
ARIZONA PROPERTY MANAGEMENT AGREEMENT

IN CONSIDERATION of the covenants herein contained, _____, hereinafter designated as Owner, agrees to employ _____, as exclusive Agent, hereinafter designated as Agent, to rent, lease, operate, and manage the real property situated in the City of _____, County of _____, State of Arizona, known as _____ (Premises) for a period commencing on the date of _____, 20____ and terminating at midnight on _____, 20____ upon the following terms and conditions. This agreement will automatically renew for an additional 1 year period provided that Agent notifies Owner at least 30 days prior to each termination date. Owner has 30 days to acknowledge or accepts the new terms as written. Should a delay occur in signing a new agreement after the expiration date, both parties agree management services will be extended for one year or until another agreement or extension is provided by Agent. Either party may terminate this agreement with 60 days written notice to the other party or parties.

A signed management agreement and an initial operating reserve of \$_____ are required before any action will be taken on Premises. A non-refundable set-up fee of \$_____ will be paid from the initial funds. Owner represents that Premises is in rent ready condition; if not, this agreement is voidable by Agent. Prior to beginning any work, Owner and Agent will agree to any work necessary to bring Premises into "rent ready" condition. Additional deposits may be required from Owner for advertising, remodeling, repairs, projected negative cash flow, or other expenses. If Agent judges Premises not rent ready, marketing may be suspended.

AGENT'S AUTHORITIES AND OBLIGATIONS

Owner hereby confers upon Agent the following authorities and obligations:

1. To advertise availability of the Premises, to display "For Rent/Lease" signs, and to expend and disburse Owner funds for direct advertising costs. Signs will be placed on unfurnished properties unless restricted by the Agent's of the subdivision. Available properties are marketed through internet advertising and Multiple Listing Service (MLS). Realtor Cooperation: Agent will solicit cooperative relations with members of the Arizona Associations of Realtors through placement of the property in the MLS and payment of referral fees. Agent will bear the cost of MLS membership and any cost of placing property in MLS. It is to the discretion of the Agent to determine whether or not the property will be placed in MLS. Owner will bear the cost of referral fees (a marketing expense), not to exceed \$_____ without prior Owner approval.
2. To use a lockbox to permit access to the Premises to the Agent, cooperating agents and maintenance vendors. Lockboxes will not be placed on occupied properties by Agent or any other party (unless unit is Owner occupied). Owner acknowledges that Agent is not insuring Owner against theft, loss or vandalism resulting from such access or while unit is vacant. Owner further acknowledges that, from time to time, unauthorized persons may have gained access to properties using lockboxes.
3. To screen and use diligence in the selection of prospective tenants. To set the criteria for qualifying, screening, and approving all potential tenants. Agent shall check source of income and previous landlord

references, run credit reports and criminal background checks on rental applicants. Agent shall not discriminate based upon race, color, religion, handicap, sex, familial status, or national origin. (Smokers are not a protected class. Owners may decide whether or not smokers may smoke inside the residence.) Upon request, Owner may be consulted during application process. Agent has final approval based upon published criteria. Agent will use reasonable efforts to screen potential tenants and to collect rents but does not guarantee future performance and is not obligated to refund Owner any compensation or commissions in the event of tenant breach.

4. To negotiate and execute leases, lease renewals and rental agreements on behalf of Owner. Agent has the authority to establish the terms and conditions for tenancies, including but not limited to rents, deposits, fees, diminished value, discounts, lease terms and conditions. Owner is notified of lease expirations on their monthly statements. Agent will proceed with lease renewals unless otherwise directed by Owner. Agent shall not disburse tenant's refundable security deposits, prepaid rent, or other prepaid funds to Owner until earned.

5. To follow the following Pet Policy: No dogs over 20 pounds, puppies or kittens without Owner approval. Although a few exceptions are made, it is generally against Agent's policy to take Pit Bulls, Dobermans, Shepherds, Retrievers, Rottweilers, Chows or Labs. A standard non-refundable fee of \$_____ is charged per pet and will be disbursed to Owner's account.

