



Commercial Property Management Agreement

THIS COMMERCIAL PROPERTY MANAGEMENT AGREEMENT (the "Agreement") is made on the ____ of _____, 20__ (the "Commencement Date") entered by and between _____ hereinafter called "OWNER", and 5 STAR REAL ESTATE SERVICES INC. DBA 5 STAR PROPERTY MANAGEMENT, hereinafter called the "BROKER".

WHEREAS, OWNER will is legal OWNER and has the rights and interests to the property _____ (the "Property").

WHEREAS, OWNER desires that BROKER to manage and lease the Property, with respect to the Property on behalf of OWNER and BROKER has agreed to perform such services. NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties, intending to be legally bound, covenant and agree with each other as follows:

1. ENGAGEMENT:

OWNER engages BROKER as an independent contractor to perform the services described in this Agreement as the sole and exclusive manager and BROKER accepts and agrees to perform such services as an independent contractor. This agreement does not create a partnership or joint venture between the parties. BROKER is an independent contractor.

2. PROPERTY:

"Property" means: PARCEL : Address: _____ legally described as: _____

"Property" also includes any other Property described in any attached Multiple Property Addendum.

3. TERM:

A. Initial Term: The Initial term of this agreement begins and ends as follows:

Commencement Date: _____

Expiration Date: _____

B. Automatic Renewal: Unless either party provides written notice of termination to the other party at least 30 days before the Expiration Date, this agreement will automatically extend on a monthly basis until either party terminates by providing at least 30 days written notice to the other party.

4. OWNER'S GRANT OF AUTHORITY AND POWERS:

A. Management Authority:

BROKER shall have the following authority which BROKER may exercise when and to the extent BROKER determines to be in OWNER's interest:

(1) collect and deposit for OWNER rents and other charges such as returned check charges and late charges) from tenants in the Property in a trust account.

(2) All funds received by Broker for or on behalf of Owner (less any sums property deducted by Broker pursuant to any of the provisions of this Agreement) shall be deposited in the bank in a Trust Account maintained by the Broker. Any interest earned on said Trust Account is to be retained by the Broker as compensation in administering these funds. Broker will not be held liable in event of bankruptcy or failure of a depository. Broker will collect, deposit and disburse tenant's security deposits in accordance with the terms of each tenant's lease. Broker shall pay tenant's interest upon such security deposits only if required by law to do so. Otherwise, any interest earned on tenant's security deposits is to be retained by Broker as compensation for administering these

funds. Broker shall comply with all applicable state and local laws concerning the responsibility for security deposits and interest.

(3) pay from the account expenses to operate the Property, including but not limited to, maintenance, utilities, repairs, security, management fees, leasing fees, and expenses authorized under this agreement;

(4) hire contractors to renovate, remodel, or redecorate the Property provided that BROKER does not expend more than **\$1,000.00** for any single renovation, remodel, or redecoration without OWNER's consent;

(5) terminate leases for the Property, negotiate lease terminations, and serve notices of termination;

(6) institute and prosecute, at OWNER's expense, actions to: (a) evict tenants in the Property; or (b) recover possession of the Property;

(7) negotiate and make reasonable concessions to tenants or former tenants in the Property;

(8) report payment histories of tenants in the Property to consumer reporting agencies;

(9) perform or to cause to be performed such maintenance of the property as is reasonable and necessary for the safety of the tenants and the preservation of the property.

(10) install fire/smoke detectors, carbon monoxide detectors, and/or fire extinguishers on the property at OWNER's expense.

(11) BROKER shall not be held monetarily responsible for its inability to collect rents. BROKER shall not be held responsible for any expenses incurred for legal action involved in the collection of rents and/or eviction of any tenant and/or damages incurred to the property. All such expenses shall be paid by OWNER, reimbursable in the event BROKER is able to collect the rents, legal fees, or damages from the tenant.

