

RICK OTTO AND ASSOCIATES

PROPERTY MANAGEMENT AGREEMENT

In _____, California, on _____ this agreement is made by and between Rick Otto and Associates, (Its successor and assignees), hereinafter called Broker/Agent, and _____ herein after called Owner, for the management of Owner's real property(ies) known as, _____.

1. **Appointment of Broker/Agent:** Owner hereby appoints and grants Broker/Agent the exclusive right to rent, lease, operate and manage the property(ies) known as, _____ and any additional property(ies) upon the terms hereinafter set forth, commencing on _____ **and expiring 12 months later.**

At the expiration of the initial 12-month term, the agreement shall automatically convert to a month-to-month contract and may be terminated as of the last day of any month by either party, giving to the other party not less than 30 days prior written notice of intention to so terminate. **Should owner terminate the agreement within the first year, Owner agrees to pay Broker/Agent the amount equal to 50% of one month of rent or \$500.00, whichever is greater. Illegal or unethical conduct is grounds for immediate cancellation by either party.** In the event of termination of this agreement, Broker/Agent shall disburse to owner, within 60 days, the balance remaining in Owners trust account after all authorized expenses have been paid.

2. **Broker/Agent shall:**

- a. Use diligence in the performance of this Management Agreement.
- b. Render **MONTHLY** statements of receipts, expenses & charges & to remit to Owner receipts less disbursements monthly.
- c. Maintain a minimum **\$300.00 reserve in the Owner's operating account** & hold tenant security deposits in trust account. Owner accepts responsibility for penalties imposed if Owner does not return tenant security deposit upon demand by Broker/Agent.
- d. Deposit all receipts collected for Owner (less any sums properly deducted or otherwise provided herein) in a trust account in a national or state institution qualified to engage in the banking or trust business, separate from Agent's personal account. However, Broker/Agent will not be held liable in event of bankruptcy or failure of a depository.

3. **Broker/Agent is authorized and granted from Owner and agrees to perform the following:**

- a. Inspect the property and arrange needed repair and maintenance.
- b. Determine and set rental prices considered to be fair market rent, determined by market demand and one that will bring the highest yield with the least amount of vacancy;
- c. Advertise the property for rent which includes: internet advertising and displaying **"FOR RENT"** sign(s) as allowed per local law or ordinances. Broker/Agent may add an administrative fee to advertising charges to cover Broker/Agent's cost to administer the advertising program.
- d. Screen and use diligence in the selection of prospective tenants.
- e. **To require that tenants maintain a renter's insurance policy.**
- f. Sign, enter into, extend and/or terminate Rental and/or Lease Agreements on behalf of the Owner.
- g. Collect rents, deposits, and charges due from tenants.
- h. Sign and serve appropriate notices and negotiate agreements with tenants on behalf of Owner.
- i. Initiate court actions on behalf of Owner for collection on monies owed, or to recover possession of the property.
- j. Broker/Agent is further authorized to settle or compromise such actions.

4. **Security Deposits:** Broker/Agent shall collect a reasonable security deposit from tenants and hold same in a separate, non-interest bearing, trust account. **By law, Broker/Agent will retain the security deposit and dispose of it as per CA Civil Code 1950.5,** Security Deposits; within twenty one (21) days of the time the tenant vacates. Broker/Agent must return said deposit to tenants, and may only retain that portion which is actually spent for repairs (excluding normal wear and tear), cleaning, and/or fees/rent due. After tenant move out, Broker/Agent to provide Owner with a copy of the security deposit transmittal, giving a breakdown of the disbursement of the security deposit.