6. To collect rents, security deposits, and all other receipts, and to deposit such moneys in a Trust Account with a qualified banking institution in Arizona. Agent is not responsible for loss of funds due to failure or bankruptcy of said depository. Rents are due on the 1st of the month, late on the 2nd of the month.

7. To serve notice of termination of tenancies, notices to quit or pay rent, and such other notices as Agent may deem appropriate. 5-day eviction notices are printed on or about the 5th of the month if the rent is not paid. (If the tenant is a chronic collection problem, Agent may deliver these on the 2nd of the month.) Unless directed otherwise by Owner, Agent shall take every eviction to forcible detainer and judgment. Agent will turn over judgments to a collection service (however, Owner acknowledges that very few are collected). Owner authorizes Agent to pay any collection agency fee on their behalf. Agent will use professional process servers for all notices that Agent does not personally deliver or mail to avoid personal risk to Agent and is required by law for forcible detainer actions.

8. To employ attorneys for the purpose of enforcing Owner's rights under leases and rental agreements and instituting legal action on behalf of Owner.

9. To process security deposit refunds upon tenant move out. Upon request, Owner may be consulted during refund process, but Agent has final approval in accordance with Arizona State law.

10. To provide all services reasonably necessary for the proper management of the property including an annual interior survey, supervision of maintenance and arranging for such improvements, alterations and repairs as may be required by Owner. For an additional fee, an annual crime prevention survey and retro fit maintenance may be provided.

11. To hire, supervise and discharge all independent contractors required in the operation, maintenance and refurbishment of the property. Compensation shall be in such amounts as approved by Owner. Agent requires that vendors have current liability insurance and workers compensation, or provide a self-employed waiver form. All invoices are billed to the Owner in care of the Agent. When employees must be hired to operate and/or maintain the property, the hiring and compensation of those employees will be subject to a separate addendum attached to this agreement.

12. To contract for repairs or alterations at cost to Owner not to exceed \$_____ per repair - (repair limit does not apply to HVAC or water heater repairs/replacement and Agent is not required to notify Owner prior to repair or by any other means than the monthly statement). Agent agrees to notify Owner on expenditures in excess of \$_____ for any one item, except recurring (monthly) operating charges and/or emergency repairs in excess of the maximum, if in the opinion of the Agent such repairs are necessary to protect the

Premises from damage or to maintain services to the tenant as required in their leases or by local, state, or federal laws. Owner authorizes Agent to utilize reserve or other Owner's funds held in the Agent's Trust Account for disbursement as required.

13. To contract for emergency repairs and expenditures as are necessary for the protection of the property from damage, or to provide services to the tenants provided for in their leases and the Landlord Tenant Act. (Including but not limited to: HVAC failures, water line breakage, sewage back flow, or roof, structural or other failures). Owner will be notified the next business day or sooner of emergency repairs.

14. To contract as Agent deems necessary for utilities, services, appliances, pest extermination and supplies for the operation, maintenance and safety of the property. Owner agrees to assume the obligation of any contract so entered into at the termination of this agreement.

15. To cooperate with various home warranty companies in the maintenance of the property (when applicable). If warranties are not presented at time of contract commencement, Agent will not be liable for work performed by a repair service of its choice. Should Agent determine that the warranty company or its subcontractor is unresponsive or untimely, Agent may contract for necessary repairs with a repair service company of their choice. Owner assumes all responsibility for renewal of warranty contract(s) and payment of policy premiums.

