



PROPERTY MANAGEMENT AGREEMENT

(C.A.R. Form PMA, Revised 4/09)

Investor Name _____ ("Owner"), and

Merit Rental Property Management _____ ("Broker"), agree as follows:

- 1. APPOINTMENT OF BROKER: Owner hereby appoints and grants Broker the exclusive right to rent, lease, operate, and manage the property(ies) known as _____ Property Address, _____ and any additional property which may later be added to this Agreement ("Property"), upon the terms below, for the period beginning (date) June 15, 2009 and ending (date) June 14, 2010, at 11:59 PM. (If checked:) [X] Either party may terminate this Property Management Agreement ("Agreement") on at least 30 days written notice 12 months after the original commencement date of this Agreement. After the exclusive term expires, this Agreement shall continue as a non-exclusive agreement that either party may terminate by giving at least 30 days written notice to the other.
2. BROKER ACCEPTANCE: Broker accepts the appointment and grant, and agrees to:
A. Use due diligence in the performance of this Agreement.
B. Furnish the services of its firm for the rental,leasing,operation and management of the Property.
3. AUTHORITY AND POWERS: Owner grants Broker the authority and power, at Owner's expense, to:
A. ADVERTISING: Display FOR RENT/LEASE and similar signs on the Property and advertise the availability of the Property, or any part thereof, for rental or lease.
B. RENTAL; LEASING: Initiate, sign, renew, modify or cancel rental agreements and leases for the Property, or any part thereof; collect and give receipts for rents, other fees, charges and security deposits. Any lease or rental agreement executed by Broker for Owner shall not exceed 1 year(s) or [] shall be month-to-month. Unless Owner authorizes a lower amount, rent shall be: [X] at market rate; OR [] a minimum of _____ per _____; OR [] see attachment.
C. TENANCY TERMINATION: Sign and serve in Owner's name notices that are required or appropriate; commence and prosecute actions to evict tenants; recover possession of the Property in Owner's name; recover rents and other sums due; and, when expedient, settle, compromise and release claims, actions and suits and/or reinstate tenancies.
D. REPAIR; MAINTENANCE: Make, cause to be made, and/or supervise repairs, improvements, alterations and decorations to the Property; purchase, and pay bills for, services and supplies. Broker shall obtain prior approval of Owner for all expenditures over \$ 300.00 for any one item. Prior approval shall not be required for monthly or recurring operating charges or, if in Broker's opinion, emergency expenditures over the maximum are needed to protect the Property or other property(ies) from damage, prevent injury to persons, avoid suspension of necessary services, avoid penalties or fines, or suspension of services to tenants required by a lease or rental agreement or by law, including, but not limited to, maintaining the Property in a condition fit for human habitation as required by Civil Code §§ 1941 and 1941.1 and Health and Safety Code §§ 17920.3 and 17920.10.
E. REPORTS, NOTICES AND SIGNS: Comply with federal, state or local law requiring delivery of reports or notices and/or posting of signs or notices.
F. CONTRACTS; SERVICES: Contract, hire, supervise and/or discharge firms and persons, including utilities, required for the operation and maintenance of the Property. Broker may perform any of Broker's duties through attorneys, agents, employees, or independent contractors and, except for persons working in Broker's firm, shall not be responsible for their acts, omissions, defaults, negligence and/or costs of same.
G. EXPENSE PAYMENTS: Pay expenses and costs for the Property from Owner's funds held by Broker, unless otherwise directed by Owner. Expenses and costs may include, but are not limited to, property management compensation, fees and charges, expenses for goods and services, property taxes and other taxes, Owner's Association dues, assessments, loan payments and insurance premiums.
H. SECURITY DEPOSITS: Receive security deposits from tenants, which deposits shall be [] given to Owner, or [X] placed in Broker's trust account and, if held in Broker's trust account, pay from Owner's funds all interest on tenants' security deposits if required by local law or ordinance. Owner shall be responsible to tenants for return of security deposits and all interest due on security deposits held by Owner.
I. TRUST FUNDS: Deposit all receipts collected for Owner, less any sums properly deducted or disbursed, in a financial institution whose deposits are insured by an agency of the United States government. The funds shall be held in a trust account separate from Broker's personal accounts. Broker shall not be liable in event of bankruptcy or failure of a financial institution.
J. RESERVES: Maintain a reserve in Broker's trust account of \$ 250.00.
K. DISBURSEMENTS: Disburse Owner's funds, held in Broker's trust account, in the following order:
(1) Compensation due Broker under paragraph 6.
(2) All other operating expenses, costs and disbursements payable from Owner's funds held by Broker.
(3) Reserves and security deposits held by Broker.
(4) Balance to Owner.
L. OWNER DISTRIBUTION: Remit funds, if any are available, monthly (or [] _____), to Owner.
M. OWNER STATEMENTS: Render monthly, (or [] _____), statements of receipts, expenses and charges for each Property.
N. BROKER FUNDS: Broker shall not advance Broker's own funds in connection with the Property or this Agreement.
O. KEYSAFE/LOCKBOX: [] (If checked) Owner authorizes the use of a keysafe/lockbox to allow entry into the Property and agrees to sign a keysafe/lockbox addendum (C.A.R. Form KLA).