Rick Otto and Associates
PROPERTY MANAGEMENT AGREEMENT

Page 2

5. **Maintenance and Repairs:** Broker/Agent is authorized to and shall cause maintenance and/or repair of a routine nature to be done without Owner's prior consent provided the cost of such repairs and maintenance **does not exceed \$300.00 per repair**. In the event of an emergency that would adversely affect habitability, or cases where it is necessary to prevent damage to the life or property of others or to avoid suspension of necessary services or to avoid penalties or fines or to maintain services to the tenant as called for in their Lease/Rental Agreement, Broker/Agent shall proceed with repairs to be made at any reasonable cost after first making a reasonable attempt to contact the Owner.
6. **Priority of Monies:** Rents and charges collected from tenants shall be disbursed in the following order of priority:
 - a. Broker/Agent's fees.
 - b. Reimbursement of Broker/Agent for out-of-pocket expenses.
 - c. Payment to vendors or affiliates
 - d. Reserve account when agreed upon (paragraph 17-e)
 - e. Balance to Owner. **Note:** Until their bank pays the check from tenant, the balance sent to Owner through the Rick Otto and Associates account is not guaranteed by Broker/Agent. Reimbursement from Owner for any uncollectible returned checks shall be within five (5) days of such notification by Broker/Agent. Broker/Agent may hold a reasonable amount of money in the Owners trust account to cover expected Owner costs when a Tenant gives Notice to Vacate. This cost covers quick change of locks and other security measures. Also covers Bed Bug inspection/certification fees.
7. **Monthly Statements:** Broker/Agent shall provide itemized statement, including copies of all bills paid and mail same to Owner with any monies due the owner monthly on or before the 10th of the month.
8. **Owner's Responsibility:** Owner shall be responsible for all the following:
 - a. Payments of mortgages, taxes, liens, insurance and assessments.
 - b. Payments of water, sewer and refuse (unless otherwise agreed prior to Rick Otto and Associates taking management).
 - c. Owner shall indemnify and hold harmless Broker and all others 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 any injury or death of any person, or damage to any real and personal property of any person including the Owner for: (a) any repairs performed by the Owner or by others hired directly by Owner; or (b) those relating to the management leasing, rental, security deposit, 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.
9. **Capacity:** Owner warrants that he/she is the owner of the property and/or is authorized to enter into this agreement.
10. **Registration of Property with Proper Local Authorizes:** Owner is hereby instructed to Register said property with the proper taxing, governing body or local authority overseeing the location of the property. Sacramento County, the City of Sacramento along with Rancho Cordova have high fines for not properly registering rental properties.
11. **Reimbursement of Expenses:** Owner shall assume all cost for repairs, maintenance, alteration, court actions, utilities, etc. in connection with the property, and shall reimburse Broker/Agent for all incurred expenses. This includes advertising cost if/when the Owner terminates this agreement at any point after the Broker/Agent has just begun marketing the property for rent.
12. **Liability and Errors:** Broker/Agent shall not be liable for damages because of any errors , or for its actions except in the case of willful misconduct or gross negligence.

Rick Otto and Associates
PROPERTY MANAGEMENT AGREEMENT

Page 3

- 13. Insurance:** Owner shall carry liability insurance, at a limit of no less than \$500,000. Liability must include bodily injury, property damage, and personal injury. Owner further agrees that always during the continuance of this agreement all bodily damage and personal injury insurance carried by Owner on the property shall, without cost to Broker/Agent, extend to insure and indemnify Broker/Agent, as well as Owner, **by endorsement of such insurance coverage to specifically name Rick Otto and Associates as an additional insured.** Rick Otto and Associates is hereby authorized and specifically instructed to contact Owner's insurance agent upon execution of this agreement to request said coverage or certificate of additional insured. If insurance company is unable to comply, Owner agrees to locate a company that can comply with this paragraph.
- 14. Equal Housing Opportunity:** Owner understands that Broker/Agent will offer the property in compliance with federal, state, and local anti-discrimination laws.
- 15. Foreclosures:** If for any reason the subject property goes into foreclosure, Owner agrees to notify the Broker/Agent in writing immediately. At the sole discretion of the Broker/Agent, failure of the Owner to give written notification to Broker/Agent will be grounds for immediate termination of property management services.
- 16. Marketing and the Selling of the Property:** Negotiating with a tenant to allow a property to be marketed for sale is the responsibility of the Owner and Listing Agent/Realtor – not the Broker/Agent (property manager). Arranging for access to the property for appraisers, pest reports, etc. is also the exclusive responsibility of the Owner and Listing Agent/Realtor. Mishandling of these negotiations can cause very poor working relations with the tenant. Therefore, any dispute arising because of Owner/Listing Agent/Realtor negotiations about marketing and/or selling the property, shall be grounds, at the sole discretion of the Broker/Agent (property manager), for immediate termination of Property Management Agreement (the exceptions to this paragraph is provided for in paragraph 17-i).
- 17. Agreement to Pay Broker/Agent for the Following Services (If /when rendered):**
- a. **Tenant placement/rent-up fee: 50% the first month's rent.** This fee includes: Marketing and advertising, Showing the property, screening applicants, Negotiating the Rental Agreement, Drafting and signing of the Rental Agreement, and completing a Move-In Condition Report. No additional re-rent fee will be charged to the Owner if the tenant vacates in less than twelve (12) months after a Rental Agreement (excludes month-to-month Rental Agreements and Lease terms of less than 12 months) is signed by the Tenant. The Tenant placement/rent-up fee does not include extra or an expanded marketing/advertising campaign.
 - b. **Bill pay service fee: \$15.00 each month.** If the Broker/Agent must pay any monthly bills on behalf of the Owner. When applicable, the bill pay service fee is added to the monthly management fee.
 - c. **Monthly management fee (not including bill pay service fee): \$95.00 per month.** The Broker/Agent to provide owner current rents in the property location, ultimately monthly rent to be an amount approved by the Owner.
 - d. **Advance for actual expenses (not a fee): \$500.00** (or N/A) toward actual management and expenses to prepare the property for marketing and showing. Owner understands that the locks will be re-keyed or replaced, the house will be cleaned as needed, and the carpets will be professionally cleaned. The gas and electric service will be left/turned on and a gardener will be hired to maintain the yard until the property is rented. Any unused portion of this advance will be refunded to the Owner with the first month of rent.
 - e. **Reserve account: \$200.00.** The minimum balance left in the owner's trust account always.
 - f. **Lease renewal fee:** This is earned when Rick Otto and Associates procures an executed extension of the term of the Lease. **The charge for drafting an extension or change in the Terms for the Rental Agreement is \$75.00.**
 - g. **Annual inspection fee: \$100.00 per inspection.** (This is an interior/exterior inspection of the property and Owner does receive a copy with photos). Drive-by inspections are at no charge. Owner requested

