

PROPERTY MANAGEMENT AGREEMENT



VALLEY INCOME PROPERTIES

www.valleyincome.com

455 South 48th Street
Suite #101
Tempe, AZ 85281

P: (602) 633-1350
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THIS AGREEMENT, made and entered into this _____ day of _____ 2014,
by and between: _____

(Hereinafter referred to as "Owner") and: Valley Income Properties, Inc.,

(Hereinafter referred to as "Agent").

In consideration of the property management services to be rendered by Agent pursuant to this Property Management Agreement, the Owner hereby designates Agent as the "Exclusive Agent" and representative of Owner for the purpose of management and operation for Owner's account of the following described Properties:

(Hereinafter referred to as "Property")

R E C I T A L S

- I. "Owner" is owner, managing member, or otherwise authorized in writing to direct the activities of the above referenced "property", or is commonly known as:
- II. "Agent" is duly authorized and licensed to perform all services customarily rendered by an offsite professional property management company in the State of Arizona.
- III. "Owner" wishes to retain "Agent" to provide offsite professional management of the "property", and hereby appoints manager as sole and exclusive management agent for Property.
- IV. Manager hereby accepts appointment and agrees to furnish the services of its organization for the leasing and management of the Property.
- V. Exclusive Agency Agreement: "Owner" hereby appoints "Agent" and "Agent" hereby accepts appointment of the terms and conditions herein provided as sole and exclusive management agent for the "Property".
- VI. Owner has made all material disclosures regarding the Property to the Manager, and to the best of his/her knowledge the property has no unsafe conditions, zoning or permitting conditions, hazardous materials, or violations of city ordinances that would adversely affect the Managers ability to safely manage the Property.
- VII. Upon termination of this agreement "Agent" shall assign all open contracts (which by their terms are assignable) relating to the operation and maintenance of the "property". "Owner" shall assume all liability under said contracts and shall indemnify and hold "Agent" harmless from and against any and all claims, liabilities, and expense.

Now, therefore, Agent and Owner agree to enter into this Property Management Agreement pursuant to the following items, terms, and conditions:

D U T I E S O F A G E N T

- I. Agent shall use all reasonable efforts to lease available space in the above described Property to desirable residents. For this purpose, the Agent may employ the services of real estate brokers, multiple listing services, locator services, on-site managers, area managers, initiate resident referral programs, initiate 3rd Party Craig's List postings, and any other activities deemed necessary in the leasing of the property, at the Owner's expense. In order to promote such leasing, the Agent may also place newspaper advertising, post "for rent" signs and banners on the premises, prepare for rent circulars, and engage in other forms of advertising, at the Owner's expense. The Owner shall refer all inquiries for leases or renewal of leases to the Agent, and all negotiations for leases and renewals shall be conducted and supervised by the Agent.
- II. Agent shall take all reasonable and necessary action to collect rents, late fees, deposits, reimbursements, and other income when due from residents of said property in accordance with the terms of their tenancies and may execute receipts or other documents reflecting receipts of said sums on behalf of the Owner.
- III. Agent shall do everything reasonably necessary for the proper management of the Property, including, without limitation thereto, periodic inspections, addressing and curing resident maintenance requests, arrange lease negotiations, supervise Property maintenance, and arrange for such normal improvements, alterations and repairs as may be required for the proper functioning of the Property, as deemed appropriate by Agent. From Property Operating Trust Account, Agent shall purchase all materials and supplies, contract and pay independent contractors to supply services, make contracts for electricity, gas, cleaning, refuse disposal, vermin extermination and for any other utilities or services or maintenance needs which the Agent shall reasonably consider as advisable, and shall expend such sums as Agent deems necessary to accomplish the foregoing.
- IV. Fidelity Bond. Manager shall cause all personnel who handle or are responsible for the safekeeping of any monies of Owner to be covered by a Fidelity Bond or comparable insurance, in the amount of \$250,000.00 with a bonding company selected by Manager.
- V. Properties of all size shall be assigned an on-site manager, as well as an area manager, to assist with the day to day site duties at the property. Compensation for site management shall be at current market standards as determined by Agent, and shall be deemed a normal operating expense of the Property. Property shall not be charged for both an on-site manager and an area manager; only one shall be expensed to the property as determined by "Agent". In the absence of a compensated live-in site manager, Area manager shall oversee site duties and be compensated at market rate, such expense to be deemed a normal operating expense of the Property. Agent may initiate performance bonuses for either site or area managers, not both, for monthly collections that are equal to or greater than 92% of the full rent roll, for any given period. Performance bonuses must be pre-approved by Company Administration, shall be considered a normal operating expense of the property, and shall not exceed \$5.00 per unit, per property.