B. Leasing Authority:

OWNER grants to BROKER the following authority which BROKER may exercise when and to the extent BROKER determines to be in OWNER's interest:

(1) advertise the Property for lease by means and methods that BROKER determines are reasonably competitive, including but not limited to creating and placing advertisements of the Commercial Property and related information in any media and the Internet;

(2) to advertise the availability for rental of the Property, including by the display of "For Lease" signs; to sign, renew, and/or cancel leases for the Property and remove all other signs offering the Property for lease;

(3) submit the Property as a listing with one or more Multiple Listing Services (MLS) at any time the Property is marketed for lease and to change or terminate such listings;

(4) duplicate keys and access devices, at OWNER's expense, to facilitate convenient and efficient showings of the Property and to lease the Property and employ scheduling companies to schedule showings by other agencies at any time the Property is marketed for lease;

(5) verify information and references in rental applications from prospective tenants;

(6) negotiate and execute leases on OWNER's behalf for the Property at market rates and on competitively reasonable terms.

(7) negotiate and administer any amendments, extensions, or renewals to any leases for the Property on OWNER's behalf;

(8) collect application fees from prospective tenants

(9) to hire, discharge, and supervise all employees and independent contractors required for the operation and maintenance of the Property; those employees shall be deemed to be employees of the OWNER and not of the BROKER; the BROKER may perform all of its duties under this Agreement through such employees, or other attorneys or BROKERS, and the BROKER shall not be or be liable for their negligence, errors, or omissions if reasonable care was exercised in their appointment and retention; and

(10) perform other necessary services related to the leasing of the Property.

C. Disbursement:

BROKER shall further have the authority to pay the following:

(1) Such advertising and utility bills (including gas, electric, and water), necessary repairs and/or charges to maintain the property, and cleaning charges as shall accrue or be necessary to preserve the property during periods of vacancy or occupancy, or to put the property in a rentable condition after vacated; or expenses to

regain possession and/or to attempt to collect delinquent rent subject to the provisions set forth below; or necessary professional fees; or governmental assessments.

(2) Proceeds to OWNER. Tenancy revenues, refunds, adjustments, or other funds due OWNER shall be electronically deposited to the bank account provided by OWNER on or before the 15th day of each month.

(3) It is expressly agreed that nothing herein contained shall be construed as requiring BROKER to advance of its own monies for any purpose whatsoever.

D. Record Keeping:

BROKER will:

(1) furnish OWNER a monthly accounting statement showing the receipts and expenditures with respect to the premises including OWNER's monthly proceeds;

(2) furnish a final accounting upon the termination of this agreement within thirty (30) days from the date of a written request of management termination; and,

(3) file reports with the Internal Revenue Service which BROKER may be required to file concerning funds received on behalf of OWNER under this agreement (for example, Form 1099).

E. Security Deposits:

(1) BROKER will maintain security deposits received from tenants in the trust account in accordance with applicable law and the leases for the Property, account to the tenants for the security deposits, make lawful deductions from the security deposits, and return the security deposit balances to the tenants from the trust account.

(2) After this agreement ends, BROKER will deliver to OWNER or the OWNER's designee the security deposits held by BROKER under leases of the Property, fewer deductions authorized by this agreement,

(3) If BROKER complies with this Paragraph 4E, OWNER will indemnify BROKER from any claim or loss from a tenant for the return of a security deposit. This Paragraph 4E survives termination of this agreement.

5. LEGAL COMPLIANCE:

The parties will comply with all obligations, duties, and responsibilities under the state of Washington Property Code, fair housing laws, and any other statute, administrative rule, ordinance, or restrictive covenant applicable to the use, leasing, management, or care of the Property.

6. RESERVES:

Upon execution of this agreement, OWNER will deposit the following amount with BROKER to be held in a trust account as a reserve for OWNER: \$ _____. BROKER may, at BROKER's discretion, use the reserve to pay any expense related to the management of the Property (including but not limited to BROKER's fees). If the balance of the reserve becomes less than the amount stated, BROKER may: (a) deduct an amount that will bring the balance to the amount stated from any subsequent rent received on behalf of OWNER and deposit the amount into the reserve; or (b) notify OWNER that OWNER must promptly deposit additional funds with BROKER to bring the balance to the amount stated.

