of the Association's most recent bank statements and corresponding reconciliation reports; and (7) an aged receivables report.

(g) Collections. CSI shall, in accordance with the Association's collection policies, post late fees to unit-owner accounts, prepare delinquency notices, and coordinate collection efforts with the Association's legal counsel.

(h) Tax Returns. CSI shall make available to the Association's accountants all information reasonably necessary to prepare the Association's income tax and personal property tax returns.

(i) IRS Forms. CSI shall prepare and mail any forms 1096 or 1099 required of the Association by the Internal Revenue Service.

(j) Audit. CSI shall cooperate with the Association's auditors in the conduct of an annual audit and shall make all books and records of the Association available for their inspection and review for such an audit during normal business hours.

(k) Annual Budget. CSI shall prepare a proposed annual operating budget for the Association no later than 60 days before the end of the Association's fiscal year.

(l) Coupon Books. CSI shall arrange for the printing and distribution, at the Association's expense, of payment coupon books for regular assessments. CSI will provide information about online payments.

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(m) Consultation. CSI shall make a member of its accounting staff available for up to one hour per month on an annual average (i.e., twelve hours per year) during normal business hours for consultations with the designated liaison or liaisons or the Board of Directors.

5. **Maintenance Services.** In conjunction with the Association's on-site personnel, CSI shall provide the following maintenance services with respect to the capital components of the Condominium. CSI is not required to provide any maintenance services with respect to an individual unit except to the extent that the Association has an obligation to maintain capital components within the unit.

(a) Routine Maintenance. CSI shall prepare bid specifications and bid requests for contracts to provide for the routine maintenance of the capital components of the Condominium. CSI shall solicit and evaluate up to three bids for each such contract and shall negotiate such contracts as necessary. CSI shall monitor the performance of such contracts and assist the Association with the enforcement of the contractors' warranties as necessary. The Board shall determine the number of bids for each contract and shall select the winning bid.

(b) Emergency Maintenance. CSI shall establish and maintain a 24-hour system for receiving and processing emergency maintenance requests from unit owners and residents of the Condominium regarding the capital components of the Condominium.

(c) Requested Maintenance. CSI shall, during normal business hours, receive and process non-emergency maintenance requests from unit owners and residents of the Condominium regarding the capital components of the Condominium.

(d) Maintenance Inspections. CSI shall conduct inspections of the capital components of the Condominium which are visible from the common elements of the Condominium or from nearby streets, sidewalks or public right-of-ways. During the first term of this agreement, CSI shall conduct twelve such inspections. During any subsequent term, CSI shall conduct six such inspections.

(e) Corrective Maintenance. CSI shall, following each maintenance inspection, generate and process work orders for any maintenance necessary to repair, replace, and maintain the capital components of the Condominium.

(f) Reserve Study. CSI shall, at the request of the Board of Directors, prepare bid specifications and bid requests for a contract to commission a study to determine the necessity and amount of reserves required to repair, replace and restore the capital components of the Condominium. CSI shall solicit and evaluate up to three bids for such contract and shall negotiate the contract as necessary.

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6. **Status Report.** CSI shall send each member of the Board of Directors a status report by electronic mail at least three days in advance of each regular meeting of the Board of Directors at which CSI has an obligation to cause a representative to attend. CSI shall include the following in each such status report:

(1) information regarding the status of administration, including, but not limited to, a description of significant violations of the Governing Documents and information on the progress of any insurance claims;

(2) information regarding the status of maintenance, including, but not limited to, maintenance inspection reports, information on the progress of any on-going routine, requested or corrective maintenance work, and any recommendations for future action related to the maintenance of the capital components of the Condominium;

(3) information regarding the status of finances, including, but not limited to, the Association's most recent periodic balance sheet and operating statement, a year-to-date summary of income and expenses with budget comparisons, and any other items that are necessary for the administration of the Association's financial affairs; and

(4) information regarding the status of collections, including, but not limited to, a detailed statement of delinquent unit-owner accounts and information on the progress of any efforts to collect the amounts due.

7. **Additional Authority.**

(a) **Governmental Requirements.** CSI may take any action that is reasonably necessary for the Association to comply with any governmental requirements regarding the occupancy or use of the Condominium, or with any orders of the National Board of Fire Underwriters or similar bodies, unless the Association is contesting, or has affirmed its intention to contest, any such requirement or order and has directed CSI not to take action.

(b) **Authority to Write-Off Delinquencies and Waive Late Fees.** Except to the extent that the condominium instruments expressly limit the delegation of such authority, CSI is authorized to write-off unit-owner delinquencies of up to \$10.00 each and to waive the late fee associated with any unit-owner delinquency if CSI has received payment of the delinquent amount no later than three business days after the date on which the late fee became due.

(c) **Contracting Authority.** Except to the extent that the condominium instruments expressly limit the delegation of such authority, CSI is authorized to execute on behalf of the Association any contract that is reasonably necessary or incidental to CSI's obligations under this agreement. CSI may not, however, without the approval of the Board of Directors, execute any contract on behalf of the Association that includes a term in excess of one year or that would create any liability due more than one year from the date of the contract.