Rick Otto and Associates
PROPERTY MANAGEMENT AGREEMENT

Page 4

interior/exterior inspections in addition to the annual inspections may be billed to owner at \$125.00 per inspection. City and County (RHIP) required inspections will be billed at \$25.00 per hour up to \$100.00.

- h. Services exceeding normal management:** (A fee to be agreed upon if any of the following is needed) In the event that the Owner shall request the Broker/Agent to undertake work exceeding that unusual to normal Property Management, then a fee shall be agreed upon for such services and paid before the work begins. (Normal Property Management does NOT include arranging or performing the following: sales work, appraisal meeting at property, structural and/or pest report inspections and/or the accompanying work, lender required work, modernization, refinancing, fire restoration, flood restoration, room additions, major remodeling/updating major rehabilitation, obtaining income tax advice, presenting petitions to planning or zoning committees, advising on proposed new construction or other counseling.)
- i. Tenant Negotiations:** A \$500.00 negotiation fee will be applied when Rick Otto and Associates is required to negotiate with the tenant over an agreement to allow the property to be marketed for sale and cooperate with the sale and escrow process (overriding Paragraph 15). This fee is waived when Rick Otto and Associates is the Listing Agent/Realtor.
- j. Late Fees, Service Notices and Application Fees:** If/when applicable, preparation and service fees for notices of default, which are served on tenant by Rick Otto and Associates, and any late and/or application fees collected, are payable to Rick Otto and Associates.
- k. Repairs and Maintenance:** Owner hereby gives to the Broker/Agent the following authority and powers (all or any of which may be exercised in the name of the Owner) and assumes responsibility for all expenses in connection here within. This is not limited to hiring, supervising and discharging all independent contractors (vendors) required for the maintenance, repairs, replacement and/or operation necessary to preserve the Premise in its present condition. Owner authorizes the compliance with all city and county inspection notices for work to be performed and all alterations required to comply with the Rental Agreement of Owner's property. Owner shall be charged and shall pay the independent contractors invoice as billed by the independent contractor. Any referral fees are paid directly to Rick Otto and Associates and never to exceed 10% of invoice costs. Broker/Agent shall not be responsible for the acts, defaults, or negligence of the independent contractors. **Emergency Repairs more than the maximum, if, in the opinion of the Broker/Agent such repairs are necessary to protect from damage or to maintain services to the tenant as called for by their tenancy.**
- l. Disclosure regarding compensation from Banking Institution:** In order to provide full disclosure regarding all financial arrangements involving this transaction, please be aware that our bank may or may not compensate us by offsetting the cost of normal banking and accounting services as consideration for our Company and Trust account balances being on deposit.
- m.** These fees may be modified automatically by giving Owner thirty-day notice of the modification/change. In the event Owner does not accept the modification, Owner may terminate this agreement in writing. A non-written termination will and does constitute acceptance of any modification/change in terms.