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PMA REVISED 4/09 (PAGE 1 OF 3)

Owner's Initials (_____) (_____)

Broker's Initials (_____) (_____)

Reviewed by _____ Date _____



PROPERTY MANAGEMENT AGREEMENT (PMA PAGE 1 OF 3)

4. OWNER RESPONSIBILITIES: Owner shall:

- A. Provide all documentation, records and disclosures as required by law or required by Broker to manage and operate the Property, and immediately notify Broker if Owner becomes aware of any change in such documentation, records or disclosures, or any matter affecting the habitability of the Property.
- B. Indemnify, defend and hold harmless Broker, and all persons in Broker's firm, regardless of responsibility, from all costs, expenses, suits, liabilities, damages, attorney fees and claims of every type, including but not limited to those arising out of injury or death of any person, or damage to any real or personal property of any person, including Owner, for: (i) any repairs performed by Owner or by others hired directly by Owner; or (ii) those relating to the management, leasing, rental, security deposits, or operation of the Property by Broker, or any person in Broker's firm, or the performance or exercise of any of the duties, powers or authorities granted to Broker.
- C. Maintain the Property in a condition fit for human habitation as required by Civil Code §§ 1941 and 1941.1 and Health and Safety Code §§ 17920.3 and 17920.10 and other applicable law.
- D. Pay all interest on tenants' security deposits if required by local law or ordinance.
- E. Carry and pay for: (i) public and premises liability insurance in an amount of no less than \$1,000,000; and (ii) property damage and worker's compensation insurance adequate to protect the interests of Owner and Broker. Broker shall be, and Owner authorizes Broker to be, named as an additional insured party on Owner's policies.
- F. Pay any late charges, penalties and/or interest imposed by lenders or other parties for failure to make payment to those parties, if the failure is due to insufficient funds in Broker's trust account available for such payment.
- G. Immediately replace any funds required if there are insufficient funds in Broker's trust account to cover Owner's responsibilities.

5. DISCLOSURE:

A. LEAD-BASED PAINT

(1) The Property was constructed on or after January 1, 1978.

OR (2) The Property was constructed prior to 1978.

(i) Owner has no knowledge of lead-based paint or lead-based paint hazards in the housing except: _____

(ii) Owner has no reports or records pertaining to lead-based paint or lead-based hazards in the housing, except the following, which Owner shall provide to Broker: _____

B. POOL/SPA DRAIN

Any pool or spa on the property does (or, does not) have an approved anti-entrapment drain cover, device or system.

6. COMPENSATION:

A. Owner agrees to pay Broker fees in the amounts indicated below for:

(1) Management: \$250 Set-up fee and 8% of monthly rents collected

(2) Renting or Leasing: 25% of Monthly rental rate with a minimum of \$250

(3) Evictions: _____

(4) Preparing Property for rental or lease: _____

(5) Managing Property during extended periods of vacancy: _____

(6) An overhead and service fee added to the cost of all work performed by, or at the direction of, Broker: 10%

(7) Other: \$50 for each renewal tenant

B. This Agreement does not include providing on-site management services, property sales, refinancing, preparing Property for sale or refinancing, modernization, fire or major damage restoration, rehabilitation, obtaining income tax, accounting or legal advice, representation before public agencies, advising on proposed new construction, debt collection, counseling, attending Owner's Association meetings or _____

If Owner requests Broker to perform services not included in this Agreement, a fee shall be agreed upon before these services are performed.

C. Broker may divide compensation, fees and charges due under this Agreement in any manner acceptable to Broker.

D. Owner further agrees that:

(1) Broker may receive and keep fees and charges from tenants for: (i) requesting an assignment of lease or sublease of the Property; (ii) processing credit applications; (iii) any returned checks and/or if checked) late payments; and (iv) any other services that are not in conflict with this Agreement.

(2) Broker may perform any of Broker's duties, and obtain necessary products and services, through affiliated companies or organizations in which Broker may own an interest. Broker may receive fees, commissions and/or profits from these affiliated companies or organizations. Broker has an ownership interest in the following affiliated companies or organizations: _____

Broker shall disclose to Owner any other such relationships as they occur. Broker shall not receive any fees, commissions or profits from unaffiliated companies or organizations in the performance of this Agreement, without prior disclosure to Owner.

(3) Other: _____

7. AGENCY RELATIONSHIPS: Broker shall act, and Owner hereby consents to Broker acting, as dual agent for Owner and tenant(s) in any resulting transaction. If the Property includes residential property with one-to-four dwelling units and this Agreement permits a tenancy in excess of one year, Owner acknowledges receipt of the "Disclosure Regarding Agency Relationships" (C.A.R. Form AD). Owner understands that Broker may have or obtain property management agreements on other property, and that potential tenants may consider, make offers on, or lease through Broker, property the same as or similar to Owner's Property. Owner consents to Broker's representation of other owners' properties before, during and after the expiration of this Agreement.