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Similarly, CSI may not, without the approval of the Board of Directors, execute any contract on behalf of the Association that would create a liability in excess of \$2,000.00 unless the contract is reasonably necessary to prevent damage to persons or to property, to comply with governmental requirements or orders of the National Board of Fire Underwriters or similar bodies, or to avoid the suspension of necessary services to the Condominium or the Association. CSI may, from time to time, contract on behalf of the Association to have maintenance work performed by CSI's own maintenance division, but only when directed to do so by the Board of Directors.

8. **Additional Services.** CSI may, from time to time, provide additional services to the Association at the request of the Board of Directors. Such additional services include any services not contemplated by this agreement and any services which impose unusual or unreasonable burdens on CSI's resources. These services may include website production and administration, project management, financial analysis, forecasting, strategic planning, employee and Board training, meeting planning, and brokerage. Any additional services will be subject to the terms of this agreement unless the parties agree otherwise in writing. CSI has no duty to provide additional services in the absence of written authorization by the Board of Directors or if the parties are unable to agree on the scope, cost, or other terms applicable to such services.

9. **Other Activities of CSI.** Nothing in this agreement prevents CSI from engaging in the business of real estate development, construction, brokerage, leasing, or maintenance, or from providing services to unit owners (such as resale certifications and bank questionnaires) or other unit-owners' associations.

10. **Compensation.**

(a) **Origination Fee.** The Association shall pay CSI a one-time origination fee of \$7,000.00 upon signing this agreement. CSI's receipt of this fee is a condition of its obligations under this agreement. This fee is refundable upon termination with cause. The origination fee is intended to compensate CSI for the cost to develop a template for CSI's accounting software to enable CSI to track the components of unit owners' assessments as directed by the orders of the Alexandria Circuit Court and the US Bankruptcy Court (the "Accounting Template"). Subject to any technical limitations associated with CSI's accounting software or to any limitations associated with CSI's license, CSI grants to the Association a non-exclusive license to use the Accounting Template solely for the Association's purposes. Upon termination or expiration of this Agreement, and subject to the foregoing limitations, the Association may continue to use the Accounting Template, and make derivative works of the Accounting Template, and CSI shall grant any successor management company a similar non-exclusive license to the Accounting Template solely for the Association's account. The Association agrees that CSI may continue to use the Accounting Template for its own purposes.

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(b) Annual Service Fee. The Association shall pay CSI an annual service fee of \$84,000.00 for the first one-year term. For any successive one-year term, the annual service fee will increase by 2.5% per year. The annual service fee is payable in 12 equal monthly installments, each of which is due on the first day of each calendar month of the term. If this agreement is terminated on a day other than the last day of the term, the installment due on the first day of the final month will be pro-rated in proportion to the number of days in the month up to and including the date of termination divided by the total number of days in the month.

(c) On-Site Personnel. For the on-site Building Manager provided by CSI under this agreement, the Association shall reimburse CSI for actual wages paid (including any housing, vehicle and cellphone allowances, and any similar items provided to the employee that by law must be included in the employees' taxable income), plus a labor burden of 30%. The labor burden includes social security tax, federal and state unemployment tax, disability insurance, life insurance and workers' compensation insurance, criminal background checks, recruitment expense, payroll processing and human resource administration. Any changes in governmentally imposed taxes and insurance shall be a direct pass through to the Association. The Association shall further reimburse CSI for any job-related training, education, certification, membership expenses, and medical benefits for on-site personnel. However, as provided above in paragraph 3(i), the Board retains the right to approve the Building Manager's salary, benefits, and job description.

(d) Extra Charges. In addition to the annual service fee, the Association shall pay CSI at CSI's customary rates as set forth in Exhibit A for the following: (1) any time in excess of two hours spent by any CSI representative at any one meeting of the Association, Board of Directors, or any committee appointed by the Board of Directors; (2) any time spent by CSI investigating any insurance claim, or any event or fact which may give rise to an insurance claim; (3) any time spent by CSI preparing insurance claim forms on behalf of the Association; (4) any time spent by CSI assisting the Association with the settlement of any insurance claim; (5) each violation notice prepared by CSI; (6) each delinquency notice prepared by CSI; (7) any time spent by CSI coordinating collection efforts with the Association's legal counsel; (8) each IRS form 1096 or 1099 prepared by CSI; (9) any time spent by CSI assisting the Association with the enforcement of any contractor's warranty; (10) after the first ninety days of this contract, each non-emergency maintenance request or work order in excess of 3 per month processed by CSI; (11) any time spent by CSI receiving and processing emergency maintenance requests from unit owners and residents of the Condominium and otherwise responding to emergencies affecting the Condominium; and (12) the additional services identified in paragraph 8.

(e) Fees for Additional Services. The Association shall pay CSI for any additional services at CSI's customary rates at the time of the service or at other rates upon which the parties have agreed.