16. To pay from gross receipts all operating expenses including (but not limited to): advertising, utilities, repairs, sales/privilege use taxes, legal and court costs and management fees. Owner assumes full responsibility for the payment of any expenses and obligations incurred in connection with the exercise of Agent's duties set forth in this agreement. Agent shall maintain leases, original work orders, original paid invoices, receipts, checks and deposits as required by Arizona Law. A full ledger and summary of accounts is sent with year-end reports. Owner will be provided a year-end statement and IRS 1099 Form by January 31st as required by law. Year-end document preparation fee is charged in December of each year. Fee schedule is based upon number of individually owned units managed by Agent. One (1) unit = \$35.00. Two – Four (2-4) units = \$25.00 each. Five – Ten (5-10) = \$15.00 each and Ten (10) or more units = \$10.00 each.

17. To maintain accurate records of all moneys received and disbursed in connection with the management of the property. Owner has the right during regular business hours, upon reasonable notice to examine and make copies of their account records.

18. To submit monthly statements of all receipts and disbursements and to remit the net proceeds each month. When available, statements will be provided online and net proceeds will be direct deposited into Owner accounts approximately the 21st of each month. Owners requesting a check at any other time of the month may be charged an "out of cycle" \$25.00 processing fee. Owner will provide an email address for online statement notification and bank account Information for direct deposit purposes.

19. To pay from gross receipts other authorized expenses: **none**. All loan payments, property taxes, privilege use taxes, insurance and homeowner's association payments are the direct responsibility of Owner. Owner may direct Agent to make payments on his behalf, using coupons, vouchers, or billing statements, which must be provided by Owner. An accounting service fee of \$20 per unit per year for additional services (monthly impound accounts, property tax payments, etc.) will be charged as services are rendered. Owner is solely liable for any changes. If Agent does not receive payment instructions in a timely fashion, Owner is solely liable and no payment will be made. Agent is not responsible for any late fees and/or credit issues due to late payments for any items referred to in this paragraph. Agent cannot under any circumstance advance money for payment of Owner's obligation.

OWNER'S OBLIGATIONS

1. To hold the Agent harmless and protect Agent from all damage suits in connection with the management of the herein described property; from liability from injury suffered by any employee or

other person whomsoever. Owner shall not hold Agent liable for any error of judgment, or for any mistake of fact or law, or for anything which Agent may do or refrain from doing hereinafter, except in cases of willful misconduct or gross negligence. Agent shall not be held responsible for damages to the property caused by Tenants or contractors selected by the Owner or Agent or caused by any third party, except in the case of negligence by Agent.

2. Owner agrees to carry, at Owner's expense, bodily injury, property damage and personal injury public liability insurance in the amount of not less than \$500,000.00 per person or One Million Dollars (\$1,000,000) if the Premises contains a pool, attractive nuisance or latent defects. In cases of a condominium/townhouse umbrella policy, Owner shall carry a minimum of \$300,000.00. The policy shall be written on a comprehensive general liability form and shall name the Agent as additional insured. Owner shall immediately furnish Agent with a certificate of insurance evidencing that the coverage is in force with a carrier acceptable to Agent. If Owner does not provide evidence of such insurance, Agent may purchase such coverage at Owner's expense. In the event Agent receives notice that said insurance coverage is to be canceled, Agent shall have the option to immediately cancel this agreement.

Insurance agent name/company: _____ phone number: _____.

3. Owner shall deposit with Agent \$ _____ as an initial operating reserve immediately upon signing of this Management Agreement. Owner's funds to be held in Agent's Trust Account and shall be returned or accounted for within thirty (30) days. Per Arizona statutes, Agent requires that there never be a negative balance in Owner's account. Agent may terminate this agreement immediately if Agent requests additional funds from Owner and Owner does not provide requested funds within three business days. Owner understands that Agent will not advance its own funds for payment of Owner's operating expenses. If the property is occupied prior the start of this agreement, Owner agrees to forward any existing tenant deposits to Agent.

4. A minimum retained balance of \$ _____ shall be maintained in Agent's Trust Account (additional amounts may be needed to cover HOA, Tax or Insurance payments). It shall be used by Agent to pay Owner's expenses and shall be replenished each month from rental revenue. Owner shall cover any excess of expenses over income within ten days of any request by Agent.