7. ADVANCES:

OWNER will, in advance, provide BROKER all funds necessary for the leasing and management of the Property. BROKER is not obligated to advance any money to OWNER or to any other person.

8. OWNER'S DUTIES:

OWNER agrees to:

(A). cooperate with the BROKER to facilitate the showing, marketing, and lease of the Property;

(B). not rent or lease the Property to anyone without the BROKER's prior written approval;

- (C). not negotiate with any prospective tenant who might contact the OWNER directly, but refer all prospective tenants to the BROKER;
- (D). not deal with or negotiate with any tenant in the Property concerning any matter related to the leasing of the Property but refer all such dealings to the BROKER;
- (E). not enter into a management agreement with another BROKER for the management of the Property to become effective during this Agreement;
- (F). *not enter any listing agreement with another Broker/broker for the leasing of the Property to become effective during this Agreement;*
- (G). provide the BROKER with copies of any existing leases or rental agreements related to the Property;
- (H). provide the BROKER with keys and access devices to the Property;
- (I). complete any disclosures, notices, registrations, and permits required by law or a lease of the Property;
- (J). amend applicable disclosures, notices, registrations, and permits if any material change occurs during this Agreement; and
- (K). notify the BROKER if the OWNER becomes delinquent in the payment of: (1) any mortgage or other encumbrance secured by the Property; (2) property taxes; (3) property insurance; or (4) OWNERS' association fees.

9. OWNER'S REPRESENTATIONS:

OWNER represents that:

- (A). OWNER has title to and peaceable possession of the Property and all its improvements and fixtures, unless rented, and the legal capacity to lease the Property;
- (B). OWNER is not bound by another agreement for the management of the Property that is or will be in effect during this agreement;
- (C). OWNER is not bound by: (i) another agreement with another agency for the leasing of the Property that is or will be in effect during this Agreement which will prevent the BROKER from acting under the powers of this Agreement ; or (ii) an agreement or covenant that prohibits the OWNER from leasing the property;
- (D). no person or entity has any right to purchase, lease, or acquire the Property by an option, right of refusal, or other agreement;
- (E). OWNER is not delinquent in the payment of any property taxes, OWNERS' association fees, property insurance, mortgage, or any encumbrance on or affecting the Property;
- (F). the Property is not subject to the jurisdiction of any court; and
- (F). all information related to the Property that OWNER provides to BROKER is true and correct to the best of the OWNER's knowledge.
- (H). Except as otherwise stated, in this agreement, or in any addendum, OWNER is not aware of: (1) any condition affecting the Property that materially affects the health or safety of an ordinary tenant; (2) any environmental hazard on the Property; or (3) any violation of any ordinance, statute, restriction, or law related to the Property.

10. BROKER'S FEES:

All fees to BROKER under this agreement are payable in Pierce County. This Paragraph 10 survives termination of this agreement with regard to fees earned during this agreement which are not payable until after its termination. BROKER may deduct any fees under this Paragraph 10 from any funds BROKER holds in trust for OWNER.

(A) Management Fees: Each month OWNER will pay **BROKER 5 %** of the gross monthly rents collected that month; excluding vacancies or a flat fee of \$_____. Management fees under this Paragraph 10A are earned daily and are payable not later than the last day of each month.

(B) Leasing Fees for New Tenancies: Each time the Property is leased to a new tenant, OWNER will pay BROKER a leasing fee of **3%** of the gross rents to be paid under the lease. In the event that a desirable tenant is found by an outside commercial real estate broker, commission equivalent to **5%** of the gross rents will be paid. The leasing fees under this Paragraph 10B are earned and payable at the time the lease is executed.