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(f) Customary Rates. CSI's customary hourly rates for time spent between 7:00 a.m. and 7:00 p.m. on any business day ("Regular Time") are currently as follows: \$195 per hour per hour for CSI's officers; \$125 per hour for each community manager; \$100 per hour for each staff accountant; and \$85 per hour for each administrative assistant. Time spent between 7:00 p.m. and midnight on any business day or between 8:00 a.m. and 8:00 p.m. on a Saturday is charged at 1.5 times the applicable rate for Regular Time. Time spent at any other time is charged at twice the applicable rate for Regular Time. CSI's customary rate for the preparation of each violation notice is currently \$10. CSI's customary rate for the preparation of each delinquency notice is currently \$10. CSI's customary rate for the preparation of each IRS form 1096 or 1099 is currently \$10. CSI's customary rate for processing each maintenance request or work order is currently \$5.00. CSI's customary rates are subject to change at any time. A complete list of CSI's rates is set forth in Exhibit A. CSI shall promptly notify the Association of any rate changes during the term of this Agreement.

(g) Expenses. The Association shall reimburse CSI for all reasonable expenses that CSI incurs on behalf of the Association, including, but not limited to, expenditures for postage, mailing labels and other office supplies, courier and shipping charges, permits and filing fees, in house or outsourced photocopy and reproduction charges, telephone and facsimile charges, transcription fees, audiovisual equipment rental charges and charges for computerized research.

(h) Taxes. The amounts payable to CSI under this agreement do not include any taxes or other governmental charges. The Association shall pay, or shall reimburse CSI for paying, any taxes or other governmental charges, other than taxes based on CSI's net income, which are levied on the services rendered or payments made under this agreement.

(i) Invoices. CSI shall invoice the Association monthly. CSI shall include in each invoice an itemized description of any extra charges and reimbursable expenses. Each invoice is due within fifteen (15) days.

(j) Late Fee. The Association shall pay CSI a late fee of 5% per month for any unpaid balance due for more than 30 days. Late fees will not apply to any amounts in dispute.

(k) Authorization. CSI may deduct from the Association's funds the amount of any compensation or reimbursement to which it is entitled under this agreement. Payment of hourly charges is subject to prior Board approval.

11. Other Obligations of the Association.

(a) Transition to CSI. The Association shall, at its own expense, provide CSI with all documents and information that are reasonably necessary for CSI to begin providing services under this agreement, including, but not limited to, the following: (1) a copy of the Association's membership list; (2) a list of all known addresses for each unit owner; (3) a

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copy of the Association's current budget; (4) a copy of the Association's current chart of accounts and vendor listing; and (5) a copy of the Association's Governing Documents. The Association shall provide the documents and information according to a schedule to be determined by the Parties, and receipt of the documents and information is a condition of CSI's obligation to provide any related service.

(b) Meetings. The Association shall notify CSI at least seven days in advance of any meeting that the Association wants a representative of CSI to attend and shall begin such meetings between 7:00 a.m. and 8:00 p.m. on a Monday, Tuesday, Wednesday or Thursday, or between 7:00 a.m. and 3:00 p.m. on a Friday, as long as the day is not a legal holiday in the City of Alexandria, Virginia. CSI's receipt of this notice and the time of the meeting are conditions of CSI's obligation to cause a representative to attend such meeting, but CSI may, at its discretion, cause a representative to attend a meeting for which the Association has not satisfied one or both of those conditions.

(c) Sufficient Funds. The Association shall ensure that it has sufficient funds available to satisfy any liabilities incurred by or on behalf of the Association under this agreement, and any failure of the Association do so constitutes a material breach of this agreement. CSI is not required to advance any funds to, or for the account of, the Association or to incur any liability on behalf of the Association if it reasonably appears to CSI that the Association will not have sufficient funds available in its operating account to satisfy the liability when it becomes due.

(d) Nonsolicitation of Employees. During the term of this agreement and for one year following its termination or expiration, the Association shall not, directly or indirectly, solicit for employment, employ, or retain the services of any person who is an employee of CSI or who was an employee of CSI at any time during the 12 months preceding such action. If the Association breaches any of its obligations under this section, it shall pay CSI liquidated damages in the amount of 50% of that person's total compensation in the 12 months preceding the breach plus all reasonable attorneys' fees and expenses incurred by CSI to enforce this section.

12. **Representations of the Association.** The Association represents to CSI as follows.

(a) This individual who signs this agreement for the Association is authorized to execute the agreement on the Association's behalf.

(b) The Association has the power to enter into this agreement, to delegate the authority that is has delegated to CSI, and to comply with the obligations that it has undertaken.

(c) No consent, authorization or approval by any other person or entity is required in order for the Association to enter into this agreement, to delegate the authority that it has delegated to CSI, or to comply with the obligations that it has undertaken.

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(d) The Association is not involved in any claim, action, suit or proceeding that might affect its power to enter into this agreement, to delegate the authority that it has delegated to CSI, or to comply with the obligations that it has undertaken.

(e) The Association is not a party to any other agreement currently in effect that conflicts with this agreement or that affects its power to enter into this agreement, to delegate the authority that it has delegated to CSI, or to comply with the obligations that it has undertaken. It is understood that the Association has a current management contract terminating February 28, 2013.