5. Investor-clients of the Agent are responsible for their own due diligence in determining the rentability and insurability of their owned investment property. The undersigned Owner of the property hereby affirms that: a.) The property is insured as a rental, with the Agent named as additional insured, and b.) The Home Owner's Association (HOA) is aware of and approves the use of the property as a rental.

6. Owner will disclose all known defects, latent or obvious, to Agent and warrants that the Premises are in a safe and sanitary condition as of the contract date.

7. Owner agrees to allow Agent to handle Tenant relations and Agent discourages Owner from contacting the tenant directly. In the event communication takes place between Owner and Tenant, and a situation results that causes the Agent to intervene, the Owner may be charged a \$ _____ per half hour fee.

8. If a valid Exclusive Right to Sell Agreement exists, Owner acknowledges that they have informed the other Real Estate Agent/Brokerage (Name: _____) of their intent to enter in to this Management Agreement. Owner, Listing Agent (Broker) and Management Agent agree that, if property is sold prior to leasing, the Management Agreement shall be canceled; if property is leased before selling the Exclusive Right to Sell Agreement shall be canceled. In the event of the sale of the property to persons other than the Tenant, the sale shall be subject to the lease term per Arizona Law.

9. Owner certifies that all mortgage obligations, property taxes, association fees, (and/or any other obligations which could lead to a foreclosure action against the property) **are current at this time and further agrees to keep them current and paid in full as required.** Should Agent be notified in any manner that a foreclosure action has been initiated against the subject property, Owner authorizes Agent to freeze all funds related to that property and Agent will make no further disbursement to Owner. Owner

has 30 days to cure the default that initiated the foreclosure action or provide evidence that the foreclosure was initiated erroneously by the lending institution. Should Owner fail to cure the default, Owner authorizes Agent to refund the security deposit to Tenant and to deduct from any Owner's funds on hand with Agent all amounts due to Agent or Tenant including, but not limited to, any refund to Tenant of prorated rent, commissions or expenses. Owner and Agent agree that nothing in this paragraph shall limit Agent's other legal remedies to collect from Owner any unpaid fees due to Agent.

10. Neither Agent nor Owner may assign any rights or obligations pursuant to the Property Management agreement without prior consent of the other party.

COMPENSATION

Owner agrees to pay Agent fees for services rendered at the rates hereinafter set forth. Owner agrees to assign to the Agent all rents (including rents paid directly to Owner) and other income collected for the purposes specified in this Agreement, including the payment of obligations incurred. Such compensation is due and payable on demand and may be collected from any of the Owner's funds. MANAGEMENT SERVICES: _____% of gross rents collected. Owner agrees that the management fee represents payment for management and leasing services. A leasing commission of _____% of gross rents for the term of the lease is part of the management fee and this commission is owed and payable in full, regardless of whether the Agent is retained to manage the property during the entire term of the lease. In addition, the Owner agrees to pay a minimum \$_____per month fee if the Owner requests, or through his actions causes, any of the Premises to remain vacant while the Agent is providing management services. Owner agrees to pay a renewal fee of \$_____ upon execution of each lease renewal.

IN ORDER TO MINIMIZE fees charged to Owner, Agent may collect and retain any or all of the following items from the Tenant as outlined in the lease agreement/rental application: fee for service of notices, late fees, check collection fees, _____% of lease break fees, pet fines, rent-ready coordination fees, application fee, key duplication fee, or any other such Tenant fee that Agent may adopt in the future during the course of normal business. Any fees due to the Agent from Tenant cannot be waived by Owner.

SALE OF PROPERTY: **By separate agreement.**

OTHER SERVICES: Owner agrees to compensate the Agent at an hourly rate of \$_____ per hour for Owner requested services, other than management services, including but not limited to receiverships, garnishments, court appearances, audits, capital improvements, restorations, refurbishments, renovations, major re-landscaping, and meeting prospective buyers, non-Agent vendors, utility representatives, other agents, appraisers or inspectors upon Owner demand or if the property is listed for sale. In addition the Owner agrees to compensate the Agent up to five percent (5%) of the total claim for supervision and participation of any and all insurance claims involving the Premises.