- VI. All routine maintenance, to include day-to-day repair work orders as well as vacant unit apartment turns shall be overseen by Consolidated Maintenance Services, Inc., and billed at current market standards. All maintenance payroll billings shall be inclusive of payroll taxes, workman's comp., and general liability insurance. All CAP EX contract projects shall be posted for bid, and a minimum of three (3) 3rd party bids shall be secured work in excess of \$5,000.00 for any one item.
- VII. All sums received from rents, and other income from the Property, including all interest earned from Bank Account shall be deposited in a Property Operating "Trust Account", separate and apart from Managers corporate account. Said Trust Account shall be established in a bank or other institution whose deposits are insured by the FDIC, and shall be maintained by the Agent. Authorized signatories of said Trust Account are Jeffrey E. Hanrath, DB of Valley Income Properties Inc., and David Gedemer, CFO of Valley Income Properties. Agent may withdraw from said Trust Account all disbursements which under this Agreement are to be made at the expense of the Owner.
- VIII. As permitted by A.R.S. 33-1321(G) in the management of residential rentals (as defined by A.R.S. 33-1304) Manager may comingle security deposit payments of leaseholding residents with the funds of the Property Trust Account.
- IX. Unless otherwise instructed by owner, from gross revenues collected from the Property, Agent shall:
 - A. Pay all operating expenses incurred through renting, servicing, maintaining, or repairing the Property and such other expenses in connection with the Property.
 - B. Establish and maintain a working reserve account equal to \$ 100.00 per unit. Reserves shall be held and used in the event of a monthly shortfall in operating funds or in the event of an immediate capital improvement requirement, as determined by Agent.
 - C. Pay the real estate taxes and property insurance, if applicable, and upon separate agreement with Owner. .
 - D. After all operating expenses have been accounted for; agent shall forward to Owner any excess funds for the operating period, less the required reserve minimum.
 - E. Any excess cash flow funds shall accompany the previous month's operating reports and be forwarded via ACH transfer to the bank authorized by owner on page 8 of this agreement.
 - F. Unless otherwise instructed by 'Mortgage Payment Agreement ', signed by both Owner and Agent, Agent shall not be responsible for monthly mortgage or other debt obligations.
- X. Financial Reports. Agent shall render to the Owner a monthly statement of receipts and disbursements, together with supporting vouchers, if requested, and reflecting the financial condition of the Property for the month immediately preceding. These financial reports shall be delivered to Owner by the 15th day of the following month, and shall be the standard Financial Reports provided by the Agent to all clientele. Creation and/or maintenance of specialty reports, custom reports, custom forms, 3rd party or internal auditing requirements and the like shall be billed at the rate of \$50.00 per hour.

- XI. Agent shall maintain full and accurate books and records of the accounts of the property, which shall be open to the inspection of Owner at the office of Agent after reasonable notice to Agent. Said reports shall be placed on Owner's secure web portal by the 15th day of the following month. At such time, unless otherwise instructed, Agent shall forward to the Owner the balance of remaining funds for the operating period, after all necessary charges and reserves have been made, as provided in this Agreement. All cash flow disbursements shall be by ACH transfer, made to such account as directed by owner (see page 8). Said monthly statement shall be deemed accurate and correct between the parties unless Owner notifies Agent within forty five (45) days after the posting date of said statement of any claimed error or inaccuracy.
- XII. Supervision of any Capital Improvements in to the property, over and above those related to normal operations of Property, shall be negotiated by a separate employment agreement.
- XIII. Agent may contract on behalf of the owner for sale of laundry, soda, and other vending Etc. The income from such contracts shall be the property of the Owner and shall be deposited by the Agent in the Owner's account.
- XIV. Agent shall have the authority and exclusive right to negotiate month-to-month tenancies with the existing and prospective tenants.
- XV. Agent shall obtain approval from Owner for any expenditure for repairs, improvements or work in excess of \$500.00 for any one item, except monthly or recurring operating charges, and/or work in excess of the maximum, if in the opinion of Agent such repairs are necessary to prevent additional damage, prevent a greater total expenditure, to protect the Property from damage, or to maintain services or conditions to the tenants as called for by their tenancy. The Agent shall notify the Owner promptly whenever emergency repairs have been ordered.