13. Insurance.

(a) CSI shall carry, at its own expense, blanket employee dishonesty fidelity bond or employee insurance in an amount equal to the lesser of \$2 million or the highest aggregate amount of all operating and reserve balances of all associations managed by CSI or such other amount as required by Virginia law, and CSI shall name the Association as an additional insured under any such insurance policy. CSI shall also carry, at its own expense, workers' compensation insurance in the amount required by law. CSI shall maintain these coverages in effect during the entire term of this agreement and shall provide a certificate of insurance at the request of the Board of Directors.

(b) The Association shall carry, at its own expense, general liability insurance, property insurance, and directors' and officers' liability insurance in amounts required by law. The Association shall name CSI as an additional insured under each such policy, and the Association's insurance must be primary and noncontributing with any other valid and collectible insurance or self-insurance available to CSI. The Association shall maintain these insurance policies in effect during the entire term of this agreement and shall provide certificates of insurance at CSI's request.

14. Term. The term of this agreement begins on the first day of March 2013, and continues for one year. Upon the expiration of the term, the agreement will automatically renew for a successive one-year term, up to four renewal terms in total, unless a party terminates the agreement prior to the expiration of the term.

15. Termination.

(a) Automatic Termination. This agreement will terminate automatically prior to the expiration of the term if the Condominium is terminated in accordance with the Virginia Condominium Act.

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(b) Termination without Cause. Either party may, without cause and without penalty, terminate this agreement prior to the expiration of the term upon at least 90 days' prior notice to the other party.

(c) Termination with Cause. If a party commits a material breach of its obligations under this agreement and fails to cure that breach within 30 days after receiving notice of the breach, or if a party's representations in this agreement are inaccurate in any material respect and that party fails to cure the inaccuracy within 30 days after receiving notice of the inaccuracy, the other party may terminate this agreement prior to the expiration of the term upon at least 30 days' notice to the party that has failed to cure the breach or inaccuracy.

(d) Termination for the Misappropriation of Funds. The Association may, without prior notice to CSI and without giving CSI an opportunity to cure, terminate this agreement prior to the expiration of the term if the cause is the misappropriation of funds by CSI or CSI's officers, directors, employees, or agents.

(e) Duty to Stop Work. Upon receipt of a valid notice of termination, CSI shall immediately, if requested by the Association, do the following: (1) stop work under this agreement to the extent specified in the notice of termination; (2) place no further orders with contractors or suppliers; (3) terminate all existing orders with contractors and suppliers to the extent that the orders are related to the performance of work terminated by the notice of termination; and (4) assign to the Association, as directed by the Board of Directors, all of CSI's interest in any orders not so terminated.

(f) Turnover of Records. CSI shall, within two weeks after the termination of this agreement, make available to the Board of Directors all books and records belonging to the Association. CSI may, at its own expense, make and keep a copy of any of the Association's books and records that CSI, in its sole discretion, deems potentially relevant to any possible claims against CSI.

(g) Other Transition Obligations. Within 14 days after receiving a valid notice of termination with cause, or within 30 days after receiving a valid notice of termination without cause, CSI shall provide the Board of Directors with the following:

(1) a schedule of all actions necessary to ensure that the termination and transition of responsibilities can be completed in a timely and businesslike manner;

(2) an itemized estimate of the amount that the Association will owe to CSI as of the termination date; and

(3) an itemized estimate of the amount that will be necessary as of the termination date to satisfy any liabilities incurred by or on behalf of the Association under this agreement.

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(h) Escrow Account. If, at the termination date, the Association owes any amount to CSI or has not satisfied all liabilities incurred by or on behalf of the Association under this agreement, the Association shall establish an escrow account with sufficient funds to cover the outstanding amounts. The escrow account is to be subject to joint control by CSI and the Association. Upon the payment of all outstanding amounts, any remainder in the escrow account will be the sole property of the Association.

(i) Transition Audit. The Association shall, at its own expense, cause a certified public accountant to commence an independent audit within two weeks after the termination or expiration of this agreement. CSI shall cooperate with the auditor at no additional charge to the Association as long as the audit is concluded within 120 days of the termination date. The Association will be deemed to have waived any claim against CSI arising out this agreement if the audit is not commenced within 60 days after the termination date.

16. Notices.

(a) Any party giving any notice, consent, direction, or other communication under this agreement (each such communication, a "Notice") shall give the Notice in writing and shall use one or more of the following methods of delivery: (1) personal or courier delivery; (2) registered or certified mail, with a return receipt requested and first-class postage prepaid; (3) facsimile transmission; or (4) electronic mail.

(b) The address for any Notice to the Association or the Board of Directors is as follows:

Attention: _____

Fax: _____

Email: _____

(c) The Address for any Notice to CSI is as follows:

Condominium Services, Inc.
4600 Duke Street, Suite 331
Alexandria, Virginia 22304

Attention: Joe Riviere, President and COO

Fax: (703) 436-8566

Email: <jriviere@csicomunitymanagement.com>

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(d) Any party may designate a different address for Notices upon 10 days' notice to the other party.

(e) A Notice will be deemed to have been given only upon delivery to the intended recipient.

17. **Publicity.** CSI may refer to the name of the Association and use photographs of the Condominium in CSI's client listings, on its web site, or in any brochure, marketing materials, client profile or press release. The Association may refer to the name of CSI on its web site or in a press release only during the term of this Agreement.