(C) Renewal or Extension Fees: The OWNER shall pay the BROKER a renewal or extension fee for negotiating the renewal or extension of an existing tenant in the Property equal to **100%** of one full month's rent to be paid under the lease. The renewal or extension fees under this paragraph are earned and payable at the time the renewal or extension is effective. For the purposes of this paragraph, a new lease for the same Property with the same tenant

then occupying the Property is an extension or renewal. This paragraph does not apply to month-to-month renewals or month-to-month extensions.

(D) Service Fees: Each time the BROKER arranges for the Property to be repaired, maintained, redecorated, altered, or registered as permitted under this Agreement, the OWNER shall pay the BROKER a service fee equal to N/A % of the total cost of each repair, maintenance, alteration, redecoration, or registration filings. A minimum service fees or project manager fees discussed under this paragraph shall be \$N/A . The service fees under this paragraph are earned at the time the repair, maintenance, redecoration, or alteration is made and are payable upon the OWNER's receipt of Leasing Agency's invoice.

(E) Interest on Trust Accounts: BROKER may retain any interest or income from such account as compensation under this agreement. BROKER will remove any interest or income payable under this Paragraph 10 E from the trust account not later than the 30th day after the interest or income is paid.

(F) Administrative Fees: If the BROKER collects administrative charges from tenants or prospective tenants, including but not limited to, application fees, bus tour fees, returned check fees, or late charges, the BROKER will retain such fees as compensation under this Agreement. The administrative fees under this paragraph are earned and payable at the time the BROKER collects such fees

(G) Key Box Fees: Each time the BROKER arranges for the placement of a key box with keys at the Property, the OWNER shall pay the BROKER a service fee equal to \$N/A per Property address. The service fees under this paragraph are earned at the time the key box installation with keys is made and are payable upon the OWNER's receipt of the BROKER's invoice.

11. EXPENSE REIMBURSEMENT:

OWNER's receipt of BROKER's invoice, OWNER will reimburse BROKER the following all expenses that are related to the leasing or management of the Property.

12. LIABILITY AND INDEMNIFICATION:

It is agreed that BROKER shall use reasonable and ordinary care in the selection of tenants and all other acts assigned for performance by this Agreement. When any act is required of the BROKER, it shall be done in the ordinary course of BROKER's business.

(A) OWNER shall save BROKER harmless from all personal injury suits, which may arise in connection with the management of the premises, and from any liability from injuries suffered by any person entering the premises, including any resident manager or other employee.

(B) BROKER shall not be personally liable for any act it may do or omit to do hereunder as BROKER while acting in good faith, exercising its best judgment.

(C) BROKER is hereby expressly authorized to comply with and obey any and all process, orders, judgment or decree, it decrees of any court; where BROKER obeys or complies with any such process, order, judgment or decree, it shall not be liable to OWNER or any person, firm, or corporation by reason of such compliance, notwithstanding subsequent reversal or modification.

(D) BROKER is hereby expressly authorized to comply with any laws, whether now in existence or hereinafter enacted, and whether federal, state, or local, relating to fair housing, rent control, discrimination, and health and welfare. BROKER is expressly authorized to comply with the rule or order of any governmental agency, insofar as such order in any manner affects the management of the premises or any duties of the BROKER hereunder.

(E) OWNER agrees to protect, defend, indemnify, and hold BROKER harmless from any damage, costs, attorney's fees, and expenses that are caused by OWNER, negligently or otherwise or arise from OWNER's failure to disclose any material or relevant information about the Property or are related to the management of the Property and are not caused by BROKER, negligently or otherwise.

(F) OWNER is responsible and liable for all contracts and obligations related to the Property (for example, maintenance, service, repair and utility agreements) entered into before or during this agreement by OWNER or by BROKER under BROKER's authority under this agreement. OWNER agrees to hold BROKER harmless from all claims related to any such contracts.

13. INSURANCE:

At all times during this agreement, OWNER must maintain in effect:

(A) a public liability insurance policy that names the BROKER as a co-insured or additional insured and covers losses related to the Property in an amount of not less than \$2,000,000 on an occurrence basis; and

(B) an insurance policy for the Property in an amount equal to the reasonable replacement cost of the Property's improvements and that contains endorsements which contemplate the leasing of the Property with vacancies between lease terms.