D U T I E S O F O W N E R

- I. Owner agrees to promptly furnish Agent with all documents and records to properly manage the Property, including, but not limited to a current and accurate rent roll, all leases and amendments and correspondence pertaining thereto, current resident charge and payment ledgers, previous months operating reports, copies of existing service contracts, a detailed list of utility accounts and corresponding account numbers, apartment keys, mail box keys, and storage keys, and any other data or materials determined necessary for the efficient transfer of management duties.
- II. Initial Deposit. Immediately upon commencement of this agreement, Owner shall remit to Manager the sum of \$_____
- III. The sum shall be deposited in the Property Operating Trust Account as an initial deposit representing the estimated disbursements to be made during the initial operating month of this agreement.
- IV. In the event there is a deficit in the Property Trust Account, and if Agent notifies Owner of the amount of this deficiency, Owner agrees to forward the amount of the deficiency to Agent within forty eight (48) hours of notice.
- V. On site Management Office. Owner shall provide adequate space on the property for the establishment of a site office. Owner shall pay all expenses related to such office, including but not limited to furnishings, equipment, electric, telephone, internet, postage, supplies, and other expenses related to the efficient operation of site office.
- VI. Except for Agent's willful misconduct, Owner shall indemnify and save the Agent harmless from any and all costs, expenses, attorneys' fees, suits, liabilities, damages from or connected with the

management of the Property by the Agent or the performance or exercise of any of the duties, obligations, powers of authorities herein or hereafter granted to Agent.

- VII. Owner hereby waives all rights and those of its insurers with respect to recovery against the Agent and the officers of Valley Income Properties Inc., employees and representatives of Agent on account of loss or damage to Owner's real or personal property where such loss is caused by an insurable peril, including but not limited to fire or any of the extended coverage hazards and which damages arise out of or in connection with the premises. Owner shall give notice to the insurance carrier, that the foregoing waiver of subrogation is contained in this Agreement.
- VIII. Owner agrees not to attempt to employ or otherwise contract with any area manager, office staff, or maintenance staff, currently or previously employed by or contracted by Valley Income Properties, Inc. If Item D is violated, owner agrees to reimburse Agent for damages at the rate of \$3,000.00 per occurrence.
- IX. Upon approval of this agreement, Owner shall notify and inform insurance company that Agent is to be named as Other Insured on the insurance policy.
- X. In the absence of being named Other Insured, Owner shall be responsible for Agents legal defense and all associated legal costs and penalties that may arise from a lawsuit involving the operation of the property.
- XI. In the event that any governmental agency, authority or department, Mortgage Company, or Insurance Company shall order a repair, alteration or removal of any structure or repair matter to the Property, and if after notice of the same to the Owner, Owner fails to authorize the Agent, or others, to make such repairs, alterations or removal, the Agent shall be released from any responsibility in connection therewith, and Owner shall be answerable to such body for any and all penalties and fines whatsoever.
- XII. **MANAGEMENT FEE FOR OFFSITE MANAGEMENT:**
Agent is authorized to deduct a _____ (_____),
with a minimum fee of \$ _____ .00 per month, as monthly management fee for said services each month as the first charge upon all gross monthly income received for such month. Gross monthly income includes, without limitation thereto, rents, advance or prepaid rent payments, late fees, NSF fees, laundry and vending income, and any other "Income" of the property.
- XIII. **ADDITIONAL COMPENSATION:**
Agent is authorized to deduct an initial Setup Fee equal to \$ _____
Agent is authorized to deduct a leasing fee equal to: \$ _____
for initiating all new leases with a duration of at least 12 months.
Agent is authorized to deduct leasing fee equal to: \$ _____
for renewing any expired lease for duration of at least 12 months.
- XIV. **PASS THROUGH ADMINISTRATION COSTS:** Administrative costs such as office supplies, postage, internet access, access to PEAK management portal, Etc., are paid at the corporate level, and passed through to the property at COST, no markup, on a Per Unit cost basis. These expenses shall be reported under "Administrative Expenses" on the monthly operating reports, and typically cost \$3.00 - \$5.00 per unit per month.

M I S C E L L A N E O U S

- I. This agreement shall commence this _____ day of _____, 2013, or earlier as determined by owner, and shall continue in full force and effect for a period of twelve (12) months from the effective date, subject to either party's right to cancel this Agreement by not less than Thirty (30) days' advanced written notice at any time during said 12 month period, cancellation shall be effective at the end of the calendar month during which the (30) day notice period expires.