18. **Amendment.** The parties may amend this agreement only by a written agreement signed by the parties that identifies itself as an amendment to this agreement.

19. **Waiver.** (a) Except as this agreement provides otherwise, no waiver of any right, claim, condition or privilege under this agreement will be effective unless the waiver is in writing and executed by the party against whom it is to be enforced.

(b) No failure or delay in enforcing any right or in requiring the satisfaction of any condition under this agreement, nor any course of dealing between the parties, will operate as a waiver or estoppel of any such right, claim, condition or privilege.

(c) A waiver made in writing on one occasion will be effective only in that instance and only for the purpose stated. Once given, a waiver is not to be construed as a waiver on any future occasion.

20. **Severability.** If any provision of this agreement is determined to be invalid, illegal or unenforceable, the remaining provisions will remain in effect as long as the essential terms of the agreement for each party remain valid and enforceable.

21. **Survival.** The provisions of sections 8, 11, 12, 15, 16, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, and 36 of this agreement survive the expiration or termination of this agreement until the end of any applicable limitations period.

22. **Entire Agreement.** This agreement constitutes the entire agreement of the parties with respect to the subject matter of this agreement and supersedes all prior and contemporaneous agreements of the parties. In entering into this agreement, neither party has relied upon any prior course of dealings, trade usages, or representations of the other party except for those expressly contained in this agreement.

23. **Counterparts.** The parties may sign this agreement in multiple counterparts, each of which constitutes an original, and all of which, collectively, constitute only one agreement. The signatures of both parties need not appear on the same counterpart, and delivery of a signed counterpart signature page by facsimile transmission (or other form of

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electronic transmission) is as effective as signing and delivering this agreement in the presence of the other party.

24. Indemnities.

(a) Indemnification of the Association. CSI shall defend, hold harmless and indemnify the Association and its directors, officers, agents, members, and employees against any loss, damage, or liability arising out of any one or more of the following:

(1) any material inaccuracy in any of the representations made by CSI in this agreement;

(2) any material breach by CSI of any of its obligations under this agreement;
and

(3) the misappropriation of the Association's funds by CSI or CSI's directors, officers, employees, or agents.

(b) Indemnification of CSI. The Association shall defend, hold harmless and indemnify CSI and its stockholders, subsidiaries, directors, officers, agents, and employees against any loss, damage, or liability arising out of any one or more of the following:

(1) any material inaccuracy in any of the representations made by the Association in this agreement;

(2) any material breach by the Association of any of its obligations under this agreement;

(3) any action undertaken by CSI, or any omission made by CSI, at the express or implied direction of the Association, the Board of Directors, or any member of the Board of Directors;

(4) CSI's performance of its obligations under this agreement; and

(5) the physical condition of the Condominium, including, but not limited to, any loss, damage or liability related to mold, mildew, fungi, moisture, flooding, acts of terrorism or war, or warlike action by any military force.

(c) Limitation of Indemnity Obligations. Neither party is required to defend, hold harmless or indemnify any person under this section if a court of competent jurisdiction determines, in a final judgment from which no further appeal lies, that the loss, damage or liability is the direct result of that person's criminal acts, fraud, willful default or gross negligence, or, if the indemnification is prohibited by an enforceable provision of the governing documents.

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(d) Notice of Claims. Any indemnitee under this agreement shall promptly notify the indemnitor of any claim, action, suit or proceeding with respect to which the indemnitor may have an obligation to defend, hold harmless or indemnify the indemnitee (each such claim, action, suit or proceeding, a "Claim") and shall deliver to the indemnitor a copy of the Claim and any legal process or pleadings associated with it. Failure to give such notice does not relieve the indemnitor of its obligations under this section except to the extent that the indemnitor can demonstrate damages attributable to the failure.

(e) Indemnitor's Right to Defend. If an indemnitor acknowledges its obligation to indemnify and elects to assume control of the defense and settlement of a Claim, the indemnitor shall notify the indemnitee of its election within 15 days after receiving notice of that Claim, but no later than ten days before the date on which any response to the Claim is due. Promptly after sending the notice, the indemnitor shall choose and employ legal counsel reasonably satisfactory to the indemnitee. Upon the employment of such counsel, the indemnitor may control the defense and all negotiations for the compromise or settlement of the Claim.

(f) Indemnitee's Right to Defend. If an indemnitor does not deliver a timely notice of its election to assume control of the defense and settlement of a Claim or if an indemnitee reasonably concludes that representation of the indemnitor and the indemnitee by the same counsel would constitute a conflict of interest, the indemnitee may defend against the Claim at the indemnitor's expense and with counsel of the indemnitee's own choosing. An indemnitee may, at any time, participate in the defense of a Claim at its own expense and with counsel of its choosing, subject to the reasonable approval of the Indemnitee.

(g) Litigation Expenses. The indemnitor shall pay for any expense of investigating, defending and settling any Claim, including without limitation any reasonable attorneys' fees and expenses, incurred by the indemnitee up to and including the date on which the indemnitor assumes control of the defense and settlement of the Claim. The indemnitor shall pay for such expenses incurred thereafter only if the indemnitee has exercised its right under this agreement to defend against the Claim or if the indemnitor has expressly authorized the indemnitee to incur the expense.