(C) Not later than the 15th day after the Commencement Date, the OWNER must deliver to the BROKER copies of certificates of insurance evidencing the coverage required under this "Insurance" paragraph. If the coverage changes at any time during this Agreement, the OWNER must deliver to the BROKER a copy of the insurance certificate evidencing the change not later than 10 days after the change.

(F) If OWNER fails to comply with these "Insurance" paragraphs, the BROKER may:

- (1). purchase insurance that will provide the BROKER the same coverage as the required insurance under Paragraph 13 (A) and OWNER must promptly reimburse the BROKER for such expense; or
- (2). exercise BROKER's remedies under Default Paragraph.

14. DEFAULT:

A party is in default if the party fails to cure a breach within 10 days after receipt of written demand from the other party. If either party is in default, the non-defaulting party may: (a) terminate this agreement by providing at least 10 days written notice; (b) recover all amounts due to the non-defaulting party under this agreement; (c) recover reasonable collection costs and attorney's fees; and (d) exercise any other remedy available at law. BROKER is also entitled to recover any compensation BROKER would have been entitled to receive if OWNER did not breach this agreement.

15. MEDIATION:

The parties agree to negotiate in good faith in an effort to resolve any dispute related to this agreement that may arise between the parties. If the dispute cannot be resolved by negotiation, the dispute will be submitted to mediation. The parties to the dispute will choose a mutually acceptable mediator and will share the cost of mediation equally.

16. ATTORNEY'S FEES:

If OWNER or BROKER is a prevailing party in any legal proceeding brought as a result of a dispute under this Agreement or any transaction related to or contemplated by this agreement, such party will be entitled to recover from the non-prevailing party all costs of such proceeding and reasonable attorney's fees

17. ASSIGNMENTS:

Neither party may assign this Agreement without the written consent of the other party.

18. BINDING EFFECT:

OWNER's obligation to pay the BROKER an earned fee is binding upon OWNER and OWNER's heirs, administrators, executors, successors, and permitted assignees.

19. JOINT AND SEVERAL:

All OWNERS executing this agreement are jointly and severally liable for the performance of all their terms. Any act or notice to, refund to, or signature of, any one or more of the OWNERS regarding any term of this agreement, its extension, its renewal, or its termination is binding on all OWNERS executing this Agreement.

20. GOVERNING LAW:

Washington state law governs the interpretation, validity, performance, and enforcement of this Agreement.

21. SEVERABILITY:

If a court finds any clause in this agreement invalid or unenforceable, the remainder of this Agreement will not be affected and all other provisions of this agreement will remain valid and enforceable.

22. NOTICES:

Notices between the parties must be in writing and are effective when sent to the receiving party's address, fax, or e-mail address specified in this agreement.

23. SPECIAL PROVISIONS: N/A

24. ADDENDA: Incorporated into this agreement are the following addenda, exhibits, and other information:

- (1) OWNER may review the information BROKER submits to an MLS or other listing service.
- (2) BROKER advises OWNER to remove or secure jewelry, prescription drugs, and other valuables.
- (3) The Property Code requires the security devices to be re-keyed and the smoke detectors to be tested each time a new tenant occupies the Property. The Property Code requires certain disclosures, notices, registrations, and permits each time a new tenant occupies the Property.
- (4) BROKER cannot give legal advice. READ THIS AGREEMENT CAREFULLY. If you do not understand the effect of this agreement, consult an attorney BEFORE signing.
- (5) BROKER's fees or the sharing of fees between BROKERS are not fixed, controlled, recommended, suggested, or maintained by the Association of REALTORS® or any listing service.

This document represents the entire Agreement between the parties hereto.

IN WITNESS WHEREOF, the parties hereto hereby execute this Agreement on the date first above written.

_____ OWNER(S) – Signature
 _____ OWNER(S) – Printed Name

_____ OWNER(S) – Signature
 _____ OWNER(S) – Printed Name

_____ BROKER Signature