8. NOTICES: Any written notice to Owner or Broker required under this Agreement shall be served by sending such notice by first class mail or other agreed-to delivery method to that party at the address below, or at any different address the parties may later designate for this purpose. Notice shall be deemed received three (3) calendar days after deposit into the United States mail OR _____

Owner's Initials (_____) (_____)

Broker's Initials (_____) (_____)

Reviewed by _____ Date _____



9. DISPUTE RESOLUTION

A. MEDIATION: Owner and Broker agree to mediate any dispute or claim arising between them out of this Agreement, or any resulting transaction before resorting to arbitration or court action, subject to paragraph 9B(2) below. Paragraph 9B(2) below applies whether or not the arbitration provision is initiated. Mediation fees, if any, shall be divided equally among the parties involved. If, for any dispute or claim to which this paragraph applies, any party commences an action based on a dispute or claim to which this paragraph applies, without first attempting to resolve the matter through mediation, or refuses to mediate after a request has been made, then that party shall not be entitled to recover attorney fees, even if they would otherwise be available to that party in any such action. THIS MEDIATION PROVISION APPLIES WHETHER OR NOT THE ARBITRATION PROVISION IS INITIALED.

B. ARBITRATION OF DISPUTES: (1) Owner and Broker agree that any dispute or claim in law or equity arising between them regarding the obligation to pay compensation under this agreement, which is not settled through mediation, shall be decided by neutral, binding arbitration, including and subject to paragraph 9B(2) below. The arbitrator shall be a retired judge or justice, or an attorney with at least 5 years of residential real estate law experience, unless the parties mutually agree to a different arbitrator, who shall render an award in accordance with substantive California Law. The parties shall have the right to discovery in accordance with Code of Civil Procedure § 1283.05. In all other respects, the arbitration shall be conducted in accordance with Title 9 of Part III of the California Code of Civil Procedure. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction. Interpretation of this agreement to arbitrate shall be governed by the Federal Arbitration Act.

(2) EXCLUSIONS FROM MEDIATION AND ARBITRATION: The following matters are excluded from mediation and arbitration hereunder: (i) a judicial or non-judicial foreclosure or other action or proceeding to enforce a deed of trust, mortgage, or installment land sale contract as defined in Civil Code § 2985; (ii) an unlawful detainer action; (iii) the filing or enforcement of a mechanic's lien; and (iv) any matter that is within the jurisdiction of a probate, small claims, or bankruptcy court. The filing of a court action to enable the recording of a notice of pending action, for order of attachment, receivership, injunction, or other provisional remedies, shall not constitute a waiver of the mediation and arbitration provisions.

“NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE ‘ARBITRATION OF DISPUTES’ PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE ‘ARBITRATION OF DISPUTES’ PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.”

“WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE ‘ARBITRATION OF DISPUTES’ PROVISION TO NEUTRAL ARBITRATION.”

Owner's Initials _____ / _____ Broker's Initials _____ / _____

10. EQUAL HOUSING OPPORTUNITY: The Property is offered in compliance with federal, state and local anti-discrimination laws.

11. ATTORNEY FEES: In any action, proceeding or arbitration between Owner and Broker regarding the obligation to pay compensation under this Agreement, the prevailing Owner or Broker shall be entitled to reasonable attorney fees and costs from the non-prevailing Owner or Broker, except as provided in paragraph 9A.

12. ADDITIONAL TERMS: Keysafe/Lockbox Addendum (C.A.R. Form KLA); Lead-Based Paint and Lead-Based Paint Hazards Disclosure (C.A.R. Form FLD)

13. TIME OF ESSENCE; ENTIRE CONTRACT; CHANGES: Time is of the essence. All understandings between the parties are incorporated in this Agreement. Its terms are intended by the parties as a final, complete and exclusive expression of their Agreement with respect to its subject matter, and may not be contradicted by evidence of any prior agreement or contemporaneous oral agreement. If any provision of this Agreement is held to be ineffective or invalid, the remaining provisions will nevertheless be given full force and effect. Neither this Agreement nor any provision in it may be extended, amended, modified, altered or changed except in writing. This Agreement and any supplement, addendum or modification, including any copy, may be signed in two or more counterparts, all of which shall constitute one and the same writing.

Owner warrants that Owner is the owner of the Property or has the authority to execute this contract. Owner acknowledges Owner has read, understands, accepts and has received a copy of the Agreement.

Owner _____ Date June 9, 2009

Owner Investor Name Print Name _____ Social Security/Tax ID # (for tax reporting purposes) _____

Address _____ City _____ State _____ Zip _____

Telephone _____ Fax _____ E-mail _____

Owner _____ Date _____

Owner _____ Print Name _____ Social Security/Tax ID # (for tax reporting purposes) _____

Address _____ City _____ State _____ Zip _____

Telephone _____ Fax _____ E-mail _____

Real Estate Broker (Firm) Merit Rental Property Management Date June 9, 2009

By (Agent) _____ Stephen A. Brahs DRE Lic. #: 01386065

Address 1 Polaris Way Suite 100 City Aliso Viejo State CA Zip 92656

Telephone (949)448-6200 Fax (949)448-6496 E-mail sbrahs@meritpm.cpm

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Reviewed by _____ Date _____