(h) Compromise and Settlement. Neither party may compromise or settle any Claim without the consent of the other party, and neither party may unreasonably withhold its consent. Neither party is liable for amounts paid or payable in any compromise or settlement of a Claim effected without its consent.

(i) Insurance Proceeds. The amount of any loss, damage, or liability for which an indemnitor may be liable under this agreement is net of any amounts actually recovered by the indemnitee under any applicable insurance policies or from other nonparty sources. Nothing in this agreement is to be construed to relieve any insurance company of any obligation under the parties' insurance policies or to create any rights of subrogation with respect to any claim under the parties' insurance policies.

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25. **Disclaimer of Warranties.** This is a services agreement. Except for any express warranties in this agreement, CSI hereby disclaims all warranties, express or implied, including warranties of title or infringement, and any implied warranties of quality, performance, merchantability or fitness for a particular purpose.

26. **Limitation of Liability.** CSI assumes no liability for any act or omission of the Association, the Board of Directors, any former Board of Directors, any current or former unit owner (or any family member, tenant, guest, or invitee of a unit owner), or any former provider of services similar to those set forth in this agreement. CSI assumes no liability for any default by any unit owner, tenant or occupant of the Condominium or by any independent contractor or vendor with whom the Association has contracted for goods or services or both. CSI's total liability to the Association for any losses, damages or liabilities, other than liabilities arising out of CSI's indemnity obligations, is limited to \$100,000.

27. **Force Majeure.**

(a) A party's breach of any of its obligations under this agreement will be excused to the extent that the breach is caused by Force Majeure. Neither party will be liable to the other party for any breach caused by Force Majeure, nor will any such breach constitute a basis for terminating this agreement with cause.

(b) A party in breach as a result of Force Majeure shall do the following: (1) notify the other party promptly of the Force Majeure and include in the notice an estimate of its likely duration and impact; (2) continue to perform its obligations under this agreement to the extent that it is able; (3) exercise commercially reasonable efforts to mitigate the impact of Force Majeure on the other party; and (4) resume compliance with its obligations as soon as it is commercially reasonable to do so.

(c) "Force Majeure" means any event that is beyond a party's control and is not reasonably avoidable by the party's exercise of due diligence. The meaning of Force Majeure includes, without limitation, any act of war, any act of God, the failure of public utilities or common carriers, and any act or omission of any person or entity not controlled by a party, but does not include economic hardship, changes in market conditions, and the insufficiency of funds.

28. **Assignment and Delegation.**

(a) No Assignments. Neither party may assign any of its rights under this agreement without the consent of the other party, and no party may unreasonably withhold its consent. This subsection prohibits all assignments of rights, whether they are voluntary or involuntary, by merger, consolidation, dissolution, operation of law, or any other manner, except that CSI may assign any of its rights to any of its subsidiaries, to a purchaser of substantially all of its assets, or by merger, consolidation, dissolution, or operation of law.

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(b) **Delegations Permitted.** A party may delegate any of its obligations under this agreement to any person or entity upon satisfaction of the following conditions: (1) that the delegate notifies the nondelegating party before the effective date of the delegation that it assumes any obligations delegated to it; (2) that the notice is reasonably satisfactory to the nondelegating party and signed by the delegate; and (3) that the delegating party remains liable for any obligations it delegated.

(c) **Effect of Purported Assignment or Delegation.** Any attempted assignment of rights or delegation of obligations in violation of this agreement will be void.

29. **Definitions.** Unless it is plainly evident from the context that a different meaning is intended, all terms used in this agreement have the same meaning as in Chapter 4.2 of Title 55 of the Code of Virginia (1950) (the "Virginia Condominium Act").

30. **Headings.** The headings in this agreement are provided for convenience only and do not affect its meaning.

31. **Dates.** If any date specified in this agreement as a date for taking action falls on a Saturday, Sunday or legal holiday in the City of Alexandria, Virginia, then that action may be taken on the next day that is not a Saturday, Sunday or legal holiday in the City of Alexandria, Virginia.

32. **No Construction Against Drafter.** Each party has participated in negotiating and drafting this agreement, so if an ambiguity or a question of intent or interpretation arises, this agreement is to be construed as if the parties had drafted it jointly, as opposed to being construed against a party because it was responsible for drafting one or more provisions of this agreement.

33. **Governing Law.** The laws of the Commonwealth of Virginia govern all matters arising out this agreement. In the event of any conflict between this agreement and the Virginia Condominium Act or the Governing Documents, the Virginia Condominium Act and the Governing Documents shall control (in that order). This agreement expressly incorporates the provisions of the Governing Documents as they exist on the date of this agreement, including, but not limited to, Articles V, VII, and VIII of the Association's bylaws; provided, however, that any changes to the governing documents after the date of this agreement, other than changes required by Virginia law, must have the concurrence of CSI to the extent that such changes increase its obligations under this agreement.

34. **Designation of Forum.** A party bringing a legal action or proceeding against the other party arising out of this agreement shall bring the legal action or proceeding in any court of competent jurisdiction in the City of Alexandria, Virginia.