At the expiration of the twelve (12) month period, if this Agreement has not been renewed by both parties in writing for an additional fixed period, it shall be deemed a month-to-month agreement, cancelable by either party on not less than thirty (30) days' advance written notice, which notice may be given at any time during the month provided that in any event the cancellation shall be effective at the end of the calendar month during which the (30) day notice period expires. In the event of an early termination by Owner during the initial 12 month period, Agent shall be entitled to two months average management fees to offset continuing administrative and payroll obligations.

- II. Agent shall, provided Owner has paid to Agent all sums due Agent under this Agreement, and provided all vendors are fully paid, deliver to Owner within Forty Five (45) days after the expiration or termination of this Agreement, the following:
1. An up-to-date accounting reflecting the balance of income and expenses for the property as of the date of the termination.
 2. Any balance of Monies of Owner held by Agent.
 3. All leases, receipts for deposits, insurance policies and unpaid bills.

After the delivery of the above designated items to Owner, if Owner does not notify Agent in writing within Thirty (30) days specifying any claimed inaccuracy in said accounting in the amount of monies delivered or in the papers and documents of Owner, Agent shall be released by Owner from any and all obligation to Owner arising out of this Agreement and the performance hereunder.

- III. Where legal assistance is required for such matters as enforcing the collection of rents or eviction proceedings, such action shall be through Counsel designated by Agent and shall be at Owner's expense. In the event Agent or Owner shall institute legal proceedings against the other, arising out of the terms of this Agreement, or the performance hereunder, then the prevailing party shall recover from the other, all attorney's fees, costs and expenses incurred in any such action. Owner, and/or signer of this agreement as listed below further provides a personal guarantee that all monies owed Agent or any vendor initiated by Agent under the terms of this agreement shall be made whole within 30 days of termination of this agreement
- IV. This Agreement shall be binding upon the parties hereto, their legal representatives, and successors and permitted assigns, and may not be assigned by the Agent without the prior written consent of the Owner.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year above set forth.

Valley Income Props.Inc. _____

By Jeff Hanrath _____

By _____

It's President _____

Its _____

455 S. 48th Street #101
(Street Address)

(Street Address)

Tempe, AZ 85281
(City, State, Zip)

(City, State, Zip)

602-633-1350
(Business Telephone Number)

(Telephone Number)

"AGENT"

"OWNER"

A U T H O R I Z A T I O N T O E S T A B L I S H U T I L I T I E S

Owner hereby authorizes Agent to establish all utility accounts for said Property, to include BUT NOT LIMITED TO, electricity, gas, water & sewer, trash removal, telephone, and other utility services required for the normal operation of the Property.

Owner

Owner's SSN or Tax ID

OWNER PRIMARY CONTACT INFORMATION

Mailing Address: _____

Home Phone: _____

Cell Phone: _____

Email Address: _____

Color Photo (please attach with return email)

FOR MONTHLY ACH CASH FLOW TRANSFERS - PLEASE PROVIDE

Bank Name: _____

Routing Number: _____

Account Number: _____

PRIVILEGE TAX

Is a Privilege Tax License already established? Yes / No

If Yes, please provide Account Number: _____

In no, a license application will be forwarded to owner for completion.

REAL ESTATE TAXES

Are real estate taxes to be paid by manager? Yes / No

PROPERTY INSURANCE

Is property insurance to be paid by manager? Yes / No

Insurance Carrier: _____

Contact Person: _____

Contact Phone: _____

Contact Email: _____

MORTGAGE PAYMENT AGREEMENT

MORTGAGE INFORMATION

Does the property have a Mortgage: Yes / No

If Yes: (please attach payment coupon with this email)

Mortgage Company: _____

Company Address: _____

Contact Person: _____

Contact Phone: _____

Contact Email: _____

Account Number: _____

Additional Comments: _____

Owner agrees to immediately contact Mortgage Company and add Valley Income Properties and David Gedemer as Authorized Agent on the account.

Owner hereby instructs Agent to pay mortgage from monthly operating income. Agent agrees to pay mortgage, from available operating funds by the "As Late" payment date (as opposed to the "due date").

In the event of an cash shortfall, and the inability to meet the mortgage obligation, Agent shall notify Owner 72 hours prior to the "As Late" date of the shortfall, and Owner agrees to immediately advance the required funds needed to meet the mortgage obligation.

In the event of a cash shortfall, Agent shall not be liable for any late fees, penalties, or damages to Owner for late or missed Mortgage payments.

Owner

TIN / last 4 SSN

Date

Agent