18. DISPUTE RESOLUTION:

- (a) **Mediation.** Owner and Broker/Agent agree to mediate any dispute, claim or controversy arising between them regarding the terms of this agreement, or any resulting transaction, before resorting to arbitration or court action, subject to Paragraph 18(b)-2. 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 attorneys' fees, even if they would otherwise be available to that party in any such action.
- (b) **Arbitration of Disputes.**
 - 1. **Arbitration.** Owner and Broker/Agent agree that any dispute, claim or controversy arising between them regarding the terms of this agreement which is not settled by mediation, shall be decided by neutral, binding arbitration, including and subject to Paragraph 18(b)-2. The arbitrator shall be a retired judge or justice, or an attorney with at least five (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

Rick Otto and Associates
PROPERTY MANAGEMENT AGREEMENT

in accordance with California 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. The parties covenant that they will participate in the proceedings in good faith, and that they will share equally in its costs, including, without limitation, the arbitrator's fees, provided that each party shall bear its own attorneys' fees in connection with any arbitration. The provisions of this paragraph may be enforced by any court of competent jurisdiction, and, in the event that the arbitration process continues through and including final determination of liability in accordance with this provision, the prevailing party shall be entitled to an award of all costs, fees and expenses, including reasonable attorneys' fees, to be paid by the party against whom enforcement is ordered. Judgment upon the reward of the arbitrator(s) may be entered in any court of competent 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 California 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 hereof.
3. **NOTICE:** BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ALL DISPUTES, CLAIMS OR CONTROVERSIES ARISING OUT OF OR RELATING TO THE PROPERTY MANAGEMENT AGREEMENT DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW, AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THOSE MATTERS LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, EXCEPT TO THE EXTENT THAT THEY ARE SPECIFICALLY PROVIDED FOR UNDER THIS AGREEMENT. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER FEDERAL OR STATE LAW. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

We have read and understand the foregoing and agree to submission of all disputes, claims or controversies arising out of or relating to this agreement to neutral arbitration in accordance with this agreement.

Owner's initials

Broker/Agent's initials

19. GENERAL PROVISIONS: Every term herein contained shall be deemed a condition hereof. Waiver by Broker/Agent of any term of this agreement shall not constitute a waiver of subsequent terms. No oral agreements have been entered into between Owner and Broker/Agent.

20. EVICTION PROTECTION: In the event any Tenant procured and placed by Rick Otto and Associates under any Rental Agreement or Month-to-Month Agreement shall default in the payment of rent, or default on any other material provision of such lease, or shall hold over in possession for longer than the lease term stated in any such lease, Rick Otto and Associates shall have the right and sole discretion to institute legal proceedings for eviction, unlawful detainer or other civil action against such Renter, and all other persons occupying the property, in Owner's name, place and stead. Included in this agreement is Rick Otto and Associates **Eviction Protection Program:** Up to \$795.00 in the aggregate for all Notice and Appearance Fees, attorney fees, court costs, and legal costs; except that Rick Otto and Associates shall not be responsible for any such costs or fees in the event either (a) that such Renter shall demand jury trial, (b) that such Renter has committed an unlawful act at the property or (c) that such Renter shall make a counterclaim against Owner.

Owner is accepting this service: _____ (initials)

Rick Otto and Associates
PROPERTY MANAGEMENT AGREEMENT

Page 6

21. SUCCESSION: This Agreement shall be binding upon the successors and/or assignees of the Broker/Agent, and the heirs, administrators, executors, successors and assignees of the Broker/Owner.

22. NOTICE: If it shall become necessary for Broker/Agent or Owner to give notice of any kind, the same shall be written and served by sending such notice by regular mail to the address as shown under the signatures below.

Owner's signature hereon constitutes Owner's acceptance of the terms hereof. The undersigned acknowledges that they have read and understand this Agreement and have received copies hereof.

OWNER Signature(s):

BROKER/AGENT Signature:

X _____

(Signature)

(Print) (date)

X _____

(Signature)

(Print) (date)

Owner Mailing Address:

Rick Otto, Owner/Broker LIC#00793181

Rick Otto and Associates
2751 American River Dr
Sacramento, CA 95864

Phone: (916) 484.0955

Fax: (916) 486.4114

Cell: (916) 769.1049

EMAIL: rick@rickotto.com

Owner email: _____

Home Ph: _____

Work Ph: _____

Cell Ph: _____