35. **Contractual Limitations Period.** Any action or arbitration against CSI must be brought within one year after the right of action accrues unless the applicable statute of limitations prescribes a shorter limitations period.

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36. **Dispute Resolution.** If a dispute between the parties arises out of this agreement, the parties shall use the procedures in this section to resolve that dispute. These procedures are to be the sole and exclusive procedures for resolving such disputes except that any party may seek provisional judicial relief if necessary to protect the rights or property of that party pending the resolution of the dispute under these procedures, and any party may seek judicial relief after exhausting these procedures without success.

(a) Negotiation. A party may notify the other party of any dispute that is not resolved in the normal course of business. Promptly after delivery of such notice, the parties shall hold a meeting, attended by persons with decision-making authority for each party regarding the dispute, to attempt in good faith to negotiate an equitable resolution of the dispute. All statements made in such negotiations are confidential and are to be treated as compromise or settlement negotiations for purposes of any applicable rules of evidence.

(b) Mediation. If the parties have not succeeded in negotiating a resolution to a dispute within 30 days after delivery of the notice of the dispute, or if the parties fail to meet within 15 days after delivery of such notice, any party may submit the dispute to a neutral mediator of the parties' joint selection for nonbinding mediation. Unless they agree otherwise, the parties shall conduct the mediation in Alexandria, Virginia, and shall share equally in its costs. All statements made in such mediations are confidential and are to be treated as compromise or settlement negotiations for purposes of any applicable rules of evidence.

37. **Confidentiality.** CSI agrees to keep its employees in strict confidence with regards to Association property including all homeowner and resident information and property. No such property will be used for any purpose other than to comply with the responsibilities under this Agreement, including policies and procedures.

[Signatures on following page]

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The parties are signing this agreement as of the date stated in the introductory clause.

**FIRST OWNERS
ASSOCIATION OF 4600
DUKE STREET**

By: Name: _____

Title: _____

Signature: _____

Date: _____

CONDOMINIUM SERVICES, INC.

By: Joe Riviere, President & COO

Signature: _____

Date: _____

Exhibit A to Service Agreement

Services Included in Annual Fee

Administrative Services			
Keep books and records	Yes	Storage of boxes are at additional cost \$50 per box per year	
Make books and records available for inspection	Yes	With 5 day written notice stating purpose. Hourly rates apply	
Prepare for and attend Membership meetings - 2 hour limit	1	Additional meetings are available at \$400 for each 2 hour meeting; hourly rates apply beyond 2 hours	
Prepare for and attend Board meetings - 2 hour limit		Additional meetings are available at \$400 for each 2 hour meeting; hourly rates apply beyond 2 hours	
Prepare and distribute board packets electronically		Cost per hard copy - \$25.00 per packet plus hourly rates for delivery.	
Send out and process resident registration information form annually	yes	Cost of envelope, postage	
Administer amenity services: pool, parking, party room	yes	Cost of passes, \$5/pass administrative. Fee, plus postage and envelope	
Prepare meeting notices	yes	hourly rates to post on site or mail out to owners.	
Receive routine business correspondence	Yes	Review and respond when necessary	
Prepare statutory certificates and statements	Yes; e.g. Certification of Annual Report	Cost of envelope, postage	
Prepare routine business correspondence	yes	Cost of envelope, postage	
Faxes (outline)	Yes	\$1 per fax transmission	
General Meetings/telephone calls	Yes	Meetings/calls with Board liaisons or non-board members during normal business hours; after hours and non-liaison board members - hourly rates apply	
Financial Services			
Receive and deposit regular assessments	Yes	Receive via lockbox and mail. Post deposits to checking account and accounting system daily.	
Make disbursements	Yes	Issue payments bi-weekly - cost of envelope, postage to mail out checks is an additional charge.	

Receive and deposit miscellaneous income	Yes	Receive via lockbox or mail and post deposits to checking account and accounting system	
Reconcile accounts	Yes	Checking and Reserve accounts to be reconciled each month	
Monitor accounts	Yes	Ensure information posted to bank accounts is correct	
Prepare monthly interim financial statements	Yes	By the 20th of each month, for each association, to be delivered electronically. Hard copies additional charge.	
Post late fees	Yes	Late fees will be assessed to delinquent accounts each month or quarterly as needed.	
Coordinate with auditors to perform audit and tax returns	Yes	Obtain audit & tax service proposals from local CPA firms, coordinate audit planning upon engagement of CPA firm. Review audits and post auditor journal entries. Audit & tax coordination is done annually.	
Prepare draft annual budget	Yes	Draft budget will be prepared annually distributed to the Board 90 days prior to the end of the FY.	
Automatic recurring payment Set-Up (at transition)	Yes	Assist individuals with online setup.	
Maintenance Services			
Maintain 24 hour emergent maintenance requests	Yes	\$30.00 per call after hours. Hourly rates if on-site is required, this is rare.	
Receive and process non-emergent maintenance/service work orders	Yes	Includes arranging contractor to respond to property and make necessary repairs (locks/doors/entry system, elevator, pest, snow, laundry, pool, garage, electrical, plumbing, carpentry)	
Prepare bid specifications, solicit and evaluate bids for routine contracts	Yes	Landscape, trash, pest, elevator, snow, housekeeping, pool, garage door, insurance, auditor, attorney, and reserve study contracts	
Conduct inspections		\$400 for each additional inspection	
Services Provided at Additional Fees			
Other Administrative Services			
Arrange for meeting facilities	Hourly Rates		
Provide additional support staff for meeting	Hourly Rates		
Prepare and distribute membership meeting or community mailings to owners	Hourly Rates	Plus cost of postage, envelopes and copies	
Manage transition between developer and owners	Hourly Rates	Meetings and correspondence with owners/residents, developer, contractors	
Administer payroll/health/benefit packages	3% of total payroll	Either through current contracts or via resources through CSI, payroll, health and benefit packages will be administered through CSI	
Investigate and respond, if necessary, requested, to possible insurance claims	10% of claim	Meetings and correspondence with owners/residents, contractors, adjuster, portal to portal	
Prepare violation notices	\$10 per letter	1 page standard notice plus postage, envelopes, copies	