TERMINATION: Either party may terminate this agreement with 60 days written notice to the other party or parties. Termination without proper notice or at any time other than the agreement ending date will result in cancellation fees (on occupied properties). Upon termination of management agreement, Agent shall provide Owner with a final accounting pursuant to ARS #32-2173. Agent shall deliver to Owner a final accounting statement and Owner distribution check within 35 days of the termination date. Any deposits held will be transferred into the Owner's funds and accounted for in the final statement. Should there remain additional outstanding payables, Agent may withhold an estimated amount to cover them and account to Owner as soon as the payment is made but not to exceed 75 days from termination date. Should Owner have a shortage in his account to cover all final payables, Owner agrees to deliver funds to Agent upon demand within five (5) calendar days.

CANCELLATION FEES: If the Owner cancels within twelve (12) months of the commencement date, after the unit is leased, Agent shall be entitled to the management fees for the balance of the first twelve months. If the Owner cancels before the unit is initially leased, the balance of the \$_____ operating reserve shall be forfeited, or a \$_____ cancellation fee shall be charged, whichever is greater. In the event of foreclosure, Agent shall be entitled to all of the management fees that would be due to Agent through the end of the management agreement or lease (whichever ends later). If the Owner cancels at any time other than the management agreement ending date with a tenant in place, full management fees are due for the 60 day cancellation period and a leasing commission of 6% will be charged through the end of the management agreement or lease, whichever ends later. Neither termination of this agreement by either party, nor sale or foreclosure of the Premises, shall affect the obligation of Owner to pay the commission to Agent.

OTHER TERMS

All notices required to be given hereunder shall be in writing and mailed to the parties hereto at the addresses set forth below. This is intended to be a legally binding contract. No representation is made as to the legal validity or adequacy of any provision or the tax consequences thereof. Owner recognizes, acknowledges, and agrees that Agent is not qualified or licensed to provide legal or tax advice. If you desire legal or tax advice, consult your attorney or tax advisor. This agreement is entered into by and between the Owner and Agent, and shall be binding upon the successor and assigns of the Agent, and the heirs, executors, administrators, successors and assigns of the Owner. This agreement and applicable attachments are the entire agreement between the Owner and Agent, and there are no other covenants, promises, agreements, conditions or understandings, oral or written between them. Any change or alteration to this agreement must be in writing. Agent may modify this agreement with a minimum 30 day written notice to Owner. Modifications may apply to this agreement and any future revisions. Owner agrees to pay applicable state gross receipts tax (service tax) if adopted by state. If any provision in this agreement is held by any Court to be unlawful, invalid or unenforceable, that provision shall be voided, but all other terms and conditions shall remain in effect. Funds collected by Agent, including security deposits, will be held in Agent’s Trust Account during the term of this Agreement. Owner agrees to allow Agent to hold all tenant deposits. It is understood and agreed that Agent will be depositing funds held for Owner from time to time into a trust savings account. The interest there from will be the property of the Agent and will be used by Agent to defray its operating expenses. Agent will not be responsible to account for such interest to Owner. In the event of any legal action by the parties arising out of this agreement, the prevailing party shall be entitled to reasonable attorney’s fees and costs, to be determined by the court in which such action is brought. If any of the Premises shall ever be foreclosed upon or condemned, this agreement shall immediately be terminated without further action or notification required by either party. Agent accepts employment under the terms hereof and agrees to use diligence in the exercise of the obligations, duties, authorities and powers conferred herein upon Agent.

OWNER SIGNATURE

ADDRESS_____

E-MAIL_____

OWNER SIGNATURE

CITY/STATE/ZIP _____

PHONE_____

AGENT'S SIGNATURE