Arrange for violation hearings	Hourly Rates	Cost of corresponding with Committee Chair and owner	
Violation hearing support	Hourly Rates	Portal to portal	
Administer architectural control variance requests	Hourly Rates	Meetings and correspondence with owners/residents, contractors, committee members	
Minute Taking	At Cost		
Payment Coupons (outsourced)	At Cost		
Monthly Invoices (in lieu of payment coupons)	At Cost		
Make deposits for reserve account	Included	Deposit reserve checks issued from checking account into reserve account.	
New Unit-Owner or Resident Orientation Package	Hourly Rates		
Conference/Board meeting rooms	\$100/2 hour mtg	At 4800 Duke Street, call for availability	
Special Assessment Payment Processing (per unit, per month)	\$5		
Special Request Checks (per check)	\$20		
Disaster Plan Preparation	Hourly Rates	Coordination with city, county officials	
Other Financial Services			
Prepare delinquency/late notices	\$10 per letter	Plus cost of envelope and postage	
Prepare Resale Packages	Yes	Partnership with Community Archives: Costs depend on needed documents	
Prepare Questionnaire	Yes	Partnership with Community Archives: Costs depend on needed documents	
Coordinate collections or other efforts with legal counsel	Hourly Rates	Telephone, correspondence, meetings, court appearances	
Prepare IRS forms	\$10 per form	Plus envelope and postage; excluded state and federal	
Other Maintenance Services			
Prepare, solicit bids for reserve/special projects	Hourly Rates		
Secure community loans	1% of loan		
Non-Emergency maintenance request or work order	\$5.00	Non-Emergency work order	
Emergency maintenance request or work order	\$30.00	Emergency Maintenance request or work order	
Monitor performance of contractors	Hourly Rates	Portal to portal	
Assist with enforcement of contractor warranties	Hourly Rates	Portal to portal	
Respond to and oversee emergency/non-emergent projects	Hourly Rates	Portal to portal	
Reimbursement Rates for Consumables			
Courier Delivery (in-house)	Hourly Rates		
Courier Delivery (outsourced)	At Cost		
Envelopes (each)	\$0.25		
Faxes (broadcast)	Hourly Rates		
Mailing Labels (per sheet)	\$2		
Photocopies (in-house)	\$0.25		

Enails and scanning	0.25/Email	25/page scanned	
Photocopies (outsourced)	At Cost		
Postage	At Cost		
Payables lockbox per invoice	At Cost	Currently \$1.50 subject to change without notice	
Payables lockbox per check	At Cost	Currently \$1.00 subject to change without notice	
Handchecks - Manual	\$20		
Financial Statement Analysis	Hourly Rates		
Historical Financial Trend Reports	Hourly Rates		
Adhock Financial Reports	Hourly Rates		
New Unit-Owner Account Set-Up after transition	\$50	Temporary coupons included	
NSF Fee	\$35	Receive NSF notices from bank, assess NSF fee, and mail out notice to unit owner. Cost of printing, envelopes, and postage is an additional charge.	
Reimbursable consumables charged to CSI Credit Card	plus 10%	Cost billed back at cost plus 10%.	
Payment Coupons (duplicates) (per unit)	\$10	Draft coupons from accounting system and mail out to unit owner. Cost of print, envelopes, and postage is an additional charge.	
USE OF STAFF	Hourly Rates	Time Periods	
Officers of CSI	\$195	Regular time: 8:00a - 5:00p; time and a half - 5:00p - Midnight; Double time - Midnight - 8:00a, Saturdays, Sundays, Holidays - Portal to portal	
Community Manager	\$125	Regular time: 8:00a - 5:00p; time and a half - 5:00p - Midnight; Double time - Midnight - 8:00a, Saturdays, Sundays, Holidays - Portal to portal	
Staff Accountant	\$100	Regular time: 8:00a - 5:00p; time and a half - 5:00p - Midnight; Double time - Midnight - 8:00a, Saturdays, Sundays, Holidays - Portal to portal	
Resident Services Specialist	\$90	Regular time: 8:00a - 5:00p; time and a half - 5:00p - Midnight; Double time - Midnight - 8:00a, Saturdays, Sundays, Holidays - Portal to